



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2018 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 978 680 860
Organisasjonsform: Aksjeselskap
Foretaksnavn: REICHHOLD NORWAY AS
Forretningsadresse: Lilleborggata 4
1630 GAMLE FREDRIKSTAD

Regnskapsår

Årsregnskapets periode: 01.01.2018 - 31.12.2018

Konsern

Mørselskap i konsern: Ja
Konsernregnskap lagt ved: Ja

Regnskapsregler

Regler for små foretak benyttet: Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: Regnskapslovens alminnelige regler
Benyttet ved utarbeidelsen av årsregnskapet til konsernet: -

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Marianne Nerlie
Dato for fastsettelse av årsregnskapet: 28.06.2019

Grunnlag for avgivelse

År 2018: Årsregnskapet er elektronisk innlevert
År 2017: Tall er hentet fra elektronisk innlevert årsregnskap fra 2018

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 01.09.2020



Resultatregnskap

Beløp i: NOK	Note	2018	2017
RESULTATREGNSKAP			
Kostnader			
Annen driftskostnad	2	54 019	180 148
Sum kostnader		54 019	180 148
Driftsresultat		-54 019	-180 148
Finansinntekter og finanskostnader			
Annen renteinntekt		256 517	161 795
Annen finansinntekt		730 962	428
Sum finansinntekter		987 479	162 222
Annen rentekostnad			157
Annen finanskostnad			764 521
Sum finanskostnader			764 678
Netto finans		987 479	-602 456
Ordinært resultat før skattekostnad		933 460	-782 603
Skattekostnad på ordinært resultat	6		
Ordinært resultat etter skattekostnad		933 460	-782 603
Årsresultat		933 460	-782 603
Årsresultat etter minoritetsinteresser		933 460	-782 603
Totalresultat		933 460	-782 603
Overføringer og disponeringer			
Overføringer til/fra annen egenkapital	5	933 460	-782 603
Sum overføringer og disponeringer		933 460	-782 603



Balanse

Beløp i: NOK	Note	2018	2017
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	6		
Finansielle anleggsmidler			
Investering i annet foretak i samme konsern	3	257 454 757	257 454 757
Sum finansielle anleggsmidler		257 454 757	257 454 757
Sum anleggsmidler		257 454 757	257 454 757
Omløpsmidler			
Varer			
Fordringer			
Andre fordringer		27 507	35 644
Konsernfordringer	7	13 206 740	12 472 978
Sum fordringer		13 234 247	12 508 622
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende		129 821	14 403
Sum bankinnskudd, kontanter og lignende		129 821	14 403
Sum omløpsmidler		13 364 068	12 523 025
SUM EIENDELER		270 818 825	269 977 782
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	4, 5	228 762 000	228 762 000
Overkurs	5	38 033 393	38 033 393
Sum innskutt egenkapital		266 795 393	266 795 393



Balanse

Beløp i: NOK	Note	2018	2017
Opptjent egenkapital			
Annen egenkapital	5	4 015 325	3 081 865
Sum opptjent egenkapital		4 015 325	3 081 865
Sum egenkapital		270 810 719	269 877 259
Gjeld			
Langsiktig gjeld			
Utsatt skatt	6		
Annen langsiktig gjeld			
Sum langsiktig gjeld		0	0
Kortsiktig gjeld			
Betalbar skatt	6		
Annen kortsiktig gjeld		8 106	100 524
Sum kortsiktig gjeld		8 106	100 524
Sum gjeld		8 106	100 524
SUM EGENKAPITAL OG GJELD		270 818 825	269 977 782



Årsregnskap 2018 Reichhold Norway AS

Resultatregnskap
Balanse
Kontantstrøm
Noter til regnskapet

Org.nr.: 978 680 860



Resultatregnskap

Reichhold Norway AS

Driftsinntekter og driftskostnader	Note	2018	2017
Annen driftskostnad	2	54 019	180 148
Sum driftskostnader		54 019	180 148
Driftsresultat		-54 019	-180 148
Finansinntekter og finanskostnader			
Annen renteinntekt		256 517	161 795
Annen finansinntekt		730 962	428
Annen rentekostnad		0	157
Annen finanskostnad		0	764 521
Resultat av finansposter		987 479	-602 456
Ordinært resultat før skattekostnad		933 460	-782 603
Årsresultat		933 460	-782 603
Overføringer			
Overført fra/til annen egenkapital	5	-933 460	782 603
Sum overføringer		933 460	-782 603



Balanse

Reichhold Norway AS

Eiendeler	Note	2018	2017
Finansielle driftsmidler			
Investeringer i annet foretak i samme konsern	3	257 454 757	257 454 757
Sum finansielle anleggsmidler		<u>257 454 757</u>	<u>257 454 757</u>
Sum anleggsmidler		<u>257 454 757</u>	<u>257 454 757</u>
Omløpsmidler			
Fordringer			
Andre kortsiktige fordringer		27 507	35 644
Konsernfordringer	7	13 206 740	12 472 978
Sum fordringer		<u>13 234 247</u>	<u>12 508 622</u>
Bankinnskudd, kontanter o.l.		129 821	14 403
Sum omløpsmidler		<u>13 364 068</u>	<u>12 523 025</u>
Sum eiendeler		<u>270 818 825</u>	<u>269 977 782</u>



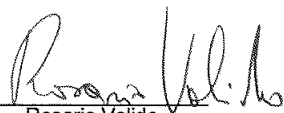
Balanse

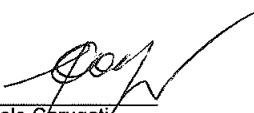
Reichhold Norway AS

Egenkapital og gjeld	Note	2018	2017
Innskutt egenkapital			
Aksjekapital	4, 5	228 762 000	228 762 000
Overkurs	5	38 033 393	38 033 393
Sum innskutt egenkapital		266 795 393	266 795 393
Opptjent egenkapital			
Annen egenkapital	5	4 015 325	3 081 865
Sum opptjent egenkapital		4 015 325	3 081 865
Sum egenkapital		270 810 719	269 877 259
Gjeld			
Kortsiktig gjeld			
Annen kortsiktig gjeld		8 106	100 524
Sum kortsiktig gjeld		8 106	100 524
Sum gjeld		8 106	100 524
Sum egenkapital og gjeld		270 818 825	269 977 782

Fredrikstad, 28.06.2019

Styret i Reichhold Norway AS


Rosario Valido
styreleder


Paolo Carugati
styremedlem


Alberto Carpani
styremedlem


Marianne Nerlie
styremedlem



Indirekte kontantstrøm

Reichhold Norway AS

	Note	2018	2017
Kontantstrømmer fra operasjonelle aktiviteter			
Resultat før skattekostnad		933 460	-782 603
Endring i andre tidsavgrensningsposter		-84 280	26 433
Netto kontantstrøm fra operasjonelle aktiviteter		849 180	-756 171
Kontantstrømmer fra finansieringsaktiviteter			
Endring mellomværende konsernkontosystem		-733 762	603 715
Netto kontantstrøm fra finansieringsaktiviteter		-733 762	603 715
Netto endring i kontanter og kontantekvivalenter		115 418	-152 456
Beh. av kont. og kontantekvivalenter ved per. begynnel:		14 403	166 859
Beh. av kont. og kontantekvivalenter ved per. slutt		129 821	14 403



Reichhold Norway AS

Note 1 Regnskapsprinsipper

Årsregnskapet er satt opp i samsvar med regnskapsloven av 1998 og god regnskapsskikk i Norge.

Hovedregel for vurdering og klassifisering av eiendeler og gjeld

Eiendeler bestemt til varig eie eller bruk er klassifisert som anleggsmidler. Andre eiendeler er klassifisert som omløpsmidler. Fordringer som skal tilbakebetales innen et år er klassifisert som omløpsmidler. Ved klassifisering av kortsiktig og langsiktig gjeld er tilsvarende kriterier lagt til grunn. Omløpsmidler er vurdert til laveste av anskaffelseskost og virkelig verdi. Kortsiktig gjeld og annen langsiktig gjeld er vurdert til pålydende beløp.

Valuta

Pengeposter i utenlandsk valuta er i balansen omregnet til balansedagens kurs. Urealisert valutagevinst / tap pr. 31.12.18 er resultatført som andre finansinntekter / kostnader.

Aksjer i datterselskap

Investeringer i datterselskaper er balanseført til anskaffelseskost. Investeringene blir nedskrevet til virkelig verdi dersom verdifallet ikke er forbigående. Mottatt utbytte og konsernbidrag fra datterselskapene er inntektsført som annen finansinntekt. Tilsvarende gjelder for investeringer i tilknyttede selskaper.

Fordringer

Kundefordringer og andre fordringer er oppført til pålydene etter fradrag for avsetning for forventet tap. Avsetning til tap gjøres på grunnlag av en individuell vurdering av de enkelte fordringene.

Bankinnskudd, kontanter og lignende

Bankinnskudd, kontanter ol. inkluderer kontanter, bankinnskudd og andre betalingsmidler med forfallsdato som er kortere enn tre måneder fra anskaffelse.

Kostnader

Kostnader regnskapsføres som hovedregel i samme periode som tilhørende inntekt. Kostnader som ikke sammenstilles kostnadsføres når de påløper. Øvrige unntak fra sammenstillingsprinsippet er angitt der det er aktuelt.

Skatter

Skattekostnaden sammenstilles med regnskapsmessig resultat for skatt. Skatt knyttet til egenkapitaltransaksjoner er ført mot egenkapitalen. Skattekostnaden består av betalbar skatt (skatt på årets direkte skattepliktige inntekt) og endring i netto utsatt skatt. Utsatt skatt og utsatt skattefordel er ikke presentert i balansen av forsiktighetshensyn.

Konsernet

Det blir ikke utarbeidet eget konsernregnskap for Reichhold Norway AS, da selskapet inngår i konsernregnskapet til Specialty Chemical International BV, The Netherlands. Konsernregnskapet kan fåes ved henvendelse til denne adresse.



Reichhold Norway AS

Note 2 Godtgjørelser

Godtgjørelse til KPMG AS inklusive mva fordeler seg slik:

	2018	2017
Lovpålagt revisjon	29 000	38 000
Skatterådgivning	0	0
Andre tjenester	42 949	11 000

Det er ikke utbetalt styrehonorarer.

Det er ingen ansatte i selskapet.

Note 3 Investering i datterselskap

Tall i hele tusen

Selskap	Anskaffelses- tidspunkt	Forretningskontor	Stemme og eierandel	Egenkapital 31.12.2018	Resultat 2018
Reichhold AS	11.07.1997	Sandefjord	100 %	232 098	13 772
Reichhold Danmark AS	01.09.1997	København	100 %	45 111	2 215
Reichhold GmbH	01.09.1997	Hamburg	100 %	29 244	10
Reichhold BV	01.09.1997	Rotterdam	100 %	-7 730	-566

Note 4 Aksjekapital og aksjonærinformasjon

Aksjekapitalen i selskapet pr 31.12.2018 består av en aksjeklasse:

	Antall	Pålydende	Bokført verdi
Ordinære aksjer	228 762	1 000	228 762 000
Sum aksjer	228 762		228 762 000

Eierstruktur

Samtlige aksjer eies av Reichhold Holdings International BV, Nederland. Det eksisterer ingen bestemmelser i vedtektene om begrensninger i stemmerett. Hver aksje teller en stemme.

Note 5 Egenkapital

	Aksjekapital	Overkurs	Annen EK	Sum
Egenkapital 1. jan	228 762 000	38 033 393	3 081 865	269 877 259
Årets resultat			933 460	933 460
Egenkapital 31. des	228 762 000	38 033 393	4 015 325	270 810 719



Reichhold Norway AS

Note 6 Skatt

Årets skattekostnad	2018	2017
Resultatført skatt på ordinært resultat:		
Betalbar skatt	0	0
Endring i utsatt skattefordel	0	0
Skattekostnad ordinært resultat	0	0
Skattepliktig inntekt:		
Ordinært resultat før skatt	933 460	-782 603
Permanente forskjeller	0	0
Endring i midlertidige forskjeller	-8 330	-3 000
Anvendelse av fremførbart underskudd	-925 130	0
Skattepliktig inntekt	0	-785 603
Betalbar skatt i balansen:		
Betalbar skatt på årets resultat	0	0
Sum betalbar skatt i balansen	0	0

Skatteeffekten av midlertidige forskjeller og underskudd til fremføring som har gitt opphav til utsatt skatt og utsatte skattefordeler, spesifisert på typer av midlertidige forskjeller:

	2018	2017	Endring
Andre forskjeller	-30 670	-39 000	-8 330
Sum	-30 670	-39 000	-8 330
Akkumulert fremførbart underskudd	-9 396 666	-10 321 796	-925 130
Ubenyttet utbyttegodtgjørelse	-22 328 655	-21 357 843	970 811
Inngår ikke i beregningen av utsatt skatt	31 755 991	31 718 640	-37 351
Grunnlag for beregning av utsatt skatt	0	0	0
Utsatt skattefordel (22 % / 23 %)	0	0	0
Effekt av endring av skattesats			

I henhold til god regnskapsskikk balanseføres ikke utsatt skattefordel.



Reichhold Norway AS

Note 7 Konsernmellomværende

	<u>2018</u>	<u>2017</u>
Andel konsernkontosystem	13 206 740	12 472 978



Reichhold Norway A/S

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Årsberetning / Management Report 2018

Virksomhetens art

Reichhold Norway AS er et holdingselskap hvis datterselskap med underliggende selskaper utvikler, produserer og selger umettet polyester, gelcoat og relaterte produkter til kompositt industrien i Europa og Midtøsten. Konsernet har et produksjonsanlegg i Fredrikstad i Norge som ivaretas av konsernselskapet Reichhold AS. Selskapet har forretningsadresse i Fredrikstad.

Redegjørelse for årsregnskapet

Årsoppgjøret er avlagt under forutsetning om fortsatt drift. Til grunn for antagelsen ligger resultatprognoser for år 2019 og konsernets langsiktige strategi.

Det blir ikke utarbeidet eget konsernregnskap for Reichhold Norway AS, da selskapet inngår i konsernregnskapet til Specialty Chemical International B.V., registrert i Nederland.

Selskapets årsresultat i 2018 ble TNOK 933 mot TNOK -783 i 2017. Resultatet består hovedsakelig av renter og urealisert agio på bankmidler. Totalkapitalen utgjorde ved årets utgang TNOK 270,818 mot TNOK 269,978 i 2017. Egenkapitalandelen var 99.9%, uendret fra 2017. Kontantstrøm fra operasjonell drift ble TNOK 849 mot TNOK -756 i 2017. Likviditetsrisiko anses lav og siden selskapet ikke driver egen virksomhet eksisterer ingen eksponering mot kredittrisiko.

Etter styrets oppfatning gir årsregnskapet en rettvise oversikt over utvikling og resultat av foretakets virksomhet og dets stilling pr. 31.12.2018. Det har ikke inntruffet forhold av vesentlig betydning for stilling og resultat etter regnskapsårets slutt.

Personale

Selskapet har ingen ansatte. Konsernet har som målsetning å være en arbeidsplass der det råder full likestilling og hvor alle har samme muligheter uavhengig av kultur og etnisk bakgrunn.

Principal activity

Reichhold Norway AS is a holding company with subsidiaries that develop, manufacture and sell unsaturated polyester resins and gelcoats to the composite industry in Europe and the Middle East. The group has a production site in Fredrikstad, Norway which is managed by the subsidiary Reichhold AS. The company's business address is Fredrikstad.

The accounts

The annual accounts are made based on the assumption of continued operations. The basis for the assumption is the budget for 2019 and the group's long term strategy.

Reichhold Norway AS does not prepare group accounts since the company is included in the consolidated financial statements of Specialty Chemical International B.V., registered in The Netherlands.

The year 2018 resulted in a profit of TNOK 933 against TNOK -783 in 2017. The profit is mainly interest income and unrealized gain on bank funds. Total capital at year end was TNOK 270,818 against TNOK 269,978 in 2017. The equity ratio was 99.9 %, unchanged from 2017. Cash flow from operating activities was TNOK 849 against TNOK -756 in 2017. The liquidity risk is considered to be low and the company is not exposed to credit risk.

In the opinion of the board, the annual accounts present fairly the company's development and position as of 31 December 2018. No events have occurred after the balance sheet date to this date, which would materially influence the evaluation of this management report.

Personell

The company has no employees. The Group aims to be a workplace with equal opportunities across cultural, ethnic and gender divides.



Reichhold Norway A/S

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Miljørapportering

Selskapet forurensar ikke det ytre miljø, men konsernets produksjonsanlegg i Norge er konsesjonsbelagt når det gjelder utslipp til vann og luft. Dette er nærmere omtalt i årsberetningen til Reichhold AS.

Fremtidig utvikling

Det europeiske komposittmarkedet fortsatte å vokse i 2018 og inn i 2019.

Selskapet risiko er i hovedsak knyttet til utviklingen i datterselskapene.

I mai 2017 fullførte Reichhold konsernet en fusjon med Polynt Group. Det nye konsernet Polynt-Reichhold Group er et globalt selskap innen Intermediates, Coating og Composite Resins, Thermoset Compounds, Gel-coats og nisjespesialiteter med inntekter på mer enn 2 milliarder €.

Selskapet er indirekte eiet/kontrollert av Speciality Chemicals International Ltd, som er likeverdig eiet av et indirekte datterselskap av Investindustrial V L.P. og Black Diamond Capital Management, sammen med andre aksjonærer med minoritetsandeler.

Som en del av fusjonen ble det foretatt en omorganisering i den norske delen av virksomheten. fra 1. november 2017. Reichhold's forskningsavdeling og salgsaktiviteter ble overført til det nyopprettede selskapet Polynt Composites Norway AS, med forretningsadresse Sandefjord. Reichhold AS ble dermed et rendyrket produksjonsselskap.

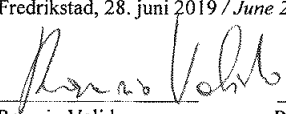
I oktober 2018 ble det besluttet å nedbemanne FOU avdelingen og stenge virksomheten i Sandefjord for å flytte selskapet til Reichhold's fabrikkbygg i Fredrikstad. Flytteprosjektet ble avsluttet 1. juni 2019

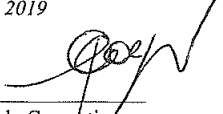
Disponering av resultat

Styret i Reichhold Norway AS foreslår følgende disponering av årsresultatet på NOK 933 460:

Overført til annen egenkapital: NOK 933 460

Fredrikstad, 28. juni 2019 / June 28 2019


Rosario Validó
Styreleder/Chairman


Paolo Carugati
Board member

Environmental reporting

The company does not pollute the environment. The company's subsidiary with production site in Norway is subject to licenses regarding industrial effluents into water and air. This is further mentioned in the management report of Reichhold AS.

Development in activities and finances

The European Composites market continued to grow through 2018 and into 2019.

The company's risk is mainly related to the development of the subsidiaries.

In May 2017, The Reichhold Group completed a business combination with the Polynt Group. The new Polynt-Reichhold Group is a global company in the Intermediates, Coating and Composite Resins, Thermoset Compounds, Gel-coats and niche Specialties with more than €2 billion in revenues.

The Company is indirectly wholly held/controlled by Speciality Chemicals International Ltd., itself equally held by an indirect subsidiary of Investindustrial V L.P. and Black Diamond Capital Management, with other shareholders holding minority positions.

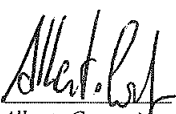
As part of the merger, a reorganization took place in the Norwegian part of the business from November 1, 2017. Reichhold's research department and sales activities in Sandefjord were transferred to the newly created company Polynt Composites Norway AS, located in Sandefjord.. Reichhold AS is a unmitigated production company.

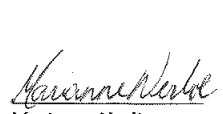
In October 2018, it was decided to downsize the R&D department and close down the facility in Sandefjord to move the company to Reichhold's production facility in Fredrikstad. The moving process was completed 1st of June 2019.

Allocation of the result

The Board in Reichhold Norway AS proposes the following distribution of the year-end profit of NOK 933 460:

Transferred to retained earnings: NOK 933 460


Alberto Carpani
Board member


Marianne Nerlie
Board member



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3241 Sandefjord

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Til generalforsamlingen i Reichhold Norway AS

Uavhengig revisors beretning

Uttalelse om revisjonen av årsregnskapet

Konklusjon

Vi har revidert Reichhold Norway AS' årsregnskap som viser et overskudd på kr 933 460. Årsregnskapet består av balanse per 31. desember 2018, resultatregnskap og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen og noteopplysninger til årsregnskapet, herunder et sammendrag av viktige regnskapsprinsipper.

Etter vår mening er det medfølgende årsregnskapet avgitt i samsvar med lov og forskrifter og gir et rettvisende bilde av selskapets finansielle stilling per 31. desember 2018, og av dets resultater og kontantstrømmer for regnskapsåret avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge.

Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder de internasjonale revisjonsstandardene International Standards on Auditing (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet i Revisors oppgaver og plikter ved revisjon av årsregnskapet. Vi er uavhengige av selskapet slik det kreves i lov og forskrift, og har overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Andre forhold

Selskapets årsregnskap er avlagt etter utløpet av lovens frist for avleggelse av årsregnskap.

Øvrig informasjon

Ledelsen er ansvarlig for øvrig informasjon. Øvrig informasjon omfatter informasjon i årsrapporten bortsett fra årsregnskapet og den tilhørende revisjonsberetningen.

Vår uttalelse om revisjonen av årsregnskapet dekker ikke øvrig informasjon, og vi attesterer ikke den øvrige informasjonen.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese øvrig informasjon med det formål å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom øvrig informasjon og årsregnskapet, kunnskap vi har opparbeidet oss under revisjonen, eller hvorvidt den tilsynelatende inneholder vesentlig feilinformasjon.

Dersom vi konkluderer med at den øvrige informasjonen inneholder vesentlig feilinformasjon er vi pålagt å rapportere det. Vi har ingenting å rapportere i så henseende.

KPMG AS is a Norwegian limited liability company and member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Statsautoriserte revisorer - medlemmer av Den norske Revisortekning

Offices in

<small>Oslo</small>	<small>Liverpool</small>	<small>Moscow</small>	<small>Stockholm</small>
<small>Ås</small>	<small>Fukuoka</small>	<small>Norfolk</small>	<small>Strasbourg</small>
<small>Århus</small>	<small>Hamburg</small>	<small>Osaka</small>	<small>Toronto</small>
<small>Berlin</small>	<small>Brønnøysund</small>	<small>Sandefjord</small>	<small>Trondheim</small>
<small>Bombay</small>	<small>København</small>	<small>Sandnessjøen</small>	<small>Tyngst</small>
<small>Chennai</small>	<small>Kragerø</small>	<small>Stavanger</small>	<small>Ålesund</small>



Styrets ansvar for årsregnskapet

Styret (ledelsen) er ansvarlig for å utarbeide årsregnskapet i samsvar med lov og forskrifter, herunder for at det gir et rettviseende bilde i samsvar med regnskapslovens regler og god regnskapsskikk i Norge. Ledelsen er også ansvarlig for slik internkontroll som den finner nødvendig for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil.

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet så lenge det ikke er sannsynlig at virksomheten vil bli avvirket.

Revisors oppgaver og plikter ved revisjonen av årsregnskapet

Vårt mål med revisjonen er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, alltid vil avdekke vesentlig feilinformasjon som eksisterer. Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon blir vurdert som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke økonomiske beslutninger som brukerne foretar basert på årsregnskapet.

Som del av en revisjon i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, utøver vi profesjonelt skjønn og utviser profesjonell skepsis gjennom hele revisjonen. I tillegg:

- identifiserer og anslår vi risikoen for vesentlig feilinformasjon i regnskapet, enten det skyldes misligheter eller utilsiktede feil. Vi utformer og gjennomfører revisjonshandlinger for å håndtere slike risikoer, og innhenter revisjonsbevis som er tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon. Risikoen for at vesentlig feilinformasjon som følge av misligheter ikke blir avdekket, er høyere enn for feilinformasjon som skyldes utilsiktede feil, siden misligheter kan innebære samarbeid, forfalskning, bevisste utelatelser, uriktige fremstillinger eller overstyring av internkontroll.
- opparbeider vi oss en forståelse av den interne kontroll som er relevant for revisjonen, for å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av selskapets interne kontroll.
- evaluerer vi om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapsestimaterne og tilhørende noteopplysninger utarbeidet av ledelsen er rimelige.
- konkluderer vi på hensiktsmessigheten av ledelsens bruk av fortsatt drift-forutsetningen ved avleggelsen av regnskapet, basert på innhentede revisjonsbevis, og hvorvidt det foreligger vesentlig usikkerhet knyttet til hendelser eller forhold som kan skape tvil av betydning om selskapets evne til fortsatt drift. Dersom vi konkluderer med at det eksisterer vesentlig usikkerhet, kreves det at vi i revisjonsberetningen henleder oppmerksomheten på tilleggsopplysningene i regnskapet, eller, dersom slike tilleggsopplysninger ikke er tilstrekkelige, at vi modifierer vår konklusjon om årsregnskapet. Våre konklusjoner er basert på revisjonsbevis innhentet inntil datoen for revisjonsberetningen. Etterfølgende hendelser eller forhold kan imidlertid medføre at selskapet ikke fortsetter driften.
- evaluerer vi den samlede presentasjonen, strukturen og innholdet, inkludert tilleggsopplysningene, og hvorvidt årsregnskapet representerer de underliggende transaksjonene og hendelsene på en måte som gir et rettviseende bilde.

Vi kommuniserer med styret blant annet om det planlagte omfanget av revisjonen og til hvilken tid revisjonsarbeidet skal utføres. Vi utveksler også informasjon om forhold av betydning som vi har avdekket i løpet av revisjonen, herunder om eventuelle svakheter av betydning i den interne kontrollen.



Revisors beretning - 2018
Reichhold Norway AS

Uttalelse om andre lovmessige krav

Konklusjon om registrering og dokumentasjon

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, og kontrollhandlinger vi har funnet nødvendig i henhold til internasjonal standard for attestasjonsoppdrag (ISAE) 3000

«Attestasjonsoppdrag som ikke er revisjon eller forenklet revisorkontroll av historisk finansiell informasjon», mener vi at ledelsen har oppfylt sin plikt til å sørge for ordentlig og oversiktlig registrering og dokumentasjon av selskapets regnskapsopplysninger i samsvar med lov og god bokførings-skikk i Norge.

Andre forhold

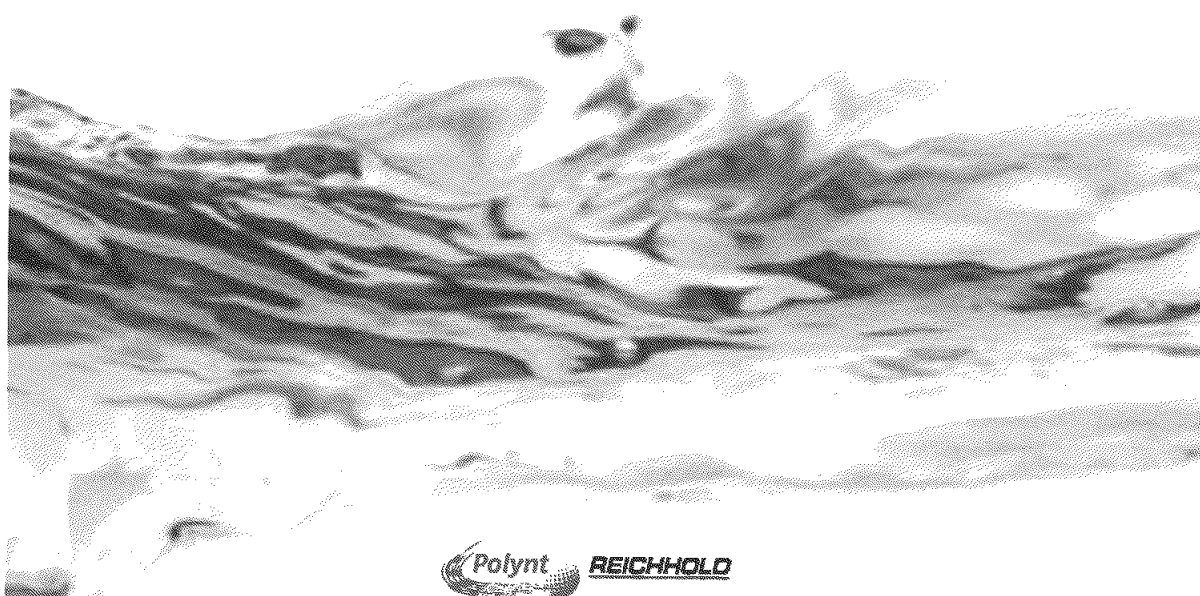
Denne beretning erstatter tidligere avgitt beretning, datert 30.06.2019, som ble avgitt ved utløpet av lovens frist for avholdelse av generalforsamling. Fullstendig årsregnskap var på dette tidspunkt ikke avgitt av styret.

Sandefjord, 5. juli 2019
KPMG AS

John Thomas Sørhaug
Statsautorisert revisor



Specialty Chemicals International BV Annual Report 2018







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Company officers

<i>Managing Director</i>	Kurt Theo Eckart Vogler
<i>Managing Director</i>	Gerard Matthijs Verheij
<i>Managing Director</i>	Zin Man Ho

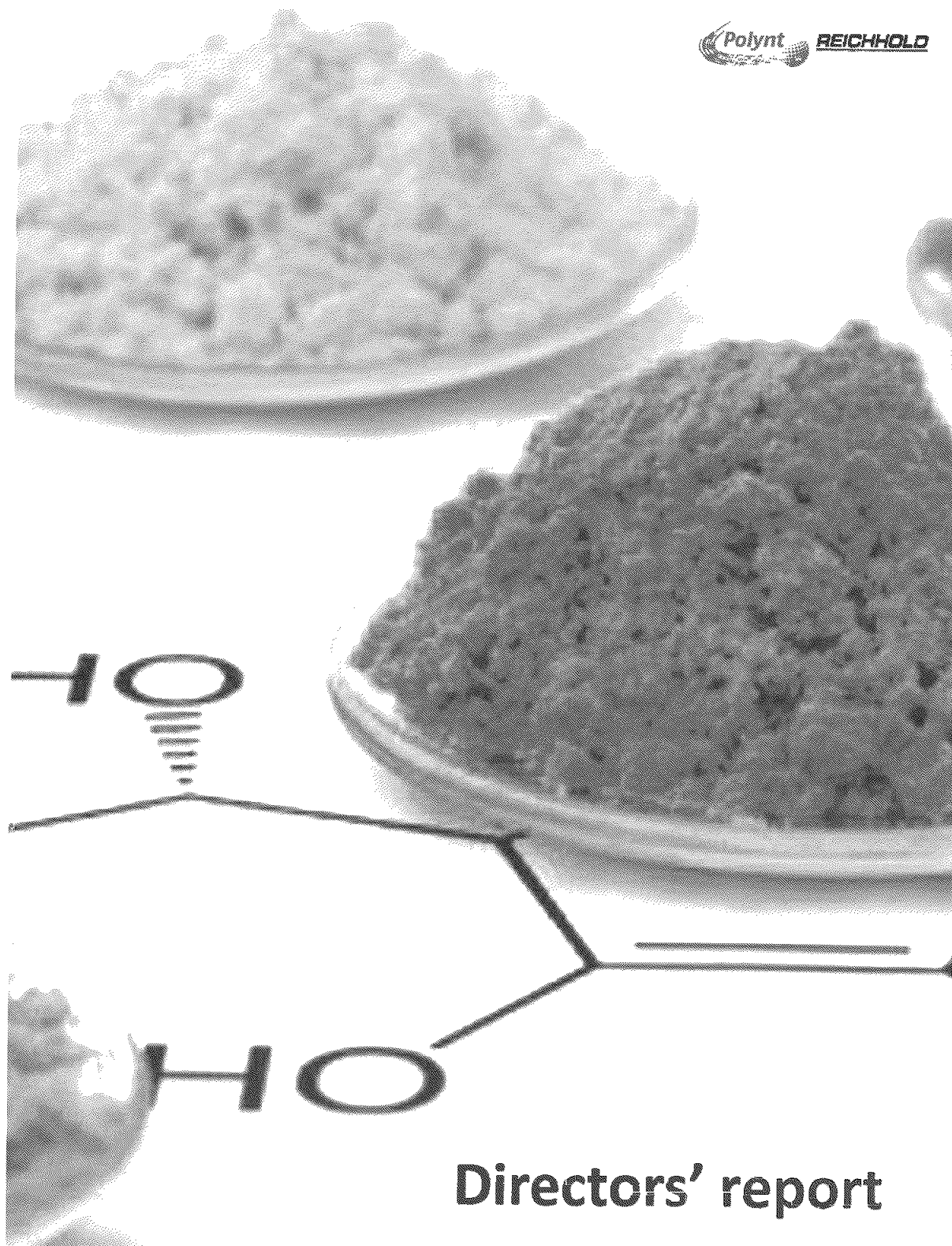
The Director Kurt Theo Eckart Vogler was appointed during 2016 for an indefinite period of time.

On 18th December 2018 Gerard Matthijs Verheij and Zin Man Ho were appointed as **managing directors** with effect 1st January 2019 for an indefinite period of time. On the same date it was approved the resignation of Mr. A. Doppenberg.

Independent auditors

KPMG Accountants N.V. with registered office in Amsterdam, the Netherlands. The audit engagement ends with the approval of financial statements as of and for the year ended December 31st, 2018.







Director's Discussion and Analysis of Financial Condition and Results of Operations

Readers should read the following *“Director's Discussion and Analysis of Financial Condition and Results of Operations”* together with the additional financial information contained elsewhere in this financial report including the consolidated financial statements and the related notes thereto. Our historical results are not necessarily indicative of the results to be expected in the future.

All of the financial data presented in the text and tables below are shown in thousands of Euro, except as otherwise stated. Certain financial data (including percentages) in the following tables have been rounded according to established commercial standards. This may lead to individual numbers presented throughout this report not adding up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

These consolidated financial statements have been prepared in accordance with IFRS endorsed by the European Union and the Title 9 of the Netherland Civil Code.

Directors' report

The Directors of the Company hereby present their report for the financial year ended on 31 December 2018.

General information

Specialty Chemicals International B.V. (the "Parent" or "Reporting entity") is domiciled in the Netherlands with its statutory seat in Amsterdam and its place of business at Lichtenauerlaan 102, 3062 ME, Rotterdam, the Netherlands. These consolidated financial statements are comprised of the Parent and its subsidiaries and together referred to as the "Group". The Parent is wholly held/controlled by Specialty Chemicals International Ltd., itself equally held by an indirect subsidiary of Investindustrial V L.P. ("Investindustrial") and Black Diamond Capital Management ("Black Diamond"), with other shareholders holding minority positions.

Polynt – Reichhold business combination

On May 17th, 2017 Polynt Group ("Polynt") and Reichhold Group ("Reichhold") agreed to combine their businesses to form a global vertically integrated specialty chemical operation.

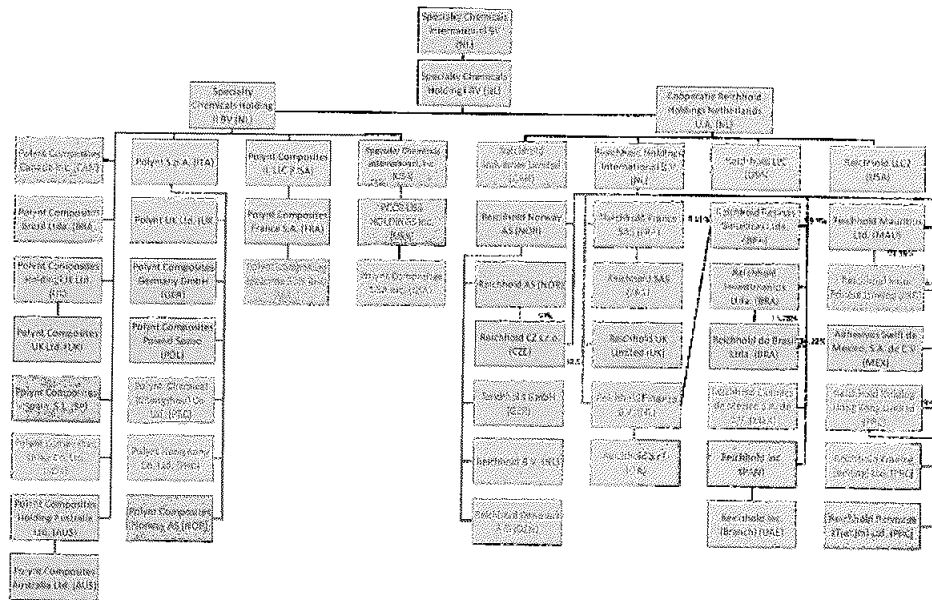
The following changes to the Group's companies were completed during 2018:

- Polynt Iberica S.L. was liquidated on July 31st, 2018, resulting in the Spanish subsidiary's termination;
- on November 14th, 2018 the notarial deed for the merger of Polimeri Speciali Holding S.p.A. into Polynt S.p.A. has been executed, the relevant effective date occurred on November 26th, 2018;
- Polynt Group Holding Inc. was liquidated on November 30th, 2018, resulting in the American subsidiary's termination.

After giving effect to the transactions described above, the revised Group structure as at December 31st, 2018 is as follows:



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Presentation of Financial Information

The control date for the new Group was May 17th, 2017 with May 31st, 2017 used as the date to account for the acquisition effects and for the preparation of the Consolidated financial statements for 2017. Consequently, the 2017 operating results, financial position, and cash flow reflect seven months of operations and are not comparable with the twelve month results presented in the operating results, financial position, and cash flow as at December 31st, 2018.

General economic environment overview ⁽¹⁾

The global economy continued its growth in 2018. However, economic momentum slowed significantly over the course of the year. Regional trends were also more disparate than in 2017 and growth in global trade weakened. The escalation of the trade conflict between the United States and China, as well as fears that the United States would introduce additional tariffs on automotive imports increasingly weighed on the economic climate. In addition, financing conditions for a number of emerging markets deteriorated following interest rate hikes by the U.S. Federal Reserve. This led to capital outflows into the dollar zone and corresponding currency devaluations. By contrast, monetary policy in the Euro Area and in Japan remained expansionary.

Despite ongoing negotiations, trade tensions among major economies remain elevated.

¹ IMF – January 2019
The World Bank – Global Economic Prospects | January 2019

Borrowing costs for emerging market and developing economies (EMDEs) have increased, in part as major advanced-economy central banks continued to withdraw policy accommodation in varying degrees.

Economic activity in advanced economies has been diverging lately. Growth in the United States has remained solid, bolstered by fiscal stimulus. In contrast, activity in the Euro Area has been somewhat weaker than previously expected, owing to slowing net exports.

Industry overview

The Group is a leading global, vertically-integrated chemical player focused on the production of specialty chemical products.

The global chemical industry grew by 2.7%, and below 2017 levels (+3.7%). Chemical production in the Euro Area declined slightly in 2018 after a strong prior year (2018: –0.9%, 2017: +3.2%). Contributing factors included capacity bottlenecks, lower export demand and weaker second half automotive industry demand.

In Asia, growth slowed to 3.4% versus 4.5% in the previous year. At 3.6%, growth in the world's largest chemical market, China, was lower than in the prior year (+4.0%) and significantly lower than forecasts (+5.0%).

Stagnant demand from the automotive industry and slower momentum in other customer industries had a dampening effect.

By contrast, growth picked up in the United States on the back of the economic upturn combined with new production capacity (2018: +3.7%; 2017: +2.6%).

Business overview

The Group's activities consist of research and development and the production and sale of organic anhydrides, composites and their derivatives. These products are part of the larger chemical intermediary category encompassing oil refining through to the production, sale and distribution of the finished products to the market. The Group's products are widespread in terms of applications and the number of end user sectors. They are used for, inter alia, the production of plastics, paints, inks and adhesives, electrical and electronic components, paper and lubricants. They also apply to the manufacture of animal feed ingredients, additives for the food industry, and included in compounds for the transportation, construction and electrical sectors.

The Group performs all functions leading to the sale of products, consisting of research and development, production planning, procurement of the raw materials, production, quality control and logistics, warehousing, sales and after-sales support for the finished products.

The Group produces two major types of products:

- Specific use products: these products include phthalic anhydride, maleic anhydride, trimellitic anhydride, fumaric acid, malic acid and general-purpose plasticizers. These products have a chemical-physical characterization universally defined and not changeable;
- Customized products: these products include unsaturated polyester resins, coatings, special anhydrides, gelcoats, compounds catalysts and special esters. Products in this

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category are formulated at the customer's request in order to meet the customer's specifications or application requirements.

Relevant transactions during 2018 financial year

Significant events that occurred during the reporting period ended December 31st, 2018 are as follow:

- on May 10th, 2018 the Shareholders approved the Contribution to the Parent in the amount of EUR 2,787 thousand;
- on May 14th, 2018 the Shareholders approved the Annual Report as at 31st December 2017;
- in July 2018 the Spanish subsidiary Polynt Iberica S.L. was wound up and closed;
- on September 3rd, 2018 at the Board of Directors' meetings of Polimeri Speciali Holding S.p.A. and Polynt S.p.A. and on September 10th, 2018 at the shareholders' meetings of Polimeri Speciali Holding S.p.A. and Polynt S.p.A. the reverse merger pursuant to article 2501-bis of the Italian Civil code of Polimeri Speciali Holding S.p.A. into Polynt S.p.A. was approved. The notarial deed of merger has been executed on November 14th, 2018, while the effective date of the merger is November 26th, 2018;
- on September 27th, 2018, the liquidation and dissolution of the US subsidiary Polynt Group Holding Inc. was approved and in November 2018 the liquidation of Polynt Group Holding Inc. was completed and the company dissolved;
- on December 14th, 2018, the tax audit of the Italian subsidiary Polynt S.p.A. was closed. The tax audit started on June 6th, 2018 and was carried out by officers of the local tax inspection unit ("Guardia di Finanza") and was completed with the notification of the "Processo Verbale di Constatazione" (the "PVC"). The tax audit covered tax year 2016 and, limited to some matters, tax years 2014, 2015 and 2017.

The PVC identified two main findings: one challenging the royalty rate charged by Polynt S.p.A. to related parties in connection with the trademark "Polynt", as the basis of a total adjustment to the taxable income of EUR 41.5 million over the period covered by the tax audit.

The second finding is that a portion of certain costs borne by Polynt S.p.A. was not recharged/rebilled to the proper related party as they should have been, such expenses being allegedly for the benefit of the whole Group. Based on this presumption the PVC provides for a total adjustment of EUR 3.3 million to the taxable income for the tax years 2015 and 2016.

These findings have yet to be officially assessed against Polynt S.p.A.. The Group believes that the findings are legally disputable and economically disproportionate and will challenge any adjustment arising therefrom in order to assert its rights and minimize the consequences for the company and the Group.

Key Factors Affecting Our Results of Operations

Our results of operations are driven by a combination of factors affecting the specialty chemicals industry. Set forth below is an overview of the key drivers that have affected the historical results of operations of our business and are expected to affect our consolidated results of operations in future periods.

• ***General Economic Conditions, Demand and Cyclicity in our Products' End-markets and Supply Dynamics***

The specialty chemicals industry is generally affected by the overall general economic conditions with historical demand strongly correlated with global GDP growth.

Our products are used in several end-markets, including building and construction, transportation, automotive, electrical, food and feed, marine and home appliances. Most of these end-markets, with special reference to the building and construction sectors, have exhibited cyclical demand over the historical periods presented. We believe this cyclicity, a function of general economic conditions, has affected, and will continue to affect, our results of operations.

Political factors also impact the demand for our products and given the various geographical regions we serve could impact our operating results. Demand in Europe and North America has also been driven by customer's switching to high-quality products and advances in manufacturing that resulted in the replacement of traditional building materials with flexible and recyclable Composites and other synthetic materials. Demand in developing regions such as China and South America has been driven by increased population growth, a growing middle class, focus on industrialization investment and higher infrastructure spending. Our results reflect these trends where we have seen an increase in demand for specialty chemical products being used in building and construction projects in developing regions.

The competitive landscape also impacts our operating results. Together with the macro and micro economic impacts, the ever changing operational and competitive landscape impacts market supply (i.e industry expansion, plant shutdowns, scheduled maintenance, force major actions etc) and affects our operating results.

• ***Fluctuation in the Prices of Raw Materials***

Raw material costs comprise the largest portion of our operating costs. The majority of the raw materials we use are based on crude oil, including, butane, orthoxylene, benzole, styrene and pseudocumene. The prices we pay for our raw materials are closely linked to the price of crude oil and crude oil price fluctuations have affected, and will continue to affect, our results of operations and our financial condition. Other raw material costs such as the cost of soybean oil and normal butane used in the production of certain coating resins don't correlate directly with crude oil prices.

We, like other specialty chemical producers, typically seek to mitigate the risks of fluctuating commodity prices by having contracts both with suppliers and customers that allow for price renegotiation on a monthly or quarterly basis or for automatic price adjustment based on the average price of the commodity according to different price indices. The remainder of our volumes bought and sold were done so either in spot contracts at the then-prevailing market prices or otherwise based on formulas reflecting quotes in industry newsletters and other pricing benchmarks which in turn reflect the most recent changes in raw material costs at the time of sale. We also attempt to align the price negotiation periods between our customer contracts and the relevant supplier contracts where possible.

Passing through increases or decreases in raw material costs to our customers (either through price renegotiation or automatic price adjustments), while enabling us to



maximize our Average Unit Margin without having to engage in commodity hedging, does cause our absolute revenue figures to fluctuate in close relation to raw materials prices (assuming constant sales volumes). We are not always able to pass through raw material price increases, or in some instances we suffer a certain time lag and, therefore, experience lower Average Unit Margins. Our inability to quickly pass through all raw material cost increases is affected by several additional factors. For example, demand in the end-markets where our customers compete can sometimes be too weak to absorb the full effect of price increases. As a result, we sometimes postpone passing on cost increases in an attempt to maintain sales volumes, which can adversely affect Average Unit Margin. In contrast, during periods of falling raw material prices, to the extent that customers do not delay purchases while waiting for our prices to reflect falling prices, the time lag in raw material price pass through allows us to realize higher margins.

Changes in raw material prices also have a direct effect on our working capital levels. In general, increases in the cost of raw materials leads to an increase in our working capital requirements, as our inventories and trade receivables increase as a result of raw materials prices and the higher price related sales levels is partially offset by an increase in trade payables. Due to the quantity and turnover of the raw materials that we typically keep in stock, this increase occurs gradually over a period of three months. Conversely, decreases in the cost of raw materials lead to a decrease in our working capital requirements within the same a three-month period following the decrease in costs.

• ***Vertical Integration and a Focus on High-margin Composites and Specialties***

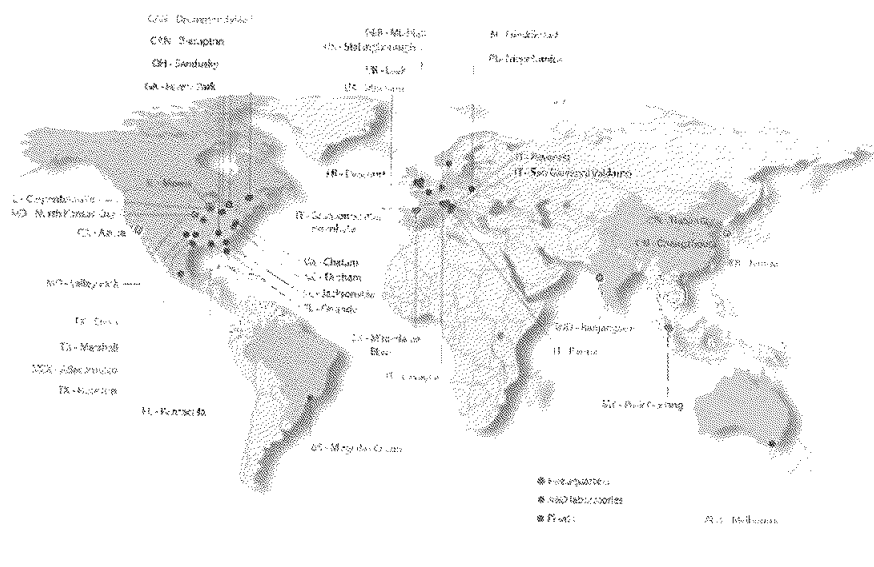
Our vertically-integrated production model allows us to leverage the in-house production and consumption of lower-margin, less profitable, more price-volatile Intermediates (i.e. phthalic and maleic anhydrides) in the downstream production of higher-margin Composites and Specialties. For example, phthalic and maleic anhydrides, which we produce for captive use, represent approximately 40% of the total raw materials cost of producing UPRs.

The vertical integration nature of our business together with our proprietary catalyst technology used to produce our higher-margin products gives us significant operational autonomy from the volatile and less profitable Intermediates market, while providing increased visibility on market trends, a greater independence in timing price adjustments and an ability to respond quickly to changes in customer demand and, therefore, has a significant effect on our results of operations.

• ***Product and Geographic Diversification***

We produce and sell a wide range of specialty chemical products in multiple geographic regions, which affects our results of operations. Within our product classes, we offer thousands of product formulations, which comprise a broad and varied product portfolio allowing us to meet the needs of customers in a wide array of end-markets. Composites are tailored to specific applications more often than Intermediates, so the Composites-heavy shift of our product offering, in addition to mitigating our exposure to the volatile Intermediates market, allows us to meet the needs of more customers in a wide range of end-markets from the transportation to construction to food and feed industries.

Furthermore, we believe our geographic diversification creates multiple advantages. Having facilities in close proximity to both our broad and diverse supplier and customer bases enables us to meet client needs on a timely basis while minimizing logistics cost of transporting our raw materials as well as our finished products. Our geographic diversification also acts as a natural hedge against localized economic downturns and allows us to maximize operating leverage and boost margins by increasing output volume in regions of increasing demand.



• **Exchange Rate Fluctuations**

We operate internationally and, as a result, are exposed to various currency risks and exposures. Although our reporting currency is the Euro, a significant portion of our revenue is denominated in currencies other than the Euro, predominantly the U.S. dollar. For the year ended December 31st, 2018, roughly 40% of our revenue was Euro-denominated, approximately a third was U.S. dollar-denominated or U.S. dollar-linked with the remainder denominated in other currencies. The primary effects of exchange rates on our results of operations may be described in terms of translation and transaction exposure.

• **Translation Risk**

Translation risk is the risk that the value of our revenue, costs, assets and liabilities reported in Euro on our consolidated income statement and balance sheet will fluctuate due to changes in foreign exchange rates. For instance, strengthening of the Euro against the U.S. dollar will result in a decrease in our net sales and costs denominated in U.S. dollars but reported in Euro. As many of our subsidiaries operate in markets that use currencies other than the Euro, these effects may be significant. Translation from each

company's reporting currency into Euro does not expose us to any cash flow risk and thus this exposure is not hedged.

- **Transaction Risk**

As a result of our global customer and operations base, our Group companies occasionally enter into contracts expressed in currencies different from their operating currencies. Because these contracts are often settled and/or executed over a certain period of time, we are exposed to the risk that the relative exchange rate will fluctuate unfavorably between execution and full performance of the contracts. Although we engage in some currency hedging to mitigate the effects of currency transaction risk, the strength of our geographic diversification generally allows us to make use of natural hedges within our foreign currency denominated operations, including through matching the currency of our sales to the currency of the purchases of raw materials and other production costs.

The revaluation of assets and liabilities denominated in currencies other than the functional currencies of our Group companies results in either financial income or financial expense on our income statement for the relevant period. For the year ended December 31st, 2018, the Group had financial income from exchange rate gains of EUR 13.4 million and financial expense on exchange rate losses of EUR 6.0 million (mainly related to the exchange rate effect on outstanding loans denominated in USD for some of the subsidiaries).

- **Environmental and Other Regulatory Compliance**

Our results of operations are affected by the various country health, safety and environmental ("HSE") regulations and the Group's HSE policies. We have incurred, and expect to continue to incur, on-going capital expenditures to ensure compliance with current and future HSE laws and regulations.

Carbon dioxide and other greenhouse gas ("GHG") emissions are by-products of our production processes, and as a result we are regulated by the EU Emissions Trading System in the EU and the Environmental Protection Agency in the United States. National or regional legislation and regulations may impose additional restrictions on us in the future in relation to our carbon dioxide and other GHG emissions, which could lead to increased costs or capital expenditures or require additional operational changes at our production facilities.

The main regulations relating to safety of substances and chemicals affecting our industry are REACH in the European Union, which imposes significant obligations on the chemicals industry as a whole with respect to the testing, evaluation, assessment and registration of basic chemicals and semi-specialty chemical products, and the Toxic Control Substance Control Act in the United States. Complying with these obligations is expensive and time consuming and leads to increased production costs and reduced operating margins for chemical products.

In addition, from time to time, we incur remediation costs at our current facilities and decommissioning costs associated with closing production facilities. As of December 31st, 2018 we had made provisions of EUR 19.5 million for anticipated ecological remediation costs that may be necessary at certain facilities. Given the nature of our chemical operations, should historical or future environmental conditions be discovered, the



company may incur significant future remediation costs including fines and potential damages.

- **Asset Utilization**

Our ability to utilize our assets by operating at full, or close to full, capacity to achieve maximum production volumes materially affects our results of operations. Moreover, certain of our facilities have minimum capacities below which they cannot be properly operated. Our utilization rate is influenced by factors such as industry consolidation, regulation, product substitution, unplanned downtime for our and our competitors' facilities, industry cycles and customer demand.

We aim to operate our facilities at full capacity, while maintaining a balance between optimizing volume output and the pricing of the corresponding chemical products produced at the relevant facilities. We regularly review and analyze utilization rates and product mix across our portfolio with the aim to optimize utilization rates depending on demand.

We attempt to minimize the need for facility downtime and maximize the useful life of our production facilities by undertaking regular maintenance closures to perform necessary inspections and testing to comply with industry regulations and to permit us to carry out any necessary maintenance activities. We aim to schedule these closures during seasonal periods of reduced demand and in coordination with our raw material suppliers' planned shutdowns. For example, we schedule maintenance closures of most of our European production facilities during August and December of each year to correspond with generally reduced demand during those periods. When possible, we seek to limit the effect of scheduled outages on our results by increasing inventory ahead of planned turnarounds and by coordinating with our customers to manage expectations in terms of product availability and logistical changes such as changes in the location from which we will ship our chemical products. Typically, before a major shutdown, we either sell less of our chemical products or enter into swap contracts with other chemical producers and inform customers we are doing so in order to increase our stored inventory in an effort to ensure we have adequate chemical products available. This allows us to continue to supply our customers with minimal disruption.

- **Efficient Cost Management**

Our ability to manage and control costs has a significant effect on our results of operations. We have historically been able to react to adverse economic conditions and other events that have the effect of reducing the demand for our products by reducing our underlying cost base, implementing efficient corporate and management structures and maximizing the utilization of our assets by shifting production. We remain competitive with our low fixed-cost base: for the year ended December 31st, 2018, fixed costs represented 15.8% of our total costs (17.8% in 2017). In addition, our vertically-integrated production model has the effect of reducing costs, particularly transportation and raw material costs. Further the Group's increased scale and operational synergies will drive to further operational optimizations including increased ability to organize production in response to peak demand, exploit economies of scale, reduce overhead, consolidate headquarters operations and integrate anhydride production across facilities.



We regularly monitor our production and distribution processes in an effort to identify profitable streamlining efforts that can optimize efficiency and reduce unnecessary costs. We intend to continue to make such streamlining capital expenditures seeking to increase production capacity, achieve process improvements, improve our efficiency and margins and reduce production and other costs.

- **Seasonality**

We experience some seasonal fluctuations in the demand for certain of our products. For example, in the northern hemisphere the summer paint and construction season drives increased mid-year coating sales that typically decline during the colder winter months. As a result, our working capital reflects similar trends with increased working capital requirements in the beginning half of the year, and a decrease in the second half of the year. While certain of our products, such as resins and coatings, are subject to seasonal demand due to the fact that they are used in market segments that have higher demand during spring and summer (e.g., paints for home maintenance and marine coatings), we believe our overall results are relatively stable as a result of the diversity of our product offerings and our geographic diversification.

- **Management of Trade Receivables and Bad Debts**

Our level of trade receivables and the likelihood of collecting those receivables has a significant effect on our results of operations and cash flows. We actively manage our trade receivables through internal credit procedures whereby we analyze new customers' credit standing before any credit facilities are granted, including third-party appraisals, when available. Credit facilities with customers are checked annually and customers that do not meet our credit criteria may only make purchases against advance or guaranteed payment. These procedures have enabled us to limit our bad debts, even in periods of economic slowdown when it traditionally becomes more difficult to secure payment from customers. We also sell certain trade receivables pursuant to recourse and non-recourse factoring facilities.

- **Segment Analysis**

We manage our business on a regional basis: Europe, Asia and the Americas, with the region determined by the location of the company recognizing the relevant sale.

Our intra-Group sales primarily include sales of Intermediates from certain Group companies to other Group companies that use those Intermediates in the production of Composites and Specialties and sales of UPRs between Group companies for the production of compounds and gelcoat. Intra-Group transactions are conducted on an arm's-length basis and are eliminated in the consolidated results presented herein.

Results of operations

Specialty Chemicals International B.V. acquired control of the Polynt and Reichhold Group in May 2017. Consequently, previous consolidated financial statements for the year ending December 31st, 2017 have been prepared in accordance with IFRS as endorsed by the European Union ("EU - IFRS") and include the balance sheet and income statement of each company belonging to Polynt and Reichhold Group, starting from May 31st, 2017.



To enable a comparison of the Group's 2018 results in this Director's Report, the income statement for prior year was prepared on the following basis:

- the economic data for the current year (12 months) has been reclassified to comply with the management classification and indicators adopted for management accounts, EBITDA and EBIT are group indicators which are not provided for by the EU - IFRS but are based on EU - IFRS values;
- the combined unaudited management accounts of Polynt and Reichhold for the twelve months ended December 31st, 2017 were aggregated based on management unaudited accounts and reports prepared with different consolidation areas (some companies have been sold and/or liquidated) and different income statement classifications. Therefore, some re-classifications were made in particular for Reichhold's numbers to reflect the standard reporting of the new Group.

The adoption of the new accounting standards (IFRS 9 and IFRS 15), and the possible impacts are disclosed in the notes to the Consolidated Financial Statements.

The following table summarizes our financial performance for the periods indicated:

(Euro thousand)	2018	2017 (*)	Var %
Sales (ton)	1,077,309	1,116,501	(3.5%)
Revenue	2,097,070	2,113,206	(0.8%)
Variable costs	(1,556,075)	(1,538,703)	1.1%
Fixed costs	(326,059)	(370,482)	(12.0%)
EBITDA	214,936	204,021	5.4%
EBITDA %	10.2%	9.7%	
Depreciation & Amortization	(74,050)	(57,901)	27.9%
EBIT	140,886	146,120	(3.6%)
Non recurring expenses	(24,740)	(33,072)	(25.2%)
Net financial expenses	(53,414)	(70,472)	(24.2%)
Taxes	(27,973)	(8,210)	240.7%
Net income/(loss)	34,759	34,367	1.1%

(*) Combined unaudited management accounts of Polynt and Reichhold calculated YTD December 2017 amounts

• Sales and Revenue

Sales and Revenue by geographical segment are detailed as follows:



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(tons)	2018	2017 (*)	Var %
Europe	528,366	537,741	(1.7%)
Americas	418,926	441,525	(5.1%)
Asia	130,017	137,234	(5.3%)
Sales	1,077,309	1,116,501	(3.5%)
(Euro thousand)			
Europe	977,455	958,432	2.0%
Americas	879,623	905,601	(3.2%)
Asia	239,992	246,173	(2.5%)
Revenue	2,097,070	2,113,206	(0.8%)

(*) Combined unaudited management accounts of Polynt and Reichhold calculated YTD December 2017 amounts

Revenue decreased by 0.8% to EUR 2,097 million in 2018 from EUR 2,113 million in 2017 while sales volume decreased by 3.5%.

Sales volumes in Europe decreased from 2018 vs. 2017 due to the June, 2017 divestment of the Etain, France manufacturing facility. Excluding the Etain divestment sales volumes for 3rd parties increased by 2% in 2018 vs 2017. Most of the volume gains occurred in the first half of the year and were attributable to the strong growth of the European economy. The second half showed a substantial slowdown due to the automotive industry crisis and increased competition from Far East triggered by the US antidumping duties on Chinese products.

In the Americas, sales volumes were down 5.1% mainly from the difficult economic conditions in Brazil and the loss of some low margin business in the US from competitive pressure. The Americas' revenue was lower by 3.2% from the lower volumes and unfavorable foreign exchange effect partially offset by higher average selling prices from price increases and favorable sales mix.

In Asia sales and revenue were below 2017 mainly due to: a) the accident occurred at the trimellitic anhydride plant (TMA plant) in China that affected site production from February to August; b) the August 2018 closing of the production plant in Dubai ; c) the delayed ramp up of the production in the new plant in Malaysia.

• Variable costs

Variable costs include the cost of purchasing raw materials, consumables and supplies, goods for resale, energy costs, selling expenses and the related changes in inventories.

The EUR 17.4 million increase results from the net increase in the unit cost of raw materials and utilities.

• Fixed costs

Fixed costs include personnel expenses, maintenance, consulting costs and general operating expenses.

Fixed costs decreased by 12.0% thanks to synergies and saving.

• **EBITDA**

EBITDA is a non EU - IFRS measure. EBITDA is computed by adjusting the EU - IFRS Gross operating profit for non-operating, non-recurring and other **one-off items**.

In evaluating EBITDA, please note that EBITDA is subject to certain limitations. EBITDA is not a measurement of performance under EU - IFRS or any other generally accepted accounting standards and you should not consider EBITDA as an alternative to (a) operating profit or profit (as determined in accordance with EU - IFRS or any other generally accepted accounting principles) as a measure of our operating performance, (b) cash flows from operating, investing and financing activities as a measure of our ability to meet our cash needs or (c) any other measures of performance under EU - IFRS or any other generally accepted accounting principles.

EBITDA for 2018 was EUR 214.9 million in 2018, up EUR 10.9 million from EUR 204.0 million in 2017 (+ 5.4%). All regions realized a year over year EBITDA improvement.

In Europe, EBITDA improved year over year as the favorable first half sales volume from the recovering European economy and overall strict cost control offset lower second half volumes from far east competitive pressure and auto industry downturn. EBITDA was significantly higher (+7%) when excluding the impact of the Etain, France manufacturing plant divestment.

Americas' annual EBITDA was higher year over year due to lower fixed costs as a result of synergy realization and cost control but partially offset by a net unfavorable foreign exchange effect.

In Asia EBITDA in 2018 was much higher than 2017. Results improved thanks to increased margins and reduction of fixed costs mainly for the closing of Dubai production plant and the relocation to Tianjin of the Beijing laboratory.

We provide below the reconciliation of EBITDA to EU - IFRS Gross operating profit:

(Euro thousand)		2018
Gross operating profit - IFRS	A	190,196
Non recurring costs	B	24,740
- Consulting fees		5,082
- Others non-recurring costs		19,658
EBITDA	A + B	214,936

• **Non-recurring expense**

The Group incurred EUR 24.7 million in non-recurring costs during the year ended December 2018, compared with EUR 33.1 million in 2017. The non-recurring costs are mainly related to restructuring costs arising from plant closures in Dubai, Canada, USA and Australia.

• **Net Financing Costs**

Net financing costs were EUR 53.4 million in 2018 compared to EUR 70.5 million in 2017. The EUR 17.1 million decrease in net financing costs reflects mainly the favorable net foreign exchange effects.



- **Taxes**

Income taxes expense increased from EUR 8.2 million in 2017 to EUR 28 million in 2018.

Liquidity and Capital Resources

- **Overview**

The main sources of liquidity available to the Group on an ongoing basis are as follows:

- the operating cash flow;
- the ability to borrow under banking (for the most part unsecured) and factoring bilateral facilities, made available to some entities of the Group in certain jurisdictions, mainly in Europe (with special regard to Italy);
- drawings under a EUR 60.0 million super senior secured multi-currency revolving credit facility (the "Revolving Credit Facility" or "RCF") available to each of the issuers under the Senior Secured Notes and Loans;
- the ability to draw under a USD 58.6 million committed ABL facility (the "US ABL") available to Polynt Composites USA Inc. and Polynt Composites Canada Inc. and secured by trade receivables and inventories.

The Group's ability to generate cash depends on its operating performance which in turn depends on general economic, financial, competitive, legislative, regulatory and other factors, many of which are beyond the Group's control.

Bilateral facilities are available as short and medium term loans, receivables financing and factoring facilities (both "with" and "without recourse"), letters of credit and overdrafts, extended by both international and local banks with which the Group has longstanding relationships and are used mainly to manage local intra-month or seasonal working capital swings. Bilateral facilities are complemented by a notional cash pool available to certain entities, which enhances the ability of the Group to have each Subsidiary meet its financial requirement. As of December 31st, 2018 the availability under bilateral facilities was around 60% of their aggregate amount.

The outstanding borrowings under the RCF as of December 31st, 2018 were equal to EUR 31.8 million (EUR 28 million as of December 31st, 2017).

The outstanding borrowings under the US ABL as of December 31st, 2018 were nil.

Based on the current level of operations as reflected in the results of operations for the twelve months ended December 31st, 2018 the cash flow from operating activities, cash on hand, the availability of borrowings under bilateral facilities, RCF and US ABL will be sufficient to fund operations, capital expenditures and debt service for the next twelve months.

The ability of subsidiaries to pay dividends and make other payments to their parent companies may be restricted by, among other things, legal prohibitions on such payments



or otherwise distributing funds to the Holding Companies, including for the purpose of servicing debt.

• **Excess cash flow**

The computation for the year ended December 31st, 2018 of Excess Cash Flow in accordance with Section 4.10(2) of the Indenture and Article 7(a)(2) of Schedule 12 to the Facility Agreement (refer to page 20 “Description of material contractual arrangements, including certain financing arrangements”) and of Consolidated EBITDA in accordance with the definition of Consolidated Net Income and Consolidated EBITDA for the purpose of calculating the Excess Cash Flow, is detailed as follows:

(Euro thousand)	2018
Net income (for ECF)	27,752
Net Interest expenses (Included Losses/(Gains) due to fluctuations in currency values)	50,498
Income taxes	27,973
Depreciation/amortization	74,050
Non cash charges	-
Non cash items	-
Transaction costs	-
CONSOLIDATED EBITDA for Excess cash flow	180,272
Net working capital decrease/(increase)	7,115
Capital expenditure	(39,828)
Consolidated debt service	(55,237)
Taxes paid	(21,233)
Pending Tax amount	(8,816)
EXCESS CASH FLOW	62,273

• **Cash Flows**

The following table presents our statement of cash flows for the periods indicated.

(Euro thousand)	2018	2017
Cash flow from operating activities	114,918	60,985
Cash flow from investing activities	(42,391)	(375,301)
Cash flow used in financing activities	(6,433)	400,625
Effects of movement in exchange rates on cash held	(1,052)	6,224
Net change in cash and cash equivalents	A 65,042	92,534
Opening cash and cash equivalents	B 92,534	-
Closing cash and cash equivalents	C=A+B 157,576	92,534

• **Net Financial Indebtedness**

The following table shows the composition of Consolidated net financial indebtedness for the period indicated.



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(Euro thousand)	31-Dec-18	31-Dec-17
Cash and cash equivalents	157,576	92,534
Other financial assets	7,584	7,415
Secured Notes and Loans	(550,532)	(537,232)
Borrowings under Revolving Credit Facilities	(31,874)	(28,007)
Others financial loans and interest accrual	(50,677)	(66,744)
Financial expenses capitalized	20,062	23,229
Total net financial indebtedness	(447,861)	(508,804)

“Net financial indebtedness” is the amount of long-term financial indebtedness, plus short-term financial indebtedness, less current financial assets, cash and cash equivalents. We present net financial indebtedness in this MD&A because we understand that certain investors believe that netting cash against debt provides a clearer picture of the financial liability exposure of the Group and other companies may present net financial indebtedness differently. Net financial indebtedness is not a measure of financial performance under EU - IFRS and should not be considered as an alternative to any other measures of performance derived in accordance with EU - IFRS.

• **Net Working Capital**

The following table summarizes our net working capital as of December 31st, 2018:

(Euro thousand)	31-Dec-18	31-Dec-17
Trade receivables	302,671	314,706
Inventories	245,428	224,844
Current tax assets	10,600	16,794
Other current assets	29,069	25,542
Current assets	587,768	581,886
Trade payables	217,132	212,554
Current tax liabilities	9,830	1,627
Employee benefits	25,916	27,596
Other current liabilities	19,024	19,872
Current portion of provisions	16,160	16,948
Total current liabilities	288,062	278,597
NET WORKING CAPITAL	299,706	303,289

We define working capital as the difference between current assets and current liabilities adjusted by appropriate balance sheet items (cash and short-term loans). Changes in raw material prices have a direct effect on our working capital levels. In general, increases in the cost of raw materials lead to an increase in our working capital requirements, as our inventories and trade receivables increase as a result of raw materials prices and related higher sales levels, partially offset by an increase in trade payables.

Our working capital levels vary as a result of several other factors as well, including the effect of selling prices, production stoppages and maintenance works, changes in payment terms in the case of key suppliers, foreign exchange rates, our decisions to hold inventories, the operating level of our business, seasonality and cyclicity of the industries that we supply.



Historically, we have financed our working capital requirements out of available cash balances, cash earnings, active working capital management and the sale of certain receivables pursuant to recourse and non-recourse factoring agreements.

• Capital Expenditures

The following table summarizes capital expenditures for the periods indicated.

(Euro thousand)	2018	2017
Land and buildings	1,710	3,875
Plant and machinery	22,179	13,510
Industrial and commercial equipment	726	939
Other assets	2,656	1,054
Assets under construction and payments on account	14,615	13,703
Investments in property, plant and equipment	41,886	33,081
Investments in other intangible assets	3,442	1,133
Total capital expenditure	45,328	34,214

Capital expenditures are primarily related to projects to expand and sustain our manufacturing operations and facilities, improve our cost base, expand our production capacity and develop and manufacture new catalysts and products. We finance our maintenance and expansion capital expenditures primarily from cash flows from operations and, in certain cases, with bank loans and financial lease contracts. We expect that future capital expenditures may increase slightly in the future in order to expand capacity and support our organic growth.

The 2018 expenditures mainly refer to:

- in Europe major capital expenditures included EUR 2.1 million to upgrade the maleic anhydride plant at Polynt S.p.A.'s Ravenna site (Italy), EUR 1.7 million to upgrade the trimellitic anhydride plant at Polynt S.p.A.'s Scanzorosciate site (Italy), EUR 0.7 million to upgrade the Turbogas plant at Polynt S.p.A.'s Ravenna site (Italy), EUR 0.6 million for the catalyst replacements for the phthalic anhydride plant at Polynt S.p.A.'s San Giovanni Valdarno sites (Italy), EUR 0.5 million to upgrade the malic and fumaric acid plant at Polynt S.p.A.'s Scanzorosciate site (Italy) and EUR 0.2 million to upgrade the special plasticizers plant at Polynt S.p.A.'s San Giovanni Valdarno site (Italy);
- Americas major capital expenditures included EUR 7.0 million mainly for Polynt Composites USA's Houston site capabilities updated to support product reallocations related to the Reichhold USA's Houston closure and other site product reallocation actions and Polynt Composites USA's Carpentersville site upgrade to support customer's strategic requirements; EUR 2.5 million for Reichhold USA's Azusa site upgraded to handle UPR and gel coat production transferred from the Lynwood and Port Moody closures; EUR 1.1 million for Reichhold Brazil's Mogi sites in upgraded manufacturing capabilities to produce UPR and gelcoat production transferred from Taboao and Piracicaba and EUR 0.6 million for SAP implementation in Reichhold Mexico to support future growth of the business and harmonize business processes;
- Asia major capital expenditures included EUR 3.2 million for a TMA new oxidation column and new DCS system installed in Polynt Changzhou (China); EUR 2.4 million

- for a new UPR plant in Polynt Composites Malaysia's Johor site and EUR 0.3 million for new Thermal Oxidizer in Reichhold India's Pune site ;
- the remainder of the Capital expenditures relate to small investments at the Group's other sites.

Off-balance Sheet Arrangements

On a consolidated basis, we have no material off-balance sheet arrangements.

Description of material contractual arrangements, including certain financing arrangements

In connection with the May 17th, 2017 merger and refinancing, the Parent and other Group' affiliates entered into the following agreements:

- A **Facility Agreement** (the "Agreement") with various subsidiaries of the Group as borrowers and guarantors and various financial institutions, all of which were unrelated to the Company, as lenders. The Agreement provided for the issuance of Euro senior loans (the "EUR Loans") totaling EUR 229.9 million and for the issuance of USD senior loans (the "USD Loans") totaling USD 199.2 million. EUR loans bear interest at a rate equal to the 3-month EURIBOR floored to 0.50% plus a margin, with interest reset and payable quarterly. USD loans bear interest at a rate equal to the 3-month LIBOR floored to 1.00% plus a margin, with interest reset and payable quarterly. Both EUR and USD loans mature on May 15th, 2024 with annual mandatory prepayments equal to a portion of consolidated excess cash flow, as defined in the Agreement, to occur beginning in 2019. Additionally, voluntary prepayments are allowed. All borrowings under the Agreement are guaranteed by several subsidiaries of the Group incorporated in security jurisdictions and are secured by the equity and certain assets of those subsidiaries. In **October 2017** the Group elected to prepay a portion of the loans by entering an ABL Facility in the USA (see below for more details) and applying the proceeds arising from the initial borrowings thereunder to the pro-rata prepayment of an aggregate amount such that the Group's total remaining outstanding loans under the Agreement as of December 31st, 2017 was USD 182.6 million and EUR 210 million. No prepayments occurred in 2018. The Agreement contains customary affirmative and negative covenants. As of December 31st, 2018, the Group was in compliance with all covenants of the Agreement.
- An **Indenture**, with Italian' subsidiaries Polynt S.p.A. and Polimeri Speciali Holding S.p.A. ("PSH") as issuers and guarantors of Euro senior floating rate notes (the "Notes") and several subsidiaries of the Group as guarantors thereof. The Notes were purchased by various financial institutions, all of which were unrelated to the Company. Polynt S.p.A. issued Notes totaling EUR 139.1 million whereas PSH issued Notes totaling EUR 57.9 million. The Notes bear interest at a rate equal to the 3-month EURIBOR floored to 0.50% plus a margin, with interest reset and payable quarterly and mature on May 15th, 2024 with annual mandatory prepayments equal to a portion of consolidated excess cash flow, as defined in the Indenture, to occur beginning in 2019. Additionally, voluntary prepayments are allowed. In **October 2017** the Group elected to prepay a portion of the Notes by entering an ABL Facility in the USA (see below for more details) and applying the proceeds arising from the initial



borrowings thereunder to the pro-rata prepayment of an aggregate amount such that the total remaining outstanding Notes as of December 31st, 2017 was EUR 180.5 million. No additional prepayments occurred in 2018. Pursuant to the merger of PSH into Polynt S.p.A. occurred in November the Notes originally issued by the former were assumed by the latter. The Indenture provides for the same customary affirmative and negative covenants as those provided under the Agreement. As of December 31st, 2018, the Group was in compliance with all covenants of the Indenture.

- A **Super Senior Revolving Facility Agreement** with two financial institutions unrelated to the Company providing for a Revolving Credit Facility (the “RCF”) in the amount of EUR 60 million. The RCF is a multicurrency facility available to various subsidiaries of the Company both as loans and letters of credit. The Group’s outstanding borrowings as of December 31st, 2018 were exclusively denominated in EUR, with outstanding borrowings being equal to 31.8 million EUR. Interest on the RCF borrowings accrues at a rate equal to the relevant EURIBOR rate floored to 0.0% plus a margin. The RCF terminates on May 17th, 2023. All borrowings under the RCF are guaranteed by most of the Group’s subsidiaries and are secured by the equity and certain assets of those subsidiaries. The RCF contains customary affirmative and negative covenants. The RCF also contains a “springing financial covenant” requiring the consolidated Group to maintain a net leverage ratio of super senior indebtedness to EBITDA, as defined in the RCF agreement, of 0.75:1 or less. The springing financial covenant is tested only when the aggregate amount of all outstanding loans at the end of the relevant quarter is equal or greater than 35% of the total amount of commitments under the facility and any breach would act as a draw stop to new borrowings only. As of December 31st, 2018, the Group was in compliance with the covenants of the RCF.

On September 29th, 2017 some subsidiaries of the Parent incorporated in the USA and Canada entered an ABL Facility (the “ABL”) with some financial institutions unrelated to the Company providing for a revolving facility in the amount of USD 58.6 million available as loans and letters of credit to Polynt Composites USA, Inc. and, with a sublimit of USD 20 million, to Polynt Composites Canada, Inc.. As of December 31st, 2018 no ABL borrowings were outstanding. The original borrowings under the facility were used to redeem Notes and prepay Loans on a pro-rata basis, as permitted under the Agreement and the Indenture. Interest on the ABL borrowings accrues at a rate equal to the relevant base rate plus a margin. The ABL terminates on September 29th, 2022. All borrowings under the ABL are secured by pledges over trade receivables and inventory of the borrowers thereunder. The ABL contains customary affirmative and negative covenants. As of December 31st, 2018, the parties thereto were in compliance with all covenants of the ABL.

Factoring Facilities

Substantial factoring facilities are available to certain subsidiaries of the Parent. The main facilities are available in Italy, France, Spain and Poland by various financial institutions unrelated to the Parent. All factoring facilities available in Italy are “without recourse”

whereas the facilities available in France and Spain are “with recourse”. Borrowings under factoring facilities are incurred mainly to manage local intra-month or seasonal working capital swings.

Other Bilateral Facilities

Bilateral facilities available either as long or short term loans, receivables financing, overdrafts or letters of credit are granted to many subsidiaries of the Parent, with special reference to Polynt S.p.A., by various financial institutions either with an international footprint or local, with which the Group has a longstanding relationship. The mix of facilities varies over time, is aimed at realizing the best possible assets and liabilities matching and also depends on the opportunities available from time to time on the market.

Security and Guarantees

The obligations under the Agreement, the Indenture and the RCF are guaranteed by several subsidiaries of the Group incorporated in security jurisdictions and are secured by the equity and certain assets of those subsidiaries. The security package provided by each guarantor is consistent with the agreed security principles as set forth by the financing documents.

In accordance with the agreed security principles no member of the Group incorporated outside of Italy, the United States of America, Canada, the United Kingdom, the Netherlands, Norway, the Czech Republic and Germany except for the Reichhold Brazil Companies, Reichhold Mexico, Reichhold Mauritius Limited and Reichhold Inc. has been required to provide guarantees or security.

Moreover, no member of the Group has been required to provide any security in respect of any shares or other ownership interests held in any member of the Group incorporated outside of a Security Jurisdiction.

Material affiliate transactions

Transactions with Specialty Chemicals International B.V. and between Group companies are related party transactions.

For a description of related party transactions, see note 37 of the Consolidated financial statements as of and for the year ended December 31st, 2018 and December 31st, 2017.

Subsequent events after the reporting period and recent

No significant events occurred after year end closing.

Outlook

Management expects its business to be overall stable in 2019 and results to slightly improve compared to 2018.

Revenue are expected to be around EUR 2.2 billion, capital expenditure above 2018 and employees slightly below 2018 levels, net of synergy activities.

Quantitative and Qualitative Disclosure of Market Risks

Commodity Price Risk

We are partly exposed to commodity price risk since we purchase raw materials, especially crude oil derivatives, including, butane, orthoxylene, benzole, styrene and pseudocumene. Commodity price risk principally relates to movements in the prices of the raw materials we purchase to make our products. In particular, our raw material prices depend on exchange rates and the price development of crude oil and virgin naphtha.

The risk is managed and optimized by both the centralized procurement management function and our policy of using different suppliers all over the world for each type of raw material. We generally acquire raw materials and sell finished products at posted or market-related prices, which are typically set on a quarterly, monthly or more frequent basis in line with industry practice. We seek to minimize reductions in our margins by passing through raw material cost increases to our customers through higher prices for our products. In addition, we manage the timing of our price increases to coincide as closely as possible to increases in the prices of the underlying raw materials. In order to better manage these fluctuations in raw material prices, we increasingly set our prices on a monthly basis.

Credit Risk

Credit risk is the risk that a customer or counterparty to a financial instrument may default. It mainly relates to our trade receivables and financial investments.

Our exposure to credit risk principally depends on our customers' individual characteristics. The demographical variables of our customer base, including the sector and country risk, do not have a significant impact on our credit risk.

We have a specific internal credit management procedure whereby each new customer's credit standing is analyzed before any credit facilities are granted. These analyses include third party appraisals, when available. Credit facilities are agreed for each customer and they may only be exceeded after the approval of the relevant internal levels depending on the customers' exposure. The credit facilities are checked annually and customers that do not meet our credit standing criteria may only make purchases against advance or guaranteed payment.

Bad debts are infrequent. Credit risk monitoring procedures are based on grouping customers by credit characteristics, geographical location, sector, aging, due date and the existence of previous financial difficulties. Our trade and other receivables are generally from industrial production companies.

We have an allowance for impairment, which reflects estimated losses on trade and other loans and receivables and non-current financial assets. It mainly comprises individual impairment losses on significant exposures and collective impairment losses on groups of similar assets on which losses of unknown amounts have already been incurred.

Credit Risk Exposure

The carrying amount of financial assets is our maximum exposure to credit risk. Based on previous experience, we have impaired significant trade receivables on an individual basis, when there were indications of objective partial or total non-collection risks. The amount of the impairment losses considers the estimated recoverable flows. A general allowance

is set up for receivables not impaired individually or provided for specifically based on losses incurred in the past five years.

Interest Rate Risk

We resort to external borrowings and invest available liquidity in money and financial market instruments. Fluctuations in market interest rates affect borrowing costs and returns on the various types of loans and investments, having, therefore, an effect on the amount of our net financial expense, as most of our loans and borrowings bear floating interest rates.

Currency Risk

Our exposure to currency risk relates to sales, purchases, current accounts and loans expressed in currencies other than our functional currency (Euro).

In the case of monetary assets and liabilities in foreign currency, we manage our net exposure by purchasing or selling, as the case may be, foreign currency at a spot rate in order to settle the short-term imbalances. When Group companies incur costs in currencies other than those in which they earn revenue, fluctuations in exchange rates may affect their operating profits. We estimate that an increase or decrease of 1% in U.S. dollar currency exposure would affect the profit and loss and equity by approximately EUR 1 million.

To cover the commercial netting (receivables minus payables) we use forward sales to hedge against currency fluctuations (mainly on USD). Despite having been entered into for hedging purposes, these forwards do not meet all conditions required by IFRS 9. Accordingly, the fair value gain has been recognized in the income statement under financial income.

Liquidity Risk

Liquidity risk is the risk that we may encounter difficulties in meeting our obligations associated with financial liabilities. Our policy is to ensure that we always have funds available, as far as possible, to meet our obligations when they fall due in both normal and difficult financial conditions, without incurring excessive costs or risk damaging our reputation.

Our treasury units manage liquidity risk on a centralized basis. Maintenance of liquidity balance is systematically ensured on a daily basis. Our ability to meet our obligations on a timely and cost-effective basis is ensured through careful checks of our net financial position, using IT systems that monitor liquidity requirements on an ongoing basis.

We have implemented policies and processes aimed at optimizing resource management, reducing liquidity risks and, specifically: (i) maintaining a suitable level of available liquidity; (ii) diversifying the systems used to obtain financial resources; (iii) being continuously and actively present on the capital markets; (iv) obtaining adequate credit facilities; and (v) monitoring forecast financial conditions in relation to business plans.

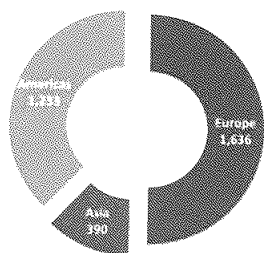
Our managers believe that the currently-available funds and credit facilities, as well as the cash flows that will be generated by operating and financing activities, will enable us to meet our requirements arising from our investing activities, working capital management and repayment of payables at their natural expiry date.

Environmental and personnel-related information

As a member of the chemical industry, the Group faces significant exposure from actual and potential claims and lawsuits involving environmental, product liability and health and safety matters, some of which involve substantial amounts. The effect of the final resolution of environmental matters and the Group's obligations for environmental remediation and compliance could change significantly due to the uncertainty concerning both the amount and timing of future expenditures and due to regulatory or technological changes. Although the Group believes that its provisions are adequate, there can be no assurance that the amount of capital expenditures and other expenses, which will be required relating to remedial actions and compliance with applicable environmental laws, will not exceed the amounts reflected in its provisions or will not have a material adverse effect on the Group's financial position, results of operations or liquidity.

Personnel and organization

As of December 31st, 2018, the Group had a total of 3,259 employees (3,349 as of December 31st, 2017).



In Europe the previous trend of low employee turnover continued as a result of the HR team's policy of developing its employees. The few open positions driven mainly through voluntary retirement were filled by quality employees based on an internal or external recruitment process to identify and select the best candidates to preserve or develop the skills the company requires to remain competitive and successful today and in the future.

The Human Resource function was strengthened during the year with a focus on centralizing and standardizing the human resource activities and processes. Resources and energies were allocated in order to ensure the transfer of skills and experience useful to ensure the compliance with the regulations on the protection of the environment and safety in the workplace, as well as to educate the staff, at all professional and hierarchical levels, to the importance of prevention and a constant vigilant approach to potential workplace dangers.

Finally, continuous training activities were carried out aimed at developing and consolidating technical, linguistic and managerial skills, through individual and group training courses adapted to the needs of the organization and implemented with the contribution of industrial association funds, to which the Group companies are a member.

America's HR teams continued to provide support for the plant rationalization in the US, Canada and Brazil. Personnel censuses were completed and confirmed for the Americas region.

Regional HR teams achieved consistent and steady recruiting efforts despite facing challenges in the U.S. to attract R&D, EHS, and operations talent due to a very



competitive job markets. Turnover continues at levels higher than normal, reflecting low unemployment and competitors attracting experienced workers with higher wages.

Employee relations issues throughout organization has experienced an increase due to increased work demands and challenges.

Policies, payroll practices, and benefits are aligned ensuring consistent employment practices. Union contract alignment work continues in an effort to harmonize for consistency.

Asia's HR team supported and facilitated the achievement of Group targets with no impact on regular business activities.

The team also supported recruiting for the new Malaysia plant, synergy projects support including plant closures and headcount reductions, and aligned company policies to achieve consistent employment practices, policies and procedures.

The Asian employment benefit programs were also standardized, driving lower company and employee costs. Training programs, such as mandatory occupational skills training, were harmonized and conducted.

The Management Board composition

The Company's board of directors consists of two male executive directors and one female executive director. The company is aware of the Dutch corporate legislation regarding gender diversity and fully recognizes the benefits of diversity in its broader sense, including gender diversity. The Company believes that the composition of its Board has resulted in a broad diversity of experience, expertise and background, and that the backgrounds and qualifications of the board members, considered as a group, provide a significant mix of experience, knowledge, abilities and independence. The company meets the requirements in the legislation.

Research and development information

The research and development for the Group is fully integrated into its business model with Research and Development Laboratories for product line as well as a Process Development Laboratories which deal with the improvement and development of the chemical processes used in production.

R&D activities have focused on the following areas:

- development and improvement of the product range and its performance to increase profitability. This activity is often carried out together with customers and the Technical Assistance and Marketing departments;
- development and improvement of production processes to decrease their environmental and economic impact. This activity is often carried out together with the Operations and Engineering departments;
- exploration of new products and technologies, in line with the Group's strategy and integrated business model.

The Group's research and development activities are always based on principles of sustainable development and the research for solutions that decrease the environmental impact of its products and processes. In this context, ways to achieve lower energy



consumption and reduced production waste are researched. The aim is to introduce products with a better eco-toxicological profile, the more effective use of raw materials and the introduction, where possible, of renewable raw materials.

Europe

Europe's R&D team focused on a significant number of project during 2018 to support the business through the development of new technology, improving process and production efficiency, improving products to **solve our customer's needs** and qualifying, enhancing or finding alternatives (i.e. mechanical properties, environmentally friendly etc.) for raw materials. R&D activities can be summarized as follows:

- Developing next generation technology for fluidized and fixed bed catalysts including working with leading universities specializing in catalysts.
- Production and process improvements in esters, catalysts, plasticizers, SMC, BMC and other Composite, Gel coat and coating resins.
- New product development and customer focused solutions for the markets we serve: automotive, transportation, construction, wind energy, marine; food and flavor (i.e. high performance bonding paste for wind energy, natural and synthetic materials for the food, flavor industry).
- Testing, study and introduction of alternative raw materials to improve cost / performance ratios, enhance mechanical properties, deliver environmentally friendly alternatives (i.e. low VOC, styrene free systems).

Americas

The Americas R&D team is dedicated to servicing existing and new customers in the Americas region with the latest in technology by leveraging the knowledge and expertise of the Group worldwide. We participate and, in some cases, lead Global Technology Teams to deliver our clients the best in class products, service, and processes. Through global collaboration the Americas R&D Team has been selected to lead a portion of the initiatives in future technologies to help support our customers and drive future growth for the Americas and the Group. Resources are dedicated to new chemistries for Gel Coat, UPR, and Coatings resins to **provide our customers** with products that last longer, are **easier to work with** and are more environmentally friendly to help them drive future growth. The Americas R&D team has established Polynt as a leading player in the development of thermosets for additive manufacturing of large parts.

2018 initiatives include:

- working with commercial and technical support teams and customers to provide **client focused solutions**;
- working with operations to transfer production of products to alternate manufacturing sites to enable plant rationalization and optimize production efficiency while maintaining product quality;
- working with purchasing department to rationalize and approve key raw materials suppliers to increase raw material savings.

Asia

Asian R&D team carried out effective activity focused on the synergic working among Asian sites, ensuring information flow to the R&D teams of the other regions. Local projects have been identified and assigned to the suitable teams for their implementation and accomplishment. Rationalization of existing products and technology has been implemented. Strict cooperation has been established with purchasing function, to rationalize and approve key raw materials. Regional support has been implemented to the global customers.

Working with commercial and technical service to support, advise and provide solutions to the customers.

Information regarding social aspects of operating business

The Group is committed to be the preferred and responsible supplier of both conventional and specialty products to an increasingly diverse group of global customers. To serve these global customers, the Group has expanded into rapidly growing markets.

The Group is dedicated to providing customers with the most innovative, highest quality value-added products and services possible. This is achieved by offering the broadest global manufacturing presence. With technical and research facilities located around the world, innovation is combined with manufacturing facilities and a sales and distribution network that is far reaching.

The Group's treatment of customers, suppliers and employees highlights the group's belief in these simple values:

- Operate Ethically and Legally:

Ensuring that a company and its representatives operate in a legal and ethical fashion should be a given value, but we choose to highlight the importance of both in an era when some companies try to draw sharp distinctions between what is legal and what is ethical.

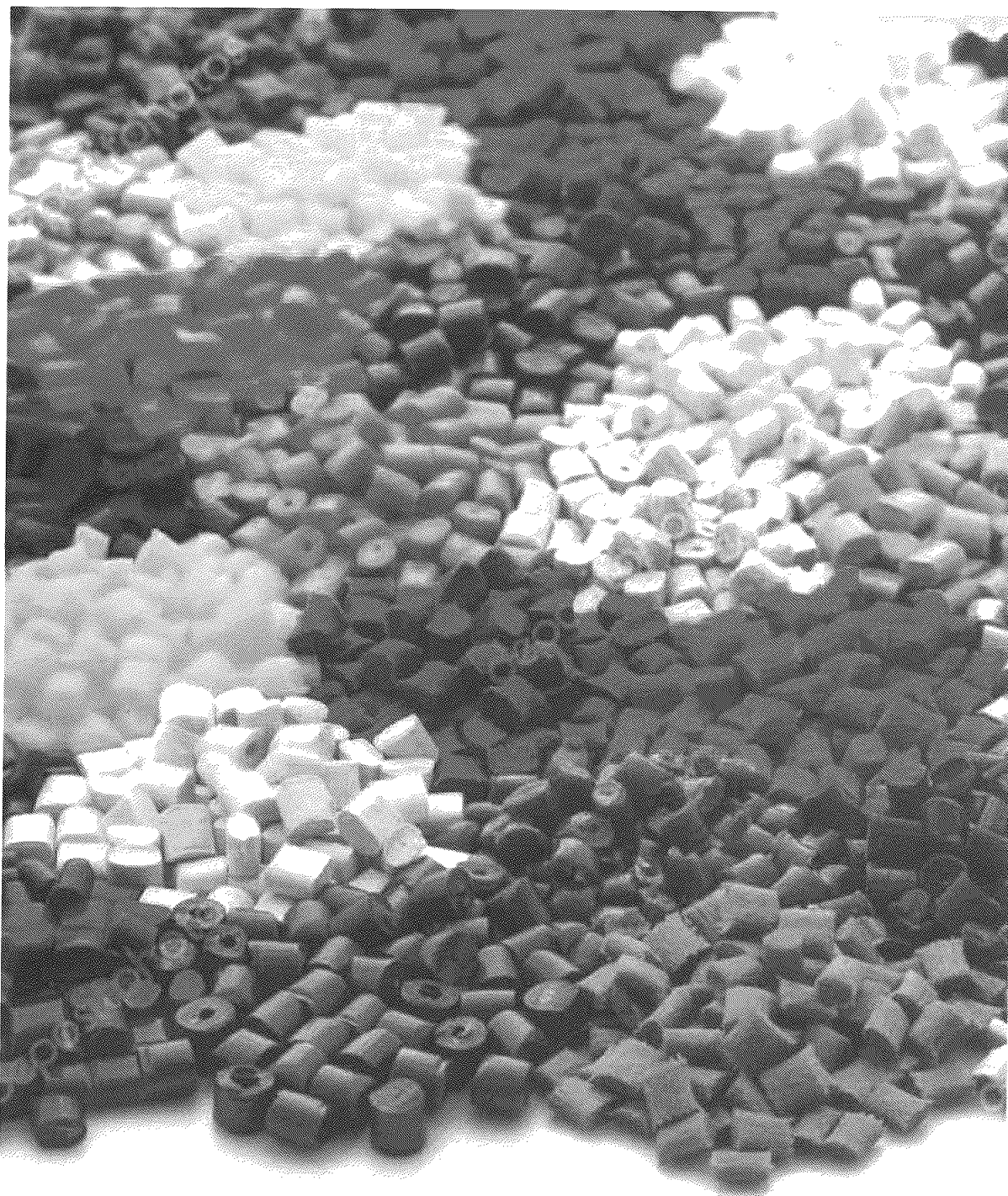
The Group does not tolerate unethical or illegal conduct by its employees. We put ethics ahead of short-term financial gains, which we believe will create loyalty when customers are treated fairly and equitably.

- Create Value for Our Customers:

The Group achieves success only when our customers succeed. We strive to create value for customers through innovative products, unmatched customer service and value-added services which all combine to give our customers the tools they need for success in the markets they serve.

Rotterdam April 29, 2019

On behalf of the Board of Directors



Consolidated financial statements





Consolidated Statement of Financial Position as of 31 December 2018

(Before profit appropriation)

(euro thousand)	Notes	31-Dec-18	31-Dec-17
Cash and cash equivalents	24	157,576	92,534
Trade receivables	8	302,671	314,706
Inventories	9	245,428	224,844
Current tax assets	10	10,600	16,794
Other current assets	11	29,069	25,542
Total current assets		745,344	674,420
Property, plant and equipment	12	531,459	543,207
Goodwill	13	66,770	65,742
Other intangible assets	14	75,852	87,954
Other financial assets	15, 24	7,584	7,415
Deferred tax assets	16	11,731	17,356
Other non-current assets	17	14,493	19,817
Total non-current assets		707,899	741,491
Total assets		1,453,243	1,415,911
Loan and borrowings	24	65,213	54,245
Trade payables	18	217,132	212,554
Current tax liabilities	19	9,830	1,627
Employee benefits	21	25,916	27,596
Other current liabilities	20	19,024	19,872
Current portion of provisions	23	16,160	16,948
Total current liabilities		353,275	332,842
Loan and borrowings	24	547,808	554,509
Employee benefits	21	19,043	18,959
Deferred tax liabilities	22	84,526	95,045
Non-current portion of provisions	23	38,128	35,250
Total non-current liabilities		689,505	703,762
Total liabilities		1,042,780	1,036,604
Share capital	25	-	-
Share premium	25	391,172	388,385
Reserves	25	(8,290)	(387)
Retained earnings	25	27,581	(8,691)
Total equity attributable to the owners of the parent		410,463	379,307
Total equity		410,463	379,307
Total liabilities and equity		1,453,243	1,415,911

The notes on pages 39 to 92 form an integral part of these consolidated financial statements.

The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information has not been restated except for certain hedging requirements and separately presenting impairment losses on trade receivables and contract assets.



Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2018

(Euro thousand)	Notes	2018	2017
Revenue	27	2,097,070	1,165,972
Variation in work in progress, semi-finished goods and finished products		17,612	(17,200)
Raw materials, consumables and supplies	28	(1,428,674)	(763,853)
Internal work capitalised under non-current assets	29	1,075	1,021
Cost of services			
- energy	30	(66,515)	(36,528)
- other services	30	(295,644)	(125,368)
Personnel expense	31	(220,996)	(140,810)
Other income/operating expenses:			
- other income	32	12,060	4,149
- other operating expenses	32	(25,792)	(18,431)
Gross operating profit		190,196	68,950
Depreciation, amortisation and impairment losses:	33	(74,050)	(42,853)
Operating profit		116,146	26,097
Financial income	34	16,421	6,925
Financial expense	35	(69,835)	(52,002)
Net financial expense		(53,414)	(45,078)
Profit/(loss) before tax		62,732	(18,980)
Income taxes	36	(27,973)	10,367
Profit/(loss) for the year (A)		34,759	(8,613)
Attributable to:			
Owners of the parent		34,759	(8,613)
Items that will never be reclassified to profit or loss for the year:			
Net actuarial gains/(losses) on defined benefit plans	21	483	1,733
Income tax relating to defined benefit plans		(9)	-
Total items that will never be reclassified to profit or loss for the year (B1)		474	1,733
Items that may be reclassified to profit or loss for the year:			
Gains/(losses) on cash flow hedges		-	-
Exchange differences on translating foreign operations		(8,377)	(2,120)
Income tax relating to components of other comprehensive income		-	-
Total items that may be reclassified to profit or loss for the year (B2)		(8,377)	(2,120)
Other comprehensive income, net of tax (B1)+(B2)		(7,903)	(387)
COMPREHENSIVE INCOME, net of tax (A)+(B1)+(B2)		26,856	(9,000)
Comprehensive income attributable to:			
Owners of the parent		26,856	(9,000)

The 2017 Statement of Profit or Loss and Other Comprehensive Income is not comparable with the 2018 column as the previous year covers only 7 months.

The notes on pages 39 to 92 form an integral part of these consolidated financial statements.

The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information has not been restated except for certain hedging requirements and separately presenting impairment losses on trade receivables and contract assets.



Consolidated Statement of cash flows for the year ended 31 December 2018

(Euro thousand)	Notes	2018	2017
Profit/(Loss) for the period		34,759	(8,613)
Adjustment for:			
- Tax expense	36	27,973	(10,367)
- Amortisation and Depreciation	33	70,440	38,820
- Impairment losses on Property, plant and equipment	33	3,610	4,033
- Income tax paid		(21,233)	(22,562)
- Net finance costs	24, 25	50,497	29,484
- Interest paid		(48,289)	(27,607)
- Gain on sale of property, plant and equipment		(4)	143
Cash flows before changes in net working capital and provisions		117,753	3,331
Changes in:			
- Inventories	9	(20,584)	23,109
- Trade and other receivables	3	12,025	72,605
- Trade and other payables	36	4,578	(35,432)
- Other current assets and liabilities	11, 20	(1,779)	(7,688)
- Provisions	22	2,151	8,908
- Employee Benefits	21	774	(3,848)
Cash flows from operating activities		114,918	60,985
Capital expenditure (PPE and intangible)	22, 24	(48,778)	(34,214)
Changes in other non-current financial assets	15	5,155	(9,610)
Disposal of tangible and intangible assets	12, 14	1,232	4,961
Acquisition of subsidiaries, net of cash acquired		-	(336,438)
Cash flow from investing activities		(42,391)	(375,301)
Change in financial liabilities		(13,620)	50,568
Increase of loan and borrowings		10,424	608,244
Repayment of borrowing		(6,024)	(534,672)
Increase/Decrease in share capital and reserves	25	2,787	278,485
Cash flow used in financing activities		(6,433)	400,625
Effects of movement in exchange rates on cash held		(1,052)	6,224
Net change in cash and cash equivalents	A	65,042	92,534
Opening cash and cash equivalents	B	92,534	-
Closing cash and cash equivalents	C=A+B	157,576	92,534

The notes on pages 39 to 92 form an integral part of these consolidated financial statements.



Consolidated Statement of changes in equity

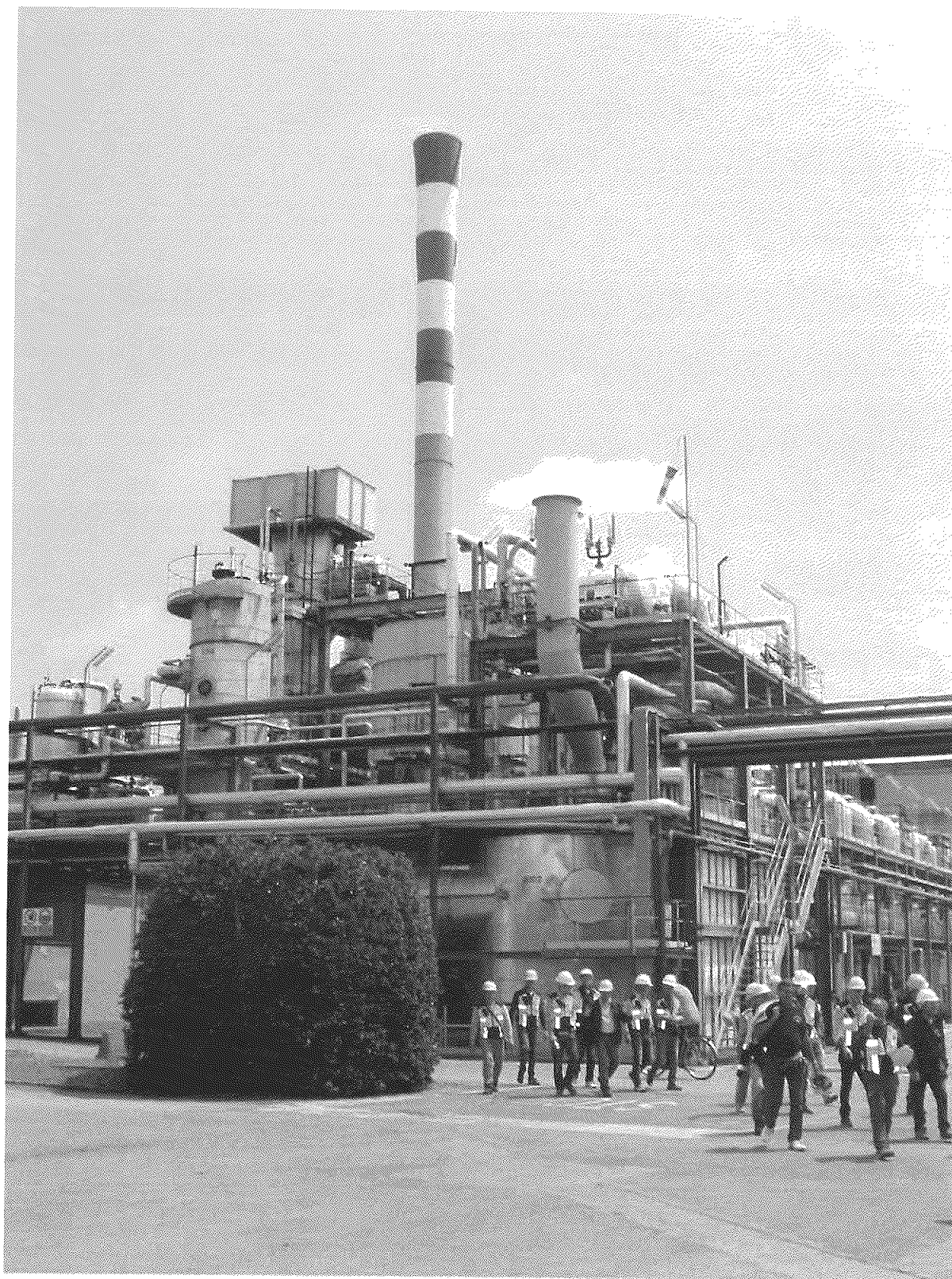
(Euro thousand)	Balances at 1 January 2017	Share premium contribution	Other changes	Profit for the year	Other comprehensive income/(expense)	Balances at 31 Dec 2017
Share capital	-	-	-	-	-	-
Share premium reserve	-	388.385	-	-	-	388.385
Transition reserve	-	-	-	-	(2.120)	(2.120)
Other reserves	-	-	-	-	1.733	1.733
Total comprehensive income	-	388.385	-	-	(387)	387.998
Transaction with owners	-	-	-	-	-	-
Retained earnings	(78)	-	-	(8.613)	-	(8.691)
Total reserves	(78)	388.385	-	(8.613)	(387)	379.307
Total equity attributable to the owners of the parent	(78)	388.385	-	(8.613)	(387)	379.307
Non-controlling interests	-	-	-	-	-	-
Total equity	(78)	388.385	-	(8.613)	(387)	379.307

(Euro thousand)	Balances at 1 January 2018	Share premium contribution	Other changes	Profit for the year	Other comprehensive income/(expense)	Balances at 31 Dec 2018
Share capital	-	-	-	-	-	-
Share premium reserve	388.385	2.787	-	-	-	391.172
Transition reserve	(2.120)	-	-	-	(8.577)	(10.497)
Other reserves	1.733	-	-	-	674	2.207
Total comprehensive income	387.998	2.787	-	-	(7.903)	382.882
Transaction with owners	-	-	-	-	-	-
Retained earnings	(8.691)	-	1.513	34.759	-	27.581
Total reserves	379.307	2.787	1.513	34.759	(7.903)	410.463
Total equity attributable to the owners of the parent	379.307	2.787	1.513	34.759	(7.903)	410.463
Non-controlling interests	-	-	-	-	-	-
Total equity	379.307	2.787	1.513	34.759	(7.903)	410.463

The notes on pages 39 to 92 form an integral part of these consolidated financial statements.

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Notes to the Consolidated Financial Statements as of and for the year ended 31 December 2018

1. Reporting entity

Specialty Chemicals International B.V. (hereafter “Parent” or the “Company”) is a company registered (under kvk number 65782607) in Amsterdam, the Netherlands. These consolidated financial statements comprise the Company and its subsidiaries (collectively the ‘Group’ and individually ‘Group companies’). The Group is active in the production and sale of organic anhydrides, composite, coatings and their derivatives.

The Parent’s shareholder is Specialty Chemicals International Ltd. (hereafter “SCIL”).

2. Basis of preparation

Statement of compliance

These consolidated financial statements of Specialty Chemicals International B.V. have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and with Section 2:362(9) of the Netherlands Civil Code.

The consolidated financial statements were authorized for issue by the Board of Directors of Specialty Chemicals International B.V. on April 29, 2019.

The Group has prepared these financial statement in accordance with EU - IFRS. The Group has not early adopted any new IFRS requirements that are not yet effective in 2018.

This is the first set of the Group’s annual financial statements in which IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have been applied. Changes to significant accounting policies are described in Note 6.

With reference to the Consolidated Statement of Profit or Loss and Other Comprehensive Income of the Company, use has been made of the exemption pursuant to Section 402 of Book 2 of the Netherlands Civil Code.

These financial statements have been prepared on the basis of the going concern assumption.

Basis of measurement

Financial statements have been adapted, if necessary, to comply with the EU - IFRS and classification criteria used by the Group.

The consolidated financial statements have been prepared on the historical cost basis, except for derivative instruments, which have been measured at fair value. The carrying amounts of hedged assets and liabilities are adjusted to reflect gains or losses in fair value in relation to the hedged risks.

The Group presents the consolidated financial statements as follows:



- current and non-current **assets** and current and non-current **liabilities** are presented separately in the consolidated statement of financial position. Current assets, which include cash and cash equivalents, are expected to be realized, transferred or used in the Group's normal operating cycle and, in any case, within one year of the reporting date. Current liabilities are expected to be settled during the Group's normal operating cycle and, in any case, within one year of the reporting date;
- costs are analyzed by nature in the consolidated statement of profit or loss and other comprehensive income;
- the indirect method is used for the consolidated statement of cash flows;
- equity is disclosed using the format that shows changes in each caption (*"Consolidated statement of changes in equity"*).

Functional and presentation currency

These consolidated financial statements are presented in Euro thousand, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Use of accounting estimates and judgement

The preparation of the consolidated financial statements in accordance with the EU - IFRS requires the Group to make estimates and assumptions which influence the carrying amounts of assets and liabilities in the consolidated financial statements and the disclosure concerning potential contingent assets and liabilities. The results which will be reported in the final balance could differ from such estimates. The estimates are used to recognize the allowances for impairment, the provisions for the write-down of inventories, amortization/depreciation, impairment of assets, employee benefits, taxes, restructuring provisions and other provisions. The estimates and assumptions are reviewed periodically and the effects for each change are recognized immediately in profit or loss.

Some measurement processes, in particular, those related to impairment of non-current assets, are generally performed annually, except in the cases where there are indicators which require an immediate measurement of possible impairments.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Changes in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies set out in note 4 to all periods presented in these consolidated financial statements. The nature and effect of the changes are explained below.

The Group has initially applied IFRS 15 (see A) and IFRS 9 (see B) from 1 January 2018. A number of other new standards and amendments are also effective from 1 January 2018 but they do not have a material effect on the Group's financial statements. These new standards and amendments are as follows:

- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2);

- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4);
- Transfers of Investment Property (Amendments to IAS 40);
- Annual Improvements to IFRSs 2014–2016 Cycle (Amendments to IFRS 1 and IAS 28);
- IFRIC 22 Foreign Currency Transactions and Advance Consideration.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards, except for certain hedging requirements and separately presenting impairment loss on trade receivables and contract assets (see B).

A. IFRS 15 – Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

Group management performed an internal review of the main contracts with customers covering the existing revenues streams. Based on the analysis performed the Group management concluded that the application of IFRS 15 has not a significant impact on the consolidated financial statements, mainly as a result of the industry the Group is operating in.

B. IFRS 9 – Financial instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

As a result of the adoption of IFRS 9, the Group has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group's approach was to include the impairment of trade receivables in other expenses. Consequently, the Group reclassified impairment losses recognised under IAS 39, from 'other expenses' to 'impairment loss on trade receivables and contract assets' in the statement of profit or loss and OCI for the year ended 31 December 2017. Impairment losses on other financial assets are presented under 'finance costs', similar to the presentation under IAS 39, and not presented separately in the statement of profit or loss and OCI due to materiality considerations.



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Additionally, the Group has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but have not been generally applied to comparative information.

The following table summarises the impact, net of tax, of transition to IFRS 9 on the opening balance of reserves, retained earnings and NCI (for a description of the transition method, see below).

(Euro thousand)	Original Classification under IAS 39	New Classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial Assets				
Trade receivables	Loans and receivables	Amortised cost	544,708	544,708
Cash and cash equivalents	Loans and receivables	Amortised cost	94,521	92,356
Other financial assets	Loans and receivables	Amortised cost	7,325	7,453
Financial liabilities				
Current financial indebtedness	Other financial liabilities	Other financial liabilities	(54,345)	(54,245)
Trade payables	Other financial liabilities	Other financial liabilities	(212,354)	(212,354)
Non-current financial indebtedness	Other financial liabilities	Other financial liabilities	(545,544)	(545,534)
Pre-emptive derivative on loan	Fair Value - Hedging instrument at P&L	Fair Value - Hedging instrument at P&L	(8,175)	(8,975)
Total non-current financial indebtedness			(545,544)	(545,509)

3. Basis of consolidation

The consolidated financial statements include the financial statements of the relevant group companies under control. All the group companies included in the consolidated financial statements are under common control of Specialty Chemicals International B.V. The financial statements of the subsidiaries are consolidated from the date the Group gains control until the date such control ceases to exist. Non-controlling interests in equity and profit or loss for the year, if any, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income.

The effects of Business Combination, which occurred during 2017, are detailed in note 5.

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

The reporting date of all the group companies is December 31st, 2018.



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The companies included in the consolidation scope as of December 31st, 2018 and as of December 31st, 2017 together with the related percentage of interest are listed below:

Company	Currency	Investment % 2018	Investment % 2017	Combination starting date	Combination method
Specialty Chemicals International B.V.	EUR				Line-by-line
Specialty Chemicals Holding I B.V.	EUR	100%	100%		Line-by-line
Specialty Chemicals Holding II B.V.	EUR	100%	100%		Line-by-line
Specialty Chemicals International Inc.	Polymt Group USD	100%	100%	17-May-17	Line-by-line
Polimeri Speciali Holding S.p.A.	Polymt Group EUR	-	100%	17-May-17	Line-by-line
Polymt S.p.A.	Polymt Group EUR	100%	100%	17-May-17	Line-by-line
Polymt Composites Germany GmbH	Polymt Group EUR	100%	100%	17-May-17	Line-by-line
Polymt Composites Poland Sp. z o.o.	Polymt Group PLN	100%	100%	17-May-17	Line-by-line
Polymt Chemical (Changzhou) Co. Ltd.	Polymt Group CNY	100%	100%	17-May-17	Line-by-line
Polymt Hong Kong Co. Ltd.	Polymt Group USD	100%	100%	17-May-17	Line-by-line
Polymt Iberica S.L.	Polymt Group EUR	-	100%	17-May-17	Line-by-line
Polymt UK Ltd.	Polymt Group GBP	100%	100%	17-May-17	Line-by-line
Polymt Composites Norway A.S.	Polymt Group NOK	100%	100%	17-May-17	Line-by-line
Polymt Composites USA Inc.	Polymt Group USD	100%	100%	17-May-17	Line-by-line
PCCR USA Holdings Inc.	Polymt Group USD	100%	100%	17-May-17	Line-by-line
Polymt Group Holding Inc.	Polymt Group USD	-	100%	17-May-17	Line-by-line
Polymt Composites Holding Australia Pty Ltd.	Polymt Group AUD	100%	100%	17-May-17	Line-by-line
Polymt Composites Australia Pty Ltd.	Polymt Group AUD	100%	100%	17-May-17	Line-by-line
Polymt Composites Malaysia Sdn. Bhd.	Polymt Group MYR	100%	100%	17-May-17	Line-by-line
Polymt Composites France S.A.	Polymt Group EUR	100%	100%	17-May-17	Line-by-line
Polymt Composites Spain S.L.	Polymt Group EUR	100%	100%	17-May-17	Line-by-line
Polymt Composites Holding UK Ltd.	Polymt Group GBP	100%	100%	17-May-17	Line-by-line
Polymt Composites UK Ltd.	Polymt Group GBP	100%	100%	17-May-17	Line-by-line
Polymt Composites Korea Co. Ltd.	Polymt Group KRW	100%	100%	17-May-17	Line-by-line
Polymt Composites Brazil Ltda.	Polymt Group BRL	100%	100%	17-May-17	Line-by-line
Polymt Composites Canada Inc.	Polymt Group CAD	100%	100%	17-May-17	Line-by-line
Polymt Composites II, LLC	Polymt Group USD	100%	100%	17-May-17	Line-by-line
Cooperatie Reichhold Holdings Netherlands	Reichhold Group USD	100%	100%	17-May-17	Line-by-line
Reichhold Norway AS	Reichhold Group NOK	100%	100%	17-May-17	Line-by-line
Reichhold AS	Reichhold Group NOK	100%	100%	17-May-17	Line-by-line
Reichhold Denmark AS	Reichhold Group DKK	100%	100%	17-May-17	Line-by-line
Reichhold Industries Limited	Reichhold Group CAD	100%	100%	17-May-17	Line-by-line
Reichhold LLCz	Reichhold Group USD	100%	100%	17-May-17	Line-by-line
Reichhold Polymers (Tianjin) Ltd.	Reichhold Group CNY	100%	100%	17-May-17	Line-by-line
Reichhold Trading (Beijing) Ltd.	Reichhold Group CNY	100%	100%	17-May-17	Line-by-line
Reichhold SAS	Reichhold Group EUR	100%	100%	17-May-17	Line-by-line
Reichhold France SAS	Reichhold Group USD	100%	100%	17-May-17	Line-by-line
Reichhold GmbH	Reichhold Group EUR	100%	100%	17-May-17	Line-by-line
Reichhold Holding Hong Kong Limited	Reichhold Group USD	99.9%	99.9%	17-May-17	Line-by-line
Reichhold CZ s.r.o.	Reichhold Group CZK	100%	100%	17-May-17	Line-by-line
Reichhold Mauritius Ltd.	Reichhold Group USD	100%	100%	17-May-17	Line-by-line
Reichhold UK Ltd.	Reichhold Group GBP	100%	100%	17-May-17	Line-by-line
Reichhold Srl	Reichhold Group EUR	100%	100%	17-May-17	Line-by-line
Reichhold BV	Reichhold Group EUR	100%	100%	17-May-17	Line-by-line
Reichhold Holdings International BV	Reichhold Group USD	100%	100%	17-May-17	Line-by-line
Reichhold Inc.	Reichhold Group AED	100%	100%	17-May-17	Line-by-line
Reichhold India Private Limited	Reichhold Group INR	100%	100%	17-May-17	Line-by-line
Reichhold Química de Mexico	Reichhold Group MXN	100%	100%	17-May-17	Line-by-line
Reichhold do Brasil Ltda.	Reichhold Group BRL	100%	100%	17-May-17	Line-by-line
Reichhold Resinas Sintéticas Ltda.	Reichhold Group BRL	100%	100%	17-May-17	Line-by-line
Reichhold Finance BV	Reichhold Group EUR	100%	100%	17-May-17	Line-by-line

The changes to the Group's companies completed during 2018 are the following:

- Polymt Iberica S.L. was liquidated on July 31st, 2018, resulting in the Spanish subsidiary's termination;



- the execution of the merger on November 14th, 2018 between Polimeri Speciali Holding S.p.A. into Polynt S.p.A., the relevant effective date occurred on November 26th, 2018;
- Polynt Group Holding Inc. was liquidated on November 30th, 2018, resulting in the American subsidiary's termination.

Subsidiaries

Subsidiaries are entities controlled directly or indirectly by the Parent. The Parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Non-controlling interests

Non-controlling interests are measured at their proportionate share of the parties' identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognized in profit or loss.

Consolidation procedures

The following consolidation procedures are applied in the preparation of the consolidated financial statements:

- the financial statements of the consolidated entities are prepared for each reporting period using the same accounting policies as those of the Group;
- the assets and liabilities and revenue and expense of consolidated companies are fully recognized in the consolidated financial statements;
- intragroup balances, transactions, revenue and expense are fully eliminated;
- all intragroup profits not yet realized deriving from third party transactions are eliminated;
- the carrying amount of investments held is eliminated against the investee's equity. The portions of equity and profits or losses attributable to non-controlling interests are shown separately in equity and profit or loss;
- when the acquisition cost of an investment exceeds the carrying amount of the portion of the investee's equity at the acquisition date, this excess is allocated to specific asset and liability captions up to their fair value at that date. Any residual excess is then recognized as "Goodwill" and is not amortized but tested annually for impairment to verify that the amount is still recoverable, using the methods described in the paragraph on "Impairment losses on assets". When the acquisition

- cost of an investment is less than the carrying amount of the investee's equity at the acquisition date, the difference is taken to profit or loss;
- dividends distributed by consolidated companies are eliminated from the consolidated profit or loss;
 - for transactions under common control, assets and liabilities are maintained at their historical value, and the excess between the consideration and the carrying amount is recognized under equity reserves;
 - the assets and liabilities of foreign operations are translated into Euro at the closing rate, while income and expenses of foreign operations are converted at the average exchange rate of the year. Exchange rate gains or losses arising from translation are recognized in the "Translation reserve" in equity. If the investment is sold, any accumulated exchange rate gains or losses are reclassified to profit or loss.

4. Significant accounting policies

Consolidated statement of financial position

Cash and cash equivalents

Cash and cash equivalents include deposits with banks and cash on hand measured at fair value and call deposits with maturities of three months or less from the acquisition date. The definition of cash and cash equivalents for the consolidated statement of cash flows and for the consolidated statement of financial position is the same.

Trade receivables

Trade receivables from customers are initially recognised at fair value, increased by transaction costs. After initial recognition, trade receivables are stated at their estimated realizable value. The adjustment to the estimated realizable value is obtained by adjusting the nominal value of the receivables, to take account of losses due to uncollectability. Provisions for doubtful accounts are always valued at an amount equal to the expected losses over the entire life of the receivable. When the collection of trade receivables is deferred beyond twelve months and the transaction is in fact a financial transaction, the fair value of the consideration is determined by discounting all future income, using a notional interest rate.

The category of trade receivables includes trade receivables. The initial valuation of trade receivables is made at fair value on the trade date, i.e. at the value of the consideration due, net of directly attributable transaction costs.

Loans and receivables

The Group initially recognizes loans and receivables and debt securities issued on the date when they are originated. Trade receivables are initially recognized at the fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

The impairment of receivables is estimated on the basis of the present value of estimated future cash flows.

Derecognition of financial assets and financial liabilities

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Group is recognized as a separate asset or liability.

The Group enters into factoring transactions whereby it transfers assets recognized on its statement of financial position, especially trade receivables.

Trade receivables are not derecognized from the consolidated statement of financial position, if the Group, in a factoring transaction, retains substantially all of the risks and rewards.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Other non-derivative financial assets

Financial assets are initially measured at acquisition cost which is equal to fair value plus any directly attributable transaction costs.

Assets held to maturity are classified as current financial assets if their maturity is within one year, and they are classified as non-current if it is after one year. They are subsequently measured at amortized cost, which is determined using the effective interest rate method, considering any discounts or premiums at the acquisition date and recognizing them over the entire term up to maturity, less any impairment losses.

Financial assets classified as available for sale are measured at fair value and classified as current assets. Gains or losses arising from fair value measurement are recognized in a separate component of equity until the assets are sold or recovered or in any case discontinued, or until they are impaired, in which case any accumulated gains or losses recognized in equity up to that date are taken to profit or loss.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities in foreign currency are translated into the reporting currency at the exchange rate in force at the reporting date.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the reporting currency at the exchange rate in force when the fair value was determined. Non-monetary assets and liabilities that are measured at cost in a foreign currency are translated at the exchange rate in force at the transaction date.

Translation differences are generally recognized in profit or loss.



However, translation differences arising from the translation of the following items are recognized in other comprehensive income (“OCI”):

- available-for-sale financial assets (except on impairment, in which case translation differences that have been recognized in OCI are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective;
- qualifying cash flow hedges to the extent that the hedges are effective.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into euro at exchange rates at the reporting date. The income and expenses of foreign operations are translated into euros at the exchange rates at the dates of the transactions.

Foreign currency differences are recognized in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

The exchange rates used to translate foreign operations into Euro are as follows:

Currency	Average		Year-end	
	2018	2017	31-Dec-18	31-Dec-17
USD U.S. Dollar	1.18	1.13	1.15	1.20
AUD Australian Dollar	1.58	1.47	1.62	1.53
CAD Canadian Dollar	1.53	1.46	1.56	1.50
CZK Czech crown	25.65	26.33	25.72	25.54
DKK Danish krone	7.45	7.44	7.47	7.44
AED Dirham	4.34	4.15	4.21	4.40
INR Indian Rupia	80.73	73.53	79.73	76.61
NOK Norwegian krone	9.60	9.33	9.95	9.84
MXN Peso Mexican	22.71	21.33	22.49	23.66
GBP Pound Sterling	0.88	0.88	0.89	0.89
BRL Real	4.31	3.61	4.44	3.97
CNY Renminbi	7.81	7.63	7.88	7.80
MYR Ringgit	4.76	4.85	4.73	4.85
KRW South Korean Won	1,299.07	1,276.74	1,277.93	1,279.61
PLN Zloty	4.26	4.26	4.30	4.18

Derivative financial instruments

A derivative financial instrument refers to any financial contract with the following characteristics:

1. its value changes in relation to the change in an interest rate, a price of a financial instrument, commodity prices, a foreign currency exchange rate, a price or rate index, a credit rating or other predetermined underlying variable;
2. it does not require a net initial investment or, if requested, this is lower than the investment that would be requested for other types of contracts from which a similar response would be expected to a change in market factors;
3. it will be settled at a future date.

The derivative financial instrument is designated as hedging or trading, depending on its nature. All derivatives are initially recognized in the consolidated statement of financial position at cost that represents their fair value. Any directly attributable transaction costs are recognized in profit or loss as incurred. All derivatives are subsequently measured at fair value.

The changes in fair value are recognized in profit or loss in the case of derivatives which are not hedging instruments.

Hedging derivatives are classified as follows:

- fair value hedges, if they hedge the risk of changes in the market value of the underlying asset or liability;
- cash flow hedges, if they hedge the risk of cash flow changes generated by existing assets and liabilities or by a future transaction.

Both the changes in the fair value of fair value hedge derivatives and the fair value changes in the underlying item are recognized in profit or loss.

In the case of cash flow hedges of, for example, the risks related to non-current floating-rate loans, changes in the fair value are recognized in other comprehensive income statement for the part which highly effective way risk to which they were put in place, while recorded in profit or loss any part that proves ineffective.

The part attributed to other components of comprehensive income is reclassified to profit or loss when the assets and liabilities hedged impacts the costs and revenue of the period.

It is important to note that the Group has adopted a specific procedure to manage financial instruments that is part of an overall risk management policy.

Inventories

Inventories are measured at the lower of their purchase and/or production cost determined using the weighted average cost method and their net realizable value based on the estimated selling price less any estimated sales costs.

In the case of internally produced inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

In the case of finished goods, this value corresponds to the estimated sales price in normal business conditions, net of the estimated costs to complete the sale.

The net realizable value for raw materials, supplies and consumables is represented by the weighted average replacement cost.

The purchase cost includes ancillary costs; the production cost includes directly attributable costs and a portion of indirect costs, reasonably chargeable to the products.

Work in progress is measured on the basis of the actual average cost for the period, based on the percentage of completion.



Obsolete or slow-moving inventories are written down in relation to their presumed future possibility of use or realizable value, through the inclusion of a specific provision for the write-down of inventories.

The write-down is reversed if in subsequent years the reasons for the write-down no longer exist.

Property, plant and equipment

Property, plant and equipment are measured at cost, including directly attributable ancillary costs necessary for the use of the asset.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent expenditure are capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

They are shown net of the respective accumulated depreciation and any impairment is determined in accordance with the methods described in the "Impairment of assets" paragraph. The cost of items of property, plant and equipment is depreciated using the straight-line method over their estimated useful lives and is generally recognized in profit or loss. The Group annually reviews the useful lives of assets and any necessary changes are reflected on a prospective basis. Any changes, if necessary, are applied prospectively.

Depreciation is calculated and accounted for on the date which the items of property, plant and equipment become available for use. Leased assets are depreciated over the shorter of the lease term or their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land, whether free of constructions or annexed to civil and industrial buildings, is recognized separately and is not depreciated as it has an unlimited useful life. Assets are presented at cost under "Assets under construction" until the construction is completed; at the date of completion, the related cost is classified in the corresponding property, plant and equipment category and is depreciated.

Specific spare parts are allocated to the plants to which they refer and depreciated in accordance with the estimated useful life of the plant concerned.

Maintenance and repair expenses, which do not enhance and/or prolong the asset's remaining useful life, are recognized in profit or loss in the period in which they were incurred, otherwise they are capitalized.

The annual depreciation rates applied are as follows:

• Buildings	2.5% - 10%
• Light constructions	7% - 11%
• Generic plant	4% - 15%
• Specific plant	5% - 20%
• Sundry equipment	30% - 40%
• Furniture and office machines	12%
• Electronic office machines	20%
• Registered vehicles	20%
• Transport vehicles	25%



At the date of disposal or when the future economic benefits are no longer expected from its use, an asset is derecognized. Any gain or loss (calculated as the difference between the sale value and the carrying amount) is recognized in profit or loss of the year.

Intangible assets and Goodwill

Goodwill is the result of accounting for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Goodwill is tested annually for impairment determined using the methods described in the “*Impairment of assets*” paragraph.

Research and development

The expenses incurred for development, which envisage applying the results of the research to a plan or to a project for the production of new or significantly enhanced products or processes are only capitalized when the product or the process is feasible in technical and commercial terms, when the Group intends and has sufficient resources to complete the development project, when the costs sustained for the project are determined reliably and when the respective products can generate future economic benefits. The capitalized expenses include the costs for the materials, direct labor and an appropriate quota of production overheads. These expenses are amortized on the basis of their estimated useful life of 5 years (20%). Subsequent to initial recognition, development costs are measured at cost less accumulated amortization and any accumulated impairment losses. The other development expenses are recognized in profit or loss in the period in which they are incurred.

Other intangible assets

Other intangible assets are recognized at cost, determined in accordance with the same methods indicated for property, plant and equipment.

Other intangible assets, with a definite useful life, are recognized net of their accumulated amortization and any impairment, determined using the methods indicated in the “*Impairment of assets*” note.

Their useful life is reviewed annually and any necessary changes are reflected on a prospective basis.

The annual amortization rates are as follows:

• Patent rights and trademarks	10% - 20% - 25%
• Surface rights	2% - 5%
• Know-how	33.3%
• Technology	20.0%
• Other	20% - 33.3%

Any gain or loss generated on disposal is determined as the difference between the sale value and the carrying amount of the asset concerned and is recognized in profit or loss at the disposal date.



Financial liabilities

Loans and the other financial liabilities are initially recognized at cost, equal to their fair value, net of directly attributable transaction costs. After initial recognition, the financial liabilities are measured at amortized cost using the effective interest method.

This account also includes financial payables for existing leasing contracts. The initial recognition of these payables, as well as the valuation subsequent to the initial recognition, follow the treatment illustrated for financial leasing in the account financial leases in the non-current assets section.

The current portions of finance lease payables are reclassified to current financial liabilities to third parties.

Trade payables

Trade payables are recognized at fair value and subsequently measured at amortized cost using the effective interest method. Trade payables are not discounted if they are due within one year.

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a legal or constructive obligation to pay this amount as a result of the past service provided by the employee and the obligation can be reasonably estimated.

Long-term employee benefits

Post-employment benefits are considered a defined benefit plan in accordance with IAS 19 "Employee Benefits". Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes restructuring costs. If the benefits are not expected to be settled wholly within one year of the reporting date, then they are discounted.

The benefits guaranteed to employees in the form of the employee severance indemnity are paid when the employment relationship is terminated and are recognized over the period in which the right vests. The liability for benefits to be paid at the end of the employment relationship is determined based on actuarial assumptions and is recognized on an accruals basis consistent with the service necessary to obtain the benefits; the obligation is determined by independent actuaries.

Gains and losses arising from the actuarial calculation are recognized in other components of profit/loss of comprehensive income. Actuarial losses arising on the calculation of the present value of the liability to pay the benefits are recognized in the financial expenses. All other costs covered by the provision for defined benefit plans are recognized in profit or loss under personnel expense.

Provisions

Provisions are recognized when the Group:

- has a legal or constructive obligation in relation to third parties;
- it is probable that a cash outflow from the Group will be required;
- a reasonable estimate of the amount of the obligation can be made.



Changes in the estimate of the provisions are reflected in profit or loss for the period in which the change occurred.

Provisions are recognized as the best estimate of the expenditure required to settle the obligation.

If the impact of discounting the time value of money is significant, the provision is determined by discounting expected future cash flows using a discount rate that reflects the current market assessment of the time value of money. When the cost is discounted, the increase of the provision due to the passage of time is recognized as an interest expense.

Impairment of assets

The Group verifies at least once a year if there is any indication that an asset may be impaired.

If such an indication exists, the asset's recoverable amount is calculated in order to identify the extent of any impairment. This recoverable amount equals the higher of the value in use and the fair value less costs to sell. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units or "CGUs" or "CGU". Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The value in use of the CGU to which the asset belongs is determined when the value in use of an individual asset cannot be estimated. The value in use of a given asset is calculated as the present value of the estimated future cash flows, before taxes, by applying a pre-tax discount rate that reflects the market assessment of the time value of money and of the asset's specific risks.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

An impairment loss is recognized in profit or loss if the recoverable amount determined is less than the asset's carrying amount for that cash generating unit (CGU).

The impairment of a CGU is first allocated to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the other assets of the CGU on a pro rata basis.

An impaired asset is reversed when there is an indication that the impairment no longer applies or when there has been a change in the measurements used to determine the recoverable amount, except for those related to goodwill and property, plant and equipment with finite lives which are never reversed.

The reversal of an impairment loss cannot exceed the carrying amount that would have been determined (net of amortization) if the impairment had not been recognized. The reversal is recognized immediately in profit or loss.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised for unused tax losses, unused

tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the

extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying

amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Leases

The Group determines whether a financial arrangement is or contains a lease component. At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes that it is impracticable to separate the payments reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognized using the Group's incremental borrowing rate.

Leases that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are measured in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognized in the Group's statement of financial position.

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense and expensed over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is

allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The actual impact of adopting the IFRS16 standard is described in related paragraph (note 7).

Emission trading

At present there is no accounting standard or interpretation that deals specifically with the accounting for emission allowances or renewable energy certificates. Companies must therefore apply judgment and determine an accounting method based on the general principles of EU - IFRS.

The Group uses the net liability approach to recognize emission allowances or renewable energy certificates.

According to this approach, allowances are recorded at nominal value (zero). This is in line with the general provisions in place for recognizing and measuring financial assets under EU - IFRS and takes into account the absence of acquisition costs for allowances.

Consolidated statement of profit or loss and other comprehensive income

Revenue and costs

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Group adopted IFRS 15 and based on the Groups' review, the impact of applying this new standard does not have a material impact on these financial statements.

Government grants

The Group recognizes an unconditional government grant for operating expenses in profit or loss as other income when the grant becomes receivable.

Other government grants related to assets are initially recognized as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses are recognized.

Financial income and financial expense

Financial income and expense are recognized in profit/loss for the year on an accrual basis according to the interest accrued on the net value of the respective financial assets and liabilities using the effective interest rate.

All financial expenses are recognized in profit or loss for the period, except those that meet the requirements of IAS 23 for capitalization. Loan costs are recognised in the income statement using the effective interest method.

Income taxes

Tax expense of the period includes current and deferred tax.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Deferred tax is recognized for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the Group and the reversal of temporary differences. Deferred tax assets are reviewed at each reporting date and a valuation allowance provided to the extent that it is no longer probable that the related tax benefit will be realized; such valuation allowance are reversed when the probability that such unrecognized deferred tax assets will be realized from future taxable profit or other management actions.

5. Business Combination

On May 17th, 2017 Polynt Group (“Polynt”) and Reichhold Group (“Reichhold”) agreed to combine their businesses to form a global company in the coating and composite resins industry. The merger has been accounted for as a business combination using the acquisition method of accounting under IFRS 3, with the Company being identified as acquirer.

The control date for the new Group was May 17th, 2017 with May 31st, 2017 used as the date to account for the acquisition effects and for the preparation of the Consolidated financial statements, since management is of the opinion that May 31st, 2017 represents the only reliable available financial information close to the control date.

The acquisition accounting was not revised since no information was obtained within one year of the date of acquisition that would indicate any adjustments to the previously reported acquisition accounting or any additional provisions that existed at the date of acquisition.

6. Standards and interpretations that became applicable in 2018

As from January 1st, 2018, the following new or revised standards were adopted by the Group:

- IFRS 15 - Revenue from Contracts with Customers;
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4);
- IFRS 9 – Financial instruments.

Based on analysis conducted by the Group management, relating to application of these new standards, no relevant impacts have emerged.

7. Standards and interpretations soon to become applicable

A number of new standards are effective for annual periods beginning after 1st January 2018 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

Of those standards that are not yet effective, IFRS 16 is expected to have a material impact on the Group's financial statements in the period of initial application.

IFRS 16 Leases

The Group is required to adopt IFRS 16 Leases from 1st January 2019. The Group has assessed the estimated impact that IFRS 16 will have on its consolidated financial statements, as described below. The actual impact of adopting the IFRS16 standard on 1st January 2019 may change for the following reason:

- the Group has not yet finalized the testing and assessment of controls over its new IT systems;
- the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

Leases in which the Group is a lessee

The Group will recognize new assets and liabilities for its operating leases of warehouse and factory facilities. The nature of the expenses related to those leases will now change because the Group will recognize a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognized operating lease expense on a straight-line basis over the term of the lease, and recognized assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognized.

No significant impact is expected for the Group's finance leases.



Based on the information currently available, the Group estimates that it will recognize additional lease liabilities and assets in the range of EUR 13.5-16.5 million as at 1st January 2019.

Leases in which the Group is a lessor

No significant impact is expected for other leases in which the Group is a lessor.

Transition

The Group plans to apply IFRS 16 initially on 1st January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at 1st January 2019, with no restatement of comparative information.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1st January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

Other standards

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- IFRIC 23 Uncertainty over Tax Treatments.
- Prepayment Features with Negative Compensation (Amendments to IFRS 9).
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).
- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards.
- Amendments to References to Conceptual Framework in IFRS Standards.
- IFRS 17 Insurance Contracts.



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8. Trade receivables

Trade receivables by geographical segment are composed as follows:

(Euro thousand)	31-Dec-18	31-Dec-17
European	155,040	151,154
Non-European	160,380	176,311
Gross balance	315,420	327,465
Allowance for impairment	(12,749)	(12,759)
Net balance	302,671	314,706

At December 31st, 2018, there were no trade receivables factored without recourse (EUR 3,530 thousand on December 31st, 2017).

The Group sold with recourse trade receivables to a bank for cash proceeds. These trade receivables have not been derecognised from the statement of financial position, because the Group retains substantially all of the risks and rewards, primarily credit risk. The amount received on transfer has been recognised as a secured bank loan (see note 24). The arrangement with the bank is such that the customers remit cash directly to the Group and the Group transfers the collected amounts to the bank.

Changes in the allowance for impairment are shown below:

(Euro thousand)	31-Dec-18	31-Dec-17
Opening balance	12,759	-
Business combination	-	14,226
Accruals	2,355	1,256
Obliterations	(1,900)	(2,389)
Translation rate differences	(465)	(334)
Closing balance	12,749	12,759

The Group has impaired specific trade receivables based on objective indications of the risk of partial or total non-collection. The impairment losses are net of estimated recoverable amounts. A general allowance is established for receivables that are not impaired individually or provided for specifically based on losses incurred over the past five years.

Note 38 gives information about the Group's exposure to credit risk, currency risk and interest rate risk in relation to trade receivables.

9. Inventories

Inventories are broken down as follows:



(Euro thousand)	31-Dec-18	31-Dec-17
Raw materials, consumables and supplies	110,599	106,841
Allowance for write-down of inventory	(3,663)	(2,700)
Total	106,936	104,141
Work in progress and semi-finished products	15,145	11,894
Allowance for write-down of inventory	(105)	(109)
Total	15,040	11,785
Finished products	219,995	105,219
Allowance for write-down of inventory	(4,334)	(4,134)
Total	215,661	101,085
Generic spare parts	11,226	11,057
Allowance for write-down of inventory	(3,435)	(3,224)
Total	7,791	7,833
Total inventories	245,428	224,844

The provision for obsolescence is established to cover risks related to the net estimated realizable value of obsolete or slow-moving items. The Group uses specific identification and statistical methods based on aging and inventory category when computing the obsolescence provision.

10. Current tax assets

Current tax assets are composed as follows:

(Euro thousand)	31-Dec-18	31-Dec-17
Current tax assets	8,281	14,474
Taxes for which reimbursement has been claimed	2,319	2,320
Total	10,600	16,794

Current tax assets also includes a net receivable related to the offsetting of tax prepayments by US legal entities part of the same controlled group for tax purposes.

“Taxes for which reimbursement has been claimed” include the reimbursement claimed by Polynt S.p.A. for the deductibility of personnel expense from 2007 to 2011 in the calculation of Italian corporate income tax.

11. Other current assets

Other current assets are composed as follows:

(Euro thousand)	31-Dec-18	31-Dec-17
VAT receivable	7,589	6,836
Advances to social security institutions	32	39
Sundry advances	1,213	2,204
Prepayments		
- Insurance premiums	1,518	2,141
- Maintenance instalments	1,128	1,221
- Others	11,734	11,054
Other receivables	5,855	2,047
Total	29,069	25,542



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In 2018 and 2017, "Prepayments - others" mainly relates to Reichhold LLC2's insurance receivable for EUR 8.800 thousand. Refer to note 23 for further information.

12. Property, plant and equipment

Changes in Property, plant and equipment for the two years ended December 31st, 2018 and December 31st, 2017 are detailed in the following tables:

	Historical cost at 01-Jan-18	Reclassifications	Increases	Decreases	Impairment loss	Translation difference	Historical cost at 31-Dec-18	Carrying amount at 31-Dec-18
Buildings	126,950	4,542	1,787	(5)	-	(85)	133,527	83,469
Land	183,725	(9)	-	(5)	-	222	183,893	1,457,911
Light constructions	14,413	(2,982)	122	-	-	(7)	12,022	6,862
Land and buildings	276,688	1,952	1,710	(10)	-	1,145	281,482	224,122
Generic plant	903,949	12,781	12,431	(1,443)	-	(252)	927,666	175,407
Specific plant	955,976	7,061	9,961	(4,410)	(807)	(670)	963,111	84,421
Plant and equipment	666,427	19,445	22,379	(5,853)	(807)	1,992	697,586	269,828
Sundry equipment	11,085	391	726	(162)	-	(3)	12,037	6,545
Industrial and commercial equipment	31,085	391	726	(162)	-	(3)	32,737	6,545
Furniture and office machines	802	5,130	(18)	-	-	(57)	6,007	2,841
Electronic office machines	16,285	(2,151)	1,170	-	-	(14)	15,200	3,870
Registered vehicles	2,324	462	11	(42)	-	(13)	2,742	1,652
Transport vehicles	927	-	37	(38)	-	7	926	401
Other assets	19,438	3,450	2,656	(80)	-	588	25,822	7,685
Assets under construction	85,022	(25,239)	14,615	(263)	-	(18)	64,047	23,251
Advances to suppliers for plant	49	-	-	(1)	-	(0)	48	58
Assets under construction and advances	34,872	(25,239)	14,615	(264)	-	(18)	23,896	23,899
Total	1,021,410	-	82,086	(7,047)	(807)	3,944	1,099,586	531,469

	Accumulated depreciation at 01-Jan-18	Reclassifications	Increases	Decreases	Impairment loss	Translation difference	Accumulated depreciation at 31-Dec-18
Buildings	42,755	1,364	7,193	(19)	(31)	124	52,056
Land	146	-	-	-	-	(4)	142
Light constructions	7,754	(1,437)	(2,296)	(11)	727	73	5,160
Land and buildings	50,655	77	4,887	(30)	1,408	199	57,860
Generic plant	126,240	(4,395)	22,521	(1,644)	(1,220)	1,795	147,252
Specific plant	765,348	1,472	15,257	(9,733)	-	(423)	771,921
Plant and equipment	891,788	(2,923)	41,778	(4,961)	1,120	962	927,757
Sundry equipment	29,802	(73)	1,552	(714)	(3)	25	29,589
Industrial and commercial equipment	28,901	(70)	1,598	(714)	(3)	25	28,833
Furniture and office machines	(2,850)	1,844	1,078	-	1,16	110	3,768
Electronic office machines	12,060	(1,835)	1,851	-	46	(61)	12,768
Registered vehicles	1,589	(93)	144	(34)	-	(493)	1,099
Transport vehicles	318	-	153	(37)	-	3	532
Other assets	13,658	2,916	9,214	(71)	182	280	18,187
Total	476,202	-	51,447	(5,776)	2,803	1,440	528,117

	Historical cost at 01-Jan-17	Business combination	Reclassifications	Increases	Decreases	Impairment loss	Translation difference	Historical cost at 31-Dec-17	Carrying amount at 31-Dec-17
Buildings	117,185	1,602	3,748	(733)	(602)	(246)	120,854	55,278	
Land	139,684	(43)	31	(2,774)	(85)	(2,507)	136,716	133,618	
Light constructions	14,921	-	82	(106)	(130)	(206)	14,322	9,265	
Land and buildings	281,790	1,559	3,821	(3,723)	(822)	(2,459)	281,166	224,122	
Generic plant	801,324	1,300	9,732	(1,563)	(4,776)	(1,493)	805,020	175,407	
Specific plant	952,937	2,192	2,252	(4,485)	(6,776)	(6,132)	946,023	84,421	
Plant and equipment	654,261	3,492	13,510	(4,028)	(4,776)	(6,132)	655,457	269,828	
Sundry equipment	30,609	425	535	(284)	-	(284)	31,085	7,184	
Industrial and commercial equipment	30,609	425	535	(284)	-	(284)	31,085	7,184	
Furniture and office machines	688	174	156	(30)	-	81	1,109	3,493	
Electronic office machines	15,288	142	721	(957)	(108)	(624)	15,131	3,870	
Registered vehicles	1,230	(9)	(11)	(6)	-	(7)	1,224	57	
Transport vehicles	287	-	186	(138)	-	(14)	327	514	
Other assets	19,099	321	1,054	(1,124)	(100)	(664)	18,686	7,681	
Assets under construction	23,936	(4,634)	13,073	(3)	-	(414)	31,962	23,251	
Advances to suppliers for plant	49	(669)	324	(3)	-	(21)	49	49	
Assets under construction and advances	24,034	(5,298)	13,397	(3)	-	(435)	31,913	23,899	
Total	1,011,097	-	38,481	(9,382)	(8,846)	(12,646)	1,016,310	531,469	



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(Euro thousand)	Change in value of depreciation asset 01-Jan-17	Business combination	Revaluations	Impairment	Disposals	Amplification loss	Translation difference	Accumulated depreciation at 31-Dec-17
Buildings	39,222	67	3,644	(73)	(1,267)	(277)		42,606
Land	84	(64)	143			3		146
Light constructions	5,084		203	(74)	(23)	(146)		5,048
Land and buildings	44,374	(17)	6,191	(147)	(1,290)	(420)		47,889
Generic plant	114,870	(88)	13,718	(1,079)	(1,200)	(1,140)		124,380
Specific plant	229,510		5,081	(1,415)		688		265,523
Plant and equipment	374,480	(88)	21,749	(2,494)	(1,170)	(452)		389,228
Sundry equipment	23,144	35	874	(117)		15		23,931
Industrial and commercial equipment	29,544	35	874	(117)		15		29,931
Printing and office machines	3,906	35	342	(132)		45		3,991
Electronic office machines	12,198		3,251	(263)	(23)	(202)		12,034
Registered vehicles	1,092	7	17			(36)		1,127
Transport vehicles	415	9	107	(102)		19		413
Other assets	24,785	71	7,744	(1,219)	(27)	(178)		31,184
Total	458,187		78,558	(4,274)	(2,807)	(2,587)		478,108

Several Group subsidiaries have granted securities in accordance with certain agreed security principles and in the forms prescribed under the applicable local law over fixed assets and real estate in support of the secured obligations under the Indenture, the Facility Agreement and the Super Senior Security Agreement.

The Group leases production equipment under a number of finance leases. The leased equipment secures the lease obligations. At December, 31st 2018, the net carrying amount of leased equipment was in a range of EUR 13.5-16.5 million.

The increases of property, plant and equipment mainly refer to:

- EUR 7.0 million for Polynt Composites USA's Houston site capabilities updated to support product reallocations related to the Reichhold USA's Houston closure and other site product reallocation actions and Polynt Composites USA's Carpentersville site upgrade to support a customer's strategic requirements;
- EUR 3.2 million for TMA new oxidation column and new DCS system installed in Polynt Changzhou (China);
- EUR 2.5 million for Reichhold USA's Azusa site upgraded to produce UPR and gel coat reallocated from the Lynwood and Port Moody closures;
- EUR 2.4 million for the new UPR plant in Polynt Composites' Malaysia's Johor site;
- EUR 2.1 million to upgrade the maleic anhydride plant at Polynt S.p.A.'s Ravenna site (Italy);
- EUR 1.7 million to upgrade the trimellitic anhydride plant at Polynt S.p.A.'s Scanzorosciate site (Italy);
- EUR 1.1 million for Reichhold Brazil's Mogi site produce UPR and gel coat transferred from the closure of the Taboao and Piracicaba sites;
- EUR 0.7 million to upgrade the Turbogas plant at Polynt S.p.A.'s Ravenna site (Italy);
- EUR 0.6 million for the catalyst replacements for the phthalic anhydride plant at Polynt S.p.A.'s San Giovanni Valdarno sites (Italy);
- EUR 0.5 million to upgrade the malic and fumaric acid plant at Polynt S.p.A.'s Scanzorosciate site (Italy);
- EUR 0.2 million to upgrade the special plasticizers plant at Polynt S.p.A.'s San Giovanni Valdarno site (Italy);
- EUR 0.3 million for new Thermal Oxidizer in Reichhold India's Pune site;
- the remaining amounts represents minor investments at the various Group's sites.



13. Goodwill

(Euro thousand)	31-Dec-18	31-Dec-17
Goodwill	66,770	65,742

Goodwill refers to the combination of the Polynt and Reichhold businesses that occurred in May of 2017. After the allocation of the excess acquisition price to identifiable assets and related computation of deferred tax, a residual Goodwill of EUR 66.8 million was recorded. The Goodwill was allocated to the regional CGUs: Europe, Americas, Asia.

The change in Goodwill amount respect to 31 Dec 2017 is related to the effect of exchange rate, mainly to the part allocated to the US components.

As at December 31st, 2018 and 2017, the carrying value of goodwill by regional CGU is as follows:

(Euro thousand)	31-Dec-18	31-Dec-17
Europe	37,105	37,123
Americas	23,652	22,608
Asia	6,013	6,011
Total	66,770	65,742

Goodwill is not amortized but tested annually for impairment.

Goodwill was tested for impairment at December 31st, 2018 as required by IAS 36 - Impairment of assets. Its recoverable amount is higher than its carrying amount. The impairment test was based on expected cash flows over a five-year period.

The recoverable amount is determined by calculating the value in use, which is the present value of forecast cash flows using a discount rate that reflects the specific risks of the individual cash generating units at the measurement date. The forecast cash flows used in the impairment test are based on projections approved by the board of directors.

For 2019 the budget approved by the Board of Directors of SCIL on February 21st, 2019 was used in the impairment test. Results are expected to increase slightly in subsequent years compared to 2019.

Sales volumes are expected to grow on average 2.4%, in 2019 and steady growth tailored for Each Region by 2020. Europe 2019 forecasted margins are declining and are expected to remain stable thereafter. Americas and Asia margins are overall growing versus 2018 with a stability by 2020. Normalized fixed costs are stable in 2019 and in line with the growth in volumes, specifically sized for each Region for the following years.

The discount rate used was calculated by using the WACC (weighted average cost of capital) method, namely, by weighting the rate of return expected from investing equity in a similar business and the cost of borrowing. The calculation considered the changes in the economic scenario during the years under analysis and the consequent implications in terms of interest rates.



The cash flows deriving from the plan were discounted using the WACC rate of 9.3% for Europe, 10.2% for America and 10.7% for Asia, parameterized for each assumption, considering the characteristics of the chemical sector and the Group's specific region, structure and financial risks.

The discount rate is the rate of return on the ten-year government bonds in the reference market in the same currency as the cash flows, adjusted to reflect the higher risk of investing in equities and the systematic risk of the Group's specific segment.

The estimated recoverable amount, which is based on its value in use, exceeds the carrying amount of each geographic segment as follows:

(€ million)	Value in Use	Carrying Amount	Headroom/ (impairment loss)
Europe	621	486	135
Americas	719	321	398
Asia	158	125	33

The cash flows were stated net of the normal return on assets and their capitalized amount was compared to the goodwill's carrying amount.

The following table outlines the change in discount rate required for the regional carrying amount to equal the recoverable amount:

Change required for carrying amount to equal the recoverable amount	Europe	Americas	Asia
Discount rate	2%	10%	2%

The following table outlines the impact on value in use with a +1/-1% change in discount rate.

(€ million)	Value in Use	Value in Use (+1% discount rate)	Value in Use (-1% discount rate)
Europe	621	551	710
Americas	719	645	812
Asia	158	142	177

14. Other intangible assets

Changes in other intangible assets at December 31st, 2018 and December 31st, 2017 are detailed in the following tables:



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(Euro thousand)	Historical cost at 01-Jan-18	Reclassifications	Increases	Decreases	Impairment loss	Translation difference	Historical cost at 31-Dec-18	Carrying amount at 31-Dec-18
Software and patents	16,904	437	674	(245)	-	(13)	17,714	6,338
Research and development	-	-	-	-	-	-	-	-
Patents	16,904	437	674	(288)	-	(13)	17,714	6,338
EDP programs	6,751	383	184	(92)	-	-	7,242	798
Know How	41,000	-	2,850	-	-	-	43,850	2,421
Technology	50,332	-	-	-	-	-	50,332	33,634
Others	(1,076)	-	700	(22)	-	285	42,038	20,543
Other	141,159	389	3,464	(114)	-	285	145,162	86,396
Assets under development	1,384	(826)	2,574	(10)	-	(4)	3,118	3,118
Total	159,447	-	6,692	(412)	-	268	165,995	75,852

(Euro thousand)	Accumulated amortisation at 01-Jan-18	Reclassifications	Increases	Decreases	Translation difference	Accumulated amortisation at 31-Dec-18
Software and patents	9,947	47	1,752	(395)	15	11,376
Research and development	-	-	-	-	-	-
Patents	9,947	47	1,762	(395)	15	11,376
EDP programs	8,269	(47)	282	(60)	-	8,444
Know How	41,000	-	129	-	-	41,129
Technology	3,152	-	10,546	-	-	13,698
Others	6,125	-	6,274	-	97	12,496
Other	61,546	(47)	17,231	(60)	97	78,767
Assets under development	-	-	-	-	-	-
Total	71,493	-	18,993	(455)	112	90,143

(Euro thousand)	Historical cost at 01-Jan-17	Business combination	Reclassifications	Increases	Impairment loss	Translation difference	Historical cost at 31-Dec-17	Carrying amount at 31-Dec-17
Software and patents	-	15,759	624	420	-	(193)	16,610	6,957
Research and development	-	-	-	-	-	-	-	-
Patents	-	15,759	624	420	-	(193)	16,610	6,957
EDP programs	-	8,549	-	207	-	(5)	8,751	482
Know How	-	41,000	-	-	-	-	41,000	-
Technology	-	50,332	-	-	-	-	50,332	44,180
Others	-	41,341	(79)	-	-	(186)	41,076	34,951
Other	-	141,222	(79)	209	-	(193)	141,159	79,613
Assets under development	-	1,513	(545)	504	-	(88)	1,384	1,384
Total	-	158,494	-	1,133	-	(474)	158,153	87,954

(Euro thousand)	Accumulated amortisation at 01-Jan-17	Business combination	Reclassifications	Increases	Translation difference	Accumulated amortisation at 31-Dec-17
Software and patents	-	9,117	-	713	(177)	9,653
Research and development	-	-	-	-	-	-
Patents	-	9,117	-	713	(177)	9,653
EDP programs	-	8,221	-	48	-	8,269
Know How	-	41,000	-	-	-	41,000
Technology	-	-	-	6,152	-	6,152
Others	-	2,839	-	3,349	(63)	6,125
Other	-	52,060	-	9,549	(63)	61,546
Assets under development	-	-	-	-	-	-
Total	-	61,177	-	10,262	(240)	71,199

The increase in intangible assets in 2018 is primarily driven by SAP implementation costs to support the future growth of the business and harmonize business processes, expenditure for REACH activities carried out in 2018 and costs for patents, software licenses and other software implementations.

15. Other financial assets

Other financial assets are as follows:



(Euro thousand)	31-Dec-18	31-Dec-17
Forwards Contract	273	16
Other financial assets	7,311	7,399
Total	7,584	7,415

Other financial assets relates primarily to Reichhold LLC2's financial receivables from Specialty Chemicals International Ltd. ("SCIL", the direct parent company). During 2015-2017 Reichhold LLC2 paid legal and professional fees related to the May 17th, 2017 merger. Prior to May 2017, Reichhold LLC2 recorded the fees as a current receivable from its previous parent company. However, in connection with the merger, the receivable for the fees was assigned from the previous parent company to SCIL, and Reichhold LLC2 reclassified the receivable from current assets to non-current financial assets. A settlement date for the receivable has not been established.

16. Deferred tax assets

The Group principally focused on the following considerations when calculating its deferred tax assets:

- the tax regulations of the various countries in which it operates and their impact on temporary differences and any tax benefits arising from the use of carry forward tax losses considering the years they can be realized;
- the profits expected to be earned by each group company in the medium term and the financial and tax impacts of the business plan mentioned in note 13.

On this basis, the Group is expected to earn future taxable profits and, hence, the recovery of the deferred tax assets recognized at the reporting date is reasonably certain.

Changes in deferred tax assets ("DTA") are as follows:

(Euro thousand)	31-Dec-2017	Increase	Decrease	Exchange rate difference	31-Dec-2018
Tax losses carry forward	5,973	860	(4,664)	55	2,228
Exchange rate adjustments	3,532	155	(2,619)	82	1,154
Provisions for bad debts	1,027	88	(52)	(1)	1,132
PPE	1,084	104	(13)	(8)	1,167
Provision: for environmental risks	1,005	-	(30)	-	995
Provision for lay-off costs	904	85	(63)	4	930
Provision for sundry risk	824	186	(103)	(7)	900
Non deducted interest	745	34	(672)	(3)	104
Other differences	733	1,339	(314)	13	1,771
Fixed assets depreciation time difference	728	123	(27)	2	826
R&D Credit	499	-	(512)	13	-
Inventories	166	69	-	-	235
Intangible assets	18	-	(18)	-	-
Others	48	342	(96)	(5)	289
Total	17,356	3,389	(9,163)	149	11,731

The most significant movements relates to decreases for recognized DTA on tax losses carryforward (EUR 3.3 million) and for temporary differences on exchange rate adjustments (EUR 2.6 million) for Specialty Chemicals International Inc.



Unrecognized deferred tax assets

(Euro thousand)	31-Dec-18	31-Dec-17
Unrecognized deferred tax assets on tax losses carried forward	27,896	40,563
Total	27,896	40,563

Certain deferred tax assets have not been recognized because it is not probable that future taxable profits will be available against which the Group can use the benefit therefrom.

The most significant impact of unrecognized deferred tax asset for tax losses carry forward are mainly due to the following components: Cooperatie Reichhold Holdings Netherlands (EUR 15.0 million), Reichhold SAS (EUR 8.8 million) and Polynt Composites France S.A. (EUR 2.2 million).

17. Other non-current assets

The breakdown for other non-current assets is as follows:

(Euro thousand)	31-Dec-18	31-Dec-17
Sundry guarantee deposits	3,031	2,389
Others		
Due from Momentive for environmental remediation	6,010	5,827
Due from non-current VAT	2,479	8,542
Due from others	2,973	3,059
Total	14,493	19,817

The amount “Sundry guarantee deposits” mainly refers to Reichhold LLC2.

The amount “Due from Momentive for environmental remediation” refers to Polynt Composites USA Inc.’s indemnification for certain environmental remediation costs. Refer to note 23 for further details.

The amount “Due from non-current VAT” refers to Reichhold do Brasil Ltda and Reichhold India Private Limited’s VAT receivables.

LIABILITIES

18. Trade payables

Trade payables by region are shown in the following table:

(Euro thousand)	31-Dec-18	31-Dec-17
Europe	126,001	117,902
Americas	58,825	58,667
Asia	32,306	35,985
Total trade payables	217,132	212,554

Refer to note 38 for the Group’s exposure to credit, exchange rate and interest rate risk analysis in respect of trade payables.



19. Current tax liabilities

Current tax liabilities are as follows:

(Euro thousand)	31-Dec-18	31-Dec-17
Corporate tax	9,830	1,627
Total	9,830	1,627

20. Other current liabilities

Other current liabilities are as follows:

(Euro thousand)	31-Dec-18	31-Dec-17
Social security charges	3,641	3,658
Withholdings on employees/self-employers	2,075	2,246
Payables to supplementary funds	2,521	2,471
Accrued expenses and deferred income	3,723	2,959
VAT payable	4,654	3,577
Other payable	2,410	4,962
Total	19,024	19,873

The caption "Social security charges" includes all the social contributions due and not yet paid at the reporting date.

"Accrued expenses and deferred income" include costs for 2018 which will be paid in the subsequent year.

21. Employee benefits

Current portion of employee benefits

(Euro thousand)	31-dic-18	31-dic-17
Wages and salaries payables	466	747
Other personnel expenses	5,049	4,341
Employee benefits	20,401	22,508
Total	25,916	27,596

Employee benefits comprise amounts accrued by employees at the reporting date and not yet paid (remuneration, bonus for incentive plans and vacation accrued but not yet taken).

Non-current portion of employee benefits

Liabilities for employee benefits relates to the provisions set up by Polynt Composites Germany GmbH, Polynt Composites France S.A., Polynt Composites Korea Co. Ltd., Polynt Composites Norway A.S., Reichhold S.r.l., Reichhold UK Ltd. and post-employment benefits accrued by Polynt S.p.A. determined using actuarial assumptions and recognized on an accruals basis over the related vesting period.

During the 2018 financial year, the Group granted to some Directors and employees a long-term incentive plan ("Phantom Share Option Plan") which allows them to receive



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extra compensation if both of the following situations occur: a) that certain events occur by December 31st, 2026 (i.e. change of control of the ownership of the group, listing on a regulated market, disbursement of an extraordinary maxi dividend); b) revaluation in addition to a certain threshold of the shares of the Parent Company Specialty Chemicals International Ltd. compared to the reference value per share indicated in the agreements. The related costs were recorded in the cost of labor.

The changes during the year are as follows:

(Euro thousand)	31-dic-18	31-dic-17
Opening balance	18,959	-
Business combination	-	25,480
Accruals	3,025	2,102
Interest costs	205	(843)
Exchange rate gain/(loss)	19	(71)
Actuarial (gain)/loss	(787)	(1,733)
Utilisations	(2,378)	(5,950)
Reclassification in current employee benefits	-	(26)
Total	19,043	18,959

Independent actuaries calculated the Group's post-employment benefits.

Below we disclose the assumptions for the significant plans in place for the Group.

The actuarial valuation was based on the changes made to Italian post-employment benefits by Italian Law no. 296 of December 27th, 2006 (the 2007 Finance Act) and subsequent decrees and regulations issued in early 2007.

The main actuarial assumptions applied at the reporting date for the measurement of the Group's liability for post-employment benefits are: inflation rate of 1.5%; annual employee turnover rate of 2.91%; annual probability of requests for advances of 4.0%.

The discount rate applied in 2018 was 1.26%, which is the reporting-date rate of return of high quality bonds with maturity dates approximating those of the Group's obligations and which are expressed in the same currency as that in which the benefits are expected to be paid. The discount rate is the weighted average rate of the Eur Composite AA curve at year end.

The main actuarial assumptions applied at the reporting date for the measurement of Polynt Composites France S.A.'s liability for post-employment benefits are: discount rate of 1.5%; future salary growth rate of 2.7%.

The main actuarial assumptions applied at the reporting date for the measurement of Polynt Composites Korea Co. Ltd.'s liability for post-employment benefits are: discount rate of 3.0%; future salary growth rate of 3.5%.

The movement in net defined benefit (asset) liability are as follow:



	Defined Benefit	Fair value of plan	Net defined benefit
	Obligation	assets	
	2018	2018	2018
Balance - beginning of the year	38,708	19,749	18,959
Included in Profit or Loss			
Current Service costs	260	170	90
Past Service costs	77	10	67
Interest costs	585	537	48
Total	922	717	205
Included in Other comprehensive Income			
Remeasurement loss (gain)			
Actuarial loss (gain) arising from:			
- Demographic assumptions	(1,024)	(5)	(1,019)
- Financial assumptions	329	12	317
- Experience adjustment			
Return on plan assets excluding interest income	(90)	(5)	(85)
Effect of movements in exchange rates	(158)	(177)	19
Total	(943)	(175)	(768)
Other			
Employer contributions	2,147	95	2,052
Plan participants' contributions	985	17	973
Benefits paid	(3,000)	(628)	(2,378)
Balance End of year	38,813	19,770	19,043

22. Deferred tax liabilities

Deferred tax liabilities ("DTL") on property, plant and equipment are mainly due to the larger carrying amounts reported for financial reporting purposes versus the tax carrying value. Deferred tax liabilities on purchase price allocation ("PPA") are related to the fair value adjustment made for property, plant and equipment as a result of the May, 2017 business combination transaction.

They underwent the following changes:

(Euro thousand)	31/12/2017	Reclassification	Increases	Decreases	Exchange rate	31-Dec-2018
Inventories	187	-	1,453	-	(50)	1,590
PPA allocation (Inventories and PPE)	56,898	(56,898)	-	-	-	-
PPE and other difference	37,950	56,898	2,685	(14,640)	269	82,936
TOTAL	85,045	-	4,102	(14,840)	219	84,526

23. Current and non-current provisions

The changes in current provisions were as follows:

(Euro thousand)	31-Dec-17	Increase	Decrease	Exchange rate difference	31-Dec-18
Provision for ecological clean-up	1,024	279	(143)	(25)	1,135
Provision for Product Liability Claim	8,800				8,800
Provision for sundry risk	1,213	1,833	(3,104)	17	1,959
Provision for Lay Off Costs	5,911	1,981	(3,782)	156	4,266
Total	16,948	4,093	(5,029)	148	16,160

The changes in non-current provisions were as follows:



(Euro thousand)	31-Dec-17	Increase	Decrease	Exchange rate difference	31-Dec-18
Provision for ecological clean-up	19,145	309	(1,195)	88	18,347
Provision for agent risks	595	15	(190)	(1)	419
Provision for local property tax litigation	295				295
Provision for sundry risk	12,816	5,991	(1,790)	533	17,550
Provision for tax litigation	1,041	268	(308)	(28)	773
Provision for Lay Off Costs	1,358		(268)	(346)	744
Total	35,250	6,583	(3,951)	246	38,128

“Provision for Product Liability Claim” refers to a claim brought against the Reichhold SAS (France) in 2005 by a former customer. The claimant is a French boat manufacturer who claims damages resulting from an osmosis problem with boats built using resin supplied by Reichhold SAS. Since the initial onset of the 2005 claim, three expert surveyors have been appointed by the Commercial Court of La Rochelle and the Poitiers Court of Appeals to conduct a forensic analysis in order to apportion liability between the claimant and Reichhold SAS.

Reichhold SAS and the claimant have been in settlement discussions, and Reichhold SAS has provided reserves based on its best estimate of the ultimate obligation for this matter. Reichhold SAS through Reichhold LLC2 has insurance coverage and management believes that it has satisfied its deductible under the relevant insurance policy. Management believes that the insurance reimbursement is virtually certain and has recorded a receivable from its insurer for the full amount of the provision as an insurance claim receivable in other current assets.

“Provision for Lay Off costs (current)” includes EUR 2,276 related to Reichhold LLC2 for plant shutdown costs and for severance costs, EUR 993 related to Reichhold Industries Limited (Canada) and EUR 993 related to Reichhold Inc. (Dubai) for severance costs.

“Provision for Lay Off costs (non-current)” mainly refers to Polynt Composites Brazil Ltda. for EUR 480 and to Polynt Composites France S.A. for EUR 264 thousand and results from the reorganization process.

The “Provision for ecological clean-ups” is broken down as follows:

- EUR 5,972 thousand relating to Polynt Composites USA, Inc., which assumed certain environmental liabilities of Momentive subject to limitations (previous owner of Polynt Composites USA Inc.). The expenditures result from known environmental remediation actions at the subsidiary’s locations in California, Georgia and Illinois. The total estimated cost is principally for operating, maintaining, monitoring and analyzing soil and groundwater wells, soil remediation, project management and related environmental reporting to various state agencies, costs to expand soil groundwater wells and any other necessary actions required under various governmental orders. Polynt Composites USA Inc. engaged an environmental consultant to review the remediation plans. The provision is based upon the present value of the estimated future cash outflows necessary to complete the remediation. The discounted amount is expected to be paid over the life of the project. Polynt

Composites USA Inc. was responsible for the first USD 2 million of environmental remediation costs. Momentive indemnified Polynt Composites USA Inc. for 75% of the environmental remediation costs in excess of USD 2 million and less than USD 5 million. According to the agreement with Momentive and their liability to cover the excess expenditure, Polynt Composites USA Inc. has recognized in non-current assets at 31st December 2018 a receivable of USD 6,881 thousand (EUR 6,010 thousand). The Group considered the credit worthiness of Momentive in assessing the collectability of this receivable;

- EUR 1,774 thousand relating to Polynt Composites USA, Inc. environmental remediation costs associated with the U.S. Kansas site acquired as part of the CCP Composite acquisition from Total SA in December 2015;
- EUR 3,366 thousand relating to the subsoil remediation at the Scanzorosciate, Cavaglià and San Giovanni Valdarno (Italy) sites owned by Polynt S.p.A.. These forecast costs for the soil and subsoil remediation were made on the basis of Italian Legislative decree no. 152/06, as amended by Italian Legislative decree no. 4/08 and Italian Legislative decree no. 128/10. The updated estimate of the cost of cleaning up contaminated areas of the plant site in Scanzorosciate confirmed the amount estimated last year;
- EUR 2,166 thousand relating to environmental remediation costs estimated for the U.S. sites of Reichhold LLC2;
- EUR 1,886 thousand relating to environmental remediation costs estimated for the Taboao site of Polynt Composites Brazil Ltda.;
- EUR 822 thousand relating to environmental remediation costs estimated for the Mogi de Cruzes and Bahia sites of Reichhold do Brazil Ltda.;
- EUR 360 thousand for remediation at the Leek site. An insurance policy covering the remediation risk had been agreed for this site. It expired in 2013 and was not renewed as it is no longer necessary. The specific accrual in the consolidated financial statements is the best estimate of any extra costs;
- EUR 320 thousand relating to environmental remediation costs estimated for the Canadian sites of Reichhold Industries Inc.;
- EUR 200 thousand for asbestos disposal costs at Polynt S.p.A sites, which does not use asbestos or its derivatives in production activities. However, asbestos is present in the covers and certain conductors. To this end, the company engaged a third party expert to map out the asbestos at its production sites. This mainly covers the industrial plants in Scanzorosciate, since there is only an immaterial amount, if any, of asbestos at the other sites;
- other provisions in relation to other minor amounts related to other Group Companies.

Based on information available at the reporting date, it is not known when these costs will be incurred. Accordingly, the Group cannot calculate the effect of the time value of money thereon.

The *“Provision for agent risks”* includes the accruals made for contingent liabilities arising from the termination of current agency contracts, determined based on the ruling legislation for such contracts.

The *“Provision for local property tax litigation”* refers to Polynt S.p.A.’s ongoing tax litigation on local property tax (ICI/IMU) for San Giovanni Valdarno area.

The *“Provision for sundry risks”* includes EUR 9,170 thousand related to Reichhold Holdings International B.V. (thereafter “RHI”), it represents management’s best estimate of the Company’s ultimate obligation related to the Pension Benefit Guaranty Corporation (“PBGC”) claim. In March 2015, the PBGC asserted claims against most of the non-US Reichhold subsidiaries totaling USD 118,798 thousand resulting from the termination of the Reichhold, Inc. pension plan and alleged pension plan liabilities. Reichhold, Inc. was the predecessor US operating company in the Reichhold group that filed Chapter 11 reorganization proceedings on September 30th, 2014. On April 1st, 2015 the operating assets of Reichhold, Inc. were purchased by the Reichhold group but the obligation for the pension plan was not assumed by the Reichhold group. The pension plan was terminated by agreement between the PBGC and Reichhold, Inc. dated February 25th, 2015, making the PBGC the statutory trustee of the pension plan. In connection with its claim, the PBGC filed liens in the District of Columbia in the amount of USD 22,560 thousand against the assets of certain of RHI’s subsidiaries. In May 2015, Reichhold offered the PBGC a 15-year note in the amount of USD 6,000 thousand to settle their claim, but such offer was not accepted by the PBGC. Discussions are ongoing between the Group’s management and the PBGC regarding the claim.

Included in the *“Provision for sundry risks”* is a charge for an onerous lease associated with the former Reichhold U.S. headquarters site totaling € 5,586 thousand, which will be released on the remaining contractual period ended in 2025.

The *“Provision for tax litigation”* mainly refers to Polynt Composites Spain S.L., Reichhold do Brasil Ltda. and Polynt S.p.A. accruals for ongoing tax litigations.

24. Net financial indebtedness

Net financial indebtedness is detailed in the table below:

(Euro thousand)	31-Dec-18	31-Dec-17
Cash and cash equivalents	157,576	92,534
Other financial assets	7,584	7,415
Current financial indebtedness	(65,213)	(54,245)
Net short term financial indebtedness	99,947	45,705
Long-term financial indebtedness	(547,808)	(554,509)
Total net financial indebtedness	(447,861)	(508,804)

The current financial indebtedness refers to:

- ordinary bank current account overdrafts of EUR 21,843 thousand (EUR 13,009 thousand at December 31st, 2017);
- loans of EUR 43,370 thousand (EUR 41,236 thousand at December 31st, 2017).



Total short-term financial indebtedness is detailed as follows (amounts below refer to the amounts outstanding at the relevant date):

(Euro thousand)	31-Dec-18		31-Dec-17	
	€'000	expiry date	€'000	expiry date
RCF Loan (Euro part)	31,874		8,001	
RCF Loan (USD part)	-		20,149	
Banca Popolare di Sondrio	2,491	31/12/19	2,722	31/12/18
Kotak Mahindra Bank Ltd	2,071	28/02/19	2,471	23/11/18
Carlparma	2,000	31/10/19	-	
Banca Desio	992	10/10/19	985	10/10/18
Others financial debts (leasing)	400	01/12/19	400	01/12/18
Fidi Toscana	186	31/10/19	-	
Medio Credito Centrale	133	03/12/19	133	03/12/18
Banca Popolare di Milano	-		2,307	14/02/18
ICBC	437	05/05/19	13	12/04/18
ICBC	567	24/01/19	1,334	28/04/18
ICBC	-		834	28/03/18
Financing leases	11		10	
GSO Italian Notes - accrued interest	702		681	
GSO Loan (Euro part) - accrued interest	772		502	
GSO Loan (USD part) - accrued interest	734		694	
Total	43,370		41,236	
Bank current overdrafts	21,843		13,009	
Total short term financial indebtedness	65,213		54,245	

The existing Super Senior Revolving Facility Agreement provides for a Revolving Credit Facility (the "RCF") up to the amount of EUR 60 million. The RCF is a multicurrency facility available to various subsidiaries of the Company both as loans and letters of credit. The Group's outstanding borrowings as of December 31st, 2018 were exclusively denominated both in EUR, with outstanding borrowings equal to 31.8 million EUR. Interest on the RCF borrowings accrues at a rate equal to the relevant EURIBOR or LIBOR rate floored to 0.0% plus a margin. The RCF terminates on May 17th, 2023. All borrowings under the RCF are guaranteed by most of the Company's subsidiaries and are secured by the equity and certain assets of those subsidiaries. The RCF contains customary affirmative and negative covenants. The RCF also contains a "springing financial covenant" requiring the consolidated Group to maintain a net leverage ratio of super senior indebtedness to EBITDA, as defined in the RCF agreement, of 0.75:1 or less. The springing financial covenant is tested only when the aggregate amount of all outstanding loans at the end of the relevant quarter is equal to or greater than 35% of the total amount of commitments under the facility and any breach would act as a draw stop to new borrowings only. As of December 31st, 2018, the Group was in compliance with all covenants of the RCF.

On September 29th, 2017 an ABL Facility (the "ABL") in the amount of USD 58.6 million was entered into with Wells Fargo. The line is available as loans and letters of credit to Polynt Composites USA, Inc. and, with a sublimit of USD 20 million, to Polynt Composites Canada, Inc.. As of December 31st, 2018 no ABL borrowings were outstanding. The original borrowings thereunder were used to redeem Notes and prepay Loans on a pro rata basis, as permitted under the Agreement and the Indenture. Interest on the ABL borrowings accrues at a rate equal to the relevant base rate plus a margin. The ABL terminates on September 29th, 2022. All borrowings under the ABL are secured by pledges over trade receivables and inventory of the borrowers thereunder. The ABL

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contains customary affirmative and negative covenants. As of December 31st, 2018, the parties thereto were in compliance with all covenants of the ABL.

Non-current financial indebtedness relates to non-current loans as follows:

(Euro thousand)	31-Dec-18		31-Dec-17	
	€'000	expiry date	€'000	expiry date
GSO Loan (Euro part)	205,745	15/05/24	205,111	15/05/24
FV embedded derivative on Loan (Euro part)	5,041		4,836	
Financial expenses capitalized on Loan (Euro part)	(4,760)		(5,484)	
GSO Italian Notes	176,351	15/05/24	175,577	15/05/24
FV embedded derivative on Italian Notes	4,320		4,139	
Financial expenses capitalized on Italian Notes	(5,195)		(6,161)	
GSO Loan (USD part)	159,430	15/05/24	152,210	15/05/24
Financial expenses capitalized on Loans (USD part)	(10,107)		(11,584)	
Cariparma	7,500	26/04/22	-	
Banca Popolare di Sondrio	4,638	31/10/21	7,129	31/10/21
Banco Desio	3,022	10/10/22	4,015	10/10/22
Medio Credito Centrale	540	03/12/23	673	03/12/23
Others financial debts (leasing)	400	01/12/20	800	01/12/20
Fidi Toscana Spa	372	31/10/21	558	31/10/21
Wells Fargo	-		1,668	30/03/22
Wells Fargo	-		20,616	30/09/27
Others financial debts (leasing)	19		18	
Others financial debts	492		388	
Total long term financial indebtedness	547,808		554,509	

In connection with the May 17th, 2017 merger and refinancing, the Company and other affiliates entered into, inter alios, the following agreements:

- A Facility Agreement (the "Agreement") with various subsidiaries of the Group as borrowers and guarantors and various financial institutions, all of which were unrelated to the Company, as lenders. The Agreement provided for the issuance of EUR senior loans (the "GSO Loan - EUR part") totaling EUR 229.9 million and for the issuance of USD senior loans (the "GSO Loan - USD part") totaling USD 199.2 million. EUR loans bear interest at a rate equal to the 3-month EURIBOR floored to 0.50% plus a margin, with interest reset and payable quarterly. USD loans bear interest at a rate equal to the 3-month LIBOR floored to 1.00% plus a margin, with interest reset and payable quarterly.

Due to the EURIBOR and LIBOR rates being floored, management has determined the existence of an embedded derivative whose value has been assessed and separated from the host loan agreement in order for it to be accounted for separately, as if it was a stand-alone derivative. Changes over time in the value of the embedded derivative are recognized in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

The fair value of the embedded interest rate floor as of December 31st, 2018 was equal to EUR 5.0 million. The change in the fair value occurred in 2018, equal to EUR 1.1 million, is recognized in the Profit and Loss as financial loss. The up-front one-off borrowing costs incurred upon the issuance of EUR and USD Loans have been capitalized and are amortized over the life of the loans with the amortization of such capitalized costs recognized in the Profit and Loss as a financial expense.

Both the EUR and the USD loans mature on May 15th, 2024 with annual mandatory prepayments equal to a portion of consolidated excess cash flow (the “ECF”) as defined in the Agreement to occur beginning in 2019. Additionally, voluntary prepayments are allowed, provided that all loans outstanding under the Agreement are prepaid on a pro-rata basis. In October 2017 the Group elected to prepay a portion of the loans by entering an ABL Facility in the USA and applying the proceeds arising from the initial borrowings thereunder to the pro-rata prepayment of an aggregate amount such that the Group’s total remaining outstanding loans under the Agreement as of December 31st, 2017 was USD 182.6 million and EUR 210.6 million. No additional prepayments occurred in 2018. The Agreement contains customary affirmative and negative covenants. As of December 31st, 2018, the Group was in compliance with all covenants of the Agreement.

- An Indenture, with Polynt S.p.A. and Polimeri Speciali Holding S.p.A. (“PSH”) as issuers and guarantors of EUR senior floating rate notes (the “GSO Italian Notes”) and several subsidiaries of the Group as guarantors thereof. The Notes were purchased by various financial institutions, all of which were unrelated to the Company. Polynt S.p.A. issued Notes totaling EUR 139.1 million whereas PSH issued Notes totaling EUR 57.9 million. The Notes bear interest at a rate equal to the 3-month EURIBOR floored to 0.50% plus a margin, with interest reset and payable quarterly.

As commented on with respect to EUR Loans, due to the EURIBOR rate being floored, management has determined the existence of an embedded derivative whose value has been assessed and separated from the host indenture in order for it to be accounted for separately, as if it was a stand-alone derivative. The fair value of the embedded interest rate floor as of December 31st, 2018 was equal to EUR 4.3 million. The change in the fair value occurred 2018, equal to EUR 1.0 million, is recognized in the Profit and Loss as financial loss. The up-front one-off borrowing costs incurred upon the issuance of Notes have been capitalized and are amortized over the life of the loans with the amortization of such capitalized costs recognized in the Profit and Loss as a financial expense.

The Notes mature on May 15th, 2024 with annual mandatory prepayments equal to a portion of ECF to occur, as defined in the Indenture, beginning in 2019. Additionally, voluntary prepayments are allowed, provided that the Notes outstanding are prepaid on a pro rata basis between themselves and with the outstanding loans under the Agreement. In October 2017 the Group elected to prepay a portion of the loans by entering an ABL Facility in the USA (described above) and applying the proceeds arising from the initial borrowings thereunder to the pro-rata prepayment of an aggregate amount such that the total remaining outstanding Notes as of December 31st, 2017 was EUR 180.5 million. Pursuant to the merger of PSH into Polynt S.p.A. in November 2018 the Notes originally issued by the former were assumed by the latter. No prepayments occurred in 2018. The Indenture provides for the same customary affirmative and negative covenants as those provided under the Agreement. As of December 31st, 2018, the Group was in compliance with all covenants of the Indenture.



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Note 38 gives information about the Group's exposure to credit risk, currency risk and interest rate risk in respect of other financial assets and liabilities.

Cash and cash equivalents are as follows:

(Euro thousand)	31-Dec-18	31-Dec-17
Cash on hand	42	1,254
Bank and postal accounts	157,534	91,280
Total	157,576	92,534

Note 38 gives information about the Group's exposure to credit risk, currency risk and interest rate risk related to trade payables.

25. Equity

Share capital

Share capital is composed of the share capital of Specialty Chemicals International B.V.; it consists of 104 shares of USD 0.01 each (fully paid).

Reserves

Reserves are as follows:

(Euro thousand)	31-Dec-18	31-Dec-17
Translation Reserve	(10,497)	(2,120)
Share Premiums Reserve	391,172	369,385
Retained earnings	27,581	(8,693)
Other Reserve	2,207	1,733
Total	410,463	379,307

26. Commitments

The breakdown of commitments are as follows:

<i>Sureties and guarantees given to third parties in the Group's interest</i>	31-Dec-18	31-Dec-17
- the Region of Lombardia for waste incinerators	635	635
- the Municipal Authorities of Scanzorosciate	250	250
- suppliers	49	49
- the Municipal Authorities of San Giovanni	22	22
- customs authorities	1,000	250
Rent contract of car and forklift contact	-	230
Others	543	141
Expansion Reactor - India	-	109
Total	2,499	1,686

We refer to note 37 for guarantees issued by Polynt S.p.A. on behalf of Group subsidiaries.



Consolidated Statement of profit or loss and other comprehensive income

The December 31st 2018 and December 31st 2017 operating results and financial position of the combined group are not comparable since they cover twelve months and seven months respectively due to the control date of the new Group of May 2017.

27. Revenue

Revenue by regional segment is as follows:

(Euro thousand)	2018	2017
Europe	977,455	522,734
Americas	879,623	503,141
Asia	239,992	140,097
Total	2,097,070	1,165,972

28. Raw materials, consumables and supplies

Costs of raw materials, consumables and supplies are as follows:

(Euro thousand)	2018	2017
Raw materials	1,301,174	705,536
Consumables and supplies	70,585	29,016
Finished products for resale	44,995	14,994
Products for maintenance	9,592	6,919
Others	2,328	7,388
Total	1,428,674	763,853

Raw materials mostly consist of oil derivatives used to produce the Group companies' goods.

Finished products for resale relate to purchases of products from third parties, which are held for resale without any additional processing. The Group purchases these products to meet temporary peaks in customer demand exceeding its available production capacity.

29. Internal work capitalized under non-current assets

(Euro thousand)	2018	2017
Manpower and materials	1,075	759
Catalysts	-	262
Total	1,075	1,021

These are costs associate with internally capitalized projects including: REACH regulation-related activities, the design of new plant and improvements to existing ones, to enhance performance, and projects creating other intangible assets.

30. Cost of services

(Euro thousand)	2018	2017
Energy	66,515	36,528
Other services	195,644	125,368
Total	262,159	161,896



“Energy” includes the costs incurred to purchase energy resources (e.g. electrical energy, steam, water and natural gas).

Other service costs are detailed below:

(Euro thousand)	2018	2017
Product transport	87,884	49,799
Production services	23,425	21,870
Maintenance services	22,655	12,830
Consultancy, audit and legal fees	13,262	13,562
Loading and disposing of waste	12,057	7,822
Insurance premiums	8,819	5,661
Rentals	6,615	4,031
External IT services	5,653	1,504
Building leases	3,185	2,114
Hardware and software rental	2,825	667
Commissions	2,407	1,627
Technical services and consultancy	1,254	566
Advertising	994	521
Third party processing	362	354
Others	4,247	2,440
Total	195,644	125,368

Transport and commission costs are related to sales of the Group’s products. Production and maintenance service costs are incurred for subcontracted production and/or handling of products and raw materials and for plant maintenance. The caption “Others” mainly refers to Polynt Chemical (Changzhou) Co. Ltd. non recoverable VAT costs.

During 2018 Group spent approximately EUR 6.5 million (EUR 3.5 million during 2017) for research activities. These research costs include service costs and personnel expense and were not capitalized as they do not meet the criteria of IAS 38.

31. Personnel expense

Personnel expense includes all expenses incurred during the year to remunerate employees and for the Group companies directors’ fees, as shown in the following table:

(Euro thousand)	2018	2017
Wages and salaries	165,857	105,309
Social security contributions	31,813	17,488
Accruals for long term benefit	5,195	2,963
Board of directors’ fees	1,883	1,025
Other personnel expenses	16,238	14,025
Total	220,996	140,810

Other personnel expense is as follows:



(Euro thousand)	2018	2017
Training	658	515
Company canteens	1,375	845
Temporary employment	3,936	1,201
Medical care	577	424
Healthcare contributions	8,079	6,112
National holiday employee pay	113	164
Incentive plans		2,136
Sundry expenses	1,500	2,628
Total	16,238	14,025

The workforce, broken up by regional segment, is as follows:

	2018 year end	2018 average	2017 year end	2017 average
Europe	1,636	1,655	1,648	1,671
Americas	1,233	1,280	1,291	1,324
Asia	390	406	410	418
Total	3,259	3,321	3,349	3,413

32. Other operating income/expenses

The breakdown of other operating income is as follows:

(Euro thousand)	2018	2017
Third party damage reimbursements	1,184	245
Gain on the disposal of Property, plant and equipment	100	3
Grants	422	57
Prior year cost recoveries	1,569	1,292
Release provisions	1,140	783
Insurance compensation	4,416	57
Others	3,229	1,712
Total	12,060	4,149

“Prior year cost recoveries” includes adjustments for minor costs incurred in the current year compared to the accruals recognized in the prior year.

“Insurance compensation” mainly refers to Polynt Chemical (Changzhou) and includes the insurance compensation for the TMA plant accident (EUR 4,324 thousand).

“Others” mainly refers to Polynt S.p.A. and includes revenues from the sale of REACH access rights.

Other operating expenses are as follows:



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(Euro thousand)	2018	2017
Non recurring items	6,997	8,665
Property tax	5,790	3,377
Provisions for risks and charges	2,220	646
Bad debts	1,567	1,296
Industrial association contributions and membership fee	571	361
Other membership fees	383	228
Tax on the consumption of electricity	265	154
Losses on Property, plant and equipment	96	146
Compensation for damages	62	66
Certificates and visas	14	42
Other changes	7,827	3,490
Total	25,792	18,431

“Non-recurring items” are mainly related to restructuring costs arising from plant closures in Dubai, Canada, USA and Australia.

“Other changes” includes expenses for an onerous lease agreement associated with the former Reichhold U.S. headquarters site totaling EUR 5,968 thousand, and expenses incurred by Polynt S.p.A. for the renewal of patents and trademarks and tax and duty expenses incurred by the various Group companies.

33. Amortization, depreciation and impairment losses

The breakdown is as follow:

(Euro thousand)	2018	2017
Depreciation	51,447	28,558
Amortization	18,993	10,262
Impairment losses	3,610	4,033
Total	74,050	42,853

Reference should be made to notes 12 and 14 on “Property, plant and equipment” and “Other intangible assets”, respectively, for a specific analysis of depreciation, amortization and impairment losses.

34. Financial income

Financial income includes the following:

(Euro thousand)	2018	2017
Foreign currency exchange gains	13,361	1,229
Bank and other interest	2,244	1,289
Cash discount from suppliers	610	425
Financial income on Fair Value derivatives	-	3,826
Others	206	156
Total	16,421	6,925



The foreign currency exchange gains mainly refer to exchange rate effect on “GSO Loan (Euro part)” of Specialty Chemicals International Inc. and the revaluation of foreign currency trade receivables and trade payables at the closing date.

35. Financial expense

Financial expenses are as follows:

(Euro thousand)	2018	2017
Bank interest	49,972	30,689
Foreign currency exchange losses	5,970	13,732
Cash discounts to customers	5,090	1,515
Amortization capitalized financial expenses	5,444	5,826
Financial expenses on Fair value derivatives	384	-
Others	2,975	240
Total	69,835	52,002

“Bank interest” includes interest expense accrued and/or paid on the current and non-current loans (see note 24).

The foreign currency exchange losses refer to exchange rate effect on outstanding loans of some Group subsidiaries and the revaluation of foreign currency trade receivables and trade payables at the closing date.

36. Income taxes

Income taxes are as follows:

(Euro thousand)	2018	2017
Income taxes	(29,530)	(11,675)
Deferred tax expense	(2,168)	(1,348)
Deferred tax income	4,561	23,623
Prior year taxes	(836)	(33)
Totals	(27,973)	10,367

Reference should be made to the notes to “Deferred tax assets” (note 16) and “Deferred tax liabilities” (note 22) for details about changes in deferred tax assets and liabilities.

The reconciliation between the taxes recognized in the combined financial statements and the theoretical tax charge, determined according to the theoretical tax rate, is as follow:

(Euro thousand)	2018	2017
Profit/(loss) before tax	62,732	(18,980)
Theoretical tax charge using Parent's tax rate	25.0% (15,683)	25.0% 4,745
Effect of tax rates in foreign jurisdictions and income tax accounted by components	(13,847)	(16,420)
Effect of change in tax rates	-	6,313
Net tax effect for permanent differences	2,393	15,762
Changes in estimates related to prior years	(836)	(33)
Income taxes	44.6% (27,973)	54.6% 10,367

37. Related party transactions

During the year share premium contributions totaling EUR 2,787 thousand (EUR 388,385 thousand during 2017) were made by shareholders into the ultimate parent company Specialty Chemicals International Limited.

Other significant transactions with the parent Specialty Chemicals International Ltd. at December 31st, 2018 are as follow:

- Other financial assets EUR 7,228 thousand for financial receivables from Specialty Chemicals International Ltd. (in Reichhold LLC2), as described in note 15 (EUR 6,901 thousand at December 31st, 2017);
- Other non-current assets EUR 2,886 thousand for financial receivables from Specialty Chemicals International Ltd. (in Reichhold LLC2), as described in note 17 (EUR 2,756 thousand at December 31st, 2017).

The emoluments, including pension costs as referred to in Section 2:383(1) of the Netherlands Civil Code, charged in the financial year to the company, its subsidiaries and consolidated other companies amounted to EUR 4,936 thousand for top executives of the Group (EUR 2,563 thousand for the seven-month period ended December 31st, 2017).

38. Financial risks managements

The Group is exposed to the following risks arising from the use of financial instruments:

- credit risk, in relation to both normal trading transactions with customers and financing activities;
- liquidity risk, with particular reference to the availability of financial resources and access to the credit market and financial instruments in general;
- market risk (mainly with respect to interest and currency rates), since the Group operates worldwide in countries with different currencies and uses financial instruments that accrue interest.

This section describes the Group's exposure to each of the above risks, its objectives, policies and procedures for managing those risks and the related measurement methods. It also comments on the Group's capital management. The consolidated financial statements disclose additional quantitative information.

The policies in place to manage those risks aim to identify and analyze the risks to which the Group is exposed, establish suitable limits and controls and monitor compliance with such limits. These policies and the related controls are revised regularly to reflect any changes in market conditions or the Group's business activities. Through training sessions, standards and management policies, the Group is developing a regulated and constructive control environment, in which its employees are aware of their roles and responsibilities.

The internal audit unit supervises management's methods for monitoring compliance with risk management policies and procedures and checks the adequacy of the risk management system in relation to the risks to which the Group is exposed. The internal

audit unit regularly checks risk management controls and procedures based on its audit plan, reporting the results to the relevant bodies.

Credit risk

Credit risk is the risk that a customer or counterparty to a financial instrument may default. It mainly relates to the Group's trade receivables and financial investments.

Trade receivables and other receivables

The Group's exposure to credit risk principally depends on its customers' individual characteristics. The demographical variables of its customer base, including the sector and country risk, do not have a significant impact on the Group's credit risk.

It has a specific internal credit management procedure whereby each new customer's credit standing is analyzed before any credit facilities are granted. These analyzes include third party appraisals, when available. Credit facilities are agreed for each customer and they may only be exceeded after the approval of the relevant internal bodies depending on the customers' exposure. The credit facilities are checked annually and customers that do not meet the Group's credit standing criteria may only make purchases against advance or guaranteed payment.

The Group has worked with the majority of its customers for more than four years and the non-collection of receivables is infrequent. Credit risk monitoring procedures are based on grouping customers by credit characteristics, geographical location, sector, ageing, due date and the existence of previous financial difficulties. The Group's trade and other receivables are generally from industrial production companies.

The Group has an allowance for impairment, which reflects estimated losses on trade and other loans and receivables and non-current financial assets. It mainly comprises individual impairment losses on significant exposures and collective impairment losses on groups of similar assets on which losses of unknown amounts have already been incurred.

Guarantees (guarantees not recognized in the statement of financial position)

As of December 31st, 2018, guarantees issued by Polynt S.p.A. to guarantee obligations under bilateral credit facilities available to the subsidiaries thereof were as follows:

- EUR 1,000 thousand to Intesa Sanpaolo on behalf of Polynt Composites Germany GmbH;
- EUR 894 thousand (i.e., GBP 800 thousand at the closing rate) to Intesa Sanpaolo on behalf of Polynt UK Ltd.;
- EUR 10,159 thousand (i.e., CNY 80 million at the closing rate) to Industrial and Commercial Bank of China on behalf of Polynt Chemical (Changzhou) Co. Ltd.;
- EUR 6,349 thousand (i.e., CNY 50 million at the closing rate) to Intesa Sanpaolo on behalf of Polynt Chemical (Changzhou) Co. Ltd.;
- EUR 3,000 thousand to Intesa Sanpaolo on behalf of Polynt Composites Poland Sp.Zo.o..

The obligations under the Agreement, the Indenture and the RCF are guaranteed by several subsidiaries of the Group incorporated in security jurisdictions and are secured by the equity and certain assets of those subsidiaries. The security package provided by each



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guarantor is consistent with the agreed security principles as set forth by the financing documents.

In accordance with agreed security principles no member of the Group incorporated outside of Italy, the United States of America, Canada, the United Kingdom, the Netherlands, Norway, the Czech Republic and Germany, except for the Reichhold Brazil Companies, Reichhold Mexico, Reichhold Mauritius Limited and Reichhold Inc., has been required to provide guarantees or security.

Moreover, no member of the Group has been required to provide any security in respect of any shares or other ownership interests held in any member of the Group incorporated outside of a Security Jurisdiction.

Security Jurisdictions are Italy, the United States of America, Canada, the United Kingdom, the Netherlands, Norway, Germany, Brazil (with respect to the Reichhold Brazil Companies only), Mexico (with respect to Reichhold Mexico only), Mauritius (with respect to Reichhold Mauritius Limited only), Panama (with respect to Reichhold Inc. only) and the Czech Republic (with respect to Reichhold CZ s.r.o. only).

Credit risk exposure

The carrying amount of financial assets is the Group's maximum exposure to credit risk, which is as follows at year end:

(Euro thousand)	31-Dec-18	31-Dec-17
Cash and cash equivalents	157,576	92,534
Trade receivables	302,671	314,706
Other Current Assets	29,069	25,542
Other Financial assets	7,584	7,415

An analysis of the trade receivables by due date at year end is as follows:

December 31st, 2018

(Euro thousand)	Total amount	Not past due	Total past due	Past due 0-30	Past due 30-60	Past due 60-90	Past due > 90	Past due > 12 months
Trade receivables	315,420	226,985	88,432	36,102	7,146	4,543	5,379	24,595
Bad debt provision	(12,749)	(107)	(12,642)	(835)	(163)	(109)	(1,335)	(10,119)
Trade receivables net	302,671	226,884	75,790	53,166	2,683	1,819	4,254	14,174

December 31st, 2017

(Euro thousand)	Total amount	Not past due	Total past due	Past due 0-30	Past due 30-60	Past due 60-90	Past due > 90	Past due > 12 months
Trade receivables	327,465	242,550	85,915	55,218	5,049	1,756	14,088	9,834
Bad debt provision	(12,759)	-	(12,759)	(382)	(576)	(163)	(4,799)	(5,872)
Trade receivables net	314,706	242,550	73,156	54,856	4,473	1,596	9,289	3,962

Changes in the allowance for impairment on trade receivables during the year are set out below:

(Euro thousand)	31-Dec-18
Opening balance	12,759
Accruals	2,355
Utilisations	(1,900)
Translation rate differences	(465)
Closing balance	12,749

Based on previous experience, the Group has impaired a **specific part of trade receivables** on an individual basis because there was objective indications of the risk of a **partial or total non-collection**. The impairment losses are net of estimated recoverable amounts. A general allowance is established for receivables that are not impaired individually or provided for specifically based on losses incurred over the past five years.

Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulties in meeting its obligations associated with financial liabilities. Its policy is to ensure that it always has funds available, as far as possible, to meet its obligations when they fall due in both normal and difficult financial conditions, without incurring excessive costs or risk damaging its reputation.

The Group's treasury units manage liquidity risk on a centralized basis. Maintenance of liquidity balance is systematically ensured on a daily basis. The Group's ability to meet its obligations on a timely and cost-effective basis is ensured through the careful checks of its net financial position, using IT systems that monitor liquidity requirements on an ongoing basis.

The Group has implemented policies and processes aimed at optimizing management of its resources, reducing liquidity risks and, specifically:

- maintaining a suitable level of available liquidity;
- diversifying the systems used to obtain financial resources;
- being continuously and actively present in the capital markets;
- obtaining adequate credit facilities;
- monitoring forecasted financial conditions in relation to its business plans.

The Group believe that the currently-available funds and credit facilities, as well as the cash flows that will be generated by operating and financing activities, will enable the Group to meet its requirements arising from its investing activities, working capital management and repayment of payables at their natural maturity dates.

The contractual maturity dates for the financial liabilities, including the interest to be paid, are shown in the table below:



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(Euro in bank)		Carrying Amount	Contractual cash flow	6 months or less	6-12 mths	1-2 years	2-5 years	More than 5 years
Non derivative financial liabilities								
	Company							
	SSO Loan (EUR) part	206,517	383,164	2,517	8,564	17,129	51,215	217,709
	SSO Italian Nobus	177,150	259,851	7,800	7,741	14,681	48,724	135,605
	SSO Loan (USD part)	19,164	247,361	2,051	2,171	16,770	42,578	145,187
	RCF Loan (Euro part)	3,874	31,874	31,874				
	Cariparma	5,500	9,677	1,033	1,035	2,597	5,277	
	Banca Popolare di Sondrio	7,128	7,245	1,215	1,274	2,752	2,004	
	Banco Dazio	7,614	4,079	316	510	1,320	2,033	
	Kozaik Mahindra Bank Ltd	1,071	2,071	2,071				
	ICBC	2,004	1,004	1,004				
	Financing leases	868	868		715	215	418	
	Medio Credito Centrale	673	633			157	297	469
	Ridi Toscana Spa	558	558	89	90	186	186	
	Others financial local debts	492	492					
	Financing leases	31	30	5	6			17
	Taxes payable	217,182	217,182	126,566	139,566			
	Total	818,811	1,686,059	170,362	139,661	55,198	155,526	570,501

The above contractual cash flows are the sum of the repayments expected at the different dates plus interest calculated on the basis of the forecast interest rates in the different periods.

The Group's credit facilities at year end are as follows (the figures below refer to available amounts):

Banks	Company	Credit lines \$1 Dec 2018	of which financial lines (*)	Credit lines \$1 Dec 2017	of which financial lines (*)
RCF facility (USD part)		-	-	20,011	20,011
RCF facility (Euro part)		-	-	7,800	7,800
RCF Loan	RCF Borrowers	60,000	60,000	32,188	32,188
BBV Bancomer	Reichhold Quimica de Mexico	-	-	3,580	3,580
Kotak Mahindra Bank Ltd	Reichhold India Private Ltd	2,822	2,822	2,937	2,937
Wells Fargo	Polym Composites USA Inc	51,179	-	47,194	-
Wells Fargo	Polym Composites Canada Inc	-	-	1,668	-
ITALIA	Polym S.p.A.	12,000	-	12,000	-
Banca popolare di Milano	Polym S.p.A.	10,200	10,200	10,200	10,200
Unicredit Banca d'Impresa	Polym S.p.A.	9,000	9,000	9,000	9,000
Banca Ifis	Polym S.p.A.	3,000	3,000	3,000	3,000
Banca IRI Factoring	Polym S.p.A.	13,850	-	13,850	-
Banco Dazio	Polym S.p.A.	9,165	7,165	10,150	6,150
Banca popolare di Sondrio	Polym S.p.A.	14,629	7,629	17,350	10,350
Cariparma	Polym S.p.A.	19,500	14,500	20,000	15,000
Clara factor	Polym S.p.A.	5,000	-	1,500	-
Factori	Polym S.p.A.	9,000	-	10,000	-
Medio Credito Centrale	Polym S.p.A.	673	673	800	800
Ridi Toscana Spa	Polym S.p.A.	558	558	558	558
Banca Nazionale del Lavoro	Polym S.p.A.	250	250	250	250
Intesa Sanpaolo	Polym S.p.A.	3,223	230	3,450	250
Others financial debts (leasing)	Polym S.p.A.	800	800	1,200	1,200
Others financial debts	Polym S.p.A.	-	-	5	1
ICBC	Polym Chemical (Changzhou) Co. Ltd	6,095	6,095	6,407	6,407
Intesa Sanpaolo	Polym Chemical (Changzhou) Co. Ltd	6,349	6,349	6,407	6,407
Intesa Sanpaolo	Polym Composites Germany GmbH	1,000	-	1,000	-
Vollbank	Polym Composites Germany GmbH	300	300	300	300
Intesa Sanpaolo	Polym Composites Poland Sp. z o.o.	3,000	3,000	3,000	3,000
Milennium Bank	Polym Composites Poland Sp. z o.o.	3,000	3,000	2,000	2,000
Milennium Bank (factoring)	Polym Composites Poland Sp. z o.o.	1,500	-	-	-
BNP Paribas factor	Polym Composites Poland Sp. z o.o.	-	-	2,500	-
Intesa Sanpaolo	Polym UK Ltd	894	894	502	502
HSBC	Polym UK Ltd	335	335	338	338
BNP Paribas factor	Polym Composites France S.A.	19,000	-	19,000	-
BNP Paribas Factor	Polym Composites Spain S.A.	11,000	-	11,000	-
BBVA	Polym Composites Spain S.A.	1,000	1,000	-	-
Cibank	Polym Composites Korea Co. Ltd	3,913	-	3,907	-
Keu Hana Bank	Polym Composites Korea Co. Ltd	3,130	-	3,126	-



Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, due to fluctuations in interest rates, exchange rates or equity instrument prices. The objective of market risk management is to manage and control the Group's exposure thereto, containing it within acceptable levels, while concurrently optimizing returns on investments.

During its ordinary business activities, the Group enters into derivatives and assumes financial liabilities to manage market risk, in compliance with Group guidelines. The Group carries out hedging transactions to manage profit volatility.

Currency risk

The Group's exposure to currency risk relates to sales, purchases, current accounts and loans expressed in currencies other than its functional currency (Euro).

With respect to monetary assets and liabilities in foreign currency, the Group ensures that its net exposure is maintained at an acceptable level, by purchasing or selling, as the case may be, foreign currency at a spot rate in order to settle the short-term imbalances. When Group companies incur costs in currencies other than those in which they earn revenue, fluctuations in exchange rates may affect their operating profits.

Currency risk exposures

The Group's exposure to currency risk is set out below based on the notional amount (in Euro thousand):

December 31st, 2018

31-dec-18	Trade receivables	Trade payables	Gross exposure for currency	Trade receivables (EUR)	Trade payables (EUR)	Gross exposure for currency (EUR)
Euro	136,970	(120,736)	16,234	136,970	(120,736)	16,234
USD	99,606	(71,373)	28,231	86,991	(62,334)	24,657
PLN	6,016	(3,754)	2,262	1,399	(875)	526
CNY	170,751	(98,421)	72,330	21,683	(12,496)	9,185
GBP	8,302	(3,170)	5,132	9,261	(3,544)	5,717
JPY	17,664	(0)	17,664	140	-	140
SEK	2,109	15	2,126	206	2	208
AUD	7,064	(178)	6,886	4,355	(110)	4,245
KRW	18,117,843	(13,546,118)	4,571,725	14,178	(10,600)	3,578
NOK	12,074	(44,114)	(32,040)	1,214	(4,434)	(3,220)
CAD	4,444	4,530	9,974	2,848	3,159	5,007
CZK	852	(1,482)	(630)	33	(58)	(25)
MYR	7,031	(6,910)	121	1,486	(1,460)	26
INR	775,491	108,776	882,267	9,701	1,364	11,065
BRL	72,932	(11,554)	61,378	16,411	(2,600)	13,811
MXN	156,106	(48,415)	109,691	7,029	(2,152)	4,877
DKK	8,186	113	8,299	1,096	15	1,111
SGD	70	-	70	45	-	45
AED	1,488	(1,147)	341	354	(273)	81



December 31st, 2017

31-dec-17	Trade receivables	Trade payables	Gross exposure for currency	Trade receivables (EUR)	Trade payables (EUR)	Gross exposure for currency (EUR)
Euro	139,416	(120,496)	18,918	139,416	(120,496)	18,918
USD	132,963	(21,050)	51,915	110,867	(67,582)	43,285
PLN	1,810	(3,169)	(1,359)	433	(759)	(326)
CNY	124,397	(105,187)	19,712	15,002	(13,537)	2,435
GBP	8,389	(4,443)	3,945	9,455	(5,008)	4,447
JPY	23,024	-	23,024	171	-	171
SEK	253	(293)	(40)	26	(30)	(4)
AUD	6,970	(516)	6,454	4,542	(336)	4,206
KRW	20,995,923	(12,518,809)	8,477,114	16,408	(9,783)	6,625
NOK	(38,985)	4,958	(34,027)	(3,962)	504	(3,458)
CAD	6,566	4,302	10,868	4,366	2,861	7,227
CZK	(56)	587	531	(2)	23	21
MYR	(7,142)	14,368	7,226	(1,472)	3,022	1,550
INR	416,949	304,285	721,234	5,443	3,972	9,415
BRL	76,251	(10,752)	65,499	19,193	(2,706)	16,487
MXN	124,679	(57,656)	67,023	5,209	(2,437)	2,832
DKK	1,548	306	1,854	209	41	249
SGD	261	-	261	192	-	163
AED	4,135	(1,195)	2,941	939	(271)	668

At December 31st, 2018, an increase or decrease of 10% in USD currency exposure would impact profit or loss and equity by (EUR 2,241) thousand and EUR 2,740 thousand, respectively.

At December 31st, 2018, an increase or decrease of 10% in BRL currency exposure would impact profit or loss and equity by (EUR 1,256) thousand and EUR 1,535 thousand, respectively.

At December 31st, 2018, an increase or decrease of 10% in INR currency exposure would impact profit or loss and equity by (EUR 1,006) thousand and EUR 1,230 thousand, respectively.

The main exchange rates applied to translate the items expressed in a foreign currency into Euro in 2018 and 2017 are detailed below:



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Currency	2018	2017	31-Dec-18	31-Dec-17
USD - U.S. Dollar	1.18	1.13	1.15	1.20
AUD - Australian Dollar	1.58	1.47	1.62	1.53
BRL - Real	4.31	3.61	4.44	3.97
CAD - Canadian Dollar	1.53	1.46	1.56	1.50
CNY - Renminbi	7.81	7.63	7.88	7.80
CZK - Czech crown	25.65	26.33	25.72	25.54
DKK - Danish krone	7.45	7.44	7.47	7.44
HKD - Hong Kong Dollar	9.26	8.80	8.97	9.37
INR - Indian Rupee	80.73	73.53	79.73	76.61
JPY - Japanese Yen	130.40	128.71	125.85	135.01
KRW - South Korean Won	1,299.07	1,276.74	1,277.93	1,279.61
MYR - Ringgit	4.76	4.85	4.73	4.85
MXN - Peso Mexican	22.71	21.33	22.49	23.66
NOK - Norwegian krone	9.80	9.33	9.95	9.84
PLN - Zloty	4.26	4.26	4.30	4.18
SGD - Singapore Dollar	1.59	1.56	1.56	1.60
SEK - Swedish krone	10.26	9.64	10.25	9.84
AED - Dirham	4.34	4.15	4.21	4.40
GBP - Pound Sterling	0.88	0.88	0.89	0.89
CHF - Swiss Franc	1.16	1.11	1.13	1.17

The Group has forward contracts in place at the reporting date to hedge its USD currency risk. These contracts provide for the sale of US dollars against Euros at fixed exchange rates and at established monthly dates. Despite having been entered into for hedging purposes, these forwards do not meet all conditions required by IFRS 9 to qualify for hedge accounting. Accordingly, the fair value gain has been recognized in profit or loss under financial income.

Interest rate risk

The Group borrowings with third parties and invests available liquidity in money and financial market instruments. Fluctuations in market interest rates affect borrowing costs and returns on the various types of loans and investments having therefore an effect on the amount of the Group's net financial expense as most of its loans and borrowings bear floating interest rates.

The bank loans with terms and conditions at December 31st, 2018 and 2017 are illustrated in the table below:

(Euro thousand)	31-Dec-18				31-Dec-17			
	Currency	Year of maturity	Face Value	Carrying amount	Currency	Year of maturity	Face Value	Carrying amount
USD loans (USD part)	EUR	2024	211,367	206,117	EUR	2024	210,449	210,612
USD Italian loans	EUR	2024	181,210	177,051	EUR	2024	180,397	180,238
USD loans (USD part)	EUR	2024	169,164	160,164	EUR	2024	162,994	162,264
EUR loans (EUR part)	EUR	2019	31,874	31,874	EUR	2018	8,000	8,201
EUR loans (USD part)	EUR	2018	-	-	EUR	2018	80,148	80,148
Compassone	EUR	2019-2022	9,500	9,100	EUR	2018-2021	9,831	9,261
Banca Popolare di Sondrio	EUR	2019-2021	7,129	7,129	EUR	2018-2021	5,080	5,000
Banco di Sicilia	EUR	2019-2022	4,014	4,014	EUR	2018	2,471	2,471
Kotak Mahindra Bank Ltd.	EUR	2018	2,071	2,071	EUR	2018	2,181	2,181
ICBC	EUR	2019	1,004	1,004	EUR	2018-2020	1,200	1,200
Direktøeraktiva (Hedra Funding)	EUR	2019-2020	800	800	EUR	2018-2023	800	800
Mediocredito Centrale	EUR	2019-2023	673	673	EUR	2021	308	308
Fiditalia SpA	EUR	2019-2021	254	254	EUR	2018	149	149
Other financial debts	EUR	-	-	-	EUR	2018	2,307	2,307
Banca Popolare di Milano	EUR	-	-	-	EUR	2022	28	28
Other financial credit (leasing)	EUR	-	30	30	EUR	2022	1,548	1,548
Wells Fargo	EUR	-	-	-	EUR	2023	20,616	20,616
Total financial indebtedness			601,879	578,939			618,930	618,930

Price risk

The Group is partly exposed to other price risk since it purchases oil derivative commodity raw materials subject to prices fluctuations. Examples include: butane, orthoxylene, benzole, styrene and pseudocumene.

The price risk is managed and optimized by the Group centralised procurement function and policy of having multiple global and regional suppliers for critical raw material.

Capital management

The board's policy is to maintain a strong capital base so as to ensure investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, reserves and retained earnings. The board of directors monitors return on capital as well as the level of dividends paid to ordinary shareholders.

The board of directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

39. Hierarchy levels to measure fair value

IFRS 13 introduces a fair value hierarchy which classifies the inputs used to measure fair value into three levels. This hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets and liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The three levels are:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);
- Level 3: inputs are unobservable inputs for the asset or liability.

The carrying amounts of the Group's financial assets and liabilities at the reporting dates approximate their fair values.

The following table shows the carrying amounts with their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.



31 December 2018 (Euro thousand)	Carrying amount				Total	Fair value		
	Financial assets at amortized cost	Financial liabilities at amortized cost	Fair Value - hedging instrument at P&L	Other financial liabilities		Level 1	Level 2	Level 3
Financial assets at amortized cost								
Trade and other receivables	302,671				302,671			
Cash and cash equivalents	157,376				157,576			
Total - Financial Assets at amortized cost	460,047				460,247			
Financial liabilities at amortized cost								
Long term loans (GSO)		(521,466)			(521,466)		(521,430)	
Other long term loans		(15,532)			(16,582)			
Total - Financial Liabilities at amortized cost		(538,998)			(538,948)			
Fair Value - hedging instrument at P&L								
PI embedded derivative on loan			(9,360)		(9,360)		(9,360)	
Total - Fair Value - hedging instrument at P&L			(9,360)		(9,360)			
Other financial liabilities								
Bank overdrafts				(21,843)	(21,843)			
Short term bank loans				(42,970)	(42,970)			
Finance lease liabilities				(800)	(800)			
Trade payables to suppliers				(217,132)	(217,132)			
Total - Other financial liabilities				(282,745)	(282,745)			

40. Auditor's fee

The Group's auditor's fees are detailed as follows:

(Euro thousand)	2018	2017
Audit of financial statements of subsidiaries of the company	2,449	2,665
Audit-related assurance services	-	976
Tax Advice	-	37
Total	2,449	3,678

Significant events of the reporting period ended 31 December 2018

The significant events that occurred during the reporting period ended December 31st, 2018 are the following:

- on May 10th, 2018 the Shareholders approved the Contribution to the Parent in the amount of EUR 2,665 thousand;
- on May 14th, 2018 the Shareholders approved the Annual Report as at 31st December 2017;
- in July 2018 the Spanish subsidiary Polynt Iberica S.L. was wound up and closed;
- on September 3rd, 2018 at the Board of Directors' meetings of Polimeri Speciali Holding S.p.A. and Polynt S.p.A. and on September 10th, 2018 at the shareholders' meetings of Polimeri Speciali Holding S.p.A. and Polynt S.p.A. the reverse merger pursuant to article 2501-bis of the Italian Civil code of Polimeri Speciali Holding S.p.A. into Polynt S.p.A. was approved. The notarial deed of merger has been executed on November 14th, 2018, while the effective date of the merger shall be November 26th, 2018;
- on September 27th, 2018, the liquidation and dissolution of the US subsidiary Polynt Group Holding Inc. was approved and in November 2018 the liquidation of Polynt Group Holding Inc. has been completed with the dissolution of the company;
- on December 14th, 2018, the tax audit of the Italian subsidiary Polynt S.p.A. was closed. The tax audit was started on June 6th, 2018 and was carried out by officers of the local tax inspection unit ("Guardia di Finanza") and was completed with the notification of the "Processo Verbale di Constatazione" (the "PVC"). The tax audit covered tax year 2016 and, limited to some matters, tax years 2014, 2015 and 2017. The PVC identified two main findings: one challenging the royalty rate charged by Polynt S.p.A. to related parties in connection with the trademark "Polynt", as the basis of a total adjustment to the taxable income of EUR 41.5 million over the period covered by the tax audit.
The second finding is that a portion of certain costs borne by Polynt S.p.A. was not recharged/rebilled to the proper related party as they should have been, such expenses being allegedly for the benefit of the whole Group. Based on this presumption the PVC provides for a total adjustment of EUR 3.3 million to the taxable income for the tax years 2015 and 2016.

These findings have yet to be officially assessed against Polynt S.p.A. The Group believes that the findings are legally groundless and economically disproportionate and will challenge any adjustment arising therefrom in order to assert its rights and minimize the consequences for the company and the Group.

Significant events after the reporting period

No significant events occurred after year end closing.

Rotterdam April 29, 2019

On behalf of the Board of Directors