Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2023 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	919 317 663
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	POLYNT COMPOSITES NORWAY AS
Forretningsadresse:	Lilleborggata 4 1630 GAMLE FREDRIKSTAD

Regnskapsår

Årsregnskapets periode:	01.01.2023 - 31.12.2023

Konsern

Morselskap i konsern:	Ja
Konsernregnskap lagt ved:	Nei

Regnskapsregler

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

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Camilla Skjærstad
Dato for fastsettelse av årsregnskapet:	25.06.2024

Grunnlag for avgivelse

År 2023: Årsregnskapet er elektronisk innlevert
År 2022: Tall er hentet fra elektronisk innlevert årsregnskap fra 2023

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, 01.07.2025

Resultatregnskap

Beløp i: NOK	Note	2023	2022
RESULTATREGNSKAP			
Inntekter			
Revenue	2	541 259 358	712 935 298
Other income		496 877	1 743 687
Sum inntekter		**541 756 235**	**714 678 985**
Kostnader			
Cost of goods sold		363 204 048	505 926 550
Employee benefits expenses	3, 4	53 275 474	16 768 238
Depreciation and amortisation expenses	5	5 811 114	180 197
Other expenses	3	90 100 756	138 453 774
Sum kostnader		**512 391 392**	**661 328 759**
Driftsresultat		**29 364 843**	**53 350 226**
Finansinntekter og finanskostnader			
Annen renteinntekt		4 861 781	326 188
Other financial income		64 162 238	16 154 289
Sum finansinntekter		**69 024 020**	**16 480 476**
Rentekostnad til foretak i samme konsern		7 881 703	
Other financial expenses	6	18 384 628	7 871 133
Sum finanskostnader		**26 266 332**	**7 871 133**
Netto finans		**42 757 688**	**8 609 344**
Ordinært resultat før skattekostnad		**72 122 531**	**61 959 570**
Income tax expense	7	9 675 034	13 631 271
Ordinært resultat etter skattekostnad		**62 447 497**	**48 328 299**
Årsresultat	8	**62 447 497**	**48 328 299**
Årsresultat etter minoritetsinteresser		**62 447 497**	**48 328 299**
Totalresultat		**62 447 497**	**48 328 299**

Resultatregnskap

Beløp i: NOK	Note	2023	2022
Overføringer og disponeringer			
Ordinært utbytte			-75 200 000
Udekket tap	8	-62 447 497	26 871 701
Sum overføringer og disponeringer		**-62 447 497**	**-48 328 299**

Balanse

Beløp i: NOK	Note	2023	2022
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Equipment and other movables	5	2 186 329	216 748
Utsatt skattefordel	7	699 048	1 557 162
Sum immaterielle eiendeler		**2 885 377**	**1 773 910**
Varige driftsmidler			
Buildings and land		56 398 097	
Machinery and equipment		31 250 855	
Equipment and other movables	5	536 378	
Sum varige driftsmidler	5	**88 185 330**	
Finansielle anleggsmidler			
Investering i datterselskap	9	1 509 929	
Sum finansielle anleggsmidler		**1 509 929**	
Sum anleggsmidler		**92 580 636**	**1 773 910**
Omløpsmidler			
Varer			
Sum varer	10	**64 643 869**	
Fordringer			
Accounts receivables	6	59 229 079	76 195 266
Other short-term receivables	6	525 798	16 580 653
Konsernfordringer	6	104 611 937	33 435 622
Sum fordringer		**164 366 814**	**126 211 541**
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	11	95 897 639	64 351 633
Sum bankinnskudd, kontanter og lignende		**95 897 639**	**64 351 633**
Sum omløpsmidler		**324 908 322**	**190 563 175**
SUM EIENDELER		**417 488 958**	**192 337 085**

Balanse

Beløp i: NOK	Note	2023	2022
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital	8, 12	60 000	60 000
Annen innskutt egenkapital	8	29 970 000	29 970 000
Sum innskutt egenkapital		**30 030 000**	**30 030 000**
Opptjent egenkapital			
Other equity	8	104 660 854	48 229 558
Udekket tap	8		
Sum opptjent egenkapital		**104 660 854**	**48 229 558**
Sum egenkapital		**134 690 854**	**78 259 558**
Gjeld			
Langsiktig gjeld			
Pensjonsforpliktelser	4	2 347 284	4 496 395
Utsatt skatt	7		
Sum avsetninger for forpliktelser		**2 347 284**	**4 496 395**
Annen langsiktig gjeld			
Sum langsiktig gjeld		**2 347 284**	**4 496 395**
Kortsiktig gjeld			
Leverandørgjeld		21 674 603	439 680
Tax payable	7	12 294 103	13 872 118
Public duties payable		4 546 994	1 147 018
Kortsiktig konserngjeld	6	225 842 661	90 120 094
Other current liabilities		16 092 459	4 002 224
Sum kortsiktig gjeld		**280 450 820**	**109 581 133**
Sum gjeld		**282 798 104**	**114 077 528**
SUM EGENKAPITAL OG GJELD		**417 488 959**	**192 337 085**

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To the General Meeting of Polynt Composites Norway AS

Independent Auditor's Report

Opinion

We have audited the financial statements of Polynt Composites Norway AS (the Company), which comprise the balance sheet as at 31 December 2023, the revenue statement and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable statutory requirements, and
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report. We have nothing to report in this regard.

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Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including

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the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Oslo, 12 June 2024

KPMG AS

Thomas Sørhaug

John Thomas Sørhaug
State Authorised Public Accountant

Annual Report 2023
Polynt Composites Norway AS

Revenue statement
Balance sheet
Cash flows
Notes to the Accounts

Org.no.: 919 317 663

Revenue statement

Polynt Composites Norway AS

Operating income and operating expenses	Note	2023	2022
Revenue	2	541 259 358	712 935 298
Other income		496 877	1 743 687
Total income		**541 756 235**	**714 678 985**
Cost of goods sold		363 204 048	505 926 550
Employee benefits expenses	3, 4	53 275 474	16 768 238
Depreciation and amortisation expenses	5	5 811 114	180 197
Other expenses	3	90 100 756	138 453 774
Total expenses		**512 391 392**	**661 328 759**
Operating profit		**29 364 843**	**53 350 226**
Financial income and expenses			
Other interest income		4 861 781	326 188
Other financial income		64 162 238	16 154 289
Interest expense to group companies		7 881 703	0
Other financial expenses	6	18 384 628	7 871 133
Net financial items		**42 757 688**	**8 609 344**
Net profit before tax		72 122 531	61 959 570
Income tax expense	7	9 675 034	13 631 271
Net profit after tax		**62 447 497**	**48 328 299**
Annual net profit / loss (-)	**8**	**62 447 497**	**48 328 299**
Allocations and distributions			
Additional dividend		0	75 200 000
Transferred to/from other equity	8	62 447 497	-26 871 701
Total		**62 447 497**	**48 328 299**

Balance sheet

Polynt Composites Norway AS

Assets	Note	2023	2022
Non-current assets			
Intangible and fixed assets			
Equipment and other movables	5	2 186 329	216 748
Deferred tax assets	7	699 048	1 557 162
Total intangible and fixed assets		**2 885 377**	**1 773 910**
Buildings and land		56 398 097	0
Machinery and equipment		31 250 855	0
Equipment and other movables	5	536 378	0
Total property, plant and equipment	**5**	**88 185 330**	**0**
Investments in subsidiaries	9	1 509 929	0
Total non-current financial assets		**1 509 929**	**0**
Current assets			
Inventories	10	64 643 869	0
Debtors			
Accounts receivables	6	59 229 079	76 195 266
Other short-term receivables	6	525 798	16 580 653
Receivables from group companies	6	104 611 937	33 435 622
Total receivables		**164 366 814**	**126 211 541**
Cash and cash equivalents	11	95 897 639	64 351 633
Total current assets		**324 908 322**	**190 563 175**
Total assets		**417 488 958**	**192 337 085**

Balance sheet

Polynt Composites Norway AS

Equity and liabilities	Note	2023	2022
Equity			
Share capital	8, 12	60 000	60 000
Other paid in equity	8	29 970 000	29 970 000
Total paid in equity		**30 030 000**	**30 030 000**
Retained earnings			
Other equity	8	104 660 854	48 229 558
Total retained earnings		**104 660 854**	**48 229 558**
Total equity		**134 690 854**	**78 259 558**
Liabilities			
Provisions			
Employee benefit obligations	4	2 347 284	4 496 395
Current liabilities			
Trade payables		21 674 603	439 680
Tax payable	7	12 294 103	13 872 118
Public duties payable		4 546 994	1 147 018
Liabilities to group companies	6	225 842 661	90 120 094
Other current liabilities		16 092 459	4 002 224
Total current liabilities		**280 450 820**	**109 581 133**
Total liabilities		**282 798 104**	**114 077 528**
Total equity and liabilities		**417 488 959**	**192 337 085**

Fredrikstad, 06.06.2024

The board of Polynt Composites Norway AS

Maurizio Leonardi
chairman of the board

Njål Vonen
member of the board

Indirect cash flow

Polynt Composites Norway AS

	Note	2023	2022
Cash flows from operating activities			
Profit/loss before tax		72 122 531	61 959 570
Taxes paid		-17 584 750	-12 000 169
Depreciation and amortisation expenses		5 811 114	180 197
Change in inventory		17 968 101	454 536
Change in accounts receivable		16 986 698	6 004 915
Change in accounts payable		-13 866 626	-61 038
Difference in pension costs and payments		-2 149 111	0
Gains and dividends from investments		-25 719 700	0
Change in provisions, accruals and other		-18 949 382	-7 470 558
Net cash flows from operating activities		**34 618 875**	**49 067 452**
Cash flows from investment activities			
Investments in fixed assets		-6 999 938	0
Changes in cash pool receivables		-79 860 684	18 014 364
Proceeds from the sale of other investments		65 005 907	0
Net cash flows from investment activities		**-21 854 715**	**18 014 364**
Cash flows from financing activities			
Payment of dividend		0	-75 200 000
Net cash flows from financing activities		**0**	**-75 200 000**
Net change in cash and cash equivalents		12 764 160	-8 118 184
Cash from merger		18 781 845	0
Cash and cash equivalents at the start of the period		64 351 633	72 469 817
Cash and cash equivalents at the end of the period		**95 897 639**	**64 351 633**

Polynt Composites Norway AS

Note 1 Accounting principles

The financial statements have been prepared in accordance with the Norwegian Accounting Act and Generally Accepted Accounting Standards in Norway.

Assets and liabilities

Fixed assets are valued at the acquisition cost, and depreciated over the assets expected useful lifte. The asset is written down to the recoverable amount value if a decrease in value is not expected to be temporary.

Long-term liabilities are recorded in the balance sheet at nominal value at the time of establishment.

Current assets are valued at the lower of historical cost and fair value. Other long-term liabilities and current liabilities are carried at nominal value.

Fixed assets
Tangible fixed assets are capitalized and depreciated on a linear basis over the expected useful life of the assets. If the depreciation plan is changed, the effect is distributed over the remaining depreciation period. Cost of maintenance of assets is expensed as incurred.

Revenue recognition
Revenues from sales of goods are recognized when goods are delivered and significant risks and rewards of the goods have passed over to the customer. Revenue is measured at fair value of the consideration received for the sold goods, less rebates, bonuses, sales-freight etc. Revenue from delivery of services is recognized when the service is performed.

Inventories
Inventories are stated at the lower of cost and net realisable value. For raw materials and work in progress net realisable value is based on estimated selling price, less the estimated cost of completion and the estimated costs necessary to make the sale. Finished goods are measured at the lower of full cost of conversion and net realisable value.

Polynt Composites Norway AS

Foreign currency
Receivables and liabilities in foreign currency are at the exchange rate of prevailing at the balance date. Exchange gains and losses are recorded as financial income and financial expenses, respectively.

Cash and cash equivalents
Cash and cash equivalents include cash and bank deposits.

Accounts receivable
Accounts receivables and other receivables are recorded at nominal value less provision for expected loss. An estimate is made for doubtful account receivables based on a review of all outstanding amounts at period-end.

Product guarantees, services and complaints
Provisions for future warranties and services related to goods sold is estimated at balance date and accounted for separately from the sales transaction.

Pensions
In the defined benefit pension schemes, the obligation is expensed over the service life according to the actuarial calculations of the terms and conditions in the defined benefit plan . The net pension obligation is the difference between the present value of the pension obligations and the value of plan assets. Plan assets are recognized at fair value. Social security expences is included in the calculations.

Cost of sales and other expenses
Costs of goods sold and other expenses are recognized in the same period as the related revenue is recognized.

Tax
The tax charge in the profit and loss statement includes both current taxes payablefor the period and changes in deferred taxes. Deferred taxes is calculated at rate of 22 % on the basis of the temporary differences which exist between accounting book values and tax values, and any carry forward losses for tax purposes at year-end. Tax increasing or tax reducing temporary differences, which are reversed or may be reversed in the same period, giving rise to deferred taxes have been eliminated and are presented net. Deferred tax assets are recognized in the balance sheet in the extent that there are positive evidence supporting the future utilization.

Group
Reichhold AS does not prepare concolidated financial statemens, as the company is part of the consolidated accounts of Speciality Chemical International BV, Netherland. The consolidated accounts can be obtained by request to adress: Fascinatio Boulevard 220, 3065 WB Rotterdam - Netherland

Purchase of shares in Reichhold AS and merger
Polynt Composites Norway AS purchased 100% of the shares in Reichhold AS in 2023. Subsequent to the purchase, the two entities were merged. All assets, rights and obligations in Reichhold AS was transferred to Polynt Composites Norway AS. The merger is implemented with tax continuity, to the effect that Polynt Composites Norway AS assumes the tax positions connected to the transferred assets, rights and obligations from Reichhold AS. Thus, the merger will not trigger any immediate tax consequences. Further, the merger is accounted for according to the continuity method whereby assets and liabilities is transferred at their net book values.

Polynt Composites Norway AS

Note 2 Sales by area

Per business area	2023	2022
Polyester	370 260 817	525 714 000
Gelcoat og additives	51 976 142	47 517 000
Other	119 022 399	139 704 298
Sum	**541 259 358**	**712 935 298**

Per geographical market		
Nordic	235 292 931	314 067 000
Rest of Europe	301 073 427	397 216 000
Outside Europe	4 893 000	1 652 298
Sum	**541 259 358**	**712 935 298**

Note 3 Payroll costs, number of employees, benefits, loan to employees etc.

Payroll cost	2023	2022
Salary	42 312 412	13 220 046
Sosial Security Tax	6 074 036	2 012 495
Pension costs (Note 8)	2 625 204	1 248 610
Other benefits	2 263 821	287 088
Total	**53 275 474**	**16 768 238**
Average number of man years during the year	54	17

Auditor

Renumeration expensed to the auditors is as follows (excl. VAT):

	2023
Audit according to law	272 250
Other services	164 615
Sum	436 865

Polynt Composites Norway AS

Note 4 Defined-benefit pensions

144 members are covered through the group's defined-benefit pension scheme as at 31.12.2023. The scheme covers an old age pension from reaching the age of 67 which runs until death. The pension funds are valued at fair value at the end of year.

The pension obligations (the net present value of the pension benefit earned at the balance sheet date adjusted for future salary increases) is valued on the basis of the best estimate based on assumptions as at the balance sheet date.

Calculation of the year's pension cost:	**2023**	**2022**
Present value of the year's pension earnings	2 119 913	867 303
Net interest cost	26 363	65 696
Administration costs	995 740	343 052
Employment tax	205 498	179 923
Pension cost for the year for defined-benefit pension scheme	**3 347 514**	**1 455 974**

Reconciliation of Defined Benefit Obligation (PBO)	**2023**	**2022**
Defined Benefit Obligation (PBO) - beginning of year	32 825 928	30 777 783
Defines Benefit Obligation (PBO) - merger effect	41 571 671	0
Current Service cost (SCC)	2 119 913	867 303
Interest Cost	2 359 888	461 667
Benefits paid - funded and unfunded plans	-3 802 672	-669 793
Liability (gain), loss	30 432	1 388 968
Defined Benefit Obligation (PBO) - end of year	**75 105 160**	**32 825 928**

Reconciliation of fair value of Plan Assets	**2023**	**2022**
Fair value of Plan Assets - beginning of year	28 885 180	26 398 037
Fair value of Plan Assets - merger effect	44 904 749	0
Expected return on Plan Assets	2 333 525	395 971
Employer Contributions, excluding administrative expenses	1 989 428	864 509
Benefits paid - funded plans	-3 802 672	-669 793
Asset gain, (loss)	-1 262 265	1 896 456
Fair value of plan assets - end of year	**73 047 944**	**28 885 180**

Reconciliation of funded status:	**2023**	**2022**
Gross pension obligations	-75 105 160	-32 825 928
Fair value of pension funds	73 047 944	28 885 179
Net pension obligations	**-2 057 216**	**-3 940 749**
Employment tax	-290 068	-555 646
Pension obligations posted to the balance sheet	**-2 347 284**	**-4 496 395**

Movement in Balance Sheet - end of year	**2023**	**2022**
Net pension obligations 1.1.	-4 496 396	-4 997 288
Net pension obligations 1.1 - merger effect	3 333 078	0
Pension cost posted to the profit and loss account	-3 347 514	-1 455 974
Premium payments	-1 242 529	1 207 561

Polynt Composites Norway AS

Remeasurment booked through OCI	2 985 168	579 044
Employment tax of premium payments	420 909	170 266
Net pension obligation posted to the balance sheet 31.12.	**-2 347 284**	**-4 496 391**

In calculating the pension cost and net pension obligations the following assumptions have been used:	**2023**	**2022**
Discount rate	3,10%	3,20%
Return on pension funds	4,80%	1,55%
Salary growth	3,50%	3,75%
Long term inflation	2,25%	2,00%
Social security escalation rate	3,25%	3,50%
Pension increase	1,80%	1,70%
Local tax rate	14,10%	14,10%

Polynt Composites Norway AS

Note 5 Fixed assets

	Software	Buildings and land	Machinery and construction	Other equipments	Sum
Acquisition cost as at 01.01.2023	495 581	0	0	0	495 581
Addition in merger as at 01.01.2023		94 960 452	205 166 268	45 246 869	345 373 589
Addition of plant and equipment purchased	2 032 094	4 967 844			6 999 938
Disposal of plant and equipment sold	0	0	0	0	0
Acquisition cost 31.12.2023	**2 527 675**	**99 928 296**	**205 166 268**	**45 246 869**	**352 869 108**
Accumulated depreciation as at 31.12.2023	341 345	43 530 199	173 915 413	44 710 491	262 497 448
Book value as at 31.12.2023	**2 186 329**	**56 398 097**	**31 250 855**	**536 378**	**90 371 660**
The year's depreciation	406 817	1 794 755	3 135 239	474 302	5 811 114
Expected lifetime	3-5 years	20-40 years	5-15 years	3-10 years	
Depreciation plan	Linear	Linear	Linear	Linear	

Operating leases that are not capitalized	**Machinery**
Lease cost in 2023	2 062 132
Duration	1 - 4 years

Polynt Composites Norway AS

Note 6 Related parties

Account receivables

Counterpart	Relationship	2023	2022
Group companies	Other related parties	790 272	1 521 038
Sum		**790 272**	**1 521 038**

Other receivables

Counterpart	Relationship	2023	2022
Group companies	Parent Company - cash pool	111 775 268	31 914 584
Sum		**111 775 268**	**31 914 584**

Participants in the cashpool arrangement are joint and severable liable for any net credit balances drawn on this arrangement by any of the participants under the arrangement.

Liabilities

Counterpart	Relationship	2023	2022
Group companies	Associated	-10 853 745	-88 170 486
Group companies	Parent company	-214 988 916	-1 950 058
Sum		**-225 842 661**	**-90 120 544**

Sales

Counterpart	Relationship	2023	2022
Group companies	Associated	4 374 013	6 654 489
Group companies	Parent company	190	64 115
Sum		**4 374 203**	**6 718 604**

Costs

Counterpart	Relationship	2023	2022
Group companies	Parent Company	32 141 217	6 323 189
Group companies	Other related parties	317 846 520	626 595 380
Sum		**349 987 737**	**632 918 569**

Polynt Composites Norway AS

Note 7 Tax

This year's tax expense	**2023**	**2022**
Payable tax	12 294 103	13 872 119
Changes in deferred tax assets	-2 619 069	-240 848
Tax expense on ordinary profit/loss	**9 675 034**	**13 631 271**
Taxable income:		
Ordinary result before tax	72 122 531	61 959 570
Permanent differences	-29 387 628	579 794
Changes in temporary differences	13 147 382	515 717
Taxable income	**55 882 285**	**63 055 079**
Payable tax in the balancesheet:		
Payable tax on this year's result	12 294 103	13 872 119
Total payable tax in the balance	**12 294 103**	**13 872 119**

The tax effect of temporary differences that has formed the basis for deferred tax and deferred tax advantages, specified on type of temporary differences.

	2023	**2022**
Tangible assets	21 273 684	68 386
Inventories	-6 203 136	0
Accounts receivable	-1 458 900	-2 650 000
Allocations and more	-14 446 263	0
Net pension liabilities	-2 347 284	-4 496 395
Total	**-3 181 899**	**-7 078 009**
Deferred tax assets (22 %)	**699 048**	**1 557 162**

Note 8 Equity

	Share capital	**Other paid-in capital**	**Other equity**	**Total equity**
Equity 01.01.2023	60 000	29 970 000	48 229 558	78 259 558
Actuarial gains/(losses) net of tax	0	0	-969 171	-969 171
Dividends paid		0	0	0
Effect of merger 01.01.2023		0	-5 047 030	-5 047 030
Net profit/loss for the financial year			62 447 497	62 447 497
Equity 31.12.2023	**60 000**	**29 970 000**	**104 660 854**	**134 690 854**

Polynt Composites Norway AS

9 Subsidiaries

Company	Equity 31.12.2023	Book value at 31.12.2023	Shares
Reichhold GmbH	1 509 929	1 509 929	100 %

In the merger between Polynt Composites Norway AS and Reichhold AS, the ownership in Reichhold GmbH was transferred to Polynt Composites Norway AS. Reichhold GmbH is a dormant company that will be liquidated in 2024. The liquidation of the subsidary is not expected to generate any loss compared to booked values.

Note 10 Inventory

	2023	2022
Stocks of raw materials	43 479 707	0
Stocks of finished goods	27 367 297	0
Provision for obsolence	-6 203 136	0
Total inventory	**64 643 869**	**0**

Note 11 Bank deposits

Cash and cash equivalents includes restricted cash of kr 1 574 854 for witheld employee taxes.

Note 12 Equity and shareholders

The share capital in the company at 31.12.2023 consists of one share class:

	Number	Face value	Book value
Ordinary	60 000	1	60 000
Total	60 000	1	60 000

There is no regulation regarding limitation in voting rights. Each share carries one vote.

Ownership
Shareholders at 31.12.2023

	Ordinary Shares	Total	Share	Votes
Polynt S.P.A	60 000	60 000	100 %	100 %
Total numbers of shares	60 000	60 000	100 %	100 %

The Board of directors does not own shares in the company.
Polynt Composites Norway AS is owned by Polynt S.P.A, Italy

The consolidated financial statements are being prepared by Specialty Chemicals International Ltd.

Polynt Composites Norway AS

MANAGEMENT REPORT 2023

The nature of the business, its operating and locations.

Polynt Composites Norway AS is located and having its legal seat in Fredrikstad, Norway. The Company's principal activities are research and development, manufacturing, sales and distribution of unsaturated polyester resins, gelcoats, and related products to the composites industry.

Since 1955 there have been research and development, manufacturing, sales and distribution of unsaturated polyester under licence from Reichhold in the Fredrikstad Plant, and after some years also in Sandefjord.

Since December 31, 1997 the Company back the was a wholly owned subsidiary of Reichhold Norway AS ("RNAS"). Reichhold Industries, Inc, was the ultimate owner of RNAS up till April 1, 2015. On this date, Coöperatie Reichhold Holdings Netherlands U.A, acquired Reichhold Holdings International BV, the immediate shareholder of RNAS.

In May 2017, the Polynt Group, who are the parent company to Polynt Composites Norway AS, completed a merger with the Reichhold Group. The new Polynt-Reichhold Group is a global company in the intermediates, coating and composite resins, thermoset compounds, gelcoats, and niche specialties with revenues of more than 2 billion euros. The Company is indirectly wholly held/controlled by Specialty Chemicals International Ltd., itself equally held by an indirect subsidiary of Black Diamond Capital Management, with other shareholders holding minority positions.

Following this merger, a reorganization took place in the Norwegian part of the business from November 1, 2017. Reichhold's R&D and sales activities in Sandefjord were transferred to the newly created company Polynt Composites Norway AS ("PC NO"), located in Sandefjord.

On June 1, 2019, PC NO closed all activities in Sandefjord and moved to Reichhold's production facility in Fredrikstad.

In 2022 Reichhold AS merged with its owner company Reichhold Norway AS.

In 2023 Reichhold AS and Polynt Composites Norway AS merged into one company. All activities in Norway for the Polynt Group are now gathered in one company – Polynt Composites Norway AS..

Comments related to the financial statements.

The Board of Directors believes that the financial statements present a true and fair view of the company's financial performance and position as of December 31st 2023. To date, no incidents that might be of importance for assessing the company's position have occurred after the balance date.

The company's operating income in 2023 was NOK 542 million, down from NOK 714 million in 2022. This is a decrease of 24,%, which the company is not satisfied with, mainly driven by more difficult market conditions in 2023 compared to previous years.

Polynt Composites Norway AS

At the beginning of 2022, the war in Ukraine began, which has affected turnover and profit from late 2022 and forward. Due to sanctions against Russia prices for raw materials has increased. The competition from companies in countries that have not adopted these sanctions has increased significantly as they are able to source materials at a lower price. In adition, higher inflation and increased interest rates contributed to increased cost levels, which lead to reduced investments and lower demand in most of the markets and industries in which the company operates.

Operating profit for 2023 was NOK 29,4 million against NOK 53,4 million in 2022. Profit before tax was NOK 72,1 million in 2023, which includes NOK 28,9 million in liquidation dividend from subsidiaries,compared to NOK 62 million in 2022. Net Profit after tax for 2023 was NOK 62,5 million compared to NOK 48,3 million for 2022.

Operating EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) decreased by NOK 18,3 million, from NOK 53,5 million in 2022 to NOK 35,2 million in 2023.

The company's total investments were NOK 6 million in 2023 against NOK 8,8 million in 2022. The main investments in 2023 was a new Nitrogen Generator, Filling unit for drums and Modifying existing Batch-Master to "common technology".

Total assets at year end 2023 was NOK 417 million, against NOK 192 million in 2022. The increased are mainly due to merger with Reichhold AS in 2023.
The equity was 40,7% in 2022 and 32,3% at year-end 2023.

Net cash flow from operation activities in 2023 was NOK 34,6 million against NOK 48,9 million in 2022.

Polynt Composites Norway AS is included in the consolidated financial statements of Specialty Chemicals International B.V., a company registered in The Netherlands.

Future Challenges

Throughout the year, management has monitored the instabilities caused by Russian invasion in Ukraine and subsequent economic boycott of Russia closely and implemented necessary measures. This will continue going forward, as the war still impacts levels of raw material prices and the market situation in general.

In 2023 increased inflation and interest rates that led to a higher cost level in general. For 2024 the inflation rates are expected to decrease and the interest rates are expected to decrease from late 2024 and forward in 2025.

Polynt Composites Norway consumes high levels of energy in the production process. Hence, energy prices is an important factor in measuring future cost levels. The energy prices has increased significantly in Norway over the last years, and has stabilized at a much higher level compared to the years before 2022. We expect energy prices to be at the same high level throughout 2024.

The competition in our market is increasing, which have lead to redued volumes and lower prices in 2023. For 2024, the expectation is that the market situation will still be challenging, but improving compared to last year. The board emphasizes that there is normally significant uncertainty associated with the assessment of future events and conditions.

Financial Risk

Polynt Composites Norway AS

Polynt Composites Norway AS is exposed to fluctuations in the foreign currency exchange mainly related to raw material purchase in EUR. The Group strategy is to mitigate the financial risk by purchasing and selling in the same currencies. Current strategy does not include the use of financial instruments. The company has no external loans. The company has loans to the parent company Polynt Spa with a total of NOK 222,7 million, with interes rates based on arm's length principles. The liquidity risk is considered limited.

The company is exposed credit risk through outstanding receivables, which are assessed continuously on an overall level, and on customer level.

To ensure that sufficient liquidity are available for ongoing operations and future developments, the company is a member of the Group cash pool at BMG Bank in Amsterdam. The liquidity risk are limited by the access to such funding.

Going Concern

In accordance with the Accounting Act § 3–3a of the Norwegian Financial Reporting Act, the Board of Directors confirm that the financial statements have been prepared under the assumption of going concern, which the board confirms to be present. This assumption is based on profit for the year 2023 and the company's long-term strategic forecasts.

Working environment, equality

Polynt Composites Norway AS' employed 65 people throughout 2023, whereas 17 women and 48 men. There is no known discrimination in the workplace, and the company facilitates full equality between women and men. The company has employees from several nationalities and ethnical groups.

There are notification routines in connection with matters worthy of criticism, including possible harassment and bullying.

The absence statistics show an average sick leave of 6,60% in 2023, a decrease from 9,80% in 2022. Long term sick leave (duration more than 16 days) counts for 3,1% of this total (5.10% in 2022). During 2023 there have been reported zero work accident classified as injury with treatment and lost time.

Equal opportunities and discrimination.

We strive to provide women and men equal opportunities for all types of tasks and the career opportunities. The salary system reflects the individual's area of responsibility and qualifications.

Polynt Composites Norway AS has a recruitment and personnel policy that contributes equal opportunities and rights and prevent discrimination on the grounds of ethnicity, national origin, descent, skin color, language, religion and outlook on life. Polynt Composites Norway AS has employees from many different nationalities.

Polynt Composites Norway AS

Based on the daily work anchored i.e. in Polynt Composites Norway AS values, ethical policy and recruitment policy, the company support that employees and jobseekers have equal opportunities as described in section 26 of the Equality and Discrimination Act.

Employees who work in production are union-organized and follow tariffs set by the respective unions. Hired employees receive the same wage terms as the trade unionists. The scheme eliminates the risk of discrimination through pay differences based on gender, ethnicity, etc.

For employees in the administration, the salary survey is carried out as part of the annual salary determination. The activity obligation will be followed up by examining whether there is a risk of discrimination or other obstacles to gender equality.

A health survey was conducted in 2021 where such questions were raised and whether the employee enjoyed his job. No such issues were discovered then. There have been conducted a simmilar survey early in 2024 showing that some employees was not satisfied with the level of same opportunities for promotion an development. There were also some responders suggesting that from their opinion unaceptable behaiouvior related to comments and actions based on their gender, etnisity, religion or sexual orientation. The company are taking necessary measures to adress and improve behaviour and attitude in the workplace, and ensure equal opportunities for all employees.

The company has arrangements facilitating working from home, which were particularly highlighted during the corona pandemic lockdown. This goal is to facilitate the combination of work and family life for our employees.

4 employees have been hired temporary or in temporary positions in 2023. Of these there have been 2 women and 2 men.

There has been two employee on part-time in 2023, It is on their own request with a part-time position.

	Gender distribution at different job levels/groups	Wage Difference Womens share of mens wages as a percentage						
	Women	Men	Cash benefits					Benefits in kind
			Sum cash benefits	Agreed salary / fixed salary	Irregular surecharges	Bonuses	Overtime pay	Total benefits in kind
Total	17	48	100%	106%	100%	100%	100%	100%
White collar	13	11	100%	100%	100%	100%	100%	100%
Blue collar	1	28	Data not sufficient	Data not sufficient	Data not sufficient	Data not sufficient	Data not sufficient	100%
Management	3	9	100%	94%	100%	100%	94%	100%

Polynt Composites Norway AS

External environment

The company's production site in Fredrikstad is subject to environmental permits issued by the Norwegian ministry of environment. The company complies with the government requirement and has no environmental issues pending. Yearly emission measurements show levels according to or below permit levels. Polynt Composites Norway AS is continuously focusing on environmental projects and is also prioritizing the development of environmentally friendly products and processes. The Company aims to carry out its activities in such a way that due consideration is given to protect the environment and the health and safety of all those who encounter our products during their life cycle. There have been no reportable incidents regarding environmental issues in 2023.

Insurance for members of the Board and General Manager

The company has special liability insurance for its Board Members or General Manager. The insurance is taken out for the entire company group in AIG Europa SA.

The transparency Act

The transparency act entered into force on the 1st of July 2022. The purpose of the act is to promote respect for basic human rights and decent working conditions by business, and to ensure the public's access to information. Polynt Composites Norway AS is covered by the law and has implemented measures to comply with the transparency act.

The law requires the entity to carry out due diligence assessments to uncover actual or potential negative consequences for basic human rights and decent working conditions in its own operations and in the supply chain.

Polynt Composites Norway AS carries out due diligence assessments in line with the OECD's guide for due diligence assessments for responsible businesses and works with mapping the supply chain in line with the requirements of the law. If the results of the due diligence assessments reveal that there is a violation or suspicion of a violation of the rights mentioned above, the entity will make sure to clarify the actual circumstances and initiate the necessary measures. The entity will prioritize and initiate measures in the areas with the most serious risk of violations of rights and decent working conditions. In the entity, work with the Transparency Act is anchored in the board and an explanation will be published on the web site (www.polynt.com/wp-content/uploads/2023/08/Transparency-Act-Report-2023.pdf) within June 30th 2024.

Polynt Composites Norway AS

Net income and profit and loss allocation

The year result for 2023 was a profit of NOK 62 447 497,-.

Board of Directors of Polynt Composites Norway AS proposes the following distribution of the profit:

Transferred to other equity:	NOK 62 447 497
Total allocation:	**NOK 62 447 497**

Fredrikstad, 06.06.2024

Maurizo Leonardi
Chairman of the board

Njål Vonen
Board member

Speciality Chemicals International Ltd.

Annual Report 2023

Registered company number 10143073

Polynt

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Directors' report

The Directors of Speciality Chemicals International Ltd. ("the Company" or "SCIL") hereby present their report for the financial year ended on December 31, 2023.

General information

SCIL is domiciled in the United Kingdom with its registered office at 54 Willow Lane, Mitcham, Surrey, United Kingdom, CR4 4NA. The Company indirectly controls SCIL IV LLC ("SCIL IV") that, on November 2, 2021 (the "Closing Date"), completed the acquisition (the "Acquisition" or the "Transaction") of the entire share capital of Specialty Chemicals International B.V. ("Target" or "SCI BV") and indirectly its subsidiaries (the "Target Group"). These consolidated financial statements are comprised of the Company and its subsidiaries and together referred to as the "Group". The Company is wholly held by indirect subsidiaries of Black Diamond Capital Management LLC ("Black Diamond").

Group overview

The Group is a global specialty chemicals group focusing on intermediates, composites and specialties sectors, headquartered in Italy. Our business began in the mid-1950s and, through a series of acquisitions and organic growth, we have grown into one of the leading global composites and coatings technology producers in the world, with unparalleled footprint and reach. Since 2008 we have grown to become a European Leader in Specialty and Composites by acquiring PCCR, the composites and resins business of Momentive Specialty Chemicals Inc. in 2011, and CCP, the composites business of the Total Group in 2014. The acquisitions of PCCR and CCP significantly increased our presence in the composites sector, particularly in the production of UPRs and gelcoat, and expanded our geographic footprint in North America, South America, Asia and Australia. In 2017 we combined with Reichhold to form a global group in the intermediates, composites and specialties sectors, benefitting from Reichhold's technical know-how in the field of unsaturated polyester resins and gelcoat.

We divide our products into three classes: Composites, Specialties and Intermediates.

Composites include UPRs, coating resins and compound products (such as gelcoats). Composites, which are produced in batches, are made from two or more constituent materials with different physical or chemical properties which, when combined, produce a material with characteristics different from the individual components to match specific customer requirements. Specialties include plasticizers and other derivative products such as malic and fumaric acid as well as special anhydrides and special esters made using internally produced anhydrides that satisfy specific, high-performance requirements of the end applications in which they are used.

Intermediates are produced on a continuous basis (i.e., not in batches) and include the anhydrides which we use internally to produce higher-margin Composites and Specialties. Intermediates not used internally are sold to third parties for use in their own Specialty and Composite production.

The Group's Competitive Strengths
We believe our key competitive strengths are the following:

- ***Leading position in an industry with an improved structure.***
  We are a leading manufacturer of Composites in both Europe and the US according to our estimates based on 2024 data. Furthermore, we are a leader by volumes for Compounds in Europe and in the US for Alkyd Coating Resins. We have expanded our footprint and capabilities and contributed to such consolidation by acquiring PCCR, the composites and resins business of Momentive Specialty Chemicals Inc., and CCP, the composites business of the Total Group, in 2011 and 2014, respectively, and more recently, by combining with Reichhold in 2017, as a result of which our market share in UPRs (representing capacity by producer) increased.

- ***Customer focused and innovation driven business model consisting of strong formulation know-how and development initiatives with customers.***
  Over the past decade, we have evolved from a local producer of Intermediates to a global composite specialty producer. Our strong focus on innovation has driven the transformation of our portfolio.
  Moreover, the Group provides high quality, bespoke formulations and delivers products with identical specifications out of our different facilities to meet the needs of global customers which require consistency across their various locations.
  Our business is innovation-driven, with R&D centers strategically located across our worldwide operations. We focus our R&D efforts on anticipating market developments and meeting our customers' ever evolving needs. Our R&D activities are fully integrated into our business model thereby reducing time to market for new products and enhancements and improving our ability to respond promptly to customer demand, as well as reducing costs and risks relating to new products and increasing environmental safety, all of which have a positive input on margins.

- ***Diversified customer base***
  We have a diversified customer base that includes large multinational companies. Our customer relationships are based on our experience in offering bespoke technological solutions and ongoing local support. Our customer base is diversified across product categories, with our top customers operating across different industries, including distribution, wind energy, paint and coatings, artificial stone and cables and wires. We approach every customer relationship with the goal of partnering and adding value

over a long-time horizon, leveraging our technical and regulatory expertise together with our R&D efforts to fully understand our customers' objectives, needs and limitations.

- ***Global footprint allowing proximity to our customers base***
  Our manufacturing footprint is strategically located to ensure access to key logistic routes and manufacturing clusters. As a result, our global footprint and proximity to our clients is a key competitive strength as it allows us to service a larger number of clients in different geographies, with lower logistical costs and shorter lead times to provide just-in-time service. Our geographical reach and penetration enables us to respond rapidly and effectively to our customers' demands, and is a key factor in our ability to develop and maintain customer relationships.

- ***Diverse product portfolio enables us to focus on attractive market niches, benefitting from strong organic growth trends in end industries.***
  Our diverse portfolio of products enables us to focus on a number of highly attractive and diverse end applications, most of which offer significant structural growth potential. The variety of end uses for our products enables us to mitigate the impact on our business of cyclicality or seasonality that some of these markets from time-to-time experience. As a result of our diverse product portfolio, we are well positioned and equipped to take advantage of new trends in customer demand that may develop, naturally or in response to macro events.

- ***Integrated platform with stable profitability.***
  Our production process is based on a vertically integrated model, which allows us to leverage the in-house production and consumption of Intermediates (e.g. phthalic and maleic anhydrides), which tend to have more volatile prices, in the downstream production of higher-margin Composites and Specialties. Therefore, we benefit from low volatility in terms of input cost and supply, and we are capable of delivering to our customers a greater level of availability of our products and certainty in delivery. Further, having access to vertically integrated intermediate and low-cost inputs supports our margins and helps us capture a greater share of profit across the value chain. The vertically integrated 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 raw material prices, in particular in the Intermediates market. This reduces our dependency on suppliers while providing greater flexibility in timing price adjustments, as it allows us to foresee trends in advance, and an ability to respond quickly to changes in customer demand and test effectiveness of our products in-house.

Results

SCIL has the control of the Polynt Group (also "*The Group*") through the indirect subsidiary SCIL IV.

The following table summarizes our financial performance for the periods indicated[1]:

(Euro thousand)	2023	2022	Var %
Sales (ton)	**785,682**	**870,410**	**(9.7%)**
Revenue	**2,389,254**	**2,980,051**	**(19.8%)**
Variable costs	(1,475,372)	(1,937,275)	(23.8%)
Fixed costs	(368,653)	(403,560)	(8.6%)
Adjusted EBITDA	**545,229**	**639,216**	**(14.7%)**
EBITDA %	*22.8%*	*21.4%*	

Business model

General economic environment overview [2]

In 2023 global growth remained robust, and inflation decreased more rapidly than expected. However, disparities emerged among nations, with the United States and several emerging-market economies experiencing strong growth, with most European countries facing a slowdown.

Current indicators suggest a moderation in global growth, influenced by tighter financial conditions impacting credit and housing markets, along with subdued global trade. Incidents of ship attacks in the Red Sea escalated shipping costs, extended delivery times, disrupted production schedules, and intensified price pressures.

The global GDP growth is projected to ease to 2.9% in 2024, from 3.1% in 2023.

The United States anticipates sustained growth supported by household spending and a robust labor market, and the growth rate is to moderate to 2.1% in 2024 from 2.5% in 2023.

Euro area GDP growth is projected to be 0.6% in 2024 compared to 0.5% in 2023, still hindered by tight credit conditions initially, but expected to pick up as real incomes strengthen. Among the main European economies, Germany shows an improvement (0.3% in 2024, -0.1% in 2023), Italy remains flat (at 0.7%), while France (0.6% in 2024, 0.9% in 2023) and Spain (1.5% in 2024, 2.5% in 2023) show a decline.

Despite additional policy stimulus, China's growth is expected to decline from 5.2% in 2023 to 4.7% in 2024, influenced by subdued consumer demand, high debt, and a weak property market.

Across other countries, there continues to be clear signs of strong near-term momentum in India (6.2% in 2024, 6.7% in 2023) and many emerging-market economies, including Mexico (2.5% in 2024, 3.1% in 2023) and Brazil (1.8% in 2024, 3.1% in 2023).

[1] This is based on management accounts.
[2] OECD Economic Outlook, Interim Report | February 2024.

Inflation across G20 countries is projected to slightly increase from 6.3% in 2023 to 6.6% in 2024 and return to target values by the end of 2025 at 3.8%, however there's uncertainty about fully containing underlying price pressures, as unit labor cost growth remains generally above rates compatible with medium-term inflation objectives.
High geopolitical tensions are a significant near-term risk to activity and inflation, particularly if the conflict in the Middle East were to disrupt energy markets. Persisting service price pressures could also generate upside inflation surprises and trigger financial market repricing as expectations of monetary policy easing are reassessed. Growth could also be weaker than projected if the lingering effects from past policy rate increases are stronger than expected.
Prudent monetary policy is key to contain inflationary pressures, allowing for potential policy interest rate reductions as inflation decreases, however a restrictive policy stance is most likely to be kept in most major economies for the foreseeable future, as governments struggle with mounting fiscal challenges from increasing debt burdens and substantial future spending pressures.

Industry overview
The Group is a leading global, vertically integrated chemical manufacturer focused on the production of specialty chemical products.
After a challenging end to 2022, many in the chemical industry anticipated a modest rebound in production in 2023. But, by mid-2023, several chemical companies significantly revised down their expectations. Multiple factors contributed to sluggish demand for chemicals globally, including a recession in Europe, inflation in the United States, and a smaller-than-expected rebound in demand from China. In addition, over-ordering in 2021 and 2022 resulted in high inventory levels, leading to months of destocking. Consequently, chemical output in 2023 grew 1.7% (2022: +2.1%), with significant regional variations while China had a dynamic growth of 7.5%, the rest of the world as a whole saw a contraction of 3.9%.
The EU faced severe production losses, with a 7.6% decline following a 5.2% drop in 2022, affected both by the overall weak demand for industrial goods and the correspondingly low demand for intermediate inputs from the chemical industry, as well as by the ongoing import pressure mainly from China.
In the Americas, United States chemical production remained stagnant, closing the year with a 1.0% decline (+2.2% in 2022) on the low domestic demand and from the construction industry, while South America had an even sharper decline of 4.7% (2022: +2.5%).
In contrast, Asia saw a 4.6% expansion (2022: 4.2%) as production in China, the world's largest chemical market, grew by 7.5%. That did offset the declines in other Asian economies (Japan, -6.6%; South Korea, -10.0%) and emerging markets (-2.4% as a whole).

The average price for a barrel of Brent crude oil was considerably below the prior-year level at USD 82 per barrel (2022: USD 101 per barrel, as the war in Ukraine had led to significant price increases on the international commodity market and to high volatility).

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. Other uses include preparation of chemical products used to make animal food and additives for the food industry as well as compounds for the transportation, construction, and electrical sectors. The Group manages the entire production-distribution chain internally, including the process stages 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 assistance of 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.

Customized products: these products include unsaturated polyester resins, coatings, special anhydrides, gelcoats, compounds, catalysts, and special esters. Products in this category are formulated at the customer's request to meet the customer's specifications or application requirements.

Director's liabilities

As permitted by the Companies Act, 2006, the Company has indemnified the Directors in respect of proceedings brought by third parties and qualifying third party indemnity insurance was in place throughout the year and up to the date of approval of the financial statements.

Engagement with suppliers, customers and others in a business relationship with the company

The Group's beliefs treatment of customers, suppliers and employees highlights the group's belief in the simple values described in paragraph *"Information regarding social aspects of operating business"* of the Strategic Report.

Development and performance during the year

Presentation of Financial Information

The 2023 operating results, financial position, and cash flow reflect twelve months of operations and are comparable with the twelve months results presented in the operating results, financial position, and cash flow as of December 31, 2022.

Relevant transactions during the 2023 financial year

Relevant transactions that occurred during the reporting period ended December 31, 2023, are as follow:

- on January 1, 2023, the merger of Reichhold S.r.l. into Polynt S.p.A. was completed;
- on April 21, 2023, Reichhold Trading (Beijing) Ltd. was dissolved and deregistered from the relevant Companies Register;
- the Group has carried out certain transactions to reduce the number of operating entities in the same jurisdiction to achieve operational efficiencies:
    - on June 16, 2023, Reichhold Holdings International B.V. (the "Seller") executed an agreement with Polynt Composites Norway AS (the "Buyer") for the purchase of the entire issued share capital of Reichhold AS (the "Reichhold AS Transfer");
    - on June 16, 2023, the relevant Boards of Directors of Polynt Composites Norway AS and Reichhold AS approved a merger plan pursuant to which the assets, rights and obligations of Reichhold AS has been transferred in their entirety for no consideration to Polynt Composites Norway upon the consummation of the merger for no consideration (the "Merger");
- through a series of transactions, Polynt Composites II, LLC was transformed into an Italian limited liability company and renamed PC II US S.r.l. effective June 28, 2023;
- on July 10, 2023, SCIL IV LLC ("SCIL IV"), together with its wholly owned direct subsidiary, SCIL USA Holdings LLC (the "U.S. Co-Issuer" and, together with SCIL IV LLC, the "Issuers") approved the issuance of EUR 300 million aggregate principal amount of 9.500% senior secured notes due July 15, 2028 (the "Offering");
- in connection with the Offering, the commitments under the SSRCF have been increased from EUR 85 million to EUR 105 million (such increase, the "SSRCF Upsize" and, together with the Offering, the "Transactions");
- the proceeds of the Offering, together with cash on the SCIL II TopCo's balance sheet, have been used to fund a special dividend (the "Dividend") to the shareholders of the Company. The Dividend was paid on July 11, 2023, and involved the following steps:
    - on July 10, 2023, SCIL USA declared a cash dividend (gross of any taxes, withholdings and similar charges) of USD 328,545,800 to SCIL IV, paid in

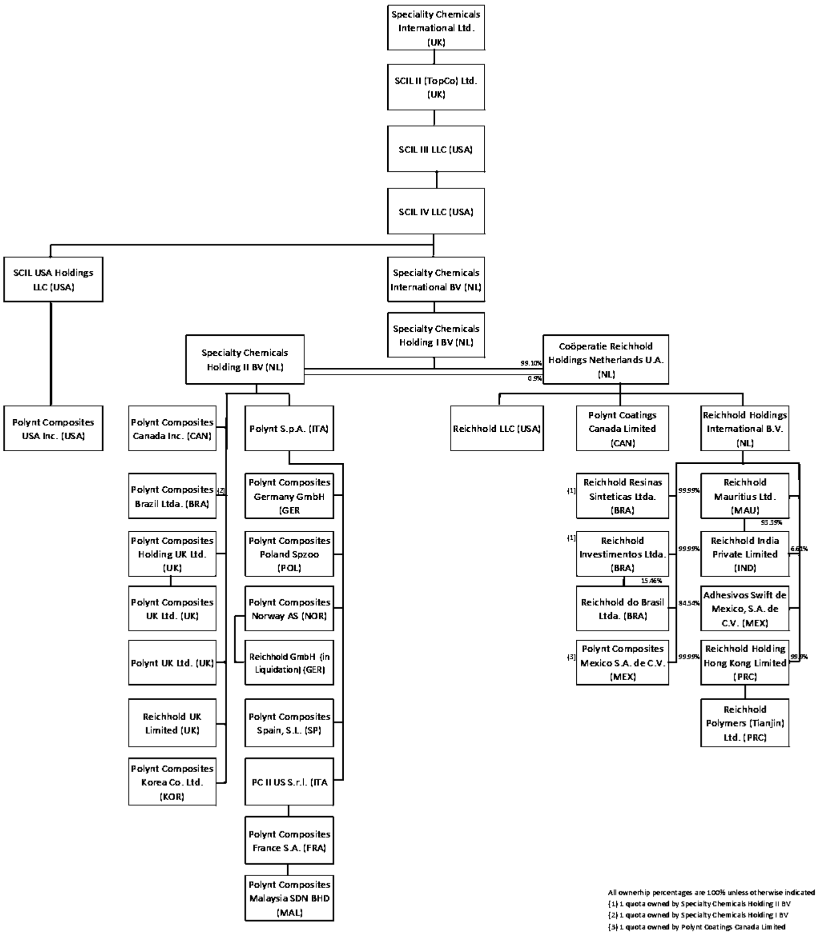
cash in Euro for an amount equal to EUR 302,000,000, net of withholdings required to be made by law, subject to and following completion of the Offering and receipt of the proceeds thereof (the “Distribution”);
  - on July 11, 2023, further to the receipt of the distribution from the U.S. Co-Issuer, SCIL IV LLC paid a cash dividend of EUR 285,950,000 to its sole member, SCIL III LLC;
  - on July 11, 2023, further to the receipt of a distribution from SCIL IV LLC, SCIL III LLC paid a cash dividend of EUR 285,945,000 to SCIL II (TopCo) Limited;
  - on July 11, 2023, further to the receipt of a distribution from SCIL III LLC, SCIL II (TopCo) Limited paid a cash dividend of EUR 285,650,000 to SCIL (its sole shareholder);
  - on July 11, 2023, further to the receipt of a distribution from SCIL II (TopCo) Limited, the Company declared and paid a dividend of EUR 282,150,000 to the holders of ordinary shares in the capital of the Company in proportion to their holding.
- on July 11, 2023, Reichhold CZ was dissolved and cancelled from the relevant Commercial Register;
- on July 12, 2023, the transfer of the participation in Reichhold AS from Reichhold Holdings International B.V. to Polynt Composites Norway AS was completed;
- on July 27, 2023, the transfer of the participation in Reichhold UK Ltd. ultimately to Specialty Chemicals Holding II B.V. was completed;
- on August 23, 2023, the merger of Reichhold AS into Polynt Composites Norway AS was completed;
- on October 1, 2023, the reorganization of US entities was completed which involved the following steps:
  - the merger of PCCR USA Holdings Inc. into Specialty Chemicals International Inc.;
  - the merger of Specialty Chemicals International Inc. into SCIL USA Holdings LLC;
  - the merger of Reichhold LLC2 into Polynt Composites USA Inc.;
- on November 3, 2023, SCIL II (TopCo) Limited paid an interim dividend of EUR 168,000,000 to the Company. The distribution was funded with the proceeds of a loan made by Polynt Composites USA to SCIL IV LLC on November 2, 2023, and the subsequent distributions of those proceeds all the way up along the legal entity ownership chain from SCIL IV LLC to SCIL II (TopCo);
- on November 3, 2023, further to the receipt of a distribution from SCIL II (TopCo) Limited, the Company paid a dividend of EUR 168,000,000 (for an amount equal to $177,021,600) to the holders of ordinary shares in the capital of the Company in proportion to their holding;

- on December 1, 2023, Reichhold Quimica de Mexico S.A. de C.V. changed its corporate name to Polynt Composites Mexico S.A. de C.V.;
- on December 19, 2023, Polynt Composites UK Ltd. ("PC UK") and Reichhold UK Ltd. ("Reichhold UK") executed an Asset Purchase Agreement (the "APA") for the transfer of all PC UK assets and liabilities to Reichhold UK. Pursuant to the terms and conditions of the APA, Reichhold UK issued to PC UK a loan note equal to the net value of the assets and liabilities transferred (the "Loan Note") as consideration for the Asset Transfer, the value of which will be adjusted based on the Closing Accounts (as defined in the APA) after the Effective Date (1 January 2024);
- on December 20, 2023, Reichhold Denmark A/S was dissolved and cancelled from the relevant Commercial Register;
- on December 29, 2023, Polynt Composites UK Ltd. changed its name to Polynt Composites UK II Ltd. and Reichhold UK Ltd. changed its name to Polynt Composites UK Ltd.

Group structure

The Company indirectly controls SCIL IV LLC and indirectly its subsidiaries. The Group is wholly held by indirect subsidiaries of Black Diamond Capital Management LLC ("Black Diamond").

As a result of what has been described above in the paragraph "Relevant transactions during 2023 financial year" the Group structure as of December 31, 2023, is as follows:



Description of material contractual arrangements, including certain financing arrangements

On November 2, 2021 (the "Closing date"), the company through SCIL IV LLC completed the acquisition of the entire share capital of Specialty Chemicals International BV pursuant to the SPA entered into on June 29, 2021 between SCIL as seller and SCIL II Limited as purchaser and the deed of novation entered into on October 29, 2021 between SCIL, SCIL IV and SCIL II Limited by means of which SCIL II transferred its rights under the SPA to SCIL IV.

The Acquisition was funded inter alios with the proceeds from the issuance by SCIL IV and SCIL USA Holdings LLC (together, the "Co-Issuers") of:

- EUR 325,000,000 4.375% Senior Secured Notes due 2026 (the "EUR Fixed Rate Senior Secured Notes");

- EUR 325,000,000 Floating Rate Senior Secured Notes due 2026 notes (the "Floating Rate Senior Secured Notes" and together with the EUR Fixed Rate Senior Secured Notes, "the EUR Senior Secured Notes");
- USD 760,000,000 5.375% Senior Secured Notes due 2026 (the "USD Senior Secured Notes").

On the Closing Date the Senior Facilities Agreement entered into on 5 March 2020 by the Target was terminated and all facilities thereunder (the "Existing Senior Facilities"), with certain subsidiaries of the Target as borrowers and guarantors, were repaid (such repayment, the "Senior Facilities Repayment" and together with the Acquisition and the payment of the related transaction costs, the "Transaction").
The Senior Facilities Repayment involved:

- the prepayment of the EUR TLB under the Senior Facilities Agreement totaling EUR 485 million;
- the prepayment of the USD TLB under the Senior Facilities Agreement totaling respectively USD 58.9 million;
- the prepayment of loans outstanding under the Existing RCF totaling EUR 20.1 million.

The Senior Facilities Repayment involved a series of transactions and was funded by using:

- the proceeds of an intercompany loan in the initial amount of EUR 353.8 million made by SCIL IV LLC to Specialty Chemicals Holding I B.V. (the "Intercompany Note").
- a portion of the cash available to the subsidiaries of the Target.

The Intercompany Note matures on November 2, 2026, and provides for quarterly interest payments. Interest on the Intercompany Note accrues at a rate equal to the relevant Euribor rate floored to 0.0% plus a margin. Pursuant to certain payments in connection with the Transaction, the Intercompany Note was partially prepaid in November 2021 and December 2021 for EUR 30.8 million. The outstanding amount under Intercompany Note as of December 31, 2023, was EUR 323 million.
On November 1, 2021, SCIL IV LLC entered into a Super Senior Revolving Facility Agreement (the "RCF Agreement"). The RCF Agreement provides for a multicurrency revolving facility (the "RCF") available to SCIL IV LLC and various Subsidiaries of the Group both as loans and letters of credit. Interest on RCF borrowings accrues at a rate equal to the relevant Euribor rate floored to 0.0% plus a margin. On June 29, 2023, the commitments under the RCF were increased from EUR 85 million to EUR 105 million. The RCF terminates on May 1, 2026.
The RCF Agreement contains a "springing financial covenant" requiring SCIL IV LLC and the subsidiaries thereof to maintain a net leverage ratio as defined in the Agreement of 6.26:1 or less. The springing financial covenant will be tested starting from the third full financial quarter ending after the Closing Date and only if on the testing date the aggregate amount of all outstanding loans thereunder is equal or greater than 40% of the

total amount of commitments. On December 31, 2023, the Group was not required to test the springing financial covenant. The Agreement contains customary affirmative and negative covenants. As of December 31, 2023, SCIL IV LLC was in compliance with all such covenants.
All borrowings under the RCF Agreement are guaranteed by the Co-Issuers and certain Subsidiaries thereof. A Guarantor Coverage Test has to be satisfied on an annual basis.

On October 27, 2021, the ABL entered on 29 September 2017 (the "Existing ABL") was replaced with a new ABL (the "US ABL") entered into with a different unrelated financial institution. The US ABL, that is under more favorable commercial terms than the Existing ABL, provides for a revolving facility with commitments in the amount of USD 100 million and is available as loans to Polynt Composites USA, Inc.
Interest on the US ABL borrowings accrues at a rate equal to the relevant base rate plus a margin. All borrowings under the ABL are secured by pledges over trade receivables and inventory of the borrower thereunder. The US ABL matures on October 27, 2026. The ABL contains customary affirmative and negative covenants. As of December 31, 2023, Polynt Composites USA, Inc. was in compliance with all covenants of the ABL.

On July 10, 2023, SCIL IV and SCIL USA Holdings LLC co-issued EUR 300,000,000 9.50% Senior Secured Notes due 2028 (the "Additional EUR Fixed Rate Senior Secured Notes" and together with EUR Fixed Rate Senior Secured Notes, Floating Rate Senior Secured Notes and USD Senior Secured Notes, the "Notes").

Factoring Facilities

Substantial factoring facilities are available to certain Subsidiaries of the Company. The main facilities are available in Italy, France, Spain, and Poland from various financial institutions unrelated to the Company. All factoring facilities available in Italy and Poland 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 as long or short-term loans, receivables financing, overdrafts or letters of credit are granted to many Subsidiaries of the Company, 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 and is aimed at realizing the best possible assets and liabilities matching by also considering the opportunities available from time to time on the market.

Security and Guarantees

The obligations related to the Notes and the RCF Agreement are guaranteed by SCIL IV LLC, SCIL USA Holdings LLC and the following subsidiaries: Specialty Chemicals International BV, Specialty Chemicals Holdings I BV, Specialty Chemicals Holdings II BV, Reichhold Holdings International BV, Coöperatie Reichhold Holdings Netherlands U.A., Polynt S.p.A., Polynt Composites USA Inc., Polynt Composites Holding UK Limited, Polynt Composites UK Ltd., Polynt UK Ltd., Polynt Composites Norway AS, Polynt Composites Germany GmbH and Polynt Composites Spain SL.

The list of guarantors might expand over time in accordance with certain principles but essentially on an annual basis, after delivery of the consolidated financial statements, the Group shall ensure that the obligors account for at least 80% of the Consolidated EBITDA of the Group by excluding any subsidiary that is prevented from becoming a guarantor or would not be required to become a guarantor in accordance with the Agreed Security Principles (the “Guarantor Coverage Test”). If so required, any subsidiary whose EBITDA is equal or exceeds 5% of the Consolidated EBITDA and is incorporated in a Security Jurisdiction, shall also become an additional obligor but no subsidiary of the Group incorporated in, inter alios, Mexico, Brazil, China (including Hong Kong), India, South Korea and Malaysia shall be required to provide any guarantee or security.

The Notes and the obligations under the RCF Agreement are secured, subject to the applicable Agreed Security Principles, by security interests over:

- The shares of each guarantor and any other Material Subsidiary of SCIL IV;
- Certain proceeds loans;
- All assets owned by the guarantors incorporated in the United Kingdom, secured by means of a floating charge, by excluding trade receivables, bank accounts or inventory;
- All assets owned by guarantors incorporated in the United States, by excluding assets and property designated as collateral for the ABL Facility and real estate.

Segment analysis [3]

We manage our business on a regional basis: Europe, Americas, Asia and Holdings 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 UPR between Group companies to produce compounds and gelcoat. Intra-Group transactions are conducted on an arm’s-length basis and are eliminated in the consolidated results presented herein.

[3] This is based on management accounts.

Key performance indicators

(Euro thousand)	2023	2022	Var %
Sales (ton)	**785,682**	**870,410**	**(9.7%)**
Revenue	**2,389,254**	**2,980,051**	**(19.8%)**
Variable costs	(1,475,372)	(1,937,275)	(23.8%)
Fixed costs	(368,653)	(403,560)	(8.6%)
Adjusted EBITDA	**545,229**	**639,216**	**(14.7%)**
EBITDA %	*22.8%*	*21.4%*	

Sales and Revenue

Sales and Revenue by regional segment are detailed as follows:

(ton)	2023	2022	Var %
Europe	397,885	421,615	*(5.6%)*
Americas	329,271	383,006	*(14.0%)*
Asia	58,526	65,789	*(11.0%)*
Holdings	-	-	*n.a.*
Sales	**785,682**	**870,410**	***(9.7%)***

(Euro thousand)	2023	2022	Var %
Europe	1,013,364	1,268,163	*(20.1%)*
Americas	1,246,889	1,539,735	*(19.0%)*
Asia	129,001	172,153	*(25.1%)*
Holdings	-	-	*n.a.*
Revenue	**2,389,254**	**2,980,051**	***(19.8%)***

Revenue decreased by 19.8% to EUR 2,389 million in 2023 from EUR 2,980 million in 2022 while sales volume decreased by 9.7%. The difference in revenue disclosed in the Directors' report and the revenue disclosure in the consolidated financial statements is due to cash discounts given to customers that have been deducted from the revenue reported in the consolidated financial statements.

The European market has suffered a sharp decline compared to 2022 due to persistent geopolitical instability and rising interest rates which have pushed companies and local governments to review investment plans as well as led consumers to review spending priorities. All this was reflected in lower demand in the construction, leisure (boating, swimming pools) and transport sectors, the latter still influenced by demand from the automotive segment which is still far from recovering pre-pandemic volumes. Persistently high production costs have further favored the penetration of products from low-cost areas such as the Middle and Far East.
Driven therefore by reduced demand and strong competition, Europe sales and revenues decreased by 5.6% and 20.1% respectively compared to 2022.

In the Americas, sales volume decreased by 14%. In the US, the second half of 2023 saw lower sales volumes from the slowdown in certain US markets and customer destocking efforts as supply chains improved. Mexico volumes improved by 2% despite competitive pressure, while Brazil volume was lower by 5% as the difficult economic conditions continued. The Americas revenue was down 19% compared to the previous year on the lower volume and lower average selling prices following the downward trend of lower raw materials prices.

In Asia, sales volume and revenue decreased by 11.0% and 25.1% separately, due to lower volume and sales from a major wind energy customer in Indian and China, sluggish domestic and export demand in Korea partially offset by improved Compounds sales, insufficient market demand in China despite cancellation of Covid-19 restriction, steady sales growth in India and Malaysia, apart from the major wind energy customer.

Variable costs

Variable costs include the purchasing cost of raw materials, consumables and supplies, goods for resale, energy costs, selling expenses and the related changes in inventories.
The EUR 461.9 million year over year decrease in variable costs (-23.8%) was driven both by lower volumes and lower raw material costs.

Fixed costs

Fixed costs include personnel expenses, maintenance, consulting costs and general operating expenses. Overall fixed costs were lower year over year by 8.6%.
The EUR 34.9 million year over year fixed costs decrease was mainly attributable to cost saving actions, review of bonus provision and favorable exchange rates.

Adjusted EBITDA

Adjusted EBITDA ("EBITDA") is a non-EU-IFRS management measure and computed by adjusting the IFRS accounting standards 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 IFRS accounting standards 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 IFRS accounting standards 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 IFRS accounting standards or any other generally accepted accounting principles.

Adjusted EBITDA for 2023 was EUR 545.2 million, down EUR 94 million from EUR 639.2 million in 2022 (-14.7%).

In Europe, Adjusted EBITDA declined by 28.3% as lower fixed costs only partially offset the lower sales volume and margins.
Americas' Adjusted EBITDA declined by 9% driven mainly by the lower sales volumes. The negative impact of lower volumes was partially offset by lower fixed costs from proactive management actions and favorable foreign exchange impact.
In Asia, EBITDA declined by 9.8% mainly on lower volumes and unfavorable foreign exchange impact partially offset by margin management actions and lower fixed costs.

The following is a reconciliation of Adjusted EBITDA to IFRS accounting standards Gross operating profit:

(Euro thousand)		2023	2022
Profit for the year	**A**	**242,283**	**346,147**
Income taxes		*100,341*	151,279
Financial Income		*(36,903)*	(45,069)
Financial expense		*142,004*	101,153
Depreciation, amortisation and impairment losses		*58,571*	69,303
Gross operating profit		**506,296**	**622,813**
Non recurring and non-core items:	***B***		
Income related to sale or discontinuation of businesses	*b.i*	-	*(11,651)*
Costs related to cash-settled share-based plans	*b.ii*	*15,283*	*13,463*
Restructuring expenses	*b.iii*	*5,276*	*5,491*
Non recurring expenses	*b.iv*	*2,972*	*1,021*
Cash discount	*b.v*	*7,694*	*8,283*
Other (income) / expenses	*b.vi*	*(1,321)*	*(335)*
Adjusted EBITDA before taking into account the following items	**A + B**	**536,200**	**639,086**
Insurance compensation	*C*	-	*2,791*
Inventory provision	*D*	*7,092*	*3,007*
Bad debts provision	*E*	*1,937*	*(5,667)*
Adjusted EBITDA	**A+B+C+D+E**	**545,229**	**639,216**

B. Non-recurring and non-core items refer to the following:

i. "*Income related to sale or discontinuation of businesses*" referred mainly to the sale of Brampton site in Canada occurred in 2022.
ii. "*Costs related to cash-settled share-based plans*" were award payments made to certain Directors and employees in accordance with the Phantom Share Option Plan;
iii. *"Cash discount"* relates to the net amount of cash discounts to and from customers and suppliers. These items for management accounts are included in the Net financial expenses and therefore not included in the Adjusted EBITDA.
iv. "*Restructuring expenses*" are mainly related to costs associated to the restart of the Port Moody site in Canada.
v. "*Non recurring expenses"* related to external M&A advisors and financial, commercial, and legal due diligence fees and expenses, in respect to completed and potential acquisitions.

C. "*Insurance compensation*" was received in 2019 from an accident that occurred at the Polynt S.p.A.' maleic anhydride Ravenna Plant (Italy) resulting in damage to the catalyst reactor. The occurrence was covered by insurance, including the loss of margins due to lower performance of the plant subsequent to the accident as the Group scheduled to replace both the reactor and the catalyst in the following years. Therefore, the compensation was recognized over multiple periods including a final portion in 2022.

D. *"Inventory provision"* related to the reversal of the 2022 gross margins adjustment for specific and exceptional raw material market conditions. This item is not accounted in the 2023 consolidated financial statement.

E. *"Bad debts provision"* relates to the reversal of the impairment made both in 2023 and 2022 to face potential credit risks. This item is not accounted for in the 2023 consolidated financial statement.

Cash flows

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

(Euro thousand)		2023	2022
Cash flow from operating activities		483,183	427,709
Cash flow from investing activities		(41,777)	(61,341)
Cash flow used in financing activities		(249,783)	(398,860)
Effects of movement in exchange rates on cash held		618	(8,043)
Net change in cash and cash equivalents	**A**	**192,241**	**(40,535)**
Opening cash and cash equivalents	**B**	**189,143**	**229,678**
Closing cash and cash equivalents	**C=A+B**	**381,384**	**189,143**

Cash flow used in financing activities included EUR 450.2 million paid to the shareholders for dividends.

For further details please refer to the Consolidated statement of cash flows for the year ended December 31, 2023.

Net Financial Indebtedness

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

(Euro thousand)	31-Dec-23	31-Dec-22
Cash and cash equivalents	381,384	189,143
Other financial assets	281	675
Amortized costs	46,141	49,874
USD Senior Secured Notes	(687,783)	(712,545)
EUR Senior Secured Notes	(625,000)	(325,000)
Floating Rate Senior Secured Notes	(325,000)	(325,000)
Other financial loans and interest accrual third parties	(74,125)	(58,600)
IFRS 16 effect on debt	(15,438)	(15,167)
Total net financial indebtedness	**(1,299,540)**	**(1,196,619)**

"*Total net financial indebtedness*" is the amount of long-term financial indebtedness, plus short-term financial indebtedness, less current financial assets, cash, and cash equivalents. Under IFRS, debt issuance costs are deducted from the related debt amounts

for the purposes of statement of financial position presentation and are amortised over the life of the debt.
We present net financial indebtedness in this report 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 IFRS accounting standards and should not be considered as an alternative to any other measures of performance derived in accordance with IFRS accounting standards.

Net Working Capital
The following table summarizes our net working capital as of December 31, 2023:

(Euro thousand)	31-Dec-23	31-Dec-22
Trade receivables	246,711	313,903
Inventories	276,752	368,188
Current tax assets	34,841	24,215
Other current assets	22,998	31,199
Current assets	**581,302**	**737,505**
Trade payables	228,823	273,006
Current tax liabilities	14,678	23,019
Employee benefits	19,484	44,326
Other current liabilities	31,444	34,811
Current portion of provisions	862	999
Total current liabilities	**295,291**	**376,161**
Net Working Capital	**286,011**	**361,344**

We define working capital as the difference between current assets, adjusted by appropriate financial position items (cash and cash equivalents), and current liabilities, adjusted by appropriate financial position items (loan and borrowings). 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 because of raw materials prices and related higher sales levels, partially offset by an increase in trade payables.

Our working capital levels vary because 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 cyclicality 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[4].

(Euro thousand)	2023	2022
Land and buildings	4,472	4,419
Plant and machinery	19,499	36,777
Industrial and commercial equipment	1,032	264
Other assets	568	1,632
Assets under construction and payments on account	34,428	35,073
Investments in property, plant and equipment	**59,999**	**78,165**
Investments in other intangible assets	3,839	2,967
Total capital expenditure	**63,838**	**81,132**

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.
Maintenance and expansion capital expenditures are financed primarily from cash flows from operations and, in certain cases, with bank loans and financial lease contracts.

The main 2023 expenditures are as follows:

- EUR 5.4 million to complete the MTHPA plant at Ravenna site (Italy);
- EUR 4.3 million to complete the restarting of the Port Moody, Canada coatings site;
- EUR 3.4 million to complete multiple investments at the Ravenna site (Italy): new medium voltage building and electrical equipment, upgrade of site firefighting system and other site infrastructure investments);
- EUR 2.9 million for the upgrades and renovation of the Group headquarter building in Scanzorosciate (Italy);
- EUR 2.8 million for equipment and storage tanks, electrical equipment, analytical instruments and pilot plant equipment for quality control and R&D at the Scanzorosciate site (Italy);
- EUR 2.1 million for production and R&D equipment improvements and other initiatives to support safety and environmental, at the Drocourt site (France);
- EUR 1.9 million on specific projects to consolidate and increase the production capability of the UPR, GPP, SPP production units, including the purchase of a Vinyl Ester second thin tank at the San Giovanni site (Italy);

[4] This figure excludes IFRS 16 effect (EUR 6.231 thousand).

- EUR 1.6 million for the refurbishment of the thermal incinerator, catalyst replacement for the catalytic vent treatment unit, asbestos removal and to increase the capacity and expand the product portfolio at the Mitcham site, (UK).
- EUR 1.5 million for SAP enhancements and IT group projects, mainly focused on the cyber security integrity;
- EUR 1.2 million toward phthalic anhydride flaking processing unit at the Forest Park, Georgia site (USA);
- EUR 1.2 million towards the UPR reactor at the Atlacomulco site (Mexico);
- EUR 1.1 million for the refurbishment and upgrade of the Administration Building, quality control and technical Service laboratories at the Houston, Texas site (USA);
- EUR 1.1 million for the waste storage area and vent treatment unit at the Niepolomice plant (Poland);
- EUR 1.1 million for the UPR bulk storage tank at the Azusa, California site (USA);
- EUR 1.0 million for vinyl ester reactor at the Houston, Texas site (USA);
- EUR 0.8 million Digital Control System upgrade at the Jacksonville, Florida site (USA);
- EUR 0.8 million for phthalic anhydride storage tank at Morris, Illinois site (USA)
- EUR 0.6 million for the installation of wastewater treatment, offices and truck scale and completion of the warehouse at the Jeonju site (Korea);
- EUR 0.6 to complete the major overhaul of one cogeneration unit at the Scanzorosciate site (Italy);
- EUR 0.6 million for completion of new warehouse, maintenance & R&D buildings at the Tianjin site (China);
- EUR 0.5 million for the completion of the UPR capacity increase project at the Miranda site (Spain);
- EUR 0.5 million for the upgrade of the second SMC line at the Miehlen site (Germany).

In all Regions other spendings includes expenditures to enhance production reliability, the upgrading of critical equipment and the compliance with the new safety, health, and environmental regulations.

Future developments and outlook
For 2024 we expect results, on the basis of the same perimeter, almost in line with 2023. Capital expenditure is expected to decline and employees to remain stable.

Financial instruments
The main sources of liquidity available to the Group on an ongoing basis as of December 31, 2023, 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 105 million super senior secured multi-currency revolving credit facility (the "Revolving Credit Facility" or "RCF") available to certain entities;
- the ability to draw under a USD 100 million committed ABL facility (the "ABL") available to Polynt Composites USA 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.

The outstanding borrowings under the RCF as of December 31, 2023, were nil.
The outstanding borrowings under the US ABL as of December 31, 2023, were nil.

As of December 31, 2023, the availability under bilateral facilities was adequate.
Based on the current level of operations as reflected in the results of operations for the year ended December 31, 2023, the cash flow from operating activities, cash on hand, the availability of borrowings under bilateral facilities, the RCF and the 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.

This report was approved by the Board on June 24, 2024, and signed on its behalf by:

Director
54 Willow Lane
Mitcham
CR4 4NA

Strategic report

Strategic report

The strategic report is about the Group as a whole and not the standalone entity.

Business objectives and strategy

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 cyclicality 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 cyclicality, 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 and macro and micro economic impacts (i.e. industry expansion, plant shutdowns, scheduled maintenance, force majeure actions etc.) also influence the market supply and our operating results.

Fluctuation in the prices of raw materials

Raw material costs comprise the largest portion of our operating costs. Most of the raw materials we use are based on crude oil, including butane, orthoxylene, benzene, 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 are done so using either 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 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.

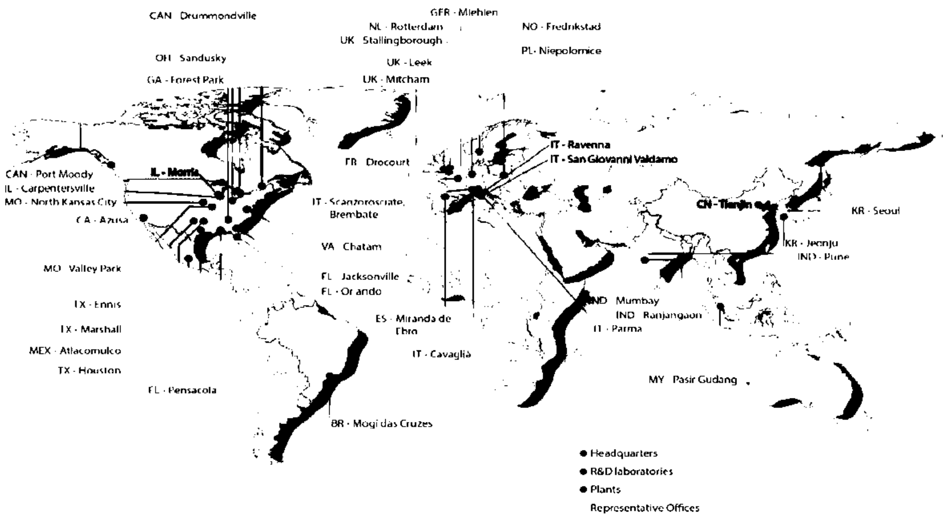
Changes in raw material prices also have a direct effect on our working capital levels. In general, increases in the cost of raw materials leads to an increase in our working capital requirements, as our inventories and trade receivables increase because of raw materials prices and the higher price related sales level 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 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 (Unsatured Polyesters Resins).
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 the food and feed industries.
Furthermore, we believe our geographic diversification creates multiple advantages. Having facilities near 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 and 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 31, 2023, roughly 33% of our revenue was Euro-denominated (33% in 2022), approximately a 43 % was U.S. dollar-denominated or U.S. dollar-linked (44% in 2022) 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 financial position 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 Consolidated statement of profit or loss for the relevant period. For the year ended December 31, 2023, the Group had financial income from exchange rate gains of EUR 22.8 million (EUR 40.0 million in 2022) and financial expense on exchange rate losses of EUR 29.1 million (EUR 16.1 million in 2022) mainly related to the exchange rate effect on outstanding loans denominated in USD and intercompany loans 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 31, 2023, we have provisions of EUR 28.2 million (EUR 29.3 million in 2022) 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 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 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 31, 2023, fixed costs represented 19.9% of our total costs (17% in 2022). In addition, our vertically integrated production model has the effect of reducing costs, particularly transportation and raw material costs. Additionally, the Group's increased scale and operational synergies will drive 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 to identify profitable streamlining efforts that can optimize efficiency and reduce unnecessary costs.

We intend to make strategic 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 since 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 because 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.

Information regarding social aspects of operating business
The Group is committed to being 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 continues to expand into rapidly growing markets.

The Group is committed to providing customers with the most innovative, highest quality value-added products and services supported by our world class global manufacturing operations, local customer and technical support, global research facilities and broad distribution networks.
The Group's commitment to its customers, suppliers and employees is highlighted 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 and 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. The Group put ethics ahead of short-term financial gains, which believe will create long term customer loyalty when customers are treated fairly and equitably.

On September 24, 2020, the Board of Directors of Speciality Chemicals International Limited, approved the Group's Code of Ethics and Whistleblower Policy.
Starting from January 2023, the Group implemented or adopted the following:

- Implemented a new worldwide whistleblower portal to report violations of ethics, policy, harassment, fraud;
- adopted certain Sustainability policies (ESG, HSE, Anti-corruption, Labor and Human Rights, Supplier code of conduct) to be compliant with International ESG Framework and UK TCFD requirements;
- issued the Group's first sustainability Report for the year 2022 with reference to the GRI standards;
- Issued an Ecovadis scorecard for all operational entities.

- <u>Create Value for Our Customers:</u>

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.

- <u>Employees engagement:</u>

We consider that out employees act with the utmost integrity and professional expertise in the production of Composites, Specialties and Intermediates provided to the customers. In doing so, the Board considers that its employees are both rewarded fairly and incentivized to deliver the Group's strategy.
In 2023, the HR team focused on harmonizing management policies and professional development.
Safety and accident avoidance continues to be a critical focus area with training courses provided for environmental safety and safety at work.

Position at year end and prospects

Research and development information

The research and development function for the Group is fully integrated into the business model with Research and Development Laboratories for product lines as well as Process Development Laboratories dealing 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 deliver increased 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. For example, ways to achieve lower energy consumption and reduced production waste. 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

R&D activities in Europe are focused on the introduction of innovative, sustainable, and high performing products into the market, as well as to a continuous optimization of the existing product lines, the support to our customers with tailor made solutions, the development and optimization of our production processes and technologies. R&D supports the Technical Service teams to exploit, optimize or customize the performances of our products into customer's processes, as well as to introduce our products into customers' manufacturing activities. Additionally, important efforts are done in managing raw materials supply issues, with the qualification of new suppliers and/or alternate raw materials. R&D team supports the manufacturing activities, giving internal technical assistance to keep or improve quality and consistency of our products. The Green Activities team works in tight collaboration with the ESG function as well as the marketing and Regulatory functions, to keep the focus on sustainable products and processes, supporting all the teams with calculation of Life Cycle Assessments.

Main areas of work in 2023 were:

- Develop next generations of maleic and phthalic anhydride catalysts for fluid and fixed bed reactors, also with the support of highly specialized universities.
- Develop new processes to produce our monomers and building blocks, to decrease carbon footprint and environmental impact of our productions.
- Develop new plasticizers, esters, anhydrides for epoxy curing, resins, gelcoats and compounds with improved technical performances (lightweight, flame retardancy, chemical and or mechanical resistance, etc.); with food and pharma contact approvals; with focus on environmental sustainability, using renewable and /or recycled raw materials where possible.

- Continue to follow E-mobility trends requiring new lighter materials; continue to support the electrical and automotive compound sectors with new solutions such as battery covers and fire-resistant material.
- Continue to follow green energy production needs, mainly in the wind sector, with high performing vinylester resins and epoxy/anhydride solutions for the wind-energy market.
- Continue to explore solutions for hydrogen storage and production.
- Drive actions to reduce the environmental impact of our products, by replacing styrene or other additives.
- Explore way to re-use and recycle resins and compounds, to improve sustainability.
- Explore the use of Artificial Intelligence in the product formulations to predict final carbon footprint and mechanical performance of our solutions.

Americas

The Americas R&D team is dedicated to serve existing and new customers in the Americas region with the top-class solutions, by leveraging the knowledge and expertise of the Group worldwide and adapting it to local customer requirements. 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 gelcoat, 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.

2023 Americas R&D activities included:

- Support the business with modified, tailor made, improved products to keep and/or improve market share and customer satisfaction, also identifying new sectors and applications.
- Evaluation and approval of new sources for raw materials and, in some cases, reformulation of products to minimize disruption in the supply chain.
- Work with operations to maximize manufacturing capacity (also by transferring formulas among sites), improve quality, reduce cycle time and minimize down time and support the expansion projects identified by the Company.
- Continue to consolidate the unsaturated polyester resin and vinyl ester product lines, also through formula rationalization.
- Deliver innovative solutions in the coatings market, with a big focus on performances and sustainability (environmentally friendly water borne products).

- Dedicate resources to higher margin technologies such as Carbon Fiber and Fiberglass Sizing, as well as large-scale thermoset 3D printing.
- Develop new high-performance gelcoats, with improved UV resistance and FR properties.
- Develop high performance products, while decreasing / eliminating substances of concern in both coatings and composites product lines (solvents, styrene, additives, etc.).
- Introduce breakthrough solutions in curing systems for resins and gelcoats.

Asia

The Asian R&D team is focused to support the local market, business and production, facilitating interaction among the different sites and regions, with a continuous exchange of technical information with the other R&D teams.

Local and Group projects have been identified and assigned to the suitable teams for their implementation and accomplishment,

Rationalization and improvement of existing products and technology have been carried out.

2023 Asia R&D activities included:

- Prosecution of rationalization and approval of key raw materials and new suppliers, in cooperation with the purchasing team.
- Support, advise and provide solutions to the customers with the commercial and technical service teams.
- Keep the product portfolio updated, understanding market needs and trends.
- Participate to the R&D global teams and projects, to identify available technical solutions and implement in the local markets with the necessary modifications.

Significant events after the reporting period

Significant events that occurred after December 31, 2023, reporting period are as follows:

- On January 1, 2024, the Asset Purchase Agreement between Polynt Composites II UK Ltd. (f/k/a Polynt Composites UK Ltd.) and Polynt Composites UK Ltd. (f/k/a Reichhold UK Ltd.) became effective.
- On April 30, 2024, the Extraordinary Shareholders' Meetings of Polynt S.p.A. and PC II US S.r.l. approved the Merger Plan of PC II US S.r.l. into Polynt S.p.A; the relevant Deed of Merger should be executed in June 2024.
- On April 30, 2024, Polynt S.p.A. executed a Share Purchase Agreement for the acquisition of 100% of the issued share capital of Polyprocess S.A.S., a limited liability company incorporated under the laws of France leading supplier of specialty gelcoats, color pastes and derivatives for the composites industry.
- Effective May 29, 2024, the reorganization of some Brazilian entities was completed which involved the following steps:

- Transfer of 1 quota of Reichhold Resinas Sinteticas Ltda. from Specialty Chemicals Holding II BV to Reichhold Holdings International BV;
- Transfer of 1 quota of Reichhold Investimentos Ltda. from Specialty Chemicals Holding II BV to Reichhold Holdings International BV;
- Merger of Reichhold Resinas Sinteticas Ltda. and Reichhold Investimentos Ltda. into Reichhold do Brasil Ltda;
- Increase of share capital, due to the merger, of Reichhold do Brasil Ltda. to R$ 131.181.184, 100% owned by Reichhold Holdings International BV.

Principal risks and uncertainties facing the business

The UK's decision to leave the European Union

The board have considered the potential impact of the UK's exit from the European Union, the associated uncertainty and impact on the financial statements. Whilst the Group is registered in the UK, a significant level of the Group's operations take place in the remainder of the world, with the UK constituting only an element of overall Group turnover. There is additionally no significant reliance on supplies across the Group for items from the UK. As such it is considered by the Board that the potential impact on the Group is reduced, however this will continue to be monitored by the Board on an ongoing basis.

Commodity price risk

We are partly exposed to commodity price risk since we purchase raw materials, especially crude oil derivatives, including butane, orthoxylene, benzene, styrene and pseudocumene. Commodity price risk principally relates to movements in the prices of the raw materials we purchase to make our products. 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. 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 and is determined 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. We estimate that an increase or decrease of 1% in interest rate exposure would affect the profit and loss and equity by approximately EUR 3.3 million.

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 the spot or

forward rate 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 US dollar currency exposure would affect the profit and loss and equity by approximately EUR 1.6 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 Consolidated statement of profit or loss 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 review of our net financial position and using IT systems that monitor liquidity requirements on an ongoing basis.

We have implemented policies and processes aimed at optimizing management of our resources, 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 in the capital markets; (iv) obtaining adequate credit facilities; and (v) monitoring forecasted financial conditions in relation to its 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.

Climate-related financial disclosures

This section is dedicated to the non-financial and sustainability information statement which contains the climate-related financial disclosures of the Group as required by the regulations.

Section 414CB(2A) of the Companies Act 2006 (c. 46), hereinafter CA 2006, requires to the Group to provide climate-related financial disclosures in its Annual Report and Accounts for the financial year ended in 2023. To fulfill reporting requirements, the Group has structured its disclosures around four thematic areas on climate-related risks and opportunities relating to its business:

- **Governance**: describes the governance arrangements (Section 414CB(2A) (a));
- **Risk Management**: describes the identification, assessment and management processes (Section 414CB(2A) (b) and (c));
- **Strategy**: describes the impacts on the Company's business model and strategy (Section 414CB(2A) (c), (d), (e) and (f)); and
- **Metrics & Targets**: describes the key performance indicators used in assessing and managing targets (Section 414CB(2A) (g) and (h)),

inspired by the Task Force on Climate-related Financial Disclosures ("TCFD") Recommendations.

Governance

Disclosure requirement (for information only): (a) a description of the company's governance arrangements in relation to assessing and managing climate-related risks and opportunities.

The management of climate-related risks and opportunities is part of the Group governance system related to sustainability activities. In this regard, since 2022 the Group has established a dedicated department to manage and monitor activities related to Sustainability and ESG topics. From 2022 a Group ESG Manager has been appointed and he is the figure responsible for the activities of the ESG department.

In 2023, the Group started on identifying, assessing and managing climate-related risks and opportunities, in relation to the regulatory requirements of Section 414CB(2A) of the CA 2006, as expressed above. The activities related to the identification and assessment of the climate-related risks and opportunities are in charge of the Group ESG department. This analysis will be carried out periodically, on an annual basis, in order for it to be as up to date as possible and in line with possible organizational changes that may occur in the Group. The results of the analysis are then reported to Top Management, which is responsible for managing the identified and assessed risks and opportunities.

Finally, on an annual basis, the Board of Directors meets to review and approve the following Report which also contains information relating to the identification, assessment and management of climate-related risks and opportunities.

More details of the Group's Governance are described in the Sustainability Report, published annually.

The Group structure as of December 31, 2023, is reported on page 14 of this report.

The structure of the Speciality Chemicals International Ltd's Board of Directors, which is the parent company that wholly held SCIL II, consists of five people, namely: the President and Group CEO, two Directors/Independent and two Directors. The President and Group Chief Executive Officer and the Board of Directors members are appointed by the shareholders of the Group. The Group's Board of Directors is also responsible for reviewing and approving annually the Sustainability Report including the list of the material topics.

The SCIL II Board of Directors is composed of three people, which are also part of the parent company board of Directors.

As of December 31, 2023, the Group has a Managing Board, composed of Senior Executives of the Group, and three Committees one from each Region (Europe, Americas, Asia). All committees are appointed by the President and CEO of the Group.

The Chair of the Managing Board is the Group President and CEO. The Managing Board is responsible for developing, approving and updating the organization's purpose, value or mission statements, strategies, policies and goals related to sustainable development in line with budget and indications from the shareholders. As mentioned above, the managing board is responsible of the identified climate risks and opportunities management. Together with the Managing board, which oversees the group, there are three regional Committees, in charge to manage and monitor the activities of the related region. The Group governance structure is:

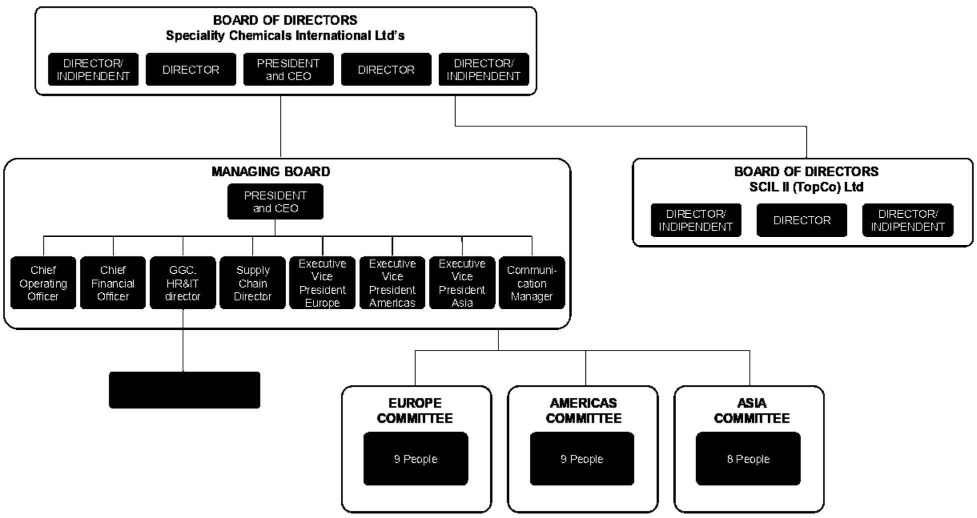


Figure 1. The Group governance structure

Risk management

Disclosure requirement (for information only):
(b) a description of how the company identifies, assesses, and manages climate (risks and opportunities.
(c) a description of how processes for identifying, assessing, and managing climate-related risks are integrated into the company's overall risk management process.

During 2023, the Group developed the first analysis related to the identification and assessment of climate-related risks and opportunities. Following the evaluation of the results of the analysis carried out, the Group's Top Management will be responsible for managing them, in order to implement potential actions to mitigate risks and exploit the identified opportunities.

The Group identifies risks and assess processes through various company functions. However, these processes are not currently formalised and structured within an Enterprise Risk Management (ERM) system that allows risks to be managed at Group level in an integrated manner.

However, the Group is considering implementing an ERM in the coming years, which will also include climate-related risk identification, assessment and management activities. As mentioned in the Governance paragraph, risk analyses will be carried out periodically, on an annual basis, in order to be as up to date as possible and in line with possible organizational changes that may occur in the Company.

For 2023, the identification and assessment of the risks and opportunities climate-related was carried out by the Group's ESG Department and is not yet defined through a formalized procedure, being the first year in which it is carried out.

Below the main details and results of the climate related risk (i.e., physical and transition) and opportunity analysis are reported.

Physical risks

The climate-related physical risks identification and assessment analysis have been conducted within three main phases, which are the following:

- **PHASE 1 – Sensitivity analysis**: assessment of the climate risks based on the Group business sector and its main activities, regardless of the location of its assets;
- **PHASE 2 – Exposure analysis**: assessment based on the location of the assets and the consequent exposure to climate-related risks;
- **PHASE 3 – Vulnerability analysis**: combination of sensitivity and exposure analyses to assess with a qualitative approach the main risks for the assets considered and their relevance.

PHASE 1 - Sensitivity analysis

The aim of the sensitivity analysis is to identify which climate risks are relevant to the specific type of sector, regardless of the assets' location. Below a table with a brief description of the main physical climate risks considered and the representative indicator selected is provided.

Table 1. Climate risks description and selection of representative indicators

Heatwaves	Heatwave is an acute phenomenon, it is an extreme weather condition that occur when there are very high temperatures for several consecutive days, often associated with high humidity rates, strong sunlight and lack of ventilation.	▪ HWM, heatwave amplitude (°C)
Wildfires	Wildfire is an acute phenomenon, it is a fire that spreads over wooded, shrub or arboreal areas, including any man-made structure and infrastructure located within the same areas, or over cultivated or uncultivated land and pastureland adjoining the areas. The predisposing factors are the vegetation conditions, climate conditions (humidity, wind, and temperature) and the soil morphology.	▪ FWI, Fire Weather Index
Cold spells	Cold spell is an acute phenomenon, a distinctive type of extreme atmospheric event that manifests as anomalous low-temperatures over consecutive days.	▪ CWA, Coldwave Amplitude (°C)
Temperature changes	Temperature change is a chronic phenomenon, it refers to climatic changes that are leading to regional and seasonal temperature extremes, reducing snow cover and sea ice, intensifying heavy rainfall, and changing the range of habitats for plants and animals-expanding some and reducing others. It can be considered as the main effect of climate change.	▪ Tmean, annual mean temperature ▪ FD, Frost Days
Drought	Drought is an acute phenomenon, a natural and temporary meteorological condition in which there is a significant reduction in the amount of precipitation compared with the expected values (generally the normal values), such that significant adverse effects (i.e., wildfires) are manifested, in relation to drought period duration and severity.	▪ CDD, Consecutive Dry Days (days) ▪ SPI3, Standardized Precipitation Index of 3 months (-) ▪ SP, Summer Precipitation (mm)
Water stress	Water stress occurs when the water demand exceeds the available quantity during a certain period or when poor water quality limits its use. Low rainfall exacerbates water stress conditions. Water stress causes the deterioration of freshwater resources in terms of quantity (e.g., overexploitation of aquifers, dry rivers, etc.) and quality (e.g., eutrophication, organic matter pollution, saline intrusion, etc.).	▪ SPI12, Standardized Precipitation Index of 12 months (-) ▪ WP, Winter Precipitation (mm) ▪ SP, Summer Precipitation (mm)
Flood regimes and extreme rainfall events	A flood is an acute phenomenon, it is the temporary flooding of areas that are not usually covered with water. Floods can be distinguished in fluvial, pluvial and coastal. Fluvial floods occur when the water level rises above the top of the riverbanks; pluvial floods	▪ R95p, 95th Percentile of precipitation (mm) ▪ TR100, hydraulic simulation of flood with return period of 100y

	occur after heavy rainfall when water does not infiltrate the ground and does not accumulate in natural or artificial basins, or flow over the ground in the form of runoff, before it enters a natural or artificial drainage system or watercourse or when it cannot enter because the system is already full of capacity; coastal floods occur when the sea level rises. Extreme rainfall refers to the amount of rain experienced in a location that substantially exceeds what is normal. What constitutes a period of heavy precipitation varies according to location and season.	years (km2)
Storms and wind gusts	The precipitation associated with a thunderstorm is characterized by rapid and considerable variations in intensity, both in space and time. Concentrating considerable amount of water in a short time over relatively small areas, it can therefore result in heavy downpours that occur extremely irregularly and discontinuously over the territory.	▪ R20, days with intense precipitation, higher than 20 mm/day (days) ▪ Maximum Daily Wind Speed (m/s)
Solid mass movements	Solid mass movements are acute phenomena: the causes that predispose and determine these destabilization processes are many, complex, and often combined. In addition to the amount of water or falling snow, deforestation and fires also cause landslides: on forested slopes, in fact, tree roots consolidate the soil and absorb excess water. Landslides have different risk conditions depending on the mass and velocity of the landslide body: there are, in fact, landslides with low-risk conditions because they are characterized by low mass and constant low velocity over long periods; on the other hand, other landslides have higher risk Storms and wind gusts conditions because they abruptly increase velocity and are characterized by a conspicuous mass.	▪ WP, winter precipitation (mm)
Soil erosion	Soil erosion is a chronic phenomenon, it is the process of degradation due to the loss of soil at a rate greater than the rate of its formation that has helped shape today's physical landscape. Soil water erosion is an extremely complex and unavoidable natural phenomenon, an integral part of the land surface shaping process. It depends on climatic conditions, geological, pedological, hydrological, morphological and vegetational characteristics of the land, but can be accelerated by human activities, particularly agro-sylvo-pastoral activities (crop types, tillage and cultivation systems, forest management, grazing).	▪ R20, days with intense precipitation, higher than 20 mm/day (days) ▪ Soil loss change (t ha-1yr-1) ▪ R-factor, rainfall erosivity (MJ mm ha-1 h-1 yr-1)
Sea-level rise, surge, coastal	Coastal erosion is a chronic phenomenon that results in the diminishing input of riverine solid transport	▪ SLR, Sea Level Rise (m) ▪ SSL, Storm Surge Level

erosion, hydrological regimes, and saline intrusion	delivered to beaches. The problem is also exacerbated by surges, which with varying frequency hit the coast changing the morphology of the coastline. Saline intrusion is a phenomenon that is always accompanied by high pressures (i.e., withdrawals) and water balance problems because freshwater outflows from groundwater aquifers near the coast, accompanied by decreasing water inputs due to rainfall deficits, which produce a progressive lowering of the piezometric surface and thus an increased propensity for salt wedge intrusion in coastal areas.	(m)

The analysis was conducted considering the three main activity areas of the Group's business, namely:

- Direct operations: production activities, building envelope and HVAC system, etc.
- Inputs: raw materials, energy, water, etc.
- Transport links: road/maritime/air connections for transportation of goods.

The output of the sensitivity analysis is summarized in a table with a sensitivity ranking of the relevant climate risks. A score of '*high*', '*medium*' or '*low*' sensitivity is given for each climate risk to every activity area identified for the Company business. The qualitative evaluation scale is the following:

- High: the climate risk may have a significant impact on the specific activity area of the sector business;
- Medium: the climate risk may have a slight impact on the specific activity area of the sector business;
- Low: the climate risk has no (or insignificant) impact on the specific activity area of the sector business.

The scores have been assigned based on sector documents and guidance on Physical climate-related risks.[5,6]The carried-out analyses include also an internal professional evaluation, which was conducted, for each business area, by the Group's department directly involved in the relevant activities.

PHASE 2 - Exposure analysis

The aim of the exposure analysis is to identify which risks are relevant to the site location, regardless of the sector type. The exposure analysis was performed considering two different climate scenarios, expressed in terms of greenhouse gas concentrations.

The scenarios are defined as Representative Concentration Pathway (RCP), a greenhouse gas concentration (not emissions) trajectory adopted by the IPCC (Intergovernmental

[5] Advancing TCFD guidance on physical climate risks and opportunities – TCFD.

[6] Sectorial Risks Briefings: Insights for Financial Institutions | Climate Risks in the Industrial Sector, UN Environmental Programme, April 2023.

Panel on Climate Change). The pathways describe different climate futures, all of which are considered possible depending on the greenhouse gases (GHG) emission level in the years to come. The RCPs – of which the main usually identified are RCP2.6, RCP4.5, RCP6, and RCP8.5 – are labelled after a possible range of radiative forcing values in the year 2100 (2.6, 4.5, 6, and 8.5 W/m^2, respectively).
Considering this assessment approach, regarding the 2023 analysis, the RCP4.5 and RCP8.5 were taken into consideration, being considered the most relevant for the analysis conducted.
Below a short description is provided:

- **RCP4.5:** it is described by the IPCC as an intermediate scenario, where GHG emissions peak occurs around 2040, then declining. According to resource specialists, IPCC emission scenarios are biased towards exaggerated availability of fossil fuels reserves; RCP4.5 is the most probable baseline scenario (no climate policies) considering the exhaustible character of non-renewable fuels;
- **RCP8.5:** it describes emissions that continue to rise throughout the 21st century. RCP8.5, generally taken as the basis for worst-case climate change scenarios, is based on what proved to be overestimation of projected coal outputs. It is still used for predicting mid-century (and earlier) emissions based on current and stated policies.

In the context of the analyses undertaken for the year 2023, the Group decided to conduct the exposure analysis on the most relevant assets of the group, targeting them based on the business relevance, production processes size and energy consumption and emissions. During the next years update analyses, the Group will consider including the other Group assets in the perimeter, to carry out a wider analysis on physical climate risks.
Specifically, the following assets were considered:

- Asset 1: Italy - Scanzorosciate (BG) - Via E. Fermi 51. Production plant with nominal production capacity of 190,000 tonnes/year of various chemicals (i.e., Oxidation catalysts, Phthalic anhydride, Maleic anhydride, Trimellitic anhydride, Fumaric acid, Malic acid, Special anhydrides, Special esters);
- Asset 2: Italy - San Giovanni Valdarno (AR) – Via Pruneto 40. Production plant with a Nominal production capacity of 210,000 tons/year of mainly plasticizers and unsaturated polyester resins;
- Asset 3: Italy - Ravenna (RA) – Via Baiona 192. Production plant with a nominal production capacity of 80,000 tons/year of mainly Maleic Anhydride (ALMA process) and Tetrahydrophthalic Anhydride.

The selected assets represent more than 60% of the total energy consumption of the Group and almost 40% of the total assets value (2022 data). Moreover, they are regulated by the EU-ETS scheme, which make them more relevant to climate change risks and opportunities analyses.

Therefore, every selected asset presents an exposure analysis of the physical climate risk conducted on the two RCPs future scenarios selected and described before (RCP 4.5 and RCP 8.5). For both scenarios each physical climate risk has been analyzed and a qualitative score of 'high', 'medium' or 'low' exposure has been given, specifically:

- High: the climate risk can have a significant impact on the location in the future;
- Medium: the climate risk may have a slight impact on the location in the future;
- Low: the climate risk has no (or a not-significant) impact on the location.

The analysis was conducted on the specific areas where the relevant sites are located, by evaluating and comparing numerous databases and documents that provide climate risks projections on different climate scenarios based on the selected key indicators[7, 8, 9, 10]. For the final score definition, the analysis of the above-mentioned databases and documents was also integrated with an evaluation of the recent years identified risks impacts trends on the considered assets, to ensure the most accurate assessment possible and on the Group professional evaluation, which was conducted, for each business area, by the department directly involved in the relevant activities.

PHASE 3 - Vulnerability analysis

The evaluation of vulnerability, according to technical guidelines provided by the European Commission[11], can be summarized as the combination of sensitivity and exposure in a vulnerability matrix. In order to conduct the vulnerability assessment, the scores of the sensitivity and exposure analyses have been considered as follow:

- Sensitivity analysis: Each climate risk considered has been evaluated on three different business area of the Group sector, namely direct operation, input and transport link, each of which was assigned a score. The highest score of the three-business area has been considered as the overall sensitivity score of the risk;
- Exposure analysis: Each climate risk has been evaluated on two different future climate scenarios (RCP 4.5 and RCP 8.5), each of which was assigned an exposure score. The highest score of the two future climate scenarios has been considered as the overall exposure score of the risk.

Once the matrix is filled, a vulnerability level can be defined for the climate risk for each asset considered.

In this case, the vulnerability of the assets to future physical phenomena related to climate change were summarized within three matrices, namely one per asset.

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[7] Scenari climatici per l'Italia by Fondazione CMCC (Centro Euro-Mediterraneo sui Cambiamenti Climatici)
[8] Copernicus EU – Climate Data Store.
[9] ISPRA SCIA – Mappe clima futuro.
[10] Piano Nazionale di Adattamento ai Cambiamenti Climatici, ISPRA – MASE.
[11] Technical guidance on the climate proofing of infrastructure in the period 2021-2027 provided in a Commission Notice by the European Commission (2021/C 373/01).

Finally, the climate-related physical risks found to be relevant in terms of vulnerability for at least one of the assets are reported in a summary list, which describes the potential and actual impacts and mitigation actions taken by the Group.

Transition risks and opportunities

The evaluation of climate-related transition risks and opportunities in 2023 followed a multi-step process that incorporated various key features, such as:

a. Analyzing the Group's value chain to comprehend the potential impact of climate change on its business model and operations;
b. The main trajectories and developments proposed by the Energy Agency (IEA) and IPCC, considering the relevant climate scenarios, were taken into account in the qualitative evaluation of the impacts and relevance;
c. An understanding of the environmental regulations, current and potential, that may drive and push the Group to shift toward a low-carbon economy. Developing regulations can significantly influence market dynamics, the industry, and the formulation of products and strategic initiatives;
d. Benchmark analysis of industry reports and peer actions to offer valuable perspectives on the competitive landscape and deepen comprehension of potential upcoming challenges.

After completing an initial desk analysis as described previously, a qualitative evaluation was conducted to assess potential climate-related transition risks that could affect the operations of the Group. This assessment provided a comprehensive understanding of the possible impacts of the identified risks and their relevance related to the analyzed scenarios. This analysis guarantees the Group to prepare proper mitigation activities and continue with the activities already put in place.

A quantitative analysis will be conducted in upcoming reporting periods.

As anticipated, the climate scenarios considered for the identification and assessment of transitional risks are the following:

- **RCP4.5/SSP2:** corresponds to a scenario with a world where certain climate mitigation measures have been implemented and presumes moderate cuts in emissions. It portrays a future in which emissions reach their highest point around mid-century and then begin to decrease. Moreover, the world follows a path in which social, economic, and technological trends do not shift markedly from historical patterns. Development and income growth proceeds unevenly, with some countries making relatively good progress while others fall short of expectations. Global and national institutions work toward but make slow progress in achieving sustainable development goals. Environmental systems experience degradation, although there are some improvements and overall, the intensity of resource and energy use declines. Global population growth is moderate and levels off in the second half of the century. Income inequality persists or improves only slowly and challenges to reducing vulnerability to societal and environmental changes remain.

- **RCP8.5/SSP5:** the "High Emissions" scenario which envisions a worst-case circumstance where, due to the lack of substantial mitigation efforts, greenhouse gas (GHG) emissions continue to rise throughout the 21st century. This scenario is associated with the most severe impacts of climate change. Moreover, the world places increasing faith in competitive markets, innovation and participatory societies to produce rapid technological progress and development of human capital as the path to sustainable development. Global markets are increasingly integrated. There are also strong investments in health, education, and institutions to enhance human and social capital. At the same time, the push for economic and social development is coupled with the exploitation of abundant fossil fuel resources and the adoption of resource and energy intensive lifestyles around the world. All these factors lead to rapid growth of the global economy, while global population peaks and declines in the 21st century. Local environmental problems like air pollution are successfully managed. There is faith in the ability to effectively manage social and ecological systems, including by geo-engineering if necessary.

During 2023, the Group also conducted a qualitative analysis to gain insights into the climate-related opportunities that could potentially be leveraged. This process mirrored the approach taken in the climate-related transition risks analysis and included the Group's value chain evaluation, climate-related scenarios, external influences including regulatory changes, financial pressures, ESG questionnaires, industry evaluations, and market research. This assessment resulted in the development of a list of potential climate-related opportunities, aligned with the primary categories defined by the TCFD[12]. To ensure relevance to the Group, the identified opportunities were screened and clustered, and their relevance with respect to the climate scenario selected (RCP4.5/SSP2 and RCP8.5/SSP5) has been qualitatively assessed.

Strategy

Disclosure requirement (for information only): d) a description of—(i) the principal climate-related risks and opportunities arising in connection with the company's operations, and (ii) the time periods by reference to which those risks and opportunities are assessed. (e) a description of the actual and potential impacts of the principal climate-related risks and opportunities on the company's business model and strategy. (f) an analysis of the resilience of the company's business model and strategy, taking into consideration different climate-related scenarios.

[12] The TCFD Guidance presents as primary categories of climate related opportunities the following: Resource efficiency, Energy sources, Products, Market and Resilience.

The Group primarily uses the year 2050 as its main time horizon to assess climate-related risks and opportunities. The choice of this time frame is due to the availability of public databases for assessing risks and opportunities, particularly physical risks (more information in Risk Management Section). Further, this time horizon aligns well with other climate-related initiatives that the Group is planning to adopt in the coming years. In future analyses, the Group will strive to consider time horizons that align more closely with its business model and strategic plans. This further analysis is intended to provide in the future a comprehensive view of climate-related risks and opportunities as they pertain to the Group's operations and to further elaborate the climate change potential effects on the Group's business.

In 2023, the first climate risks and opportunities evaluation was carried out using the RCPs and SSPs scenarios, as reported within the Risk Management section. This assessment, which adhered to the before-mentioned time horizon, led to the identification of climate-related risks and opportunities that could impact the Group's primary assets and operations. Please note that the indicative ratings assigned to the identified risks and opportunities were based on qualitative aspects (informed judgement based on scientific understanding of climate scenarios) rather than quantitative aspects. Moreover, please note that the risks and opportunities assessment have been performed considering the period from 2023 to 2050. Within the next disclosure the Group will provide a deeper level of detail for the assessment, considering three main time-horizons (e.g., short, medium and long).

The tables that follow present the results of the assessments and highlight the initiatives that the Group has identified to enhance the resilience of its business model and strategy to the identified climate-related risks and opportunities.

Physical risks

As explained in the Risk Management section, the evaluation of climate-related physical risks has been conducted on a three phases analysis. Below each phase main results regarding the Group's considered assets are provided.

PHASE 1 - Sensitivity analysis

The sensitivity analysis of the Group sector with respect to the selected climate risks was first carried out, regardless of the exposure of its assets, as described in the Risk Management section.

Figure 1 reports the sensitivity analysis results. As explained before, for each climate risk, the final score considered for vulnerability is the highest assigned to the various business area. They are represented in the last line as "HIGHEST SCORE".

Table 2. Sensitivity analysis results

SENSITIVITY ANALYSIS												
	CLIMATE VARIABLES AND HAZARDS											
		Heatwaves	Wildfires	Cold spells	Temperature changes	Drought	Water Stress	Flood regimes and extreme rainfall events	Storms and wind gusts	Solid mass movements (landslide, avalanche, mudslides...)	Soil Erosion	Sea-level rise, surge, coastal erosion, hydrological regimes, and saline intrusion
BUSINESS AREA	**On-site activities and processes** (i.e., production, workers Health & Safety, machinery)	High	Low	Low	Medium	Medium	Medium	Medium	High	Medium	Low	Low
	Inputs (i.e., raw materials, electricity, water)	High	Low	Medium	Medium	Medium	Medium	Low	Low	Low	Low	Low
	Transport links (i.e., incoming raw materials transport, outgoing finished products transport, logistics and distribution)	Low	Medium	Low	Low	Low	Low	High	High	Medium	Low	Low
	HIGHEST SCORE	**High**	**Medium**	**Medium**	**Medium**	**Medium**	**Medium**	**High**	**High**	**Medium**	**Low**	**Low**

PHASE 2 - Exposure analysis

After the sensitivity analysis, the exposure analysis of the most relevant Group assets has been carried out. The selected assets are the following:

- Asset 1: Italy - Scanzorosciate (BG) - Via E. Fermi 51;
- Asset 2: Italy - San Giovanni Valdarno (AR) – Via Pruneto 40;
- Asset 3: Italy - Ravenna (RA) – Via Baiona 192.

The three assets present therefore an evaluation of every climate risk indicative impact based on the location of the asset itself and their relevance. The climate risk relevance has been evaluated with respect to the current climate scenario and to the future scenarios identified, namely RCP 4.5 and RCP 8.5. The results are reported in the following tables.

Table 3. Exposure analysis results - Scanzorosciate (BG)

EXPOSURE ANALYSIS - SCANZOROSCIATE (BG)												
	CLIMATE VARIABLES AND HAZARDS											
		Heatwaves	Wildfires	Cold spells	Temperature changes	Drought	Water Stress	Flood regimes and extreme rainfall events	Storms and wind gusts	Solid mass movements (landslide, avalanche, mudslides...)	Soil Erosion	Sea-level rise, surge, coastal erosion, hydrological regimes, and saline intrusion
Climate	**Future (RCP 4.5)**	High	Low	Low	**Medium**	High	High	**Medium**	Low	Low	Low	Low
	Future (RCP 8.5)	High	Low	Low	High	High	High	**Medium**	Low	Low	Low	Low
	HIGHEST SCORE	**High**	**Low**	**Low**	**High**	High	High	**Medium**	**Low**	**Low**	**Low**	**Low**

Table 4. Exposure analysis results - San Giovanni Valdarno (AR)

EXPOSURE ANALYSIS - SAN GIOVANNI VALDARNO (AR)												
Climate	CLIMATE VARIABLES AND HAZARDS											
		Heatwaves	Wildfires	Cold spells	Temperature changes	Drought	Water Stress	Flood regimes and extreme rainfall events	Storms and wind gusts	Solid mass movements (landslide, avalanche, mudslides...)	Soil Erosion	Sea-level rise, surge, coastal erosion, hydrological regimes, and saline intrusion
	Future (RCP 4.5)	Medium	Low	Low	Medium	Medium	Medium	High	Medium	Low	Low	Low
	Future (RCP 8.5)	Medium	Low	Low	High	Low	Low	High	Medium	Low	Low	Low
	HIGHEST SCORE	Medium	Low	Low	High	Medium	Medium	High	Medium	Low	Low	Low

Table 5. Exposure analysis results - Ravenna (RA)

EXPOSURE ANALYSIS - RAVENNA (RA)												
Climate	CLIMATE VARIABLES AND HAZARDS											
		Heatwaves	Wildfires	Cold spells	Temperature changes	Drought	Water Stress	Flood regimes and extreme rainfall events	Storms and wind gusts	Solid mass movements (landslide, avalanche, mudslides...)	Soil Erosion	Sea-level rise, surge, coastal erosion, hydrological regimes, and saline intrusion
	Future (RCP 4.5)	High	Low	Low	Low	Low	Medium	Medium	Low	Low	Low	High
	Future (RCP 8.5)	High	Low	Low	Low	Low	Low	Medium	Low	Low	Low	High
	HIGHEST SCORE	High	Low	Low	Low	Low	Medium	Medium	Low	Low	Low	High

As explained before, for each climate risk has been identified the highest exposure score assigned to the various climate scenarios that has been considered. They are represented in the "*HIGHEST SCORE*" line.

<u>PHASE 3 - Vulnerability analysis</u>

On the basis of the results of the sensitivity and exposure analysis for the three assets considered, the vulnerability analysis has been performed, as explained in the Risk Management section. The results are reported within the following matrices.

For both scenarios each physical climate risk has been analyzed and a qualitative score of 'high', 'medium' or 'low' exposure has been given, specifically:

- <u>High</u>: the climate risk can have a significant impact on the location in the future;
- <u>Medium</u>: the climate risk may have a slight impact on the location in the future;
- <u>Low</u>: the climate risk has no (or a not-significant) impact on the location.

Table 6. Vulnerability analysis legend

VULNERABILITY ANALYSIS RESULTS	
	The asset has a high vulnerability level for the analysed climate risk.
	The asset has a medium vulnerability level for the analysed climate risk.
LOW	The asset has a low vulnerability level for the analysed climate risk.

Table 7. Vulnerability analysis results - Scanzorosciate (BG)

VULNERABILITY ANALYSIS Scanzorosciate (BG)			
SENSITIVITY \ EXPOSURE	High	Medium	Low
High	-Heatwaves	-Flood and extreme rainfall	-Storms and wind gusts
Medium	-Temperature changes - Drought -Water stress		-Wildfires -Solid mass movements -Cold Spells
Low			-Sea level rise -Soil Erosion

Table 8. Vulnerability analysis results - San Giovanni Valdarno (AR)

VULNERABILITY ANALYSIS San Giovanni Valdarno (AR)			
SENSITIVITY \ EXPOSURE	High	Medium	Low
High	-Flood and extreme rainfall	-Heatwaves -Storms and wind gusts	
Medium	-Temperature changes	-Drought -Water stress	-Wildfires -Solid mass movement -Cold spells
Low			-Sea level rise -Soil Erosion

Table 9. Vulnerability analysis results - Ravenna (RA)

VULNERABILITY ANALYSIS Ravenna (RA)			
SENSITIVITY \ EXPOSURE	High	Medium	Low
High	-Heatwaves	-Flood and extreme rainfall	-Storms and wind gusts
Medium		-Water stress	-Wildfires -Cols spells -Solid mass movements -Temperature changes -Drought
Low	-Sea level rise		-Soil Erosion

The vulnerability analysis output defined the relevance of every climate risk for the considered assets. All the climate risks that present a "low" score in the vulnerability matrix for every asset analysed is considered not material for the Group and therefore no further investigated. In Table 10 below the climate-related physical risks identified as relevant for the Group are reported, including their indicative impacts and mitigation actions. As this is the first year of climate-related risk and opportunity analysis, the mitigation actions implemented or potentially implemented in the future have not yet been formally included in the Group's financial planning. This activity will be evaluated in the coming months and, therefore, the Group intend to report more details within the future disclosures.

Table 10. Climate physical risks impacts and mitigation actions

Heatwaves	**Actual** - N.A. **Potential** - Increases in energy demand for air conditioning, leading to increased operating costs; - "Issues with industrial cooling processes;"; - Health and Safety of workers; - Worsening of worker productivity; - Damage to sensitive components and equipment.	**Implemented** - Energy efficiencies initiatives. **Potential** - Installation of more efficient cooling systems; - Installation of more efficient thermal insulation on assets; - Educating employees about heat-related health risks and individual impacts mitigation actions.	Efficient cooling systems and asset thermal insulation keep the temperatures more stable with the need of less energy demand. This reduces the energy costs during peaks requests (e.g., heatwaves) and the chance of supply interruption due to grid overload. Moreover, such systems reduce possible damages to sensitive components or material and machineries break down due to external heatwaves caused by working interruption of cooling system. Increasing the awareness of the employees about how to minimize the risks associated with heatwaves, the plant can ensure that productivity and safety are not compromised due to heat-related illnesses.
Temperature changes	**Actual** - N.A. **Potential** - Increases in energy demand for air	**Implemented** - Energy efficiencies initiatives. **Potential** - Installation of more efficient cooling systems;	Efficient cooling systems and asset thermal insulation keep the temperatures more stable with the need of less energy demand. This

	conditioning, leading to increased operating costs; - "Issues with industrial cooling processes;" - Health and Safety of workers; - Worsening of worker productivity; - Damage to sensitive components and equipment.	- Installation of more efficient thermal insulation on assets; - Educating employees about heat-related health risks and individual impacts mitigation actions.	reduces the energy costs due to cooling needs. Moreover, such systems reduce possible damages to sensitive components or material and machineries break down due to the higher temperatures. Increasing the awareness of the employees about how to minimize the risks associated with the higher temperatures, the plant can ensure that productivity and safety are not compromised due to heat-related illnesses.
Drought	**Actual** - N.A. **Potential** - Scarcity of water for industrial processes; - Slowdown in production.	**Implemented** - N.A. **Potential** - Introduction of technologies and methods for capturing storm water to reduce water supply from the public network; - Introduction of technologies and methods for recycling water used in the process to reduce water supply from the public network.	The reuse of storm water reduces the dependency from the public network making the assets more resilient in case of shortage, supply interruption or emergencies big withdrawals. Recycling and reusing water in the production phases contributes to reduce the fresh water supply needs, hence reducing the plant's vulnerability to water supply disruptions during periods of drought.
Water stress	**Actual** - N.A. **Potential** - Scarcity of water for industrial processes; - Slowdown in production; - Health and Safety of workers.	**Implemented** - N.A. **Potential** - Development of a water management system to pursuit water use efficiency; - Introduction of technologies and methods for capturing storm water to reduce water supply from the public network; - Introduction of technologies and methods for recycling water used in the process to	A water management system allows to identify areas of water waste, implement conservation measures, and ensure the most efficient use of water in all operations, increasing the assets resilience to water stress periods. The reuse of storm water reduces the dependency from the public network making the assets more

		reduce water supply from the public network.	resilient in case of shortage, supply interruption or emergencies big withdrawals. Recycling and reusing water in the production phases contributes to lower the fresh water supply needs, hence reducing the plant's vulnerability to water supply disruptions during periods and in areas of water stress.
Flood regimes and extreme rainfall events	**Actual** - N.A. **Potential** - Damage to production facilities; - Temporary or permanent interruption of production; - Chemical spills; - Interruption of transport links; - Disruption in supply chain; - Overload of goods stored on-site; - Safety of workers.	**Implemented** - Activate insurance for damages due to natural events; **Potential** - Increase workers' awareness by sharing information about hydraulic risks and safety measures to adopt; - Implement early warning system to provide real-time information on potential hydraulic risks (i.e., weather stations, alarm and communication system); - Provide an emergency plan for safe and timely evacuation of workers in case of emergency; - Provision of damage prevention works to protect the most vulnerable sites (e.g. hydraulic barriers, lamination basins etc.).	Insurances mitigate the financial impacts of damages from natural events. Proper workers training lead to a quicker and more efficient response to extreme events that reduce the potential assets damages. Implementation of alarms and early warnings give the chance to manage mitigation action for extreme event damages to assets and production processes in proper time and to reduce the interruptions and economic losses. Infrastructural prevention works reduce the chance of damages from extreme events and the impact magnitude, making the asset more resilient to these events.
Storms and wind gusts	**Actual** - N.A. **Potential** - Damage to production facilities; - Temporary or permanent interruption of production;	**Implemented** - Activate insurance for damages due to natural events; **Potential** - Increase workers' awareness by sharing information about storm risks and safety measures to adopt;	Insurances mitigate the financial impacts of damages from natural events. Proper workers training lead to a quicker and more efficient response to extreme events that lower

	- Chemical spills; - Interruption of transport links; - Safety of workers.	- Implement early warning system to provide real-time information on potential storm risks (i.e., weather stations, alarm and communication system); - Provide an emergency plan for safe and timely evacuation of workers in case of emergency; - Implementation of protection systems for machinery, especially the tallest and most exposed, and plants.	the potential assets damages. Implementation of alarms and early warnings give the chance to manage mitigation action for extreme event damages to asset and production in proper time and to reduce the interruptions and economic losses. Infrastructural prevention works reduce the chance of damages from extreme events and the impact magnitude, making the asset more resilient to these events.
Sea-level rise, surge, coastal erosion, hydrological regimes, and saline intrusion	**Actual** - N.A. **Potential** - Damage to production facilities; - Temporary or permanent interruption of production; - Chemical spills; - Interruption of transport links; - Safety of workers.	**Implemented** - N.A. **Potential** - Construction of protection equipment; - Modify land use.	Protection equipment construction and land use change reduce the chance of damages from events and the impact magnitude, making the asset more resilient to these events.

Transition risks

Table 11. The Group identified climate transitional risks

[redacted]

POLICY AND LEGAL	ENVIRONMENTAL REGULATIONS AND CARBON TAXES	The potential change related of new or amending existing regulations, may have implications for the GHG emissions-reporting obligations and Carbon Taxes leading to the increase of the fixed and variable costs associated with carbon emissions generated by the Group The Group is already involved in the Emission Trading Scheme (EU ETS), given the nature of the activities carried out, specifically with the plants in Scanzorosciate, San Giovanni Valdarno e Ravenna assets and the modification of the current regulations, requiring a greater effort to reduce GHG emissions, will result in an increase in the price of GHG emissions. Several countries, particularly Europe, are setting up or planning new regulations, such as the European Union's Carbon Border Adjustment Mechanism (CBAM) Regulation. The firsts years of CBAM implementation will not include the main goods imported by the Group but is likely that some of them will be included in the future. The Group failure to manage climate issues could make it unprepared to respond to potential future laws or environmental regulations related to Carbon Taxes.	**Actual:** - Enhanced emission-reporting obligations - Increased costs for GHG emission directly generated by the Group - Increased indirect costs for GHG emissions generated by the suppliers involved in carbon pricing systems - Increase of competition due to more favorable legislation in other Countries **Potential:** - Increased pricing of GHG emissions - Increased capital expenditures (e.g., less emissive machineries) - Decreased revenues due to reduced demand for products	**SSP2 - RCP4.5 HIGH** **SSP5 - RCP8.5 MEDIUM**	**Implemented:** - Mitigation of carbon emissions through enhanced manufacturing efficiency and use of energy coming from renewable sources; - Well-structured monitoring of carbon pricing, in order to comply with the requirements of the ETS, to which the Group is subject; **Potential:** - Implementation of a market benchmark and annual carbon costs of plant and country; - Development of contracts with suppliers with clauses dedicated to protecting against potential future changes and cost increases.	Mitigation of Group's carbon emissions covered by the ETS could lead to a reduction of the cost associated with it. A well-structured carbon pricing monitoring will reduce the potential impacts on the Group concerning variability of the carbon tax within the market. A country specific carbon cost benchmark allows to monitor more efficiently regulation and taxes, in order to prevent sudden of GHG emission cost related increase. Specific contracts with suppliers allow to reduce variability of cost due to future or stricter climate-

						related regulations, leading to an increase of the resilience of the Group.
MARKET	**COSTUMERS AND STAKEHOLDER PRESSURE**	Growing environmental awareness among customers and stakeholders is leading to reduced demand for products that generate high level of GHG emissions. The absence of a proactive approach by the Group on these topics could result in a decline in revenues and market share, causing a significant loss of value for the Group. In addition, due to demand to reshape products, the Group could also face increased costs associated with technological change and the need to implement new low-carbon solutions.	**Actual:** - Increased in R&D cost - Changing in customers behavior **Potential:** - Increased in costs for certain raw materials - Increased capital expenditures to produce less emissive products - Decreased revenues due to reduced demand	**SSP2 - RCP4.5 MEDIUM** **SSP5 - RCP8.5 LOW**	**Implemented:** - Processes for developing LCAs on products sold in order to propose less impactful products to customers - the Group is among the founding partners of the Hydrogen Joint Research Program (JRP) to investigate possible solutions in the hydrogen value chain **Potential:** - Development of eco-design processes in order to minimize the environmental impacts of products sold, throughout the life cycle - Together with other industrial stakeholders design and build pilot project for the industrial development of new technologies/products dedicated to the hydrogen value chain.	The mitigation actions identified allow the Group to increase its positioning in market areas that will be more common among costumers, making the business more resilient to the changes expected from the actual market trends.

TECHNOLOGY	**INDUSTRY SHIFT TO LOW-CARBON TECHNOLOGIES**	The ongoing climate transition is leading a wave of innovative and environmentally responsible technologies in the market. As these new, sustainable technologies spread in the manufacturing industry, the Group may find itself pushed to invest in Research and Development (R&D) initiatives with the aim of developing new best practices. This entails an increase in the costs of technology investments and training to the employees. Ineffectively managing these transitions could result in a decline in productivity, increased personnel costs, and long-term value losses.	**Actual:** - Increased in R&D cost to transition to lower emissions technology **Potential:** - Increased costs to adopt/deploy new practices and processes. - Increased capital expenditures in technology development - Decreased revenues due to reduced production capacity	**SSP2 - RCP4.5 MEDIUM** **SSP5 - RCP8.5 LOW**	**Implemented:** - Energy efficiency activities on existing machineries and processes **Potential:** - Development of eco-design processes in order to minimize the environmental impacts of the production processes	The initiatives to improve the energy efficiency of machinery and the study of eco-design strategies, through dedicated R&D activities, will allow the Group to be aligned with the technological changes that will develop in the coming years, thus making it more resilient.

REPUTATIONAL	**REPUTATIONAL**	Companies taking part in industrial activities that contribute to climate change and environmental degradation face growing reputational risks. Non-profit organizations and other public-interest entities have begun running campaigns against companies linked to the climate crisis. As investor concern about the value of their investment grows and as campaigns highlighting the impact of commodities-driven activities gain attention, companies are beginning to respond to the criticisms that they face. The potential failure to achieve the objectives set and communicated by the Group could have a reputational impact on the latter. In addition, the industry's emissions footprint and intensity could lead to a negative perception and reduced appeal among external stakeholders such as customers or investors.	**Actual:** N.A. **Potential:** - Decreased revenues due to the deterioration of the Group reputation	**SSP2 - RCP4.5 LOW** **SSP5 - RCP8.5 LOW**	**Implemented:** - Monitoring of environmental KPIs associated with the main environmental impacts related to the Group activities - Disclosure of the Group commitment to reducing the environmental impacts of its activities, including GHG emissions **Potential:** - Increased effort through the definition internal and public targets to reduce the environmental impact of its activities	The clear and constant monitoring and reporting of the Group's main environmental KPIs allows it to have a better reputation concerning these topics, making the Group's commitment and transparency explicit. The future definition of internal and external targets with respect to these issues will make the Group's commitment even more concrete, reducing the possible repercussions in terms of reputation.

Opportunities

Table 12. The Group identified climate opportunities

ENERGY SOURCES	USE OF LOWER-EMISSION SOURCES OF ENERGY	Achieving significant greenhouse gas (GHG) emission reductions requires innovation and the continuous evolution of technologies and energy sources. This, for the Group, can be a climate change related opportunity that is already leading it to actively explore collaboration with experts from various disciplines to discover new approaches for enhancing its environmental performance. The Group is committed to substantial investments in research and development (R&D) and specifically examines the energy-intensive aspects of its processes, actively seeking opportunities to leverage new technologies that can maintain or improve performance and efficiency while concurrently reducing GHG emissions. The Group is currently investing in different lower-emission energy sources projects and emission-reducing technologies in order to achieve greater technological maturity and reduce the energy consumption and costs related to its activities.	**Actual:** N.A. **Potential:** - Decrease in energy cost due to efficiency gains; - Decrease in carbon costs; - Reduced exposure to future fossil fuel price increase; - Returns on investment in low-emission technology.	**SSP2 - RCP4.5 HIGH** **SSP5 - RCP8.5 MEDIUM**	**Implemented** - Installation of PV plant - Realization of an industrial-scale pilot plant that will test the recycling of off-gas from the reaction of the fluid-bed maleic anhydride plant to assess the possibility of its utilization for the subsequent production of hydrogen and its use in the process **Potential** - Complete development of an off-gas recovery system coupled with an electrolyser to produce hydrogen and oxygen to be used in production processes - Experimentation of a CCU/CCS plant at the Ravenna plant;

MARKET	**ACCESS TO NEW MARKETS**	The Group has identified the hydrogen supply chain as one of the main climate change opportunities, considering its increasing importance in the industrial sector. In fact, the demand for hydrogen, the manufactures to handle it and new infrastructure related to it will be exponential, considering that the annual production of low-emission hydrogen could reach 38 Mt in 2030, according to IEA estimates. The hydrogen production will be paired with enormous investment in innovative solutions for its efficient transportation, development of advanced storage systems, exploration of electrochemical and thermal applications in residential, industrial, and transport sectors. Leveraging its industrial expertise in the chemicals sector, the Group seeks a prominent role in the development of hydrogen, which, serving as both a raw material and an energy vector, is poised to become a key player in the ecological transition in the coming years.	**Actual:** - Attraction of new investment due to innovative research **Potential:** - Increased revenues through access to new and emerging markets - Positioning as a leader of the new emerging market	**SSP2 - RCP4.5 HIGH** **SSP5 - RCP8.5 MEDIUM**	**'Implemented:** - The group is among the founding partners of the Hydrogen Joint Research Program (JRP) to investigate possible solutions in the hydrogen value chain **Potential:** - Together with other industrial stakeholders design and build pilot project for the industrial development of new technologies/products dedicated to the hydrogen value chain

PRODUCTS	**DEVELOPMENT AND/OR EXPANSION OF LOW EMISSION GOODS**	Electric cars are essential for a sustainable future, one of the solutions to reduce GHG emissions and addressing environmental criticism. Their adoption is crucial in decreasing reliance on fossil fuels, combating air pollution, and promoting a shift towards renewable energy sources. Pivotal importance has the batteries industry, fact confirmed by the projection of the global electric vehicle battery market size, which is expected to reach USD 198.9 billion by 2030, growing at a CAGR of 21.1% from 2023 to 2030. Specifically, the group supplies materials for the manufacture of numerous car components and, in particular, electric batteries. Providing materials for automotive components with lower emissions deriving from their production can be a big opportunity related to climate change. Guaranteeing not only a lower impact in terms of GHG emissions but also high chemical and physical characteristics will allow the group to expand the market in this sector and guarantee positive financial impacts.	**Actual:** - N.A. **Potential:** - Increased revenues resulting from increased demand for products	**SSP2 - RCP4.5 HIGH** **SSP5 - RCP8.5 MEDIUM**	**'Implemented:** - Various LCA analysis to guarantee certified sustainability performances of the Group products **Potential:** - Increase specific product production capacity in order to satisfy the market request and increase revenues

PRODUCTS	**SHIFT IN COSTUMERS' PREFERENCES**	The Group has observed a growing interest among customers seeking to diminish the environmental footprint of their products, driven by shifts in costumers' preferences. These evolving dynamics are anticipated to boost the sales of less carbon intensive products, as customers actively seek more sustainable and circular materials and products. This can be an opportunity for the Group, also in consideration of various initiatives already put in place in the composite production sector. The Group is working in order to develop products completely made of recycled raw material, thanks to the application of specific chemical processes, which are able to transform wastes otherwise not recyclable. Those new solution will be more specific sustainability performances and, at the same time, being more aligned with the costumers' preferences.	**Actual:** - N/A **Potential:** - Better competitive position to reflect shifting costumers' preferences, resulting in increased revenues - Better reputational positioning reflecting in increased revenues	**SSP2 - RCP4.5 MEDIUM** **SSP5 - RCP8.5 MEDIUM**	**'Implemented:** - establishing partnerships with other stakeholders in the plastics industry for the recycling of composite materials through pyrolysis and the exploitation of pyrolysis oil (Korec process); **Potential:** - Conducting specific studies (Product carbon footprint and LCA Analysis) to certify the lower environmental impact of products

Metrics & targets

<u>Disclosure requirement (for information only)</u>:

*(g) a description of the targets used by the Group to manage climate-related risks and to realize climate-related opportunities and of performance against those targets; and

*(h) a description of the key performance indicators used to assess progress against targets used to manage climate-related risks and realize climate-related opportunities and of the calculations on which those key performance indicators are based.

Since this is the first year for the Group in performing the activities related to the identification and assessment of climate-related risks and opportunities, specific metrics and targets, relating to the risks and opportunities identified and reported in the previous paragraphs, have not yet been defined.
However, the Group is committed to evaluate a dedicated targets setting and monitoring metrics activities in the coming months, to mitigate the risks and take advantage of the opportunities identified. In this regard, the Group commits to annually monitor some environmental KPIs, which are reported in the Sustainability Report and which will potentially be useful for monitoring progress against the future targets defined.
For example, Scope 1 and Scope 2 emissions (calculated using the location-based method) for 2022 is shown below. Sustainability information for the year 2023 will be published in the Polynt Group Sustainability Report.
Table 13. Group GHG emission calculation

Scope 1		405,277.9
Scope 2 – LB		61,883.4
Total		467,161.3

Please note that the Company's Sustainability Report annually reports other relevant environmental KPIs, including details of the main sources of impact.

Directors

Position	Name
Chief Executive Officer	Rosario Valido (appointed on May 17, 2017)
Director	Peter Richard Frank (appointed on May 17, 2017)
Director	Philip James Bruce (appointed on October 01, 2019)
Director	Ritesh R. Tanna (appointed on April 07, 2020)
Director	Steven Kenny (appointed on February, 01 2022)

Employees policy
As of December 31, 2023, the Group had a total of 3,036 employees (3,124 as of December 31, 2022).

During the year 2023 the Group fully implemented the personnel development plan through the activation of training projects, with the aim of recreating and strengthening team spirit and identification with the corporate values and strategies that had been threatened by two years of isolation due to pandemic. In fact, while the so-called "smart working" allowed to manage activities and achieve results, the Group felt the need to work together again, to strengthen the links between people and to share the company

culture with new employees. This has happened not only through training, but also through close contact between the Headquarters and local companies.
Moreover, the Group implemented personnel professional development programs to enhance the workforce's technical skills.

The project to centralize and harmonize personal data continued throughout 2023. The adoption of the system "SAP SuccessFactors", that it will allow to manage all the aspects legacies to the management of the relationship of job, is proceeding. Furthermore, the adoption of the new space "One Polynt" has created new opportunities for sharing and exchanging information.

In 2023 the Europe HR team carefully managed the resources, paying great attention to cost reduction and supporting the Group in the search for effective and durable solutions, without burdening the fixed cost structure: in this context, the redundancy plan implemented at the Leek plant was managed without conflict, while the merger processes in Norway and UK took place without any complications. As usual, the utmost attention was paid to covering all training needs in the "safety and environment" field, in line with legal requirements and with the highest priority that the Group has always had with regards to these two aspects.

In 2023, the Americas HR team focused on talent acquisition, training and retention. Market conditions for talent remained highly competitive. Record low unemployment rates continued in the U.S., with work from home and hybrid options remaining popular with white collar workers. Turnover and retention were challenging, and sites continued to host events such as town halls to keep employees engaged.
The U.S. saw successful union contract renewals in Pensacola, Florida and Valley Park, Missouri. Union negotiations started in Port Moody, BC, Canada and completed in January 2024.

In 2023, the Asia HR team successfully advanced the implementation of Group HR policies on a consistent basis. Training programs, such as compulsory vocational training, have been harmonized and conducted at the local level. The containment of the costs has been well managed.

Disability policy
The Group gives full and fair consideration to applications for employment in the company made by disabled persons having regard to their aptitudes and abilities. In addition, the Group ensure continuing employment and appropriate training for employees of the company who have become disabled persons when they were employed by the company.

Research and development

During 2023 the Group spent around EUR 21.8 million (EUR 21.2 in 2022) for research activities. These costs include personnel and service costs that were not capitalized since they do not meet the criteria of IAS 38.

Charitable and political donations

The group made no material charitable or political contributions during the year 2023.

Dividend payments

In 2023 have been approved and paid to Shareholders dividends for EUR 450.2 million.

Carbon Emission

SCIL, Company Registered number: 10143073 mandated Streamlined Energy and Carbon Reporting Framework Mandatory Reporting Requirements ("SECR").

Large Companies are mandated to disclose energy and carbon information in accordance with the Streamlined Energy and Carbon Reporting Framework (2018 and 2008 regulation amendments) in Directors' Report for financial reporting years starting on or after 1 April 2019.

GHG emissions and energy usage data for UK Group Companies for the period 1 January to 31 December 2023 are as follows:

	Units	Financial reporting year (January to December 2023)	Comparison reporting year (January - December 2022)
Emissions from combustion of gas (Scope 1)	tCO2e	1,649	1,769
Emissions from combustion of fuel for transport purposes (Scope 1)	tCO2e	47	46
Emissions from purchase of electricity (Scope 2)	tCO2e	938	835
Emissions from generation of electricity that is consumed in a transmission and distribution system for which the company does not own or control (Scope 3)	tCO2e	81	76
Emissions from business travel in rental cars or employee - owned vehicles where company is responsible for purchasingthe fuel (Scope 3)	tCO2e	-	-
Total gross CO2e based on above	tCO2e	**2,715**	**2,726**
Energy consumption used to calculate above emissions	kWh	13,743,464	14,189,142
Intensity Metric	Tonnes produced Polynt Composites	15,830	16,849
Intensity Metric	Tonnes produced Reichhold	21,741	22,206
Intensity Ratio	tCO2e/tonne produced Polynt Composites	0.0190	0.0163
Intensity Ratio	tCO2e/tonne produced Reichhold	0.1110	0.1104

Energy usage is further detailed as follows:

	Units	Financial reporting year (January to December 2023)	Comparison reporting year (January - December 2022)
Total Gas Usage	kWh	9,011,895	9,689,885
Total Electricity Usage	kWh	4,530,735	4,318,747
On site transport usage	kWh	125,841	138,788
Transport Usage	kWh	74,993	41,722

<u>Quantification and reporting methodology</u>

The Company has followed the 2019 HM Government Environmental Reporting Guidelines and have used the 2023 UK Government's Conversion Factors for Company Reporting. We have used an operational approach to define our boundary.

The primary source for energy consumption is supplier invoices and sub meter reads. There is estimated gas usage for one meter for two months in the year due to a metering issue, usage was calculated based on an average usage per ton of production using historical data and to consider seasonal demand. The transport data has been taken from mileage records and fuel card purchasing records and bulk delivery for site forklifts. The long-term lease cars have been recategorized as Scope 1 instead of Scope 3 in line with the Operational control approach.

The subsidiaries Polynt Composites UK Ltd. (f/k/a Reichhold UK Ltd.) and Polynt Composites UK II Ltd. (f/k/a Polynt Composites UK Ltd.) emissions and energy usage are included in the SECR reported data. There is no energy usage associated to the Polynt Composites Holdings UK Limited subsidiary and Speciality Chemicals International Limited (UK). The Polynt UK Limited subsidiary is below the qualification threshold and therefore has been excluded.

Energy Efficiency Commentary

The ultimate parent Speciality Chemicals International Limited (UK) are fully committed to responsible energy usage and ensure best practice throughout our sites and activities. There has been continued focus on the following energy efficiency improvements during 2023 at the Reichhold site:

- Continuation of lighting replacements with LEDs, 90% through this replacement program.
- Continuation with replacing fixed speed motors with high efficiency and invertor or soft start control motors.
- Steam traps and air leak surveys are part of the ongoing preventative maintenance program.
- Production efficiencies to reduce production cycle times with the aim of producing the same tonnage in less time.

At the Stallingborough site there have been ongoing improvement projects that include further lighting replacements with energy efficient LED lighting and a focus on operational efficiencies.

Statement on Section 172(1) of the Companies Act 2006

The Directors, in line with their duties under s172 of the Companies Act 2006, act in a way they consider would most likely be in the interests of the group considering the requirements of all stakeholders. The Directors aim to build positive relationships with stakeholders who share our values to help deliver long-term sustainable success.

The Directors' strategy is to continue to develop, manufacture and supply products to markets that are allied to the Group's existing core business; and whilst doing this maintain and strengthen the Group's balance sheet, especially by retaining cash reserve to support business flexibility. The consequence of this strategy influences the Directors' approach to business, dividend policy and its dealings with suppliers and customers. In building for the future, the Directors regard it important that long-term relationships are maintained and developed.

As is the practice for large companies, we delegate authority for day-to-day management of the Company to the Chief Executive Officer and then engage management in setting, approving and overseeing execution of the business strategy and related policies. These decisions are made for the benefit of all stakeholders, and we acknowledge that every decision we make will not necessarily result in a positive outcome for all our stakeholders. By considering the Group's purpose, vision and values together with its strategic priorities and having a process in place for decision-making, we do, however, aim to make sure that our decisions are consistent.

The Group's key stakeholders are its employees, customers, suppliers and the local communities in which it operates. Engagement with these stakeholders is illustrated below:

Stakeholders	**Objectives**	**Method of engagement**
Investors	Long-term, sustainable value growth, clear strategy and direction.	At every meeting, the Board receives reports on matters including financial, commercial and operational performance. Over the course of the financial year, the Board also reviews other matters including the Company's business strategy, key risks, stakeholder-related matters and governance, compliance and legal matters.
Employees	Appropriate recognition and reward in the short-term with development opportunities to build successful future careers.	The Directors are committed to treating their employees fairly and respectfully as the Group is only as good as the quality of the employees that it retains and develops. Appropriate recognition and reward in the short term with development opportunities to build successful future careers. The Directors ensure that the Group is an equal opportunities employer and is fair to its employees in pay and benefits, health, and safety at work and in the training and personal development offered. As important is developing a culture within the business so that our employees demonstrate the values, attitudes and culture of the Group when dealing with stakeholder relationships.
Customers and suppliers	Provision of high-quality product,	Delivering the Group's quality policy requires strong mutually beneficial

	tailored by the specific customer needs and to meet customer expectations and generate value. Working together with suppliers to deliver quality products, considering environmental and social impacts of the whole supply chain.	relationships with suppliers, customers, and governmental organisations. The Directors believe in lasting partnerships, founded on a shared commitment to quality, value and service. The Group 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. Developing 'Customer Centricity through Needs, Purpose, Value' framework through feedback to develop a deeper understanding of customer needs and enable sustainable and purpose driven products. Open and transparent relationships and communications with key suppliers is encouraged as we move through the production cycles.
Community and environment	Positive impact on local communities and management of environmental footprint.	The Directors recognize the role that the Group must play in society and is deeply committed to public collaboration and stakeholder engagement. The Directors believe strongly that the Group will only succeed by working with customers, governments, suppliers, and other stakeholders particularly, for example, when facing issues as complex and challenging as climate change. The Group continues to improve energy efficiency at the sites and reduce Co2 emissions.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; each Director has taken all the necessary steps that he ought to have taken as a Director to make himself aware of any such relevant audit information and to establish that the company's auditor is aware of such information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and EY will therefore continue in office.

This report was approved by the Board on June 24 2024, and signed on its behalf by:

Director
54 Willow Lane
Mitcham
CR4 4NA

Statement of Directors' responsibilities in respect of the annual report and the financial statements

The Directors are responsible for preparing the Annual Report and the group and parent company financial statements in accordance with applicable law and regulations.
Company law requires the Directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the group's profit or loss for that period. In preparing each of the group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Speciality Chemicals International Limited

Opinion

We have audited the financial statements of Speciality Chemicals International Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2023 which comprise the Consolidated and Separate Statement of Financial Position, Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Cash Flows, Consolidated and Separate Statement of Changes in Equity and related notes 1 to 40, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards and as regards the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as of 31 December 2023 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK adopted International Accounting Standards as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included assessing the inherent risks to the Group's business model and analysing how those risks might affect the Group and Company's ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 43, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are UK adopted international accounting standards, the Companies Act 2006, and tax laws in relevant jurisdictions. We also considered country-specific regulations on environmental, social, and governance matters that could impact the financial statements;
- We understood how the company is complying with those frameworks by conducting inquiries with management and legal personnel. We corroborated our inquiries through reading board minutes, papers provided to the directors, and performed audit procedures across the group to validate our findings, and noted no contradictory evidence
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by making inquiries of management to understand where they considered there was susceptibility of fraud. We also considered the impact of performance targets and their propensity to influence efforts made by management to manage earnings. Where this risk was considered to be higher, we performed audit procedures to address each fraud risk or other risk of material misstatement. These procedures included those on revenue recognition and testing of journal entries, and were designed to provide reasonable assurance that the financial statements were free from material fraud or error; and
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiries of both group and local management, inquiries of those charged with governance, and journal entry testing with a focus on journals meeting our defined risk criteria. We also leveraged our data analytics techniques in identifying higher risk transactions for testing.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at *https://www.frc.org.uk/auditorsresponsibilities*.

This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Ernst & Young LLP
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Bilal Raja (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London, June 25, 2024

Consolidated financial statements

Consolidated statement of financial position as of 31 December 2023

(Euro thousand)	Notes	31-Dec-23	31-Dec-22
Property, plant and equipment	7	549,013	543,482
Goodwill	8	67,104	68,302
Other intangible assets	9	21,050	20,866
Other financial assets - non current	10	483	639
Deferred tax assets	11	13,490	11,944
Other non-current assets	12	9,484	17,223
Total non current assets		**660,624**	**662,456**
Inventories	13	276,752	368,188
Trade receivables	14	246,711	313,903
Current tax assets	15	34,841	24,215
Other current assets	16	22,998	31,199
Other financial assets - current	17	281	36
Cash and cash equivalents	18	381,384	189,143
Total current assets		**962,967**	**926,684**
Total assets		**1,623,591**	**1,589,140**
Share Capital	19	48,174	48,174
Share premium	19	228,583	228,583
Capital redemption	19	37,000	37,000
Reserves	19	(34,163)	(58,785)
Retained earnings	19	(765,029)	(557,162)
Total equity attributable to the owners of the parent		**(485,435)**	**(302,190)**
Total equity		**(485,435)**	**(302,190)**
Loan and borrowings - non current	20	1,631,263	1,358,511
Non-current portion of provisions	21	38,648	40,480
Employee benefits - non current	22	34,447	18,889
Deferred tax liabilities	23	59,435	69,363
Total non-current liabilities		**1,763,793**	**1,487,243**
Trade payables	24	228,823	273,006
Loan and borrowings - current	20	49,942	27,926
Employee benefits - current	22	19,484	44,326
Current tax liabilities	25	14,678	23,019
Other current liabilities	26	31,444	34,811
Current portion of provisions	21	862	999
Total current liabilities		**345,233**	**404,087**
Total liabilities		**2,109,026**	**1,891,330**
Total liabilities and equity		**1,623,591**	**1,589,140**

The notes form an integral part of these consolidated financial statements.

This report was approved by the Board on June 24, 2024, and signed on its behalf by:

Director
54 Willow Lane
Mitcham CR4 4NA

Consolidated statement of profit or loss and Other Comprehensive Income for the year ended 31 December 2023

(Euro thousand)	Notes	2023	2022
Revenue	28	**2,381,152**	**2,971,279**
Raw materials, consumables and supplies	29	(1,325,982)	(1,696,609)
Cost of services:			
- energy	30	(67,091)	(139,127)
- other services	30	(222,927)	(245,299)
Personnel expense	31	(249,820)	(265,364)
Other income/operating expenses:			
- other income	32	6,383	18,492
- other operating expenses	32	(15,419)	(20,559)
Gross operating profit		**506,296**	**622,813**
Depreciation, amortisation and impairment losses	33	(58,571)	(69,303)
Operating profit		**447,725**	**553,510**
Financial income	34	36,903	45,069
Financial expense	35	(142,004)	(101,153)
Net financial expense		**(105,101)**	**(56,084)**
Profit/(loss) before tax		**342,624**	**497,426**
Income taxes	36	(100,341)	(151,279)
Profit/(loss) for the year (A)		**242,283**	**346,147**
Attributable to:			
Owners of the parent		242,283	346,147
Non-controlling interest		-	-
Items that will never be reclassified to profit or loss for the year :			
Net actuarial gains(losses) on defined benefit plans		(1,093)	6,860
Income tax relating to defined benefit plans		190	(798)
Equity investments at FVOCI – net change in fair value		-	-
Income tax relating to Equity investments at FVOCI		-	-
Total items that will never be reclassified to profit or loss for the year (B1)		**(903)**	**6,062**
Items that may be reclassified to profit or loss for the year:			
Exchange differences on translating foreign operations		25,525	(47,755)
Income tax relating to components of other comprehensive income		-	-
Total items that may be reclassified to profit or loss for the year (B2)		**25,525**	**(47,755)**
Other comprehensive income or loss, net of tax (B1)+(B2)		**24,622**	**(41,693)**
COMPREHENSIVE INCOME, net of tax (A)+(B1)+(B2)		**266,905**	**304,454**
Comprehensive income attributable to:			
Owners of the parent		266,905	304,454
Non-controlling interests		-	-

The notes form an integral part of these consolidated financial statements.

Consolidated statement of cash flows for the year ended 31 December 2023

(Euro thousand)	Notes	2023	2022
Profit/(Loss) for the period		**242,283**	**346,147**
Adjustment for:			
- Tax expense	36	100,341	151,279
- Amortisation and Depreciation	33	58,571	69,303
- Amortised financial expenses	35	12,423	10,822
- Net finance costs	34-35	92,678	45,262
- Gain on sale of property, plant and equipment	32	(464)	(10,987)
Cash flows before changes in net working capital and provisions		***505,832***	***611,826***
Changes in:			
- Inventories	13	91,436	(49,926)
- Trade and other receivables	14	67,192	21,045
- Trade and other payables	24	(44,183)	(42,218)
- Other current assets and liabilities	16-26	9,242	1,317
- Provisions	21	(1,390)	2,589
- Employee Benefits	22	(10,041)	12,332
Income tax paid		(134,906)	(129,256)
Cash flows from operating activities		***483,183***	***427,709***
Interest received to third parties		12,947	3,915
Acquisition of tangible and intangible assets	7-9	(63,838)	(83,741)
Changes in other financial assets	10-17	(89)	448
Changes in other non-current assets	12	7,739	5,458
Disposal of tangible and intangible assets	7-9	1,464	12,579
Cash flow from investing activities		***(41,777)***	***(61,341)***
Increase of loan and borrowings		320,000	32,000
Repayment of borrowing		(18,561)	(35,075)
Payment of lease liabilities		(5,713)	(5,070)
Change in financial liabilities		4,044	(20,113)
Dividends paid		(450,150)	(297,110)
Interest paid		(99,403)	(73,491)
Increase/Decrease in share capital and reserves	19	-	-
Cash flow used in financing activities		***(249,783)***	***(398,860)***
Effects of movement in exchange rates on cash held		618	(8,043)
Net change in cash and cash equivalents	**A**	**192,241**	**(40,535)**
Opening cash and cash equivalents	**B**	**189,143**	**229,678**
Closing cash and cash equivalents	**C=A+B**	**381,384**	**189,143**

The notes form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

(Euro thousand)	Balances at 1 January 2022	Dividends	Capital reduction/ contribution	Other changes	Profit for the year	Other comprehensive income/(expense	Balances at 31 Dec 2022
Share capital	**48,174**	-	-	-	-	-	**48,174**
Share premium reserve	**250,583**	-	**(22,000)**	-	-	-	**228,583**
Translation reserve	(11,171)	-	-	(24,153)	-	(47,755)	(83,079)
Revaluation reserve	1,337	-	-		-	6,062	7,399
Total comprehensive income	**(9,834)**	-	-	**(24,153)**	-	**(41,693)**	**(75,680)**
Capital redemption	37,000	-	-	-	-	-	37,000
Other reserve	16,895	-	-	-	-	-	16,895
Retained earnings	(652,352)	(297,110)	22,000	24,153	346,147	-	(557,162)
Total reserves	**(357,708)**	**(297,110)**	-	-	**346,147**	**(41,693)**	**(350,364)**
Total equity attributable to the owners of the parent	**(309,534)**	**(297,110)**	-	-	**346,147**	**(41,693)**	**(302,190)**
Non-controlling interests	-	-	-	-	-	-	-
Total equity	**(309,534)**	**(297,110)**	-	-	**346,147**	**(41,693)**	**(302,190)**

(Euro thousand)	Balances at 1 January 2023	Dividends	Capital reduction/ contribution	Other changes	Profit for the year	Other comprehensive income/(expense	Balances at 31 Dec 2023
Share capital	**48,174**	-	-	-	-	-	**48,174**
Share premium reserve	**228,583**	-	-	-	-	-	**228,583**
Translation reserve	(83,079)	-	-	-	-	25,525	(57,554)
Revaluation reserve	**7,399**	-	-	-	-	**(903)**	**6,496**
Total comprehensive income	**(75,680)**	-	-	-	-	**24,622**	**(51,058)**
Capital redemption	37,000	-	-		-	-	37,000
Other reserve	16,895		-	-	-	-	16,895
Retained earnings	(557,162)	(450,150)	-	-	242,283	-	(765,029)
Total reserves	**(350,364)**	**(450,150)**	-	-	**242,283**	**24,622**	**(533,609)**
Total equity attributable to the owners of the parent	**(302,190)**	**(450,150)**	-	-	**242,283**	**24,622**	**(485,435)**
Non-controlling interests	-	-	-	-	-	-	-
Total equity	**(302,190)**	**(450,150)**	-	-	**242,283**	**24,622**	**(485,435)**

The notes form an integral part of these consolidated financial statements.

Notes to the Consolidated financial statements as of and for the year ended 31 December 2023

1. Reporting entity

Speciality Chemicals International Ltd. ("SCIL" or the "Company") is a private limited company registered in England in the UK. The registered number is 10143073 and the registered address is 54 Willow Lane, Mitcham, Surrey, United Kingdom, CR4 4NA. 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 statutory accounts for the year ended December 31, 2023, of the Company will be delivered to the Registrar of Companies for England and Wales in due course.

2. Basis of preparation

Statement of compliance

These consolidated financial statements of SCIL have been prepared in accordance with UK-adopted IFRS accounting standards in conformity with the requirements of the Companies Act 2006.

The consolidated financial statements were authorized for issue by the Board of Directors of SCIL on June 24, 2024.

The Group has prepared these financial statements in accordance with UK-adopted IFRS accounting standards. The Group has not early adopted any new IFRS requirements that are not yet effective in 2023.

As of December 31, 2023, the Group generated an operating profit of EUR 447.7 million (after depreciation, amortisation and impairment of EUR 58.6 million) and profit after tax of EUR 242.3 million during the financial year then ended. The Group generated net cash flows from operating activities of EUR 483.2 million.

For the purposes of a more correct representation of the data, during the year some reclassifications were made in the balance sheet and profit or loss items which led to the recalculation of some balances with regard to the previous year. These reclassifications did not change shareholders' equity or the result of the previous year.

Going concern

The Directors have performed a going concern assessment for a period of 12 months from

the date of approval of these financial statements, taking account of reasonably possible downside scenarios. Based upon this assessment, the Directors therefore consider that the Group has sufficient liquidity and resources throughout the period under review and for a period of at least 12 months from the date of approval of these financial statements. The Directors believe that the Group is well placed to manage its business successfully despite the current uncertain economic outlook.
Consequently, the Directors are confident that the Group and Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Basis of measurement

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:

- Non-current and current assets and non-current and 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 IFRS accounting standards 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: i) recognize the allowances for impairment, ii) the provisions for the write-down of inventories, iii) amortisation/depreciation, vi) impairment of assets, v) employee benefits, vi) taxes, vii) restructuring provisions and viii) 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.

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 SCIL. 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.

<u>Business combinations</u>
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 31, 2023.

The companies included in the consolidation scope as of December 31, 2023, and as of December 31, 2022, together with the related percentage of interest are listed below:

Company	Registered company number	Currency	investment % 2023	investment % 2022	Consolidation method
Speciality Chemicals International Limited	10143073	EUR			Line-by-line
SCIL II (TopCo) Ltd. (*)	13475103	EUR	100%	100%	Line-by-line
SCIL III LLC	DE 6269021	EUR	100%	100%	Line-by-line
SCIL IV LLC	DE6269023	EUR	100%	100%	Line-by-line
SCIL USA Holdings LLC	DE 6269027	USD	100%	100%	Line-by-line
Polynt Composites USA Inc.	4964492	USD	100%	100%	Line-by-line
Specialty Chemicals International B.V.	65782607	EUR	100%	100%	Line-by-line
Specialty Chemicals Holding I B.V.	65788834	EUR	100%	100%	Line-by-line
Specialty Chemicals Holding II B.V.	65793161	EUR	100%	100%	Line-by-line
Polynt S.p.A.	04902660960	EUR	100%	100%	Line-by-line
Polynt Composites Germany GmbH	Koblenz HRB 20782	EUR	100%	100%	Line-by-line
Polynt Composites Poland Sp.Zo.o.	KRS 000231039	PLN	100%	100%	Line-by-line
Polynt Composites Norway A.S.	919 317 663	NOK	100%	100%	Line-by-line
Reichhold GmbH (in Liquidation)	Hamburg HRB 66339	EUR	100%	100%	Line-by-line
Polynt Composites Spain S.L.	B09540188	EUR	100%	100%	Line-by-line
PC II US S.r.l (ex Polynt Composites II, LLC)	04689930164	EUR	100%	100%	Line-by-line
Polynt Composites France S.A.	517 698 288	EUR	100%	100%	Line-by-line
Polynt Composites Malaysia Sdn. Bhd.	936604-P	MYR	100%	100%	Line-by-line
Polynt Composites Canada Inc.	BC1020515	CAD	100%	100%	Line-by-line
Polynt Composites Brazil Ltda.	35226205362	BRL	100%	100%	Line-by-line
Polynt Composites Holding UK Ltd.	09273948	GBP	100%	100%	Line-by-line
Polynt Composites UK II Ltd. (f/k/a Polynt Composites UK Ltd.)	00342856	GBP	100%	100%	Line-by-line
Polynt UK Ltd.	4856938	GBP	100%	100%	Line-by-line
Polynt Composites UK Ltd. (f/k/a Reichhold UK Ltd.)	02051980	GBP	100%	100%	Line-by-line
Polynt Composites Korea Co. Ltd.	210111-0022568	KRW	100%	100%	Line-by-line
Coöperatie Reichhold Holdings Netherlands U.A.	62745409	USD	100%	100%	Line-by-line
Reichhold LLC	35-2524207	USD	100%	100%	Line-by-line
Polynt Coatings Canada Limited	10445 6371 RC0001	CAD	100%	100%	Line-by-line
Reichhold Holdings International BV	27229755	USD	100%	100%	Line-by-line
Reichhold Resinas Sinteticas Ltda	35220958695	BRL	100%	100%	Line-by-line
Reichhold Investimentos Ltda	CNPJ N. 01.374.825/0001-39	BRL	100%	100%	Line-by-line
Reichhold do Brasil Ltda	35215682571	BRL	100%	100%	Line-by-line
Polynt Composites Mexico S.A. de C.V. (f/k/a Reichhold Quimica de Mexico S.A. de C.V.)	RQM6102086F8	MXN	100%	100%	Line-by-line
Reichhold Mauritius Ltd	072271 C1/GBL	USD	100%	100%	Line-by-line
Reichhold India Private Limited	U24132PN2007PTC132410	INR	100%	100%	Line-by-line
Adhesivos Swift de Mexico, S.A. de C.V.	ASM920110R93	MXN	100%	100%	Line-by-line
Reichhold Holding Hong Kong Limited	38868143	USD	100%	100%	Line-by-line
Reichhold Polymers (Tianjin) Ltd.	911201166737443896	CNY	100%	100%	Line-by-line
Reichhold Srl (**)	00748110343	EUR	0%	100%	Line-by-line
Reichhold AS (***)	939 378 103	NOK	0%	100%	Line-by-line
Specialty Chemicals International Inc. (*****)	6051358	USD	0%	100%	Line-by-line
PCCR USA Holdings Inc. (****)	4924547	USD	0%	100%	Line-by-line
Reichhold LLC2 (******)	47-3552370	USD	0%	100%	Line-by-line
Reichhold Denmark AS (i likvidation) (*******)	20015993	DKK	0%	100%	Line-by-line
Reichhold CZ s.r.o. (in Liquidation) (*******)	25403931	CZK	0%	100%	Line-by-line
Reichhold Trading (Beijing) Ltd. (*******)	91110302673800379Q	CNY	0%	100%	Line-by-line

(**) Merged into Polynt S.p.A. as at January 01, 2023.
(***) Merged into Polynt Composites Norway as at August 23, 2023.
(****) Merged into Specialty Chemicals International Inc. as at October 01, 2023.
(*****) Merged into SCIL USA Holdings LLC as at October 01, 2023.
(******) Merged into Polynt Composites USA Inc. as at October 01, 2023.
(*******) Companies liquidated in 2023.

(*) In accordance with section 479A of the Companies Act 2006 (the 'Act'), and subject to compliance with the requirements of that section including the provision of a statutory guarantee from SCIL, this subsidiary is exempt from the requirements of the Act relating to the audit of individual accounts in respect of the financial year ended 31 December 2023.

Company	Registered office
Speciality Chemicals International Limited	54 Willow Lane, Mitcham Surrey, CR4 4NA
SCIL II (TopCo) Ltd.	54 Willow Lane, Mitcham, Surrey CR 4 4NA
SCIL III LLC	(UK establishment office address) 54 Willow Lane, Mitcham Surrey, UK CR4 4NA
SCIL IV LLC	(UK establishment office address) 54 Willow Lane, Mitcham Surrey, UK CR4 4NA
SCIL USA Holdings LLC	99 East Cottage Avenue Carpentersville, IL 60110 - USA
Polynt Composites USA Inc.	99 East Cottage Avenue Carpentersville, IL 60110 - USA
Specialty Chemicals International B.V.	Fascinatio Boulevard 220, 3065 WB Rotterdam - The Netherlands
Specialty Chemicals Holding I B.V.	Fascinatio Boulevard 220, 3065 WB Rotterdam - The Netherlands
Specialty Chemicals Holding II B.V.	Fascinatio Boulevard 220, 3065 WB Rotterdam - The Netherlands
Polynt S.p.A.	Via Enrico Fermi 51, 24020 Scanzorosciate (BG) - Italy
Polynt Composites Germany GmbH	Kieselstrasse 2, 56357 Miehlen - Germany
Polynt Composites Poland Sp.Zo.o.	Ul. Grabska 11D, 32-005 Niepolomice - Poland
Polynt Composites Norway A.S.	Lilleborggata 4, 1630 Gamle Fredrikstad, Norway
Reichhold GmbH (in Liquidation)	Rosenstrasse 6, D-20095 Hamburg - Germany
Polynt Composites Spain S.L.	Avenida República Argentina S/N 09200 - Miranda de Ebro - Burgos - Spain
PC II US Srl (ex Polynt Composites II, LLC)	Via Enrico Fermi 51, 24020 Scanzorosciate (BG) - Italy
Polynt Composites France S.A.	Route d'Arras CS 50019 - 62320 Drocourt - France
Polynt Composites Malaysia Sdn. Bhd.	PLO 45, Jalan Nibong 1, Tanjung Langsat Industrial Complex 81700 Pasir Gudang, Johor, Malaysia
Polynt Composites Canada Inc.	1200 Waterfront Centre, 200 Burrard Street, PO Box 48600, Vancouver BC V7X 1T2 - Canada
Polynt Composites Brazil Ltda.	Rua Áurea Tavares, 480/580, Suite A, Taboão da Serra, State of São Paulo – Brazil 06765-902
Polynt Composites Holding UK Ltd.	Laporte Road, Stallingborough, NR Grimsby, North East Lincolnshire, England DN41 8DR
Polynt Composites UK II Ltd. (f/k/a Polynt Composites UK Ltd.)	Laporte Road, Stallingborough, NR Grimsby, North East Lincolnshire, England DN41 8DR
Polynt UK Ltd.	Station Road, Cheddleton, Staffordshire, ST13 7EF - UK
Polynt Composites UK Ltd. (f/k/a Reichhold UK Ltd.)	Laporte Road, Stallingborough, NR Grimsby, North East Lincolnshire, England DN41 8DR
Polynt Composites Korea Co. Ltd.	51, Wanjusandan 4-ro, Bongdong-eup, Wanju-gun, Jeollabuk-do, Korea
Cooperatie Reichhold Holdings Netherlands	Fascinatio Boulevard 220, 3065 WB Rotterdam - The Netherlands
Reichhold LLC	99 East Cottage Avenue Carpentersville, IL 60110 - USA
Polynt Coatings Canada Limited	50 Douglas St. Port Moody, BC Canada
Reichhold Holdings International BV	Fascinatio Boulevard 220, 3065 WB Rotterdam - The Netherlands
Reichhold Resinas Sinteticas Ltda	Avenida Shozo Sakai, Lote 07, Vl. Eugenia, Mogi das Cruzes, State of São Paulo – Brazil
Reichhold Investimentos Ltda	Avenida Amazonas no 1.100, Sala 1, Braz Cubas, Mogi das Cruzes, State of São Paulo – Brazil
Reichhold do Brasil Ltda	Avenida Amazonas no 1.100, Sala 1, Braz Cubas, Mogi das Cruzes, State of São Paulo – Brazil
Polynt Composites Mexico S.A. de C.V. (f/k/a Reichhold Quimica de Mexico S.A. de C.V.)	Boulevard Arturo Montiel Rojas 10006, Parque Industrial Atlacomulco, Zip Code 50458, Atlacomulco, Estado de México.
Reichhold Mauritius Ltd	9th Floor, Standard Chartered Tower Ebene, 19 Cybercity - Mauritius
Reichhold India Private Limited	Block - A Trade Centre, North Main Road, Koregaon ParkPune MH 411001 INDIA
Adhesivos Swift de Mexico, S.A. de C.V.	Avenida Rodrigo Gómez, No. 1753, Colonia Norte Colonia Central, Monterrey
Reichhold Holding Hong Kong Limited	Unit B, 22nd Floor, 37-39 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong
Reichhold Polymers (Tianjin) Ltd.	No. 28 Bibo Street, Hangu Modern Industry Park, Tianjin Economic-Technological Development Area – PRC

The changes to the Group's companies completed during 2023 are described in the paragraph "*Relevant transactions during the 2023 financial year*". Such changes had no impact on the consolidated financial statements in 2023.

Subsidiaries

Subsidiaries are entities controlled directly or indirectly by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and can 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 (if applicable) 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, revenues, and expenses 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.
- Dividends distributed by consolidated companies are eliminated from the consolidated profit or loss.
- 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

All 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.

Consolidated statement of financial position

Financial instruments

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial assets – classification and subsequent measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. Except for trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at fair value through other comprehensive income (OCI) if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – subsequent measurement and gains and losses

Financial assets at fair value through profit or loss	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at fair value through other comprehensive income	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at fair value through other comprehensive income	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Financial assets – Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

• The rights to receive cash flows from the asset have expired;

• The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred the control thereof.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of the ownership thereof.

When it has neither transferred nor retained substantially all of the risks and rewards of the ownership, nor transferred control thereof, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes the associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement in the form of a security over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial assets – Impairment

The Group recognizes an allowance for expected credit losses through profit or loss for all debt instruments not held at fair value. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.
For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime at each reporting date.

Financial liabilities - Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.
All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Financial liabilities – classification, subsequent measurement and gains and losses

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition.
- Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at fair value through profit or loss are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.
This account also includes financial payables for existing leasing contracts. The initial recognition of these payables, as well as the valuation after the initial recognition, follow the treatment illustrated for financial leasing in the paragraph "As a lessee". The current

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

Financial liabilities - derecognition

The Group derecognizes a financial liability when its contractual obligations have been discharged or cancelled or have expired. The Group also derecognizes a financial liability when its terms are amended and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognized in profit or loss.

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 legally enforceable 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.

Interest rate benchmark reform

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changes as a result of any interest rate benchmark reform, the Group should update the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis - i.e., the basis immediately before the change.

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 amortised 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.

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 that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. 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 recognized 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 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.

Factoring

The Group is involved in factoring transactions which involve the transfer of assets recognized in its statement of financial position, in particular trade receivables. Financial assets are derecognized from the financial statements when there are contractual rights to receive the cash flows as part of an assignment to the factor which entails the substantial transfer of all the risks and rewards. Trade receivables transferred as part of assignments of receivables to the factor that do not involve the substantial transfer of risks and rewards are not derecognized.

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. After initial recognition, they are measured at amortised cost using the effective interest method.

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

Foreign currency transactions

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates on the date the transaction first qualifies for recognition.

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

Differences arising from settlement or translation of monetary items are recognized in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognized in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognized in OCI.

Non-monetary items in a foreign currency that are measured in terms at historical cost are translated by using the exchange rates at the dates of the initial transactions. Non-monetary items in a foreign currency that are measured at fair value are translated by using the exchange rates at the date when the fair value is determined. The gain or loss arising from translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

<u>Foreign operations</u>

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into euro at the exchange rates on 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 2023	Average 2022	Year-end 31-Dec-23	Year-end 31-Dec-22
USD	U.S. Dollar	1.08	1.05	1.11	1.07
AUD	Australian Dollar	1.63	1.52	1.63	1.57
BRL	Real	5.40	5.44	5.36	5.64
CAD	Canadian Dollar	1.46	1.37	1.46	1.44
CNY	Renminbi	7.66	7.08	7.85	7.36
CZK	Czech crown	24.00	24.57	24.72	24.12
DKK	Danish krone	7.45	7.44	7.45	7.44
HKD	Hong Kong Dollar	8.47	8.25	8.63	8.32
INR	Indian Rupia	89.30	82.69	91.90	88.17
JPY	Japanese Yen	151.99	138.03	156.33	140.66
KRW	South Korean Won	1,412.88	1,358.07	1,433.66	1,344.09
MYR	Ringgit	4.93	4.63	5.08	4.70
MXN	Peso Mexican	19.18	21.19	18.72	20.86
NOK	Norwegian krone	11.42	10.10	11.24	10.51
PLN	Zloty	4.54	4.69	4.34	4.68
SGD	Singapore Dollar	1.45	1.45	1.46	1.43
SEK	Swedish krone	11.48	10.63	11.10	11.12
AED	Dirham	3.97	3.87	4.06	3.92
GBP	Pound Sterling	0.87	0.85	0.87	0.89
TRY	Turkish lira	25.76	17.41	32.65	19.96
CHF	Swiss Franc	0.97	1.00	0.93	0.98

<u>Derivative financial instruments</u>

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 based on 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

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation, and any accumulated impairment losses.
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 is 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. Depreciation is calculated to write off the cost of items of property, plant, and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognized in profit or loss.
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 of an item of property, plant, and equipment (calculated as the difference between the sale value and the carrying amount) is recognized in profit or loss of the year.

<u>Goodwill</u>

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 costs

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset;
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

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, including customer relationships, patents, and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses, 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.

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognized in profit or loss. Goodwill is not amortised.

The annual amortisation rates are as follows:

- Patent rights and trademarks 10% - 25%
- Surface rights 2% - 5%
- Know-how 33.3%
- Technology 20%
- Customer relationship 10%
- Other 20% - 33.3%.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including

expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.
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.

Asset held for sale
Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.
Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognized in profit or loss.
Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

Trade payables
Trade payables are recognized at fair value and subsequently measured at amortised 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 estimated reliably.

Long-term employee benefits
Defined benefit plans
Post-employment benefits are considered a defined benefit plan in accordance with IAS 19 "Employee Benefits".
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 accrual's 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.
Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), considering any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss under personnel expense.

Termination 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.

Share-based payment arrangements

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.
For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.
The fair value of the amount payable to employees in respect of SARs, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the SARs. Any changes in the liability are recognized in profit or loss.

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.

Decommissioning liability

The Group records a provision for decommissioning costs of a manufacturing facility to produce fire-retardant materials. Decommissioning costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of the relevant asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized in the statement of profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the asset.

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 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. Impairment losses are recognized in profit and loss.
An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) if no impairment had been recognized.

Leases
At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee
At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component based on its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.
The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.
The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments.
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension, or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

From 1 January 2021, where the basis for determining future lease payments changes as required by interest rate benchmark reform, the Group remeasures the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

The Group presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment" and lease liabilities in "short-term and long-term financial indebtedness" in the statement of financial position.

<u>Short-term leases and leases of low-value assets</u>

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

<u>As a lessor</u>

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component based on their relative stand-alone prices.
When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.
To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.
When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.
The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other income".

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 international accounting standards in conformity with the requirements of the Companies Act 2006.
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 international accounting standards in conformity with the requirements of the Companies Act 2006 and considers the absence of acquisition costs for allowances.

Fair value measurement

"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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.
A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.
When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if

transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would consider in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e., the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data, or the transaction is closed out.

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 recognized. It replaced IAS 18 Revenue, IAS 11 Construction Contracts, and related interpretations. Under IFRS 15, revenue is recognized when obligations under the terms of a contract with our customer are satisfied.

The Group generates revenue primarily from the sale of organic anhydrides, composite, coatings, and their derivatives to its customers. Revenue recognition generally occurs at the point of time when performance obligations are fulfilled and control transfers to the customer. No significant judgements are applied. In most instances, control transfer upon transfer of risk of loss and title to the customer, which occurs when we ship products to the customer from our manufacturing facilities or when the products are received by the customer based on the shipment and condition clause. Customer incentives are generally based on volumes purchased and recognized over the period earned. Sales, value added, and other taxes that we collect concurrent with revenue producing activities are excluded from the transaction price as they represent amounts collected on behalf of third parties. Shipping and handling cost are treated as fulfillment cost and not a separate performance obligation. There are no contract assets, contract liabilities and derivatives from contracts with customers.

Government grants

Government grants are recognized if there is reasonable assurance that the grant will be obtained and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

Financial income and financial expense

Financial income and financial expenses are recognized using the effective interest method. Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

The "effective interest rate" is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset;
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

Income taxes

Tax expense of the period includes current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

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 that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

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

Deferred tax

Deferred tax is recognized 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 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; and
- taxable temporary differences arising on the initial recognition of goodwill.

Temporary differences in relation to a right-of-use asset and a lease liability for a specific lease are regarded as a net package (the lease) for the purpose of recognizing deferred tax.

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 the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize 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 realized; such reductions are reversed when the probability of future taxable profits improves.
Unrecognized deferred tax assets are reassessed at each reporting date and recognized 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, and reflects uncertainty related to income taxes, if any.
The measurement of deferred tax reflects the tax consequences that would follow from the way 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.

5. Standards and interpretations soon to become applicable

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

i. IFRS 17 Insurance Contracts

IFRS 17 *Insurance Contracts* is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 *Insurance Contracts*.

IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach);
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The new standard had no impact on the Group's consolidated financial statements.

ii. ***Definition of Accounting Estimates - Amendments to IAS*** 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's consolidated financial statements.

iii. Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements* provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments had no impact on the measurement, recognition or presentation of any items in the Group's financial statements.

iv. Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 *Income Tax* narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.
The amendments had no impact on the Group's consolidated financial statements.

v. ***International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12***

The amendments to IAS 12 have been introduced in response to the Organization for Economic Co-operation and Development (OECD)'s Base Erosion and Profit Shifting (BEPS) Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.
Such amendments had no impact on the Group's consolidated financial statements as of December 31, 2023.

Accounting standards, amendments and interpretations that have been endorsed but are not yet applicable/have not been adopted in advance by the Group.

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains.
The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered

into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed.
The amendments are not expected to have a material impact on the Group's financial statements.

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what a right to defer settlement means;
- that a right to defer must exist at the end of the reporting period;
- that classification is unaffected by the likelihood that an entity will exercise its deferral right;
- that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.
The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.
The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted but will need to be disclosed.
The amendments are not expected to have a material impact on the Group's financial statements.

Accounting standards, amendments and interpretations not yet endorsed.

- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability

The Group has not adopted in advance new standards, interpretations or amendments that have been issued, but not yet in force.

6. Segment Information

The Group is organized into business units based on its geographical areas and has four reportable segments, as follows:

- Europe that includes Italy, France, Spain, UK, Norway, Germany and Poland;
- Americas that include US, Canada, Mexico and Brazil;
- Asia that includes China, India, Korea, Malaysia, Mauritius and Hong Kong.
- Holdings that include UK and Dutch holding companies.

No operating segments have been aggregated to form the above reportable operating segments.

The Board of Directors and top management monitor the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements. Also, the Group's financing (including finance costs, finance income and other income) and income taxes are managed on a Group basis and are not allocated to operating segments. Transfer prices between operating segments are on an arm's-length basis in a manner similar to transactions with third parties.

(Eur thousand)	Europe	Americas	Asia	Holdings	*Intercompany Elimination*	Total Consolidated
Revenue	1,020,722	1,244,240	129,431	1,132	*(14,373)*	2,381,152
Gross operating profit	124,164	361,487	25,780	(5,132)	*(3)*	506,296
Total Assets	1,062,045	944,371	148,009	2,254,824	*(2,757,723)*	1,651,527
Total Liabilities	480,460	1,444,233	36,428	744,028	*(568,186)*	2,136,963

For further information refer to the "*Segment analysis*" in the Directors' Report.

Consolidated Statement of Financial position
ASSETS

7. Property, plant and equipment

Changes in Property, plant and equipment for the two years ended December 31, 2023, and December 31, 2022, are detailed in the following tables:

(Euro thousand)	Historical cost at 01-Jan-23	Reclassifications	Increases	Decreases	Translation difference	Historical cost at 31-Dec-23	Carrying amount at 01-Jan-23	Carrying amount at 31-Dec-23
Buildings	159,572	1,520	2,812	(352)	(1,244)	162,308	76,110	72,528
Building (IFRS 16)	4,538	-	387	(555)	3	4,373	3,140	2,528
Land	127,981	744	221	-	(777)	128,169	127,981	128,169
Light constructions	15,718	1,234	1,439	(11)	126	18,506	8,219	10,273
Land and buildings	**307,809**	**3,498**	**4,859**	**(918)**	**(1,892)**	**313,356**	**215,450**	**213,498**
Generic plant	392,717	(530)	17,354	(2,080)	(5,030)	402,431	156,655	163,543
Generic Plant (IFRS 16)	342	-	205	-	8	555	198	326
Specific plant	402,204	16,509	2,145	(6,700)	336	414,494	96,443	86,122
Specific Plant (IFRS 16)	7,442	-	1,659	(506)	(243)	8,352	4,704	4,749
Plant and equipment	**802,705**	**15,979**	**21,363**	**(9,286)**	**(4,929)**	**825,832**	**258,000**	**254,740**
Sundry equipment	33,540	4,889	1,032	(549)	315	39,227	5,659	8,670
Industrial and commercial equipments (IFRS 16)	195	-	8	(27)	(2)	174	103	69
Industrial and commercial equipment	**33,735**	**4,889**	**1,040**	**(576)**	**313**	**39,401**	**5,762**	**8,739**
Furniture and office machines	6,945	98	232	(54)	(20)	7,201	1,500	1,392
Electronic office machines	22,615	(6,137)	241	(349)	(244)	16,126	4,428	2,527
Elettronic office equipments (IFRS 16)	750	-	35	(53)	-	732	630	515
Motor veichles registered	839	17	6	(24)	-	838	382	276
Motor veichles registered (IFRS 16)	3,610	-	1,590	(989)	16	4,227	1,808	2,180
Vehicles for internal transport	1,386	33	90	(41)	(6)	1,462	196	254
Vehicles for internal transport (IFRS 16)	8,162	-	2,347	(1,381)	(82)	9,046	4,352	4,730
Other assets	**44,307**	**(5,989)**	**4,541**	**(2,891)**	**(336)**	**39,632**	**13,296**	**11,874**
Assets under construction	50,718	(24,765)	34,417	(394)	(88)	59,888	50,718	59,888
Advances to suppliers for plant	256	-	10	-	8	274	256	274
Assets under construction and advances	**50,974**	**(24,765)**	**34,427**	**(394)**	**(80)**	**60,162**	**50,974**	**60,162**
Total	**1,239,530**	**(6,388)**	**66,230**	**(14,065)**	**(6,924)**	**1,278,383**	**543,482**	**549,013**

(Euro thousand)	Accumulated depreciation at 01-Jan-23	Reclassifications	Increases	Decreases	Translation difference	Accumulated depreciation at 31-Dec-23
Buildings	83,462	-	7,224	(351)	(555)	89,780
Building (IFRS 16)	1,398	-	921	(466)	(8)	1,845
Land	-	-	-	-	-	-
Light constructions	7,499	-	747	(5)	(8)	8,233
Land and buildings	**92,359**	**-**	**8,892**	**(822)**	**(571)**	**99,858**
Generic plant	236,062	(14,959)	22,373	(2,311)	(2,277)	238,888
Generic Plant (IFRS 16)	144	-	82	-	3	229
Specific plant	305,761	13,357	15,149	(6,466)	571	328,372
Specific Plant (IFRS 16)	2,738	-	1,040	(66)	(109)	3,603
Plant and equipment	**544,705**	**(1,602)**	**38,644**	**(8,843)**	**(1,812)**	**571,092**
Sundry equipment	27,881	1,602	1,476	(538)	136	30,557
Industrial and commercial equipments (IFRS 16)	92	-	40	(26)	(1)	105
Industrial and commercial equipment	**27,973**	**1,602**	**1,516**	**(564)**	**135**	**30,662**
Furniture and office machines	5,445	-	420	(53)	(3)	5,809
Electronic office machines	18,187	(5,282)	1,277	(336)	(247)	13,599
Elettronic office equipments (IFRS 16)	120	-	150	(53)	-	217
Motor veichles registered	457	(1)	130	(24)	-	562
Motor veichles registered (IFRS 16)	1,802	-	1,174	(934)	5	2,047
Vehicles for internal transport	1,190	-	66	(41)	(7)	1,208
Vehicles for internal transport (IFRS 16)	3,810	-	1,970	(1,422)	(42)	4,316
Other assets	**31,011**	**(5,283)**	**5,187**	**(2,863)**	**(294)**	**27,758**
Total	**696,048**	**(5,283)**	**54,239**	**(13,092)**	**(2,542)**	**729,370**

(Euro thousand)	Historical cost at 01-Jan-22	Reclassifications	Increases	Decreases	Translation difference	Historical cost at 31-Dec-22	Carrying amount at 01-Jan-22	Carrying amount at 31-Dec-22
Buildings	155,707	4,250	3,742	(6,363)	2,236	159,572	74,580	76,110
Building (IFRS 16)	4,374	-	616	(317)	(135)	4,538	3,477	3,140
Land	125,634	225	229	(793)	2,686	127,981	125,634	127,981
Light constructions	14,039	1,050	448	(95)	276	15,718	7,454	8,219
Land and buildings	**299,754**	**5,525**	**5,035**	**(7,568)**	**5,063**	**307,809**	**211,145**	**215,450**
Generic plant	357,001	25,284	16,830	(12,478)	6,080	392,717	137,041	156,655
Generic Plant (IFRS 16)	383	-	43	(69)	(15)	342	229	198
Specific plant	415,630	24,091	19,947	(58,352)	888	402,204	66,759	96,443
Specific Plant (IFRS 16)	7,665	-	160	(804)	421	7,442	5,326	4,704
Plant and equipment	**780,679**	**49,375**	**36,980**	**(71,703)**	**7,374**	**802,705**	**209,355**	**258,000**
Sundry equipment	32,772	749	264	(195)	(50)	33,540	5,975	5,659
Industrial and commercial equipments (IFRS 16)	211	-	-	(13)	(3)	195	146	103
Industrial and commercial equipment	**32,983**	**749**	**264**	**(208)**	**(53)**	**33,735**	**6,121**	**5,762**
Furniture and office machines	6,944	80	200	(402)	123	6,945	1,633	1,500
Electronic office machines	20,802	736	1,221	(900)	756	22,615	4,312	4,428
Elettronic office equipments (IFRS 16)	211	-	622	(82)	(1)	750	102	630
Motor veichles registered	972	-	198	(332)	1	839	338	382
Motor veichles registered (IFRS 16)	3,640	-	1,302	(1,397)	65	3,610	1,751	1,808
Vehicles for internal transport	1,311	97	13	(44)	9	1,386	143	196
Vehicles for internal transport (IFRS 16)	6,349	-	2,890	(1,278)	201	8,162	3,515	4,352
Other assets	**40,229**	**913**	**6,446**	**(4,435)**	**1,154**	**44,307**	**11,794**	**13,296**
Assets under construction	71,110	(55,635)	34,855	(729)	1,117	50,718	71,110	50,718
Advances to suppliers for plant	1,050	(902)	218	(109)	(1)	256	1,050	256
Assets under construction and advances	**72,160**	**(56,537)**	**35,073**	**(838)**	**1,116**	**50,974**	**72,160**	**50,974**
Total	**1,225,805**	**25**	**83,798**	**(84,752)**	**14,654**	**1,239,530**	**510,575**	**543,482**

(Euro thousand)	Accumulated depreciation at 01-Jan-22	Reclassifications	Increases	Decreases	Translation difference	Accumulated depreciation at 31-Dec-22
Buildings	81,127	(8)	7,713	(6,203)	833	83,462
Building (IFRS 16)	897	-	868	(317)	(50)	1,398
Land	-	-	-	-	-	-
Light constructions	6,585	-	1,552	(812)	174	7,499
Land and buildings	**88,609**	**(8)**	**10,133**	**(7,332)**	**957**	**92,359**
Generic plant	219,960	2,632	23,666	(12,371)	2,175	236,062
Generic Plant (IFRS 16)	154	-	63	(68)	(5)	144
Specific plant	348,871	(2,493)	16,780	(58,362)	965	305,761
Specific Plant (IFRS 16)	2,339	-	1,105	(804)	98	2,738
Plant and equipment	**571,324**	**139**	**41,614**	**(71,605)**	**3,233**	**544,705**
Sundry equipment	26,797	(131)	1,445	(195)	(35)	27,881
Industrial and commercial equipments (IFRS 16)	65	-	42	(13)	(2)	92
Industrial and commercial equipment	**26,862**	**(131)**	**1,487**	**(208)**	**(37)**	**27,973**
Furniture and office machines	5,311	-	457	(401)	78	5,445
Electronic office machines	16,490	-	2,032	(897)	562	18,187
Elettronic office equipments (IFRS 16)	109	-	66	(55)	-	120
Motor veichles registered	634	-	113	(291)	1	457
Motor veichles registered (IFRS 16)	1,889	-	1,203	(1,327)	37	1,802
Vehicles for internal transport	1,168	-	58	(44)	8	1,190
Vehicles for internal transport (IFRS 16)	2,834	-	1,911	(1,030)	95	3,810
Other assets	**28,435**	-	**5,840**	**(4,045)**	**781**	**31,011**
Total	**715,230**	-	**59,074**	**(83,190)**	**4,934**	**696,048**

The majority of the property, plant and equipment increases are as follows:

- EUR 5.4 million to complete the 3 MTHPA new unit plant at Ravenna site (Italy);
- EUR 4.3 million to complete restarting the Port Moody, Canada coatings site;
- EUR 3.4 million to complete the new medium voltage building with the new electrical equipment, to conclude all the interventions related to the substantial upgrading of the site firefighting system and other site infrastructures, also in view of a second maleic anhydride plan unit at Ravenna site (Italy);
- EUR 2.9 million for the upgrades and renovation of the Group headquarter building in Scanzorosciate (Italy);
- EUR 2.8 million for new equipment and storage tanks, electrical equipment upgrading, new analytical instruments and pilot units for quality control and R&D at Scanzorosciate site (Italy);
- EUR 2.1 million for improvements on the production equipment and R&D and other initiatives on safety and environmental aspects, at Drocourt site (France);
- EUR 1.9 million on specific projects to consolidate and increase the production facilities and capability of the UPR, GPP, SPP production units, including the purchase of the new Vinyl Ester second thin tank at San Giovanni site (Italy);
- EUR 1.6 million for the refurbishing of the thermal incinerator, catalyst replacement of the catalytic vent treatment unit, asbestos removal and to boost the capacity and increasing the product portfolio at Mitcham site, (UK).
- EUR 1.5 for SAP updating and IT group projects, mainly focused on the cyber security integrity;
- EUR 1.2 million toward phthalic anhydride flaking process unit at Forest Park, Georgia site (USA);
- EUR 1.2 million toward UPR reactor at Atlacomulco site (Mexico);
- EUR 1.1 million for refurbishments and upgrades of the Administration Building, quality control and technical Service laboratories at the Houston, Texas site (USA);

- EUR 1.1 million for the new waste storage area and new vent treatment unit at Niepolomice plant (Poland);
- EUR 1.1 million for the UPR bulk storage at the Azusa, California site (USA);
- EUR 1.0 million for vinyl ester reactor at the Houston, Texas site (USA);
- EUR 0.8 million Digital Control System upgrade at the Jacksonville, Florida site (USA);
- EUR 0.8 million for phthalic anhydride storage tank at Morris, Illinois site (USA)
- EUR 0.6 million for the installation of wastewater treatment, offices and truck scale and completion of the warehouse at Jeonju site (Korea);
- EUR 0.6 to complete the major overhaul of one cogeneration unit at Scanzorosciate site (Italy);
- EUR 0.6 million for completion of new warehouse, maintenance & R&D buildings at Tianjin site (China);
- EUR 0.5 million for the completion of the UPR capacity increase project at Miranda site (Spain);
- EUR 0.5 million for the extensive upgrading of the production flexibility on the second SMC line at Miehlen site (Germany).
- The remaining amounts represents minor investments at the various Group's sites.

The increases of property, plant and equipment also includes the effects of IFRS 16 leases for those contracts starting during the year 2023 totaling EUR 6.2 million (EUR 5.6 million for the year 2022).

8. Goodwill

(Euro thousand)	31-Dec-23	31-Dec-22
Goodwill	67,104	68,302
Total	**67,104**	**68,302**

The difference of the value compared to November 2, 2021, is attributable to the effect of exchange rate changes.

As of December 31, 2023, and 2022, the carrying value of goodwill by regional CGU is as follow:

(Euro thousand)	31-Dec-23	31-Dec-22
Europe	37,170	37,124
Americas	24,512	25,395
Asia	5,422	5,783
Total	**67,104**	**68,302**

Goodwill is not amortised but tested annually for impairment.

Goodwill was annually tested for impairment on December 31, 2023, as required by IAS 36 (Impairment of assets). The recoverable amount is higher than the carrying value. 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 2024 and following years the budget and business plan approved by the Board of Directors of the Company on March 14, 2024, and on June 24, 2024, respectively were used in the impairment test. Results are expected to increase slightly in subsequent years compared to 2023.
Sales volumes are expected to grow of 4.4% in 2024 and rise on average of 3.1% from 2025. Margins are assumed to slightly decrease in 2024, as it considers the gradual fall of margins during 2023. From 2025 we expect that the demand will support margin increase in Europe and Americas. Fixed costs are assumed in line with historical trend.

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 subsequent implications in terms of interest rates.

The cash flows derived from the forecast plan were discounted using the WACC rate of 10.4% for Europe, 10.8% for America and 11.5% for Asia, for the various assumptions considering the characteristics of the chemical sector and the Group's specific region, structure, and financial risks. Long term growth rate is equal to 2.0% (2.0% in 2022). Pre-tax WACC, calculated on pre-tax cash flows and based on the headroom resulting from the post-tax impairment test are equal to 13.7% for Europe, 14.3% for America and 15% for Asia.

The discount rate is the rate of return on 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 segments.

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
Europe	1,213	446	768
Americas	2,625	309	2,316
Asia	200	66	133

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

The following table outlines the change in the discount rates 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	12,2%	65,9%	18,4%

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

(€ million)	Carrying Amount	Value in Use	Value in Use (+1% discount	Value in Use (-1% discount
Europe	446	1,213	1,074	1,392
Americas	309	2,625	2,358	2,960
Asia	66	200	180	224

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

(€ million)	Carrying Amount	Value in Use	Value in Use (+1% growth	Value in Use (-1% growth
Europe	446	1,213	1,336	1,117
Americas	309	2,625	2,860	2,437
Asia	66	200	214	188

The change in the WACC and/or in the growth rate would not result in the impairment of the goodwill.

9. Other intangible assets

Changes in other intangible assets on December 31, 2023, and December 31, 2022, are detailed in the following tables:

(Euro thousand)	Historical cost at 01-Jan-23	Reclassifications	Increases	Decreases	Translation difference	Historical cost at 31-Dec-23	Carrying amount at 01-Jan-23	Carrying amount at 31-Dec-23
Software and patents	16,085	1,231	351	-	(1)	17,666	3,938	4,412
Patents	**16,085**	**1,231**	**351**	-	**(1)**	**17,666**	**3,938**	**4,412**
EDP programs	24,500	6,965	388	(29)	97	31,921	3,248	3,460
Know How	43,550	-	-	-	-	43,550	381	-
Technology	52,732	-	-	-	-	52,732	-	-
Customer list	30,609	-	-	-	(503)	30,106	29,661	29,108
Others	6,323	-	-	(27)	(362)	5,934	5,375	4,936
Other	**157,714**	**6,965**	**388**	**(56)**	**(768)**	**164,243**	**11,901**	**10,344**
Assets under development	5,027	(1,809)	3,100	-	(24)	6,294	5,027	6,294
Total	**178,826**	**6,387**	**3,839**	**(56)**	**(793)**	**188,203**	**20,866**	**21,050**

(Euro thousand)	Accumulated amortisation at 01-Jan-23	Reclassifications	Increases	Decreases	Translation difference	Accumulated amortisation at 31-Dec-23
Software and patents	12,147	470	633	-	4	13,254
Patents	**12,147**	**470**	**633**	**-**	**4**	**13,254**
EDP programs	21,252	4,813	2,333	(29)	92	28,461
Know How	43,169	-	381	-	-	43,550
Technology	52,732	-	-	-	-	52,732
Customer list	27,712	-	906	-	(460)	28,158
Others	948	-	79	-	(29)	998
Other	**145,813**	**4,813**	**3,699**	**(29)**	**(397)**	**153,899**
Total	**157,960**	**5,283**	**4,332**	**(29)**	**(393)**	**167,153**

(Euro thousand)	Historical cost at 01-Jan-22	Reclassifications	Increases	Decreases	Translation difference	Historical cost at 31-Dec-22	Carrying amount at 01-Jan-22	Carrying amount at 31-Dec-22
Software and patents	14,981	884	234	-	(14)	16,085	3,748	3,938
Research and development	-	-	-	-	-	-	-	-
Patents	**14,981**	**884**	**234**	**-**	**(14)**	**16,085**	**3,748**	**3,938**
EDP programs	23,474	1,073	147	(360)	166	24,500	3,489	3,248
Know How	43,550	-	-	-	-	43,550	891	381
Technology	52,732	-	-	-	-	52,732	4,394	-
Customer list	28,902	-	2,366	(1,240)	581	30,609	24,003	29,661
Others	10,452	-	-	(4,112)	(17)	6,323	5,553	5,375
Other	**159,110**	**1,073**	**2,513**	**(5,712)**	**730**	**157,714**	**17,564**	**11,901**
Assets under development	4,147	(1,982)	2,830	-	32	5,027	4,147	5,027
Total	**178,238**	**(25)**	**5,577**	**(5,712)**	**748**	**178,826**	**25,459**	**20,866**

(Euro thousand)	Accumulated amortisation at 01-Jan-22	Reclassifications	Increases	Decreases	Translation difference	Accumulated amortisation at 31-Dec-22
Software and patents	11,233	249	679	-	(14)	12,147
Research and development	-	-	-	-	-	-
Patents	**11,233**	**249**	**679**	**-**	**(14)**	**12,147**
EDP programs	19,985	(348)	1,889	(359)	85	21,252
Know How	42,659	-	510	-	-	43,169
Technology	48,338	-	4,394	-	-	52,732
Customer list	25,665	99	2,674	(1,240)	514	27,712
Others	4,899	-	83	(4,083)	49	948
Other	**141,546**	**(249)**	**9,550**	**(5,682)**	**648**	**145,813**
Total	**152,779**	**-**	**10,229**	**(5,682)**	**634**	**157,960**

The increase in intangible assets in the period ending as of December 31, 2023, is primarily due to expenditures for ERP systems to support the future growth of the business and harmonize business processes, expenditure for REACH activities and costs for patents, software licenses and other software implementations.

10. Other financial assets – non current

Other non-current financial assets are as follows:

(Euro thousand)	31-Dec-23	31-Dec-22
Other financial assets non-current	483	639
Total	**483**	**639**

11. Deferred tax assets

The Group considers the following principals when calculating 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 are mentioned in note 8.

Based on the principals outlined above, the Group is expected to realize sufficient future taxable profits such that 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-22	Increases	Decreases	Exchange rate	31-Dec-23
Other differences	7,187	8,829	(2,489)	(119)	13,408
Employee benefits	2,389	5,390	118	(59)	7,838
Environmental risks provision	3,607	2,782	(252)	(100)	6,036
Intangible assets	2,570	1,179	(7)	(106)	3,635
Other provision	658	112	(66)	26	730
Exchange rate adjustments	1,188	(604)	(90)	(25)	470
Inventories	-	1,519	(1,372)	(34)	113
Bad debt provision	2,122	(1,626)	(364)	(40)	91
Tax losses carry forward	2,167	-	(2,170)	3	-
Totale	**21,888**	**17,580**	**(6,693)**	**(455)**	**32,320**

Unrecognized deferred tax assets

(Euro thousand)	31-Dec-23	31-Dec-22
Unrecognized deferred tax assets on tax losses carried forward	21,530	16,307
Total	**21,530**	**16,307**

The impacts of unrecognized deferred tax asset for tax loss carry forwards mainly relates to Coöperatie Reichhold Holdings Netherlands (EUR 59,8 million) with an expiry date between 2025-2030.
Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.
These losses relate to subsidiaries may not be used to offset taxable income elsewhere in the Group. The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognize deferred tax assets on the tax losses carried forward.

12. Other non-current assets

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

(Euro thousand)	31-Dec-23	31-Dec-22
Sundry guarantee deposits	753	814
Others:		
- Due from Momentive for environmental remediation	8,230	9,134
- Due from non current VAT	501	7,275
Total	**9,484**	**17,223**

The amount *"Due from Momentive for environmental remediation"* refers to Polynt Composites USA Inc.'s indemnification for certain environmental remediation costs.
The amount *"Due from non-current VAT"* refers to the non-current portion of the tax credit claim for the over-payment of certain indirect taxes of Reichhold do Brasil Ltda. The reduction in 2023 is due to the use of some tax credit to compensate some VAT and corporate income tax payments.

13. Inventories

Inventories are broken down as follows:

(Euro thousand)	31-Dec-23	31-Dec-22
Raw materials, consumables and supplies	144,221	200,060
Allowance for write-down of inventory	(5,317)	(9,196)
Total	**138,904**	**190,864**
Work in progress and semi-finished products	6,904	24,383
Allowance for write-down of inventory	(54)	(206)
Total	**6,850**	**24,177**
Finished products	127,436	151,822
Allowance for write-down of inventory	(5,531)	(7,710)
Total	**121,905**	**144,112**
Generic spare parts	14,253	13,795
Allowance for write-down of inventory	(5,160)	(4,760)
Total	**9,093**	**9,035**
Total inventories	**276,752**	**368,188**

The decrease is mainly to the drop of raw material prices and production costs.

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

14. Trade receivables

Trade receivables by geographical segment are categorized as follows:

(Euro thousand)	31-Dec-23	31-Dec-22
European	116,385	139,683
Non-European	139,285	183,520
Gross balance	**255,670**	**323,203**
Allowance for impairment	(8,959)	(9,300)
Net balance	**246,711**	**313,903**

As of December 31, 2023, there were EUR 3,927 thousand of trade receivables disposed of on a no recourse basis (EUR 3,010 thousand on December 31, 2022).

Changes in the allowance for impairment are shown below:

(Euro thousand)	31-Dec-23	31-Dec-22
Opening balance	**9,300**	**11,644**
Accruals	450	910
Utilisations	(801)	(3,579)
Translation rate differences	10	325
Closing balance	**8,959**	**9,300**

The Group has impaired specific trade receivables based on objective indications of the partial or total non-collection risk. The impairment losses are net of estimated recoverable amounts. A general allowance is set up for receivables not impaired individually and is determined based on losses incurred in 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.

15. Current tax assets

Current tax assets are categorized as follows:

(Euro thousand)	31-Dec-23	31-Dec-22
Current tax assets	32,928	22,302
Taxes for which reimbursement has been claimed	1,913	1,913
Total	**34,841**	**24,215**

"Current tax assets" include EUR 18.5 million of tax benefit related to SCIL USA Holdings LLC which can be used starting from 2023 by US tax group and EUR 11.4 related to Polynt S.p.A.
"*Taxes for which reimbursement has been claimed*" includes 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.

16. Other current assets

Other current assets are categorized as follows:

(Euro thousand)	31-Dec-23	31-Dec-22
Other receivables	9,453	8,639
VAT receivable	3,445	13,155
Sundry advances	499	779
Advances to social security institutions	75	81
Prepayments:		
- Other prepayments	6,957	6,073
- Insurance premiums	2,035	2,365
- Maintenance instalments	534	107
Total	**22,998**	**31,199**

As of December 31, 2023, *"Other receivables"* mainly includes EUR 7.9 million related to the current portion of the tax credit claim for the over-payment of some indirect taxes of Reichhold do Brasil Ltda.

17. Other financial assets – current

Other current financial assets are as follows:

(Euro thousand)	31-Dec-23	31-Dec-22
Other financial assets current	275	12
Forwards Contract current	6	24
Total	**281**	**36**

18.Cash and cash equivalents

Cash and cash equivalents are as follows:

(Euro thousand)	31-Dec-23	31-Dec-22
Bank and postal accounts	381,359	189,121
Cash on hand	25	22
Total	**381,384**	**189,143**

Bank accounts mainly refer to the Italian, US, Mexican, Brazilian, Chinese and Indian operating companies.

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

LIABILITIES

19. Equity

Share capital

Share capital as of December 31, 2023, consisted of 4,817,413,231 ordinary shares of EUR 0.01 each (nominal value), for a total amount of EUR 48.2 million.

(Euro thousand)	31-Dec-23	31-Dec-22
Share capital	48,174	48,174
Total	**48,174**	**48,174**

Reserves

Reserves are as follows:

(Euro thousand)	31-Dec-23	31-Dec-22
Share capital	48,174	48,174
Share Premiums Reserve	228,583	228,583
Capital redemption	37,000	37,000
Revaluation reserve	6,496	7,399
Other reserve	16,895	16,895
Translation Reserve	(57,554)	(83,079)
Retained earnings	(765,029)	(557,162)
Total	**(485,435)**	**(302,190)**

During 2023 dividends have been approved and paid to shareholders for EUR 450.2 million.

Reconciliation between shareholders' equity and profit for the year of the parent company and consolidated shareholders' equity and profit for the year of the Group are as follow:

	Combined	2023
(Euro thousand)	**Net Equity**	**Profit/(loss) for the year**
SCIL	**1,261,475**	**453,128**
Group entities - Equity and results	6,170,351	1,461,038
Investment elimination	(7,876,819)	-
Consolidation effects and intercompany elimination	(40,442)	(1,671,883)
Consolidated	**(485,435)**	**242,283**

20. Net financial indebtedness

Net financial indebtedness is detailed in the table below:

(Euro thousand)	31-Dec-23	31-Dec-22
Cash and cash equivalents	381,384	189,143
Other financial assets	281	675
Current financial indebtedness	(49,942)	(27,926)
Net short term financial indebtedness	**331,723**	**161,892**
Long-term financial indebtedness	(1,631,263)	(1,358,511)
Total net financial indebtedness	**(1,299,540)**	**(1,196,619)**

On October 27, 2021, the ABL entered into on September 29, 2017 (the "Existing ABL") was replaced with a new ABL (the "US ABL" or the "ABL") from a different unrelated financial institution. The US ABL, that is under more favorable commercial terms than the Existing ABL, provides for a revolving facility with commitments in the amount of USD 100 million and is available as loans to Polynt Composites USA, Inc. Interest on the US ABL borrowings accrues at a rate equal to the relevant base rate plus a margin. All borrowings under the ABL are secured by pledges over trade receivables and inventory of the borrower thereunder. The ABL matures on October 27, 2026. The ABL was not used in 2023.

On November 1, 2021, SCIL IV entered into a Super Senior Revolving Credit Facility Agreement (the "RCF Agreement"). The RCF Agreement provides for a multicurrency facility (the "RCF") with commitments of EUR 105 million available to various subsidiaries and affiliates of the Company both as loans and letters of credit. Interests on the RCF borrowings accrue at a rate equal to the relevant Euribor rate floored to 0.00% plus a margin. The RCF terminates on May 1, 2026. The RCF was not used in 2023.
The RCF Agreement contains a "springing financial covenant" requiring SCIL IV LLC and the subsidiaries thereof to maintain a net leverage ratio as defined in the Agreement of 6.26:1 or less. The springing financial covenant is to be tested starting from the third full financial quarter ending after the Closing Date and only if on the testing date the aggregate amount of all outstanding loans thereunder is equal or greater than 40% of the total amount of commitments. On December 31, 2023, the Group was not required to test the springing financial covenant. The Agreement contains customary affirmative and negative covenants. As of December 31, 2023, SCIL IV LLC was in compliance with all such covenants.

All borrowings under the RCF Agreement are guaranteed by the Co-Issuers and certain Subsidiaries thereof. A Guarantor Coverage Test has to be satisfied on an annual basis.

On November 2, 2021, SCIL IV completed the Acquisition of the entire share capital of SCI BV pursuant to the SPA entered into on June 29, 2021, between SCIL as seller and SCIL II as purchaser and the deed of novation entered into on October 29, 2021, between SCIL, SCIL IV and SCIL II by means of which SCIL II transferred its rights under the SPA to SCIL IV. The Acquisition was funded inter alios with the proceeds from the issuance by SCIL IV and SCIL USA Holdings LLC of:

- EUR 325,000,000 4.375% Senior Secured Notes due 2026 (the "EUR Fixed Rate Senior Secured Notes");
- EUR 325,000,000 Floating Rate Senior Secured Notes due 2026 notes (the "Floating Rate Senior Secured Notes" and together with the EUR Fixed Rate Senior Secured Notes, the "EUR Senior Secured Notes");

- USD 760,000,000 5.375% Senior Secured Notes due 2026 (the "USD Senior Secured Notes").

On July 10, 2023, SCIL IV and SCIL USA Holdings LLC co-issued EUR 300,000,000 9.500% Senior Secured Notes due 2028 (the "Additional EUR Fixed Rate Senior Secured Notes" and together with EUR Fixed Rate Senior Secured Notes, Floating Rate Senior Secured Notes and USD Senior Secured Notes, the "Notes").
In connection with this Offering, the commitments under the SSRCF have been increased from EUR 85 million to EUR 105 million (such increase, the "SSRCF Upsize" and, together with the Offering, the "Transactions"). The proceeds of the Offering, together with cash on the Company's balance sheet, have been used to fund a special dividend (the "Dividend") to the indirect shareholders of the Company (to be paid in one or more tranches within the 12 months following the Offering) and to pay fees and expenses in connection with the Transactions. The Dividend was paid on July 11, 2023, and involved the following steps:

- on July 10, 2023, SCIL USA declared a cash dividend (gross of any taxes, withholdings and similar charges) of USD 328,545,800 to SCIL IV, paid in cash in Euro for an amount equal to EUR 302,000,000, net of withholdings required to be made by law, subject to and following completion of the Offering and receipt of the proceeds thereof (the "Distribution");
- on July 11, 2023, further to the receipt of the distribution from the U.S. Co-Issuer, SCIL IV LLC paid a cash dividend of EUR 285,950,000 to its sole member, SCIL III LLC;
- on July 11, 2023, further to the receipt of a distribution from SCIL IV LLC, SCIL III LLC paid a cash dividend of EUR 285,945,000 to SCIL II (TopCo) Limited;
- on July 11, 2023, further to the receipt of a distribution from SCIL III LLC, SCIL II (TopCo) Limited paid a cash dividend of EUR 285,650,000 to Speciality Chemicals International Limited ("SCIL UK"), its sole shareholder.

The fair value of the Notes is provided in the following table:

	Currency	Issue Price	Fair value	
			31-Dec-22	31-Dec-23
EUR Fixed Rate Senior Secured Notes (2026)	EUR	100,00	85,55	98,62
Floating Rate Senior Secured Notes (2026)	EUR	100,00	94,75	100,98
USD Senior Secured Notes (2026)	USD	100,00	84,63	94,88
EUR Fixed Rate Senior Secured Notes (2028)	EUR	100,00		107,53

The fair value of the Notes has been calculated considering the ask prices for 2023 and bid prices for 2022 as the most representative option allowed by the IFRS 13.

Long-term financial indebtedness is detailed in the following table:

(Euro thousand)		31-Dec-23 €'000	31-Dec-23 expiry date	31-Dec-22 €'000	31-Dec-22 expiry date
USD Senior Secured Notes	SCIL USA Holdings LLC	687,783	31/10/26	712,545	31/10/26
EUR Senior Secured Notes	SCIL IV LLC	325,000	31/10/26	325,000	31/10/26
EUR Senior Secured Notes	SCIL USA Holdings LLC	300,000	15/07/28		
Floating Rate Senior Secured Notes	SCIL USA Holdings LLC	250,000	31/10/26	250,000	31/10/26
Floating Rate Senior Secured Notes	SCIL IV LLC	75,000	31/10/26	75,000	31/10/26
Others financial debts (IFRS 16)		10,775		10,635	
CDP Financing	Polynt S.p.A.	8,000	06/03/26	-	
Credit Agricole	Polynt S.p.A.	6,250	31/12/25	10,000	31/12/25
Banca Popolare di Sondrio	Polynt S.p.A.	5,705	01/04/27	8,093	01/04/27
Banco Desio	Polynt S.p.A.	2,550	10/01/26	4,518	10/01/26
Credit Agricole	Polynt S.p.A.	2,500	31/12/25	4,000	31/12/25
BPER	Polynt S.p.A.	2,060	20/06/25	6,089	20/06/25
BNP - Loan Covered by French Government	Polynt Composites France	1,080	01/09/26	1,467	01/09/26
Others financial debts		548		579	
Loan BBVA	Polynt Composites Spain S.L.	154	30/04/25	460	30/04/25
Amortized cost (Notes issued in 2021)	SCIL USA Holdings LLC	(25,174)	31/10/26	(34,222)	31/10/26
Amortized cost notes	SCIL IV LLC	(12,039)	31/10/26	(14,864)	31/10/26
Amortized cost (Notes issued in 2023)	SCIL USA Holdings LLC	(8,365)	15/07/28		
ABL Financial expenses capitalized	Polynt Composites USA	(563)	30/11/26	(789)	30/11/26
Total long-term financial indebtedness		**1,631,263**		**1,358,511**	

The long-term financial indebtedness refers to:

- The principal amount of the USD Senior Secured Notes totaling EUR 687.8 million (EUR 712.5 million as of December 31, 2022);
- The principal amount of the EUR Fixed Rate Senior Secured Notes totaling EUR 325 million (EUR 325 million as of December 31, 2022);
- The principal amount of the Floating Rate Senior Secured Notes totaling EUR 325 million (EUR 325 million as of December 31, 2022);
- The principal amount of the Additional EUR Fixed Rate Senior Secured Notes totaling EUR 300 million (nil as of December 31, 2022);
- Long-term loans for EUR 28.8 million (EUR 35.2 million as of December 31, 2022).
- The non-current portion of IFRS 16 financial liabilities totaling EUR 10.8 million (EUR 10.6 million as of December 31, 2022);
- Financial expenses capitalized for EUR 46.1 million (EUR 49.9 million as of December 31, 2022).

Amortised costs refer to the up-front one-off borrowing costs incurred upon entering into the Notes and RCF loan. These costs are amortised over the life of Notes and RCF with the amortisation of such capitalized costs recognized in the Profit and Loss as a financial expense.

The short-term financial indebtedness refers to:

- The interest accrual of the Additional EUR Fixed Rate Senior Secured Notes totaling EUR 13.5 million (nil as of December 31, 2022);
- The interest accrual of the USD Senior Secured Notes totaling EUR 6.2 million (EUR 6.4 million as of December 31, 2022);
- The current portion of medium-term loans totaling EUR 18.4 million (EUR 11.1 million as of December 31, 2022);

- The current portion of IFRS 16 financial liabilities totaling EUR 4.7 million (EUR 4.5 million as of December 31, 2022);
- The interest accrual of the Floating Rate Senior Secured Notes totaling EUR 4.5 million (EUR 3.3 million as of December 31, 2022);
- The interest accrual of the EUR Fixed Rate Senior Secured Notes totaling EUR 2.4 million (EUR 2.4 million as of December 31, 2022);
- The balances owing to SCIL in the cash pool totaling EUR 2.0 million;
- Drawings under the RCF totaling EUR 0.2 million (EUR 0.2 million as of December 31, 2022).

Short-term financial indebtedness is detailed in the following table:

(Euro thousand)		31-Dec-23 €'000	31-Dec-23 expiry date	31-Dec-22 €'000	31-Dec-22 expiry date
Accrued Interest - EUR SSN	SCIL USA Holdings LLC	13,538	01/02/24	-	
Accrued Interest - USD SSN	SCIL USA Holdings LLC	6,161	01/05/24	6,383	01/05/23
Others financial debts (IFRS 16)		4,663		4,532	
BPER	Polynt S.p.A.	4,029	20/12/24	3,911	20/12/23
Credit Agricole	Polynt S.p.A.	3,750	31/12/24	1,875	31/12/23
CDP financing	Polynt S.p.A.	3,500	31/12/24	-	
Accrued Interest - EUR FRN	SCIL USA Holdings LLC	3,486	01/02/24	2,514	01/02/23
Banca Popolare di Sondrio	Polynt S.p.A.	2,388	01/12/24	2,355	01/12/23
Accrued Interest - EUR SSN	SCIL IV LLC	2,370	01/05/24	2,370	01/05/23
Banco Desio	Polynt S.p.A.	1,968	10/10/24	482	10/10/23
Credit Agricole	Polynt S.p.A.	1,500	31/12/24	1,000	31/12/23
Accrued Interest - EUR FRN	SCIL IV LLC	1,046	01/02/24	754	01/02/23
Other financial debts		774		15	30/06/23
Loan BBVA Short term	Polynt Composites Spain S.L.	306	30/10/24	302	30/10/23
Interest accruals		236		109	
RCF commitment fees		227	01/02/24	188	01/02/23
Banco Desio - import	Polynt S.p.A.	-		1,000	13/01/23
Medio Credito Centrale	Polynt S.p.A.	-		136	03/12/23
Total short-term financial indebtedness		**49,942**		**27,926**	

21. Non-current and current provisions

The changes in non-current provisions were as follows:

(Euro thousand)	31-Dec-22	Increase	Decrease	Reclassification	Exchange rate difference	31-Dec-23
Provision for ecological clean-up	28,613	417	(124)	(107)	(599)	28,200
Provision for sundry risk	5,842	271	(191)	-	5	5,927
Provision for tax litigation	5,189	104	(1,572)	-	7	3,727
Provision for local property tax litigation	295	-	-	-	-	295
Provision for agent risks	346	94	(160)	-	0	281
Provision for Lay Off Costs	195	23	-	-	-	218
Total	**40,480**	**909**	**(2,047)**	**(107)**	**(587)**	**38,648**

The changes in current provisions were as follows:

(Euro thousand)	31-Dec-22	Increase	Decrease	Reclassification	Exchange rate difference	31-Dec-23
Provision for ecological clean-up	649	-	(255)	(306)	7	95
Provision for customer litigation	229	-	-	-	5	234
Provision for sundry risk	129	102	(361)	412	1	283
Provision for Lay Off Costs	(8)	263	-	-	(5)	250
Total	**999**	**365**	**(616)**	**106**	**8**	**862**

The *"Provision for ecological clean-up"* is broken down as follows:

- EUR 16,613 thousand relating to environmental remediation costs estimated for the U.S. sites of Polynt Composites. This relates to soil and groundwater contaminations and other environmental remediation actions, and it is partially covered by third-party indemnifications as described in the note 12.
- EUR 4,827 thousand relating to environmental remediation costs estimated for the France site of Polynt Composites France S.A.
- EUR 3,358 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 based on Italian Legislative decree no. 152/06, as amended by Italian Legislative decree no. 4/08 and Italian Legislative decree no. 128/10.
- EUR 2,200 thousand relating to environmental remediation costs estimated for the Brampton site of Polynt Coatings Canada Limited.
- EUR 371 thousand for remediation at the Leek site of Polynt UK Ltd.
- EUR 285 thousand relating to environmental remediation costs estimated for the Mogi de Cruzes site of Reichhold do Brasil Ltda.
- EUR 216 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 for 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 - and has not included - the effect of the time value of money in the Provision for ecological clean-up listed above.

"Provision for sundry risk" relates to potential liabilities for REACH consortium and other potential liabilities mainly of Polynt S.p.A.

The *"Provision for tax litigation – non current"* mainly relates to a definite settlement agreement of Polynt S.p.A. with the Tax Authority "Agenzia delle Entrate", signed in April 2022, for the tax claim arising from "Processo Verbale di Constatazione" (the "PVC") issued on December 14, 2018 for a total of EUR 6.2 million payable in 16 quarterly installments. The decrease is referred to the payments done in 2023, for a total amount of EUR 1.5 million

The *"Provision for Lay Off costs"* refers to Polynt Composites France S.A. plant shutdown, severance costs and reorganization activities.

The *"Provision for agent risks"* includes provisions made for contingent liabilities arising from the termination of current agency contracts, determined based on the ruling legislation for such contracts for Polynt S.p.A. and Polynt Composites Germany GmbH.

The *"Provision for customer litigation"* refers to Polynt Composites UK Ltd.

22. Employee benefits

Non-current portion of employee benefits

Liabilities for employee benefits mainly relates to long-term incentive plans, provisions and post-employment benefits accrued by certain subsidiaries, as described below, determined using actuarial assumptions and recognized on an accrual basis over the related vesting period.

On February 23, 2022 the Group adopted for some Directors and employees a long-term incentive plan ("Phantom Share Option Plan") which allows them to receive extra compensation if both of the following situations occur: a) that certain events occur by April 30, 2032 (i.e. change of control of the ownership of the group, listing on a regulated market, disbursement of an extraordinary maxi dividend); b) the revaluation of the SCIL shares as a result of the events described in section (a) exceeds the reference value per SCIL share indicated in the agreements.

At each reporting period the fair value of the awards has been determined and the related costs regarding the change in the fair value of the awards were recorded in the personnel expenses.

The changes during the year are as follows:

(Euro thousand)	31-Dec-23	31-Dec-22
Opening balance	**18,889**	**16,584**
Accruals	15,845	10,914
Interest costs	294	196
Exchange rate gain/(loss)	(336)	210
Actuarial (gain)/loss	1,093	(6,760)
Utilisations	(1,338)	(2,255)
Reclassification in current employee benefits	-	-
Total	**34,447**	**18,889**

Independent actuaries calculated the Group's post-employment benefits.
The main actuarial assumptions applied at the reporting date for the measurement of the liability for post-employment benefits are:

- Polynt S.p.A.: the actuarial valuation is based on the changes made to Italian post-employment benefits by Italian Law no. 296 of December 27, 2006 (the 2007 Finance Act) and subsequent decrees and regulations issued in early 2007; inflation rate of 2.1%; annual employee turnover rate of 4.01%; annual probability of requests for advances of 4.0%. The discount rate applied in 2023 was 3.15%, which is the reporting-date rate of return of high-quality bonds with maturity dates approximating those of the Polynt S.p.A.'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.
- Polynt Composites France S.A.: discount rate of 3.4% and future salary growth rate of 3.6%.
- Polynt Composites UK Ltd. (formerly Reichhold UK Ltd.): discount rate of 4.5% and future salary growth rate of 3.0%.
- Polynt Composites Norway A.S.: discount rate of 3.1% and future salary growth rate of 3.5%.
- Polynt Composites Mexico S.A. de C.V.: inflation rate of 4%, discount rate of 9.8% and future salary growth rate of 5.5%.
- Reichhold India: discount rate of 7.3% and future salary growth rate of 8.0%.
- Polynt Composites Korea Co. Ltd.: discount rate of 5.2% and future salary growth rate of 3.0%.

The movements in net defined benefit (asset) liability (post-employment benefits) are as follow:

	Defined Benefit Obligation 31-Dec-23	Fair value of plan assets 31-Dec-23	Net defined benefit liability 31-Dec-23
Balance - beginning of the year	**28,993**	**20,004**	**8,989**
Included in Profit or Loss			
Current Service costs	551	(12)	563
Past Service costs	-	-	-
Interest costs	922	628	294
Total	**1,473**	**616**	**857**
Included in Other comprehensive income			
Remesaurment loss (gain)			
Actuarial loss (gain) arising from:			
- Demographic assumptions	(69)	-	(69)
- Financial assumptions	1,029	-	1,029
- Experience adjustment	66	-	66
Return on plan assets excluding interest income	161	94	67
Effect of movements in exchange rates	(50)	286	(336)
Total	**1,137**	**380**	**757**
Other			
Employer contributions	-	223	(223)
Plan participants' contributions	9	9	-
Benefits paid	(1,567)	(452)	(1,115)
Balance End of year	**30,045**	**20,780**	**9,265**

Current portion of employee benefits

(Euro thousand)	**31-Dec-23**	**31-Dec-22**
Employee benefits - current	19,484	44,326
Total	**19,484**	**44,326**

Employee benefits represents amounts owed to employees at the reporting date and not yet paid (remuneration, bonus for incentive plans and vacation vested but not yet taken).

23. Deferred tax liabilities

Deferred tax liabilities ("DTL") on property, plant and equipment are mainly due to the higher carrying amounts reported for financial reporting purposes versus the tax carrying value and to the inventory.

The changes during the year were as follows:

(Euro thousand)	31-Dec-22	Increase	Decrease	Exchange rate	31-Dec-23
PPE	48,756	13,057	(15,407)	(466)	45,940
Other long term tax debts	21,382	9,135	32	(303)	30,246
Goodwill	1,210	-	-	-	1,210
Non current assets	852	133	(146)	29	869
Inventories	7,107	-	(7,107)	-	-
TOTAL	**79,307**	**22,325**	**(22,628)**	**(739)**	**78,265**

"Other differences" include EUR 18.8 million related to deferred tax liabilities on distributable retained earning mainly arising from US.

24. Trade payables

Trade payables by region are as follows:

(Euro thousand)	31-Dec-23	31-Dec-22
Europe	128,078	165,083
Americas	83,978	88,440
Asia	16,767	19,483
Total trade payables	**228,823**	**273,006**

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

25. Current tax liabilities

Current tax liabilities are as follows:

(Euro thousand)	31-Dec-23	31-Dec-22
Corporate tax	14,678	23,019
Total	**14,678**	**23,019**

The corporate tax liabilities mainly refer to the taxable profit arising in US and Mexico.

26. Other current liabilities

Other current liabilities are as follows:

(Euro thousand)	31-Dec-23	31-Dec-22
Other payable	9,765	11,561
Amounts payable to supplementary funds for employees	5,758	3,891
VAT payable	5,449	7,451
Accrued expenses and deferred income	4,385	5,769
Social security charges	3,588	3,745
Withholdings on employees/self-employers	2,499	2,394
Total	**31,444**	**34,811**

"Other payable" mainly includes unpaid consulting and transaction costs related to transactions occurred in November 2021 and July 2023.
"Accrued expenses and deferred income" includes EUR 4.1 million related to the capital contribution received for the new maleic anhydride ALMA reactor installation at the Ravenna site (Italy).
The caption *"Social security charges"* includes all the social contributions due and not yet paid at the reporting date.

27. Commitments

The breakdown of commitments are as follows:

Securities and guarantees given to third parties in the Group's interest	31-Dec-23	31-Dec-22
- the Region of Lombardia for waste treatment	635	635
- customs authorities	559	1,442
- the Municipal Authorities of Scanzorosciate	250	250
- suppliers	64	3,173
- the Municipal Authorities of San Giovanni	22	22
Others	192	192
Total	**1,722**	**5,714**

The obligations related to the Notes and the RCF Agreement are guaranteed by SCIL IV LLC, SCIL USA Holdings LLC and the following subsidiaries: Specialty Chemicals International B.V., Specialty Chemicals Holdings I B.V., Specialty Chemicals Holdings II B.V., Reichhold Holdings International B.V., Coöperatie Reichhold Holdings Netherlands U.A., Polynt S.p.A., Polynt Composites USA Inc., Polynt Composites Holding UK Limited, Polynt Composites UK Ltd., Polynt UK Ltd., Polynt Composites Norway AS, Polynt Composites Germany GmbH and Polynt Composites Spain SL.

The list of guarantors might expand over time in accordance with certain principles but essentially on an annual basis, after delivery of the Consolidated financial statements, the Group shall ensure that the obligors account for at least 80% of the Consolidated EBITDA of the Group by excluding any subsidiary that is prevented from becoming a guarantor or would not be required to become a guarantor in accordance with the Agreed Security Principles (the "Guarantor Coverage Test"). If so required, any subsidiary whose EBITDA is equal or exceeds 5% of the Consolidated EBITDA and is incorporated in a Security Jurisdiction, shall also become an additional obligor but no subsidiary of the Group incorporated in inter alios, Mexico, Brazil, China (including Hong Kong), India, South Korea and Malaysia shall be required to provide any guarantee or security.

The Notes and the obligations under the RCF Agreement are secured, subject to the applicable Agreed Security Principles, by security interests over:

- The shares of each guarantor and any other Material Subsidiary of SCIL IV;
- Certain loan proceeds;
- All assets owned by the guarantors incorporated in the United Kingdom, secured by means of a floating charge, by excluding trade receivables, bank accounts or inventory;

All assets owned by guarantors incorporated in the United States, by excluding assets and property designated as collateral for the ABL Facility and real estate.

Consolidated Statement of profit or loss and other comprehensive income

28. Revenue

Revenues by regional segment are as follows:

(Euro thousand)	2023	2022
Americas	1,242,050	1,533,677
Europe	1,010,161	1,265,610
Asia	128,941	171,992
Total	**2,381,152**	**2,971,279**

29. Raw materials, consumables and supplies

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

(Euro thousand)	2023	2022
Raw materials	1,172,040	1,576,998
Consumables and supplies	86,306	106,153
Variation in work in progress, semi-finished and finished products	47,869	(11,508)
Products for maintenance	13,468	15,301
Finished products for resale	4,813	16,447
Others	1,654	1,558
Internal work capitalised under non-current assets	(168)	(8,340)
Total	**1,325,982**	**1,696,609**

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.

The internal work capitalized refers to costs associated with internally capitalized projects including catalyst replacement activities, the design of new manufacturing plants, improvements to existing plants, and projects that create other intangible assets.

30. Cost of services

(Euro thousand)	2023	2022
Energy	67,091	139,127
Other services	222,927	245,299
Total	**290,018**	**384,426**

"Energy" includes the purchase of energy resources (e.g., electrical energy, steam, water, and natural gas). The decrease is due to lower production and unit prices.

Other service costs are detailed as follows:

(Euro thousand)	2023	2022
Product transport costs	103,119	121,512
Maintenance services	34,186	34,842
Production services	28,030	29,070
Loading and disposing of waste	18,261	18,719
Insurance premiums	12,822	11,509
Consultancy, audit and legal fees	9,951	11,480
Rentals	6,979	6,194
IT costs and services	4,841	5,470
Technical services and consultancy	1,832	3,639
Commissions	1,741	2,087
Others	1,165	777
Total	**222,927**	**245,299**

Product transport and commission costs are related to the sale and shipment of the Group's products.

Production and maintenance service costs represent costs for subcontracted production, maintenance of production equipment and handling of materials.

31. Personnel expense

Personnel expense includes all expenses incurred during the year to compensate employees and for the Group company's Directors' fees, as shown in the following table:

(Euro thousand)	2023	2022
Wages and salaries	187,247	197,500
Social security contributions	30,676	34,508
Other personnel expenses	22,352	21,855
Accruals for long term benefit	7,417	6,185
Board of directors' fees	2,128	5,316
Total	**249,820**	**265,364**

The decrease in Wages and salaries is mainly due to lower headcount.

Other personnel expenses are as follows:

(Euro thousand)	2023	2022
Healthcare contributions	12,585	12,379
Temporary employment	3,487	4,050
Sundry expenses	3,060	2,232
Company canteen expenses	1,248	1,304
Training costs	1,204	968
Medical care	768	922
Total	**22,352**	**21,855**

During 2023 the Group spent approximately EUR 21.8 million for research activities. These research costs include personnel and service costs that were not capitalized as they do not meet the criteria of IAS 38.

The workforce, by regional segment, is as follows:

(Euro thousand)	2023 year end	2023 average	2022 year end	2022 average
Europe	1,622	1,643	1,682	1,692
America	1,174	1,189	1,193	1,157
Asia	240	244	249	259
Total	**3,036**	**3,076**	**3,124**	**3,108**

32. Other operating income/expenses

The breakdown of other operating income is as follows:

(Euro thousand)	2023	2022
Prior year cost recoveries	3,591	2,387
Others	1,785	4,561
Gain on the disposal of fixed assets	464	10,987
Third party damage reimbursements	293	253
Release provisions	142	54
Insurance compensation	93	103
Grants	15	147
Total	**6,383**	**18,492**

"Prior year cost recoveries" includes adjustments for minor costs incurred in the current year compared to the accruals recognized in the prior year.
"Gain on the disposal of fixed assets" in 2022 included the Brampton site sale proceeds in Polynt Coatings Canada.

Other operating expenses are as follows:

(Euro thousand)	2023	2022
Other charges	6,702	3,577
Property tax	5,509	5,122
Other operating local taxes	1,547	1,791
Provisions for risks and charges	808	8,543
Industrial association contributions and membership fee	676	678
Bad debts	147	507
Losses on the disposal of fixed assets	30	341
Total	**15,419**	**20,559**

"Other charges" mainly includes restructuring expenses, contractual penalties, tax and duty expenses incurred by the various Group companies.
The increase is mainly due to the costs incurred for the restart of the Port Moody site in Canada.

33. Amortisation, depreciation and impairment losses

The breakdown is as follow:

(Euro thousand)	2023	2022
Depreciation	54,239	59,074
Amortization	4,332	10,229
Total	**58,571**	**69,303**

Reference should be made to notes 7 and 9 on "*Property, plant and equipment*" and "*Other intangible assets*", respectively, for a specific analysis of depreciation, amortisation, and impairment losses.

34. Financial income

Financial income includes the following:

(Euro thousand)	2023	2022
Exchange rate gains	22,800	40,025
Bank interest	12,947	3,915
Other financial income	1,156	1,129
Total	**36,903**	**45,069**

"*Exchange rate gains*" mainly include EUR 10.2 ml million related to an intercompany loan denominated in USD owning from SCIL IV LLC to Polynt Composites USA. The balance refers to trade receivables, trade payables and cash equivalents denominated in foreign currencies.

35. Financial expense

Financial expenses are as follows:

(Euro thousand)	2023	2022
Bank interest	95,768	70,580
Exchange rate losses	29,053	16,079
Amortization capitalized financial expenses	12,423	10,822
Other financial expenses	4,238	3,464
Interest expenses (IFRS 16)	522	208
Total	**142,004**	**101,153**

"*Loan Interests*" includes interest expenses accrued and/or paid on current and non-current loans (see note 20).

"*Exchange rate losses*" mainly include EUR 14.6 ml million related to Floating Rate Senior Secured Notes and to Additional EUR Fixed Rate Senior Secured Notes owned by SCIL USA Holding LLC. The remaining part refers to trade receivables, trade payables and cash equivalents denominated in foreign currencies.

"*Amortisation capitalized financial expenses*" refer to up-front one-off borrowing costs incurred upon entering into the Notes and RCF loan.

36. Income taxes

Income taxes are as follows:

(Euro thousand)	2023	2022
Corporate income taxes	109,088	121,489
Deferred tax income and expense	(10,827)	28,416
Prior year taxes	2,080	1,374
Total	**100,341**	**151,279**

Reference should be made to the notes to *"Deferred tax assets"* (note 11) and *"Deferred tax liabilities"* (note 23) 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)	2023		2022	
Profit/(loss) before tax		**342,624**		**497,426**
Theoretical tax charge using Parent's tax rate	25.0%	(85,656)	19.0%	(94,511)
Effect of tax rates in foreign jurisdictions and income tax accounted by components		(23,432)		(26,978)
Net tax effect for permanent differences		10,827		(28,416)
Changes in estimates related to prior years		(2,080)		(1,374)
Income taxes	29.3%	**(100,341)**	30.4%	**(151,279)**

37. Directors' remuneration

Compensation, including pension costs charged in the financial year to the company, its subsidiaries and consolidated other companies amounted to EUR 5,978 thousand for top executives of the Group. The total amount for 2023 includes EUR 5,279 thousand for salaries and EUR 699 thousand for pension.

(Euro thousand)	31-Dec-23	31-Dec-22
Director's salary	5,978	6,180
Director's bonus	-	5,383
Total	**5,978**	**11,563**

38. Risks deriving from financial instruments

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

a. Credit risk, in relation to both normal trading transactions with customers and financing activities;
b. Liquidity risk, with particular reference to the availability of financial resources and access to the credit market and financial instruments in general;

c. 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 in 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 most 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)

The obligations under the Indentures of the Senior Secured Notes co-issued by SCIL IV LLC and SCIL USA Holdings LLC and all borrowings under the SSRCF Agreement are secured by the equity of the Company and certain Subsidiaries and are guaranteed by the Company and certain subsidiaries. A Guarantor Coverage Test provided under SSRCF will have to be satisfied on an annual basis.

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-23	31-Dec-22
Cash and cash equivalents	381,384	189,143
Trade receivables	246,711	313,903
Other Current Assets	22,998	31,199
Other Financial assets	764	675

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

December 31, 2023

(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	255,670	229,591	26,079	18,061	2,368	604	332	4,714
Bad debt provision	(8,959)	(2,039)	(6,920)	(1,515)	(139)	(320)	(286)	(4,660)
Trade receivables net	**246,711**	**227,552**	**19,159**	**16,546**	**2,229**	**284**	**46**	**54**

December 31, 2022

(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	323,203	292,808	30,395	21,737	2,467	200	1,171	4,820
Bad debt provision	(9,300)	(1,645)	(7,655)	(1,546)	(411)	(180)	(760)	(4,758)
Trade receivables net	**313,903**	**291,163**	**22,740**	**20,191**	**2,056**	**20**	**411**	**62**

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

(Euro thousand)	31-Dec-23	31-Dec-22
Opening balance	**9,300**	**11,644**
Accruals	450	910
Utilisations	(801)	(3,579)
Translation rate differences	10	325
Closing balance	**8,959**	**9,300**

Based on previous experience, the Group has impaired a specific part of trade receivables on an individual basis because there were 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 set up for receivables not impaired individually and is determined based on losses incurred in 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: (i) maintaining a suitable level of available liquidity; (ii) diversifying the systems used to obtain financial resources; (iii) being continuously and actively present in the capital markets; (iv) obtaining adequate credit facilities; and (v) 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 generated by its operating and financing activities, will enable the Group to meet its investing and working capital requirements.

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

(Euro thousand)		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**							
USD Senior Secured Fixed Rate Notes	SCIL USA Holdings LLC	693,944	798,688	18,484	18,484	36,968	724,751	-
EUR Senior Secured Notes	SCIL USA Holdings LLC	313,538	442,896	14,646	14,250	28,500	385,500	-
EUR Senior Secured Notes	SCIL IV LLC	327,370	367,656	7,109	7,109	14,219	339,219	-
Floating Rate Senior Secured Notes	SCIL USA Holdings LLC	253,486	312,141	10,356	10,425	20,680	270,680	-
Floating Rate Senior Secured Notes	SCIL IV LLC	76,046	93,642	3,107	3,127	6,204	81,204	-
Credit Agricole	Polynt S.p.A.	10,000	10,678	1,485	2,708	6,485	-	-
CDP Financing	Polynt S.p.A.	11,500	12,255	1,983	1,950	3,789	4,533	-
Others financial debts (IFRS 16)		15,438	15,438	2,478	2,185	3,493	5,170	2,113
Banca Popolare di Sondrio	Polynt S.p.A.	8,093	8,836	1,393	1,369	2,667	3,407	-
Banco Desio	Polynt S.p.A.	4,518	4,825	1,090	1,081	2,129	525	-
BPER	Polynt S.p.A.	6,089	6,361	2,141	2,120	2,099	-	-
Credit Agricole	Polynt S.p.A.	4,000	4,259	589	1,080	2,590	-	-
BNP - Loan Covered by French Government	Polynt Composites France S.A.	1,080	1,080	195	195	690	-	-
Loan BBVA	Polynt Composites Spain S.L.	460	460	152	153	154	-	-
Others financial debts		996	1,016	912	-	41	63	-
Financial debt	Polynt Composites Spain S.L.	789	789	775	-	15	-	-
Trade payables		228,823	228,823	114,412	114,412	-	-	-
Total		**1,956,169**	**2,309,843**	**181,307**	**180,648**	**130,723**	**1,815,052**	**2,113**

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

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

Banks	Company	Credit lines 31-Dec-2023	*of which financial lines (*)*	Credit lines 31-Dec-2022	*of which financial lines (*)*
RCF Loan	RCF Borrowers	105,000	105,000	85,000	85,000
PNC Bank	Polynt Composites USA Inc.	90,498	-	93,756	-
Crédit Agricole Italia	Polynt S.p.A.	34,000	24,000	15,000	5,000
BNP Paribas Factor	Polynt Composites France S.A.	19,000	-	19,000	-
Banca popolare di Milano	Polynt S.p.A.	17,000	10,200	17,000	10,200
Banca popolare di Sondrio	Polynt S.p.A.	16,593	11,593	18,948	13,948
BPER	Polynt S.p.A.	16,089	16,089	20,000	20,000
Banca IFIS Factoring	Polynt S.p.A.	13,700	-	13,850	-
IFITALIA	Polynt S.p.A.	12,000	-	12,000	-
Cassa Depositi e Prestiti	Polynt S.p.A.	11,500	11,500	-	-
BNP Paribas Factor	Polynt Composites Spain S.L.	11,000	-	11,000	-
BPER Factor	Polynt S.p.A.	10,000	-	10,000	-
Eurofactor	Polynt S.p.A.	10,000	-	10,000	-
Unicredit Banca d'Impresa	Polynt S.p.A.	8,000	8,000	8,000	8,000
Banco Desio	Polynt S.p.A.	7,168	7,168	7,650	7,650
Bank of China	Polynt Composites Malaysia Sdn. Bhd.	4,333	4,215	4,682	4,044
Citibank	Polynt Composites Korea Co. Ltd.	3,488	3,488	3,720	-
Intesa Sanpaolo	Polynt S.p.A.	3,200	200	3,230	230
Millenium Bank	Polynt Composites Poland Sp.Zo.o.	3,000	3,000	3,000	3,000
Keb Hana Bank	Polynt Composites Korea Co. Ltd.	2,790	2,790	2,976	-
Kotak Mahindra Bank Ltd	Reichhold India Private Ltd	3,755	3,755	2,495	2,495
BBVA	Polynt Composites Spain S.L.	1,475	1,475	1,806	1,806
Banca IFIS	Polynt S.p.A.	2,000	2,000	2,000	2,000
BNP Paribas	Polynt Composites France S.A.	1,080	1,080	-	-
Millenium Bank (factoring)	Polynt Composites Poland Sp.Zo.o.	1,500	-	1,500	-
Banca Nazionale del Lavoro	Polynt S.p.A.	300	300	300	300
HSBC	Polynt UK Ltd	345	345	-	-
Volksbank	Polynt Composites Germany GmbH	300	300	300	300
BNP Paribas Draft Facility	Polynt Composites France S.A.	300	300	300	300
Creval	Polynt S.p.A.	-	-	21,875	16,875
Medio Credito Centrale	Polynt S.p.A.	-	-	136	136
Wells Fargo	Polynt Composites USA Inc.	-	-	300	300
Itaú	Reichhold Brazil	-	-	89	89

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 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 31, 2023

31-dic-23	Trade receivables	Trade payables	Gross exposure for currency	Trade receivables (EUR)	Trade payables (EUR)	Gross exposure for currency (EUR)
EUR	104,494	(120,448)	**(15,954)**	104,494	(120,448)	**(15,954)**
USD	96,933	(87,749)	**9,184**	87,723	(79,411)	**8,312**
PLN	659	(7,470)	**(6,811)**	152	(1,721)	**(1,569)**
CNY	38,064	(19,263)	**18,801**	4,848	(2,454)	**2,394**
GBP	6,331	(3,649)	**2,682**	7,286	(4,198)	**3,088**
JPY	5,222	-	**5,222**	33	-	**33**
SEK	691	-	**691**	62	-	**62**
AUD	529	(3)	**526**	325	(2)	**323**
KRW	15,213,129	(11,158,003)	**4,055,126**	10,611	(7,783)	**2,828**
NOK	63,160	(34,682)	**28,478**	5,619	(3,085)	**2,534**
CAD	883	(1,584)	**(701)**	603	(1,082)	**(479)**
MYR	6,592	(3,147)	**3,445**	1,298	(620)	**678**
INR	1,199,453	(337,271)	**862,182**	13,051	(3,670)	**9,381**
BRL	59,144	(11,714)	**47,430**	11,031	(2,185)	**8,846**
MXN	158,865	(40,524)	**118,341**	8,485	(2,164)	**6,321**
DKK	368	-	**368**	49	-	**49**
Total				**255,670**	**(228,823)**	**26,847**

31-dic-23	Financial asset	Short term loan	Long term loan	Gross exposure for currency	Financial asset (EUR)	Short term loan (EUR)	Long Term loan (EUR)	Gross exposure for currency (EUR)
EUR	86	(21,995)	(978,763)	**(1,000,672)**	86	(21,995)	(978,762)	**(1,000,671)**
USD	533	(25,728)	(760,000)	**(785,195)**	483	(23,284)	(687,783)	**(710,584)**
GBP	5	-	-	**5**	6	-	-	**6**
KRW	1,000	-	(16,749)	**(15,749)**	1	-	(12)	**(11)**
INR	17,323	-	-	**17,323**	188	-	-	**188**
BRL	-	-	(385)	**(385)**	-	-	(72)	**(72)**
Total					**764**	**(45,279)**	**(1,666,629)**	**(1,711,144)**

December 31, 2022

31-dic-22	Trade receivables	Trade payables	Gross exposure for currency	Trade receivables (EUR)	Trade payables (EUR)	Gross exposure for currency (EUR)
EUR	126,390	(162,288)	**(35,898)**	126,390	(162,289)	**(35,899)**
USD	130,518	(86,387)	**44,131**	122,368	(80,993)	**41,375**
PLN	5,053	(5,653)	**(600)**	1,080	(1,208)	**(128)**
CNY	73,914	(28,465)	**45,449**	10,045	(3,869)	**6,176**
GBP	8,719	(3,306)	**5,413**	9,830	(3,728)	**6,102**
JPY	24,720	-	**24,720**	176	-	**176**
SEK	344	-	**344**	31	-	**31**
AUD	833	(2)	**831**	531	(2)	**529**
KRW	15,665,931	(11,434,130)	**4,231,801**	11,655	(8,507)	**3,148**
NOK	17,170	(14,605)	**2,565**	1,633	(1,390)	**243**
CAD	421	(2,796)	**(2,375)**	292	(1,936)	**(1,644)**
CZK	-	(185)	**(185)**	-	(8)	**(8)**
MYR	8,138	(3,557)	**4,581**	1,732	(757)	**975**
INR	1,228,046	(299,148)	**928,898**	13,928	(3,393)	**10,535**
BRL	73,722	(21,623)	**52,099**	13,074	(3,835)	**9,239**
CHF	-	(1)	**(1)**	-	(1)	**(1)**
MXN	204,155	(22,364)	**181,791**	9,789	(1,072)	**8,717**
DKK	4,769	(135)	**4,634**	641	(18)	**623**
SGD	11	-	**11**	8	-	**8**
Total				**323,203**	**(273,006)**	**50,197**

31-dic-22	Financial asset	Short term loan	Long term loan	Gross exposure for currency	Financial asset (EUR)	Short term loan (EUR)	Long Term loan (EUR)	Gross exposure for currency (EUR)
EUR	9	(16,891)	(685,108)	**(701,990)**	9	(16,891)	(685,107)	**(701,989)**
USD	707	(6,936)	(760,000)	**(766,229)**	663	(6,503)	(712,544)	**(718,384)**
KRW	4,600	-	(23,894)	**(19,294)**	3	-	(18)	**(15)**
BRL	-	-	(455)	**(455)**	-	-	(81)	**(81)**
Total					**675**	**(23,394)**	**(1,397,750)**	**(1,420,469)**

As of December 31, 2023, an increase or decrease of 10% in USD currency exposure would impact profit or loss and equity by EUR 63,843 thousand and (EUR 78,030) thousand, respectively.
As of December 31, 2023, an increase or decrease of 10% in INR currency exposure would impact profit or loss and equity by (EUR 870) thousand and EUR 1,063 thousand, respectively.
As of December 31, 2023, an increase or decrease of 10% in BRL currency exposure would impact profit or loss and equity by (EUR 798) thousand and EUR 975 thousand, respectively.
As of December 31, 2023, an increase or decrease of 10% in GBP currency exposure would impact profit or loss and equity by (EUR 281) thousand and EUR 344 thousand, respectively.
As of December 31, 2023, an increase or decrease of 10% in CNY currency exposure would impact profit or loss and equity by (EUR 218) thousand and EUR 266 thousand, respectively.

The main exchange rates applied to translate the items expressed in a foreign currency into Euro in 2023 and 2022 are detailed below:

Currency		Average 2023	Average 2022	Year-end 31-Dec-23	Year-end 31-Dec-22
USD	U.S. Dollar	1,08	1,05	1,11	1,07
AUD	Australian Dollar	1,63	1,52	1,63	1,57
BRL	Real	5,40	5,44	5,36	5,64
CAD	Canadian Dollar	1,46	1,37	1,46	1,44
CNY	Renminbi	7,66	7,08	7,85	7,36
CZK	Czech crown	24,00	24,57	24,72	24,12
DKK	Danish krone	7,45	7,44	7,45	7,44
HKD	Hong Kong Dollar	8,47	8,25	8,63	8,32
INR	Indian Rupia	89,30	82,69	91,90	88,17
JPY	Japanese Yen	151,99	138,03	156,33	140,66
KRW	South Korean Won	1.412,88	1.358,07	1.433,66	1.344,09
MYR	Ringgit	4,93	4,63	5,08	4,70
MXN	Peso Mexican	19,18	21,19	18,72	20,86
NOK	Norwegian krone	11,42	10,10	11,24	10,51
PLN	Zloty	4,54	4,69	4,34	4,68
SGD	Singapore Dollar	1,45	1,45	1,46	1,43
SEK	Swedish krone	11,48	10,63	11,10	11,12
AED	Dirham	3,97	3,87	4,06	3,92
GBP	Pound Sterling	0,87	0,85	0,87	0,89
TRY	Turkish lira	25,76	17,41	32,65	19,96
CHF	Swiss Franc	0,97	1,00	0,93	0,98

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 borrows with third parties and invests available liquidity in deposits 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 on December 31, 2023, and 2022 are illustrated in the table below:

(Euro thousand)		31-Dec-23 Currency	31-Dec-23 Year of maturity	31-Dec-23 Carrying amount	31-Dec-22 Currency	31-Dec-22 Year of maturity	31-Dec-22 Carrying amount
USD Senior Secured Fixed Rate Notes	SCIL USA Holdings LLC	USD	2026	687,783	USD	2026	712,545
EUR Senior Secured Notes	SCIL IV LLC	EUR	2026	325,000	EUR	2026	325,000
EUR Senior Secured Fixed Rate Notes	SCIL USA Holdings LLC	EUR	2028	300,000			-
Floating Rate Senior Secured Notes	SCIL USA Holdings LLC	EUR	2026	250,000	EUR	2026	250,000
Floating Rate Senior Secured Notes	SCIL IV LLC	EUR	2026	75,000	EUR	2026	75,000
Accrued Interest - EUR SSN	SCIL USA Holdings LLC	EUR	2024	13,538			-
CDP financing	Polynt S.p.A.	EUR	2024 - 2026	11,500			-
Credit Agricole	Polynt S.p.A.	EUR	2024 - 2025	10,000	EUR	2023 - 2025	11,875
Banca Popolare di Sondrio	Polynt S.p.A.	EUR	2024 - 2027	8,093	EUR	2023 - 2027	10,448
Accrued Interest - USD SSN	SCIL USA Holdings LLC	USD	2024	6,161	USD	2023	6,383
BPER	Polynt S.p.A.	EUR	2024 - 2025	6,089	EUR	2023 - 2025	10,000
Banco Desio	Polynt S.p.A.	EUR	2024 - 2026	4,518	EUR	2023 - 2026	5,000
Credit Agricole	Polynt S.p.A.	EUR	2024 - 2025	4,000	EUR	2023 - 2025	5,000
Accrued Interest - EUR FRN	SCIL USA Holdings LLC	EUR	2024	3,486	EUR	2023	2,514
FRN and SSN interest accrual	SCIL IV LLC	EUR	2024	3,416	EUR	2023	3,124
BNP - Loan Covered by French Government	Polynt Composites France S.A.	EUR	2026	1,080	EUR	2026	1,467
Others financial debts		EUR		996	EUR		847
Financial debt		EUR	2024 - 2025	789	EUR	2023 - 2025	44
Loan BBVA	Polynt Composites Spain S.L.	EUR	2024 - 2025	460	EUR	2023 - 2025	762
Banco Desio - Finimport	Polynt S.p.A.			-	EUR	2023	1,000
Medio Credito Centrale	Polynt S.p.A.			-	EUR	2023	136
Total financial indebtedness				**1,711,908**			**1,421,145**

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, benzene, styrene and pseudocumene.

The price risk is managed and optimized by the Group's centralized 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 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 2023	Carrying amount						Fair value		
(Euro thousand)	Assets at amortized cost	Financial liabilities at amortized cost	FVOCI - Equity instruments	Fair Value through profit and loss	Other financial liabilities	Total	Level 1	Level 2	Level 3
Assets									
Trade and other receivables	246,711	-	-	-	-	246,711			
Financial assets	764	-	-	-	-	764			
Cash and cash equivalents	381,384	-	-	-	-	381,384			
Total - Assets	**628,859**	-	-	-	-	**628,859**			
Financial liabilities									
Other long term Loans	-	(1,620,488)	-	-	-	(1,620,488)	(1,623,825)		
Total - Financial liabilities	-	**(1,620,488)**		-	-	**(1,620,488)**			
Other									
Short term bank loans	-	-	-	-	(45,279)	(45,279)			
Others financial debts (IFRS 16)	-	-	-	-	(15,438)	(15,438)			
Trade payables to suppliers	-	-	-	-	(228,823)	(228,823)			
Total - Other	-	-	-	-	**(289,540)**	**(289,540)**			

31 December 2022	Carrying amount						Fair value		
(Euro thousand)	Assets at amortized cost	Financial liabilities at amortized cost	FVOCI - Equity instruments	Fair Value through profit and loss	Other financial liabilities	Total	Level 1	Level 2	Level 3
Assets									
Trade and other receivables	313,903	-	-	-	-	313,903			
Financial assets	675	-	-	-	-	675			
Cash and cash equivalents	189,143	-	-	-	-	189,143			
Total - Assets	**503,721**	-	-	-	-	**503,721**			
Financial liabilities									
Other long term Loans	-	(1,347,876)	-	-	-	(1,347,876)	(1,188,959)		
Total - Financial liabilities	-	**(1,347,876)**	-	-	-	**(1,347,876)**			
Other									
Short term bank loans	-	-	-	-	(23,394)	(23,394)			
Others financial debts (IFRS 16)	-	-	-	-	(15,167)	(15,167)			
Trade payables to suppliers	-	-	-	-	(273,006)	(273,006)			
Total - Other	-	-	-	-	**(311,567)**	**(311,567)**			

40. Auditor's fee

The Group's auditor's fees for audit services are EUR 1,999 thousand (2022: EUR 2,013 thousand) and the non-audit services fees are EUR 1,496 thousand. (2022: EUR 342 thousand).

41. Significant events of the reporting period ended December 31, 2023

Relevant transactions that occurred during the reporting period ended December 31, 2023, are as follow:

- on January 1, 2023, the merger of Reichhold S.r.l. into Polynt S.p.A. was completed;
- on April 21, 2023, Reichhold Trading (Beijing) Ltd. was dissolved and deregistered from the relevant Companies Register;
- the Group has carried out certain transactions to reduce the number of operating entities in the same jurisdiction to achieve operational efficiencies:

  - on June 16, 2023, Reichhold Holdings International B.V. (the "Seller") executed an agreement with Polynt Composites Norway AS (the "Buyer") for the purchase of the entire issued share capital of Reichhold AS (the "Reichhold AS Transfer");
  - on June 16, 2023, the relevant Boards of Directors of Polynt Composites Norway AS and Reichhold AS approved a merger plan pursuant to which the assets, rights and obligations of Reichhold AS has been transferred in their entirety for no consideration to Polynt Composites Norway upon the consummation of the merger for no consideration (the "Merger");
- through a series of transactions, Polynt Composites II, LLC was transformed into an Italian limited liability company and renamed PC II US S.r.l. effective June 28, 2023;
- on July 10, 2023, SCIL IV LLC ("SCIL IV"), together with its wholly owned direct subsidiary, SCIL USA Holdings LLC (the "U.S. Co-Issuer" and, together with SCIL IV LLC, the "Issuers") approved the issuance of EUR 300 million aggregate principal amount of 9.500% senior secured notes due July 15, 2028 (the "Offering");
- in connection with the Offering, the commitments under the SSRCF have been increased from EUR 85 million to EUR 105 million (such increase, the "SSRCF Upsize" and, together with the Offering, the "Transactions");
- the proceeds of the Offering, together with cash on the Company's balance sheet, have been used to fund a special dividend (the "Dividend") to the shareholders of the Company. The Dividend was paid on July 11, 2023, and involved the following steps:
  - on July 10, 2023, SCIL USA declared a cash dividend (gross of any taxes, withholdings and similar charges) of USD 328,545,800 to SCIL IV, paid in cash in Euro for an amount equal to EUR 302,000,000, net of withholdings required to be made by law, subject to and following completion of the Offering and receipt of the proceeds thereof (the "Distribution");
  - on July 11, 2023, further to the receipt of the distribution from the U.S. Co-Issuer, SCIL IV LLC paid a cash dividend of EUR 285,950,000 to its sole member, SCIL III LLC;
  - on July 11, 2023, further to the receipt of a distribution from SCIL IV LLC, SCIL III LLC paid a cash dividend of EUR 285,945,000 to SCIL II (TopCo) Limited;
  - on July 11, 2023, further to the receipt of a distribution from SCIL III LLC, SCIL II (TopCo) Limited paid a cash dividend of EUR 285,650,000 to SCIL (its sole shareholder);
  - on July 11, 2023, further to the receipt of a distribution from SCIL II (TopCo) Limited, the Company declared and paid a dividend of EUR 282,150,000 to

the holders of ordinary shares in the capital of the Company in proportion to their holding.

- on July 11, 2023, Reichhold CZ was dissolved and cancelled from the relevant Commercial Register;
- on July 12, 2023, the transfer of the participation in Reichhold AS from Reichhold Holdings International B.V. to Polynt Composites Norway AS was completed;
- on July 27, 2023, the transfer of the participation in Reichhold UK Ltd. ultimately to Specialty Chemicals Holding II B.V. was completed;
- on August 23, 2023, the merger of Reichhold AS into Polynt Composites Norway AS was completed;
- on October 1, 2023, the reorganization of US entities was completed which involved the following steps:
    - the merger of PCCR USA Holdings Inc. into Specialty Chemicals International Inc.;
    - the merger of Specialty Chemicals International Inc. into SCIL USA Holdings LLC;
    - the merger of Reichhold LLC2 into Polynt Composites USA Inc.;
- on November 3, 2023, SCIL II (TopCo) Limited paid an interim dividend of EUR 168,000,000 to the Company. The distribution was funded with the proceeds of a loan made by Polynt Composites USA to SCIL IV LLC on November 2, 2023, and the subsequent distributions of those proceeds all the way up along the legal entity ownership chain from SCIL IV LLC to SCIL II (TopCo);
- on November 3, 2023, further to the receipt of a distribution from SCIL II (TopCo) Limited, the Company paid a dividend of EUR 168,000,000 (for an amount equal to $177,021,600) to the holders of ordinary shares in the capital of the Company in proportion to their holding;
- on December 1, 2023, Reichhold Quimica de Mexico S.A. de C.V. changed its corporate name to Polynt Composites Mexico S.A. de C.V.;
- on December 19, 2023, Polynt Composites UK Ltd. ("PC UK") and Reichhold UK Ltd. ("Reichhold UK") executed an Asset Purchase Agreement (the "APA") for the transfer of all PC UK assets and liabilities to Reichhold UK. Pursuant to the terms and conditions of the APA, Reichhold UK issued to PC UK a loan note equal to the net value of the assets and liabilities transferred (the "Loan Note") as consideration for the Asset Transfer, the value of which will be adjusted based on the Closing Accounts (as defined in the APA) after the Effective Date (1 January 2024);
- on December 20, 2023, Reichhold Denmark A/S was dissolved and cancelled from the relevant Commercial Register;

- on December 29, 2023, Polynt Composites UK Ltd. changed its name to Polynt Composites UK II Ltd. and Reichhold UK Ltd. changed its name to Polynt Composites UK Ltd.

42. Significant events after the reporting period

Significant events that occurred after December 31, 2023, reporting period are as follows:

- On January 1, 2024, the Asset Purchase Agreement between Polynt Composites II UK Ltd. (f/k/a Polynt Composites UK Ltd.) and Polynt Composites UK Ltd. (f/k/a Reichhold UK Ltd.) became effective.
- On April 30, 2024, the Extraordinary Shareholders' Meetings of Polynt S.p.A. and PC II US S.r.l. approved the Merger Plan of PC II US S.r.l. into Polynt S.p.A; the relevant Deed of Merger should be executed in June 2024.
- On April 30, 2024, Polynt S.p.A. executed a Share Purchase Agreement for the acquisition of 100% of the issued share capital of Polyprocess S.A.S., a limited liability company incorporated under the laws of France leading supplier of specialty gelcoats, color pastes and derivatives for the composites industry.
- Effective May 29, 2024, the reorganization of some Brazilian entities was completed which involved the following steps:
    - Transfer of 1 quota of Reichhold Resinas Sinteticas Ltda. from Specialty Chemicals Holding II BV to Reichhold Holdings International BV;
    - Transfer of 1 quota of Reichhold Investimentos Ltda. from Specialty Chemicals Holding II BV to Reichhold Holdings International BV;
    - Merger of Reichhold Resinas Sinteticas Ltda. and Reichhold Investimentos Ltda. into Reichhold do Brasil Ltda;
    - Increase of share capital, due to the merger, of Reichhold do Brasil Ltda. to R$ 131.181.184, 100% owned by Reichhold Holdings International BV.

This report was approved by the Board on June 24, 2024, and signed on its behalf by:

Director
54 Willow Lane
Mitcham
CR4 4NA

Separate financial statements

Separate Statement of financial position as of 31 December 2023

(Euro thousand)	Notes	2023	2022
Assets			
Non-current assets			
Participation	2	1,272,666	1,272,666
Total non current assets		**1,272,666**	**1,272,666**
Current assets			
Trade receivables	3	208	2,935
Other financial assets - current	4	1,966	-
Other current assets	5	1,132	16,587
Cash and cash equivalents	6	233	4,754
Total current assets		**3,539**	**24,276**
Total assets		**1,276,205**	**1,296,942**
Equity and liabilities			
Equity			
Share capital	7	48,174	48,174
Share premium	7	228,583	228,583
Capital redemption	7	37,000	37,000
Reserves	7	947,718	944,740
Total equity		**1,261,475**	**1,258,497**
Non-current liabilities			
Non-current financial indebtedness	8	7,490	7,759
Other non-current liabilities	9	2,991	3,098
Total non-current liabilities		**10,481**	**10,857**
Current liabilities			
Trade payables	10	791	2,504
Current financial indebtedness	8	-	4,687
Employee benefits	11	382	17,237
Other current liabilities	12	3,076	3,161
Total current liabilities		**4,249**	**27,588**
Total liabilities		**14,730**	**38,445**
Total equity and liabilities		**1,276,205**	**1,296,942**

The notes form an integral part of these consolidated financial statements.

This report was approved by the Board on June 24, 2024, and signed on its behalf by:

Director
54 Willow Lane
Mitcham CR4 4NA
Company registered number: 10143073

Separate Statement of changes in equity

(Euro thousand)	Issued Share capital	Share premium	Capital redemption	Other reserves	Retained earnings	Total
Balance at 1 January 2022	**48,174**	**250,583**	**37,000**	**483**	**953,114**	**1,289,354**
Shareholders contributions	-	-	-		-	-
Capital reduction	-	(22,000)	-	-	22,000	-
Share Buyback	-	-		-	-	-
Dividends	-		-	-	(297,110)	**(297,110)**
Result of the year	-	-	-	-	266,253	**266,253**
Balance at 31 December 2022	**48,174**	**228,583**	**37,000**	**483**	**944,257**	**1,258,497**

(Euro thousand)	Issued Share capital	Share premium	Capital redemption	Other reserves	Retained earnings	Total
Balance at 1 January 2023	**48,174**	**228,583**	**37,000**	**483**	**944,257**	**1,258,497**
Shareholders contributions	-	-	-		-	-
Capital reduction	-	-	-	-	-	-
Share Buyback	-	-		-	-	-
Dividends	-		-	-	(450,150)	**(450,150)**
Result of the year	-	-	-	-	453,128	**453,128**
Balance at 31 December 2023	**48,174**	**228,583**	**37,000**	**483**	**947,235**	**1,261,475**

The notes form an integral part of these consolidated financial statements.

Notes to the separate financial statements for the year ended 31 December 2023

The separate financial statements are part of the 2023 financial statements of Speciality Chemicals International Limited.

Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Under section s408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- comparative period reconciliations for share capital, tangible fixed assets, intangible assets and investment properties;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- disclosures in respect of the compensation of Key Management Personnel; and
- disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share-based payments;
- certain disclosures required by IFRS 13 Fair Value Measurement, and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.
Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in notes.

For the purposes of a more correct representation of the data, during the year some reclassifications were made in the balance sheet and profit or loss items which led to the recalculation of some balances with regard to the previous year. These reclassifications did not change shareholders' equity or the result of the previous year.

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified as fair value through profit and loss, fair value through other comprehensive income (OCI) and liabilities for cash-settled share-based payments. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Business combinations

Unincorporated business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the company.

<u>Acquisitions on or after January 01, 2010</u>

For acquisitions on or after January 01, 2010, the company measures goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus

- estimated amount of contingent consideration (see below); plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Significant accounting policies

"Significant accounting policies" in the consolidated Annual report apply also to the separate financial statements of Speciality Chemicals International Limited.

Notes to the balance sheet as of December 31, 2023

1. **Directors' remuneration**

The emoluments, including pension costs charged in the financial year to the Company amounted to EUR 674 thousand for Directors (EUR 689 thousand for Directors for 2022).

(Euro thousand)	31-Dec-23	31-Dec-22
Directors' remuneration	674	689
Total	**674**	**689**

2. **Participation**

(Euro thousand)	31-Dec-23	31-Dec-22
SCIL II (Topco) Ltd.	1,272,666	1,272,666
Total	**1,272,666**	**1,272,666**

The Company holds 100% of the shares of SCIL II (Topco) Ltd., UK.

For the full list of direct and indirect subsidiary undertakings, we refer to note 3 of the consolidated financial statements.

3. **Trade receivables**

Trade receivables amounted to EUR 208 thousand as of December 31, 2023, and EUR 2,935 thousand on December 31, 2022. Please refer to note 16 for further details.

4. **Other financial assets - current**

Other financial assets amounted to EUR 1,966 thousand as of December 31, 2023 (nil as of December 31, 2022) and it referred to the cash pooling financial balance owing from Specialty Chemicals Holdings II BV to SCIL.

5. Other current assets

Other current assets are composed as follows:

(Euro thousand)	31-Dec-23	31-Dec-22
Tax Credit with subsidiaries for Tax Consolidation	752	1,456
VAT receivable	380	20
Other receivables	-	15,111
Total	**1,132**	**16,587**

As of December 31, 2022, "*Other receivables*" referred to the intercompany balance with SCIL IV for the payment of consideration adjustment agreed in the SPA for the operation occurred on November 2, 2021. In 2023 SCIL IV repaid the total amount.

6. Cash and cash equivalents

Cash and cash equivalents as of December 31, 2023, are as follows:

(Euro thousand)	31-Dec-23	31-Dec-22
Bank and postal accounts	233	4,754
Total	**233**	**4,754**

7. Equity

As of December 31, 2023, the issued share capital consists of 4,817,413,231 ordinary shares of EUR 0.01 each (nominal value), for a total amount of EUR 48,174,132.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

The share premium, EUR 228,583 thousand as of December 31, 2023 (EUR 228,583 thousand in 2022), concerns the income from the issuing of shares in so far as this exceeds the nominal value of the shares (above par income) occurred during 2017 and 2023.

Retained Earnings include EUR 945,495 thousand of unrealized retained earnings not distributable.

On July 11, 2023, the Company declared and paid a dividend of EUR 282,150,000 to the holders of ordinary shares in the capital of the Company in proportion to their holding.
On November 3, 2023, the Company paid a dividend of EUR 168,000,000 (for an amount equal to $177,021,600) to the holders of ordinary shares in the capital of the Company in proportion to their holding.

8. Financial indebtedness

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

(Euro thousand)	31-Dec-23	31-Dec-22
Polynt Composites USA	7,490	7,759
Total long term financial indebtness	**7,490**	**7,759**

Refer to note “*Related party disclosure*” for further details.

Current financial indebtedness relates to current loans as follows:

(Euro thousand)	31-Dec-23	31-Dec-22
Other financial loan related parties	-	4,687
Total short term financial indebtness	**-**	**4,687**

As of December 31, 2022, short term financial indebtedness referred for EUR 3,328 thousand to legal and professional fees related to the 2021 transaction paid by Specialty Chemicals Holding I BV on behalf of SCIL. The total amount was settled in 2023.

9. Other non-current liabilities

Other non-current liabilities are detailed as follows:

(Euro thousand)	31-Dec-23	31-Dec-22
Other payable	2,991	3,098
Total	**2,991**	**3,098**

Refer to note “*Related party disclosure*” for further details.

10. Trade payables

Trade payables by geographical segment are detailed in the following table:

(Euro thousand)	31-Dec-23	31-Dec-22
Europe	791	2,504
Total trade payables	**791**	**2,504**

There are no trade payables expected to be settled in more than 12 months.

11. Employee benefits

Current portion of employee benefits are detailed in the following table:

(Euro thousand)	31-Dec-23	31-Dec-22
Wages and salaries payables	380	442
Pension payable	2	-
Employee benefits	-	16,795
Total	**382**	**17,237**

For details about current portion of employee benefits, we refer to note 22 of the consolidated financial statements.

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 taken).

Non-current portion of employee benefits are nil both for 2023 and 2022.

12. Other current liabilities

Other current liabilities are detailed in the following table:

(Euro thousand)	31-Dec-23	31-Dec-22
Dividends payable	2,324	2,735
Other payables	640	350
Withholdings on employees/self-employers	112	-
Social security charges	-	76
Total	**3,076**	**3,161**

"*Other payable*" refers to the remaining dividends to be paid to the shareholders after the approved distribution.

13. Contingent liabilities and contingent assets

The Company has not guaranteed the overdrafts of its subsidiaries.

14. Commitments

The Company has not contractual commitments.

15. Post balance sheet events

No significant events occurred after the reporting period ended December 31, 2023.

16. Related party disclosure

The balances outstanding with the related parties on December 31, 2023, are detailed below:

- EUR 7,490 thousand for non-current financial indebtedness to Polynt Composites USA (EUR 7,759 thousand on December 31, 2022) repayable on demand.

- EUR 2,991 thousand for other non-current liabilities to Polynt Composites USA (EUR 3,098 thousand on December 31, 2022) repayable on demand.
- EUR 1,966 thousand for current financial assets from Specialty Chemicals Holding I BV (EUR nil on December 31, 2022) for cash pooling financial balance.
- EUR 208 thousand for trade receivables to Polynt Composites Norway (EUR nil on December 31, 2022).
- EUR 176 thousand for other current assets related to Tax Consolidation from Polynt Composites UK (EUR 1,298 on December 31, 2022).
- EUR 193 thousand for other current assets related to Tax Consolidation from Polynt UK Ltd (EUR 158 on December 31, 2022).
- EUR 382 thousand for other current assets related to Tax Consolidation from Reichhold UK Ltd (EUR nil on December 31, 2022).
- EUR 4 thousand for trade payables to Reichhold UK Ltd (EUR 4 thousand on December 31, 2022).
- EUR 3 thousand for trade payables to Polynt UK Ltd (EUR nil on December 31, 2022).

This report was approved by the Board on June 24, 2024, and signed on its behalf by:

Director
54 Willow Lane
Mitcham
CR4 4NA

Polynt

Skatteetaten

Vår dato	Din/Deres dato	Saksbehandler
19.11.2019	18.10.2019	Nazneen Pervez Soltvedt
800 80 000 Skatteetaten.no	Din/Deres referanse AR340349596	Telefon
Org.nr 974761076	Vår referanse 2019/6626329	Postadresse Postboks 9200 Grønland 0134 OSLO

POLYNT COMPOSITES NORWAY AS
Lilleborggata 4
1630 GAMLE FREDRIKSTAD

Att. Marianne Nerlie

Søknad om tillatelse til å utarbeide årsregnskap og årsberetning på engelsk for Polynt Composites Norway AS org.nr. 919 317 663

Vi viser til deres brev av 18. oktober 2019 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på engelsk for Polynt Composites Norway AS. Søknaden ble sendt til Skattedirektoratet. Skattedirektoratets myndighet til å treffe enkeltvedtak etter regnskapsloven § 3-4 tredje ledd ble delegert til skattekontoret med virkning fra 1. juni 2019.

Skattekontoret gir på bakgrunn av en konkret helhetsvurdering Polynt Composites Norway AS dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen gjelder så lenge opplysningene som danner grunnlaget for vedtaket ikke endres vesentlig.

Kopi av dette brevet må sendes til Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Den regnskapspliktige må selv dokumentere ved dette brev at tillatelse er gitt.

Bakgrunn

Polynt Composites Norway AS er et heleid datterselskap av det italienske selskapet Polynt S.P.A. som igjen er en del av Speciality Chemicals International Ltd. Selskapet driver virksomhet knyttet til salg av umettet polyester, gelcoat og relaterte produkter til komposittindustrien i Europa og Midtøsten. Engelsk er selskapets arbeidsspråk. Bransjespråket innen sektorene som selskapets kunder og kreditorer opererer i er også engelsk. I selskapets styre er en av to personer engelskspråklig.

Skattekontorets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal "årsregnskapet og årsberetningen [...] være på norsk. Departementet kan ved [...] enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap mv., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

> "Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører

> kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon."

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til "informative regnskaper for ulike grupper av regnskapsbrukere". Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattekontorets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har skattekontoret lagt særlig vekt på at selskapet er direkte eid av et utenlandsk selskap. Videre er det vektlagt at selskapet driver virksomhet i en internasjonal bransje der alle sentrale aktører behersker og benytter engelsk.

Vennligst oppgi referanse 2019/6626329 ved henvendelse i saken.

Med hilsen

Nazneen Pervez Soltvedt
skattejurist
Brukerdialog, brukerkontakt
Skatteetaten

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer.