



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

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

Regnskapsår

Årsregnskapets periode:	01.01.2020 - 31.12.2020
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Konsern

Mørselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

Regnskapsregler

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

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Theodor Zakariassen
Dato for fastsettelse av årsregnskapet:	20.07.2021

Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert
År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

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, 04.08.2022



Resultatregnskap

Beløp i: NOK	Note	2020	2019
RESULTATREGNSKAP			
Kostnader			
Other operating expenses	2	130 901	165 453
Sum kostnader		130 901	165 453
Driftsresultat		-130 901	-165 453
Finansinntekter og finanskostnader			
Annen renteinntekt		89 613	329 834
Other financial income	6	11 774	9 200 192
Sum finansinntekter		101 386	9 530 025
Write-downs of long-term investments			18 943 757
Other financial expenses		386 561	
Sum finanskostnader		386 561	18 943 757
Netto finans		-285 175	-9 413 732
Ordinært resultat før skattekostnad		-416 075	-9 579 184
Tax on ordinary result	5		
Ordinært resultat etter skattekostnad		-416 075	-9 579 184
Årsresultat		-416 075	-9 579 184
Årsresultat etter minoritetsinteresser		-416 075	-9 579 184
Totalresultat		-416 075	-9 579 184
Overføringer og disponeringer			
Profit / Loss brought forward		-416 075	-9 579 184
Sum overføringer og disponeringer		-416 075	-9 579 184



Balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	5		
Finansielle anleggsmidler			
Investering i annet foretak i samme konsern	3	238 511 000	238 511 000
Sum finansielle anleggsmidler		238 511 000	238 511 000
Sum anleggsmidler		238 511 000	238 511 000
Omløpsmidler			
Varer			
Fordringer			
Other short-term receivables		13 725	6 000
Konsernfordringer	6	22 371 727	22 763 190
Sum fordringer		22 385 452	22 769 190
Bankinnskudd, kontanter og lignende			
Cash and bank deposits		45 007	14 106
Sum bankinnskudd, kontanter og lignende		45 007	14 106
Sum omløpsmidler		22 430 459	22 783 296
SUM EIENDELER		260 941 459	261 294 296
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital		228 762 000	228 762 000
Overkurs		32 469 534	38 033 394
Sum innskutt egenkapital		261 231 534	266 795 394



Balanse

Beløp i: NOK	Note	2020	2019
Opptjent egenkapital			
Other equity		-416 075	-5 563 859
Sum opptjent egenkapital		-416 075	-5 563 859
Sum egenkapital	4	260 815 459	261 231 534
Gjeld			
Langsiktig gjeld			
Utsatt skatt	5		
Annen langsiktig gjeld			
Sum langsiktig gjeld		0	0
Kortsiktig gjeld			
Tax payable	5		
Other current debt		126 000	62 762
Sum kortsiktig gjeld		126 000	62 762
Sum gjeld		126 000	62 762
SUM EGENKAPITAL OG GJELD		260 941 459	261 294 296



Annual Report 2020 Reichhold Norway AS

Revenue statement
Balance sheet
Cash flows
Notes to the Accounts

Org.no.: 978 680 860



Revenue statement

Reichhold Norway AS

Operating income and operating expenses	Note	2020	2019
Other operating expenses	2	130 901	165 453
Total operating expenses		130 901	165 453
Operating profit / loss (-)		-130 901	-165 453
Financial income and expenses			
Other interest income		89 613	329 834
Other financial income	6	11 774	9 200 192
Write-downs of long-term investments		0	18 943 757
Other financial expenses		386 561	0
Net financial items		-285 175	-9 413 732
Operating result before tax		-416 075	-9 579 184
Tax on ordinary result	5	0	0
Annual net loss (-)		-416 075	-9 579 184
Allocations and distributions			
Profit / Loss brought forward		416 075	9 579 184
Net brought forward		-416 075	-9 579 184



Balance sheet

Reichhold Norway AS

Assets	Note	2020	2019
Financial fixed assets			
Investments in other group companies	3	238 511 000	238 511 000
Total financial fixed assets		<u>238 511 000</u>	<u>238 511 000</u>
Total fixed assets		<u>238 511 000</u>	<u>238 511 000</u>
Current assets			
Debtors			
Other short-term receivables		13 725	6 000
Receivables from group companies	6	22 371 727	22 763 190
Total receivables		<u>22 385 452</u>	<u>22 769 190</u>
Cash and bank deposits		45 007	14 106
Total current assets		<u>22 430 459</u>	<u>22 783 296</u>
Total assets		<u>260 941 459</u>	<u>261 294 296</u>



Balance sheet

Reichhold Norway AS

Equity and liabilities	Note	2020	2019
Paid-up equity			
Share capital		228 762 000	228 762 000
Share premium reserve		32 469 534	38 033 394
Total paid-up equity		261 231 534	266 795 394
Retained earnings			
Other equity		-416 075	-5 563 859
Total retained earnings		-416 075	-5 563 859
Total equity	4	260 815 459	261 231 534
Liabilities			
Current debt			
Other current debt		126 000	62 762
Total current debt		126 000	62 762
Total liabilities		126 000	62 762
Total equity and liabilities		260 941 459	261 294 296

Fredrikstad, 19/07- 2021

The board of Reichhold Norway AS

Rosario Valido
chairman of the board

Paolo Carugati
member of the board

Alberto Valerio Carlo Maria Carpani
member of the board

Terje Hauge
member of the board



Indirect cash flow

Reichhold Norway AS

	Note	2020	2019
Cash flows from operating activities			
Profit/loss before tax		-416 075	-9 579 184
Impairment of fixed assets	3	0	18 943 757
Received intra-group contribution		0	-9 059 325
Change in other accrual items		55 513	76 162
Net cash flows from operating activities		-360 562	381 410
Cash flows from financing activities			
Changes in cash-pool		391 463	-497 125
Net cash flows from financing activities		391 463	-497 125
Net change in cash and cash equivalents		30 901	-115 715
Cash and cash equivalents at the start of the period		14 106	129 821
Cash and cash equivalents at the end of the period		45 007	14 106



Reichhold Norway AS

Note 1 Accounting principles

The financial statements are prepared in accordance with The Norwegian Accounting Act of 1998.

Valuation and classification of assets and liabilities

Assets meant for permanent ownership or use in the business are classified as fixed assets. Other assets are classified as current assets. Accounts receivables due within one year are classified as current assets. The classification of current and long term liabilities is based on the same criteria.

Current assets are valued at the lower of historical cost and fair value. Current liabilities and other long-term liabilities

Foreign Currency

All balance sheet items denominated in foreign currencies are translated into NOK at market rates at year-end.

Investments in subsidiaries

Shares in subsidiaries are valued at acquisition cost. These investments will be depreciated to fair value if a decline in the value is expected to be perpetual. Dividends received and other surplus distributions from these companies are recognized as financial income.

Accounts Receivables

Account receivables and other receivables are carried at face value less provision for expected loss. An estimate is made for doubtful debtors based on a review of all outstanding amounts at the year end.

Cash Flow Statement

The cash flow statement has been prepared according to the indirect method.

Bank deposits, cash in hand, etc.

Cash and cash equivalents include cash, bank deposits and other monetary instruments with a maturity of less than three months at the date of purchase.

Costs

Costs are recorded in the same period as the related income. In those cases where there is no clear connection between cost and income, costs are recorded when occurred. Other exceptions from the matching principle are defined where relevant.

Income Taxes

Tax expenses are matched with ordinary income before tax. Tax related to equity transactions, e.g. group contribution, is posted directly to equity. The tax expense consists of current income tax expense and change in net deferred tax. Deferred tax liabilities and deferred tax assets are not presented in the balance sheet for precautionary.

Group

Reichhold Norway AS does not prepare any group accounts since the company is included in the consolidated financial statements of Specialty Chemical International BV, The Netherlands. The consolidated accounts can be obtained by request to address: Lichtenauerlaan 102, 3062 ME Rotterdam.



Reichhold Norway AS

Note 2 Remuneration

Fees to KPMG AS, exclusive VAT, include the following:

	2020	2019
Audit according to law	46 500	51 200
Other services	33 400	8 000

No fee has been paid to the board of directors.
There are no employees in the company.

Note 3 Investment in subsidiaries

Amount presented in 1.000

Company	Time of acquisition	Registered office	Votes and shares	Local currency	Equity 31.12.2020	Net profit (loss) 2020
Reichhold AS	11.07.1997	Fredrikstad	100 %	NOK	248 461	9 621
Reichhold Danmark AS	01.09.1997	København	100 %	DKK	33 026	- 3 092
Reichhold GmbH	01.09.1997	Hamburg	100 %	EUR	2 853	-42
Reichhold BV	01.09.1997	Rotterdam	100 %	EUR	-752	8

As of 31.12.19 the booked value of Reichhold GmbH and Reichhold BV has been written down as a result of impairment.

Note 4 Equity and shareholders

The share capital in the company as of 31.12.2020 consists of one class of capital stock:

	Numbers	Face value	Book value
Ordinary shares	228 762	1 000	228 762 000
Total share capital	228 762		228 762 000

Owner structure

All the shares are owned by Reichhold Holdings International BV, The Netherlands. There is no regulation in the Articles of Association regarding limitation in voting rights. Each share carries one vote.

	Share capital	Share premium reserve	Other equity	Total
Equity 1. Jan	228 762 000	38 033 394	-5 563 859	261 231 534
Net profit / loss	0		-416 075	-416 075
Equity 31. Dec	228 762 000	32 469 534	-5 979 935	260 815 459



Reichhold Norway AS

Note 5 Tax

This year's tax expense	2020	2019
Entered tax on ordinary profit/loss:		
Payable tax	0	0
Changes in deferred tax assets	0	0
Tax expense on ordinary profit/loss	0	0
Taxable income:		
Ordinary result before tax	-416 075	-9 579 184
Permanent differences	0	18 943 757
Changes in temporary differences	13 238	32 092
Allocation of loss to be brought forward	0	-9 396 665
Taxable income	-402 837	0
Payable tax in the balance:		
Payable tax on this year's result	0	-1 993 052
Payable tax on received Group contribution	0	1 993 052
Total payable tax in the balance	0	0
Total		0

The tax effect of temporary differences and loss for to be carried forward that has formed the basis for deferred tax and deferred tax advantages, specified on type of temporary differences

	2020	2019	Difference
Accrued Professional Fees	-76 000	-62 762	13 238
Total	-76 000	-62 762	13 238
Accumulated loss to be brought forward	-402 839	0	402 838
Not employed return allowance	-22 328 655	-22 328 655	0
Not included in the deferred tax calculation	22 807 493	22 391 417	-416 076
Deferred tax assets (22 %)	0	0	0

Deferred tax is not recognized in the balance sheet

Note 6 Related party transactions and balances

**Account receivables/
Other receivables**

Counterpart	Relationship to the counterpart	2020	2019
Group companies Europe	Associated -Received group contribution	0	9 059 325
Group companies Europe	Associated - Reichhold Group cashpool	13 312 402	13 703 865
Total		13 312 402	22 763 190



Reichhold Norway AS

MANAGEMENT REPORT 2020

The nature of the business and its operating

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

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

In May 2017, the Reichhold Group completed a business combination with the Polynt Group (Polynt). The new Polynt-Reichhold Group is a global company in the Intermediates, Coating and Composite Resins, Thermoset Compounds, Gel-coats and niche specialties with revenues of more than 2 billion euros. Prior to the combination, Polynt was wholly owned by funds managed by Investindustrial. Black Diamond funds and Investindustrial funds are equal investors in the newly combined company (the "Polynt-Reichhold Group") and, collectively, majority stakeholders. Speciality Chemicals International Limited is the ultimate owner as of May 17, 2017.

Legal overview of development and results

The Board of Directors believes that the financial statements present fairly the Company's assets and liability, financial position and result. To date, no incidents which might be of importance for assessing the company's position, have occurred after the closing of the accounting year.

The company's operating result ended with an loss of TNOK -416, against TNOK -9 579 in 2019. The loss is mainly due to unrealized loss on bank funds. Total capital at year-end was TNOK 260 941 against TNOK 261 294 in 2019. The equity ratio was 99.9 %, unchanged from 2019. Cash flow from operating activities was TNOK -361 against TNOK 381 in 2019. The liquidity risk is considered low and the company is not exposed to credit risk.

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

Key risks and uncertainty factors

The European market for UPR (unsaturated polyester resin) decreased in 2020. Early 2020 we saw the beginning of the Covid-19 pandemic, which has had a negative effect on our customers and the world market in general throughout the year.

At the date of the accounts, the company's subsidiaries have experienced a resurgence in demand, which reflects in higher sales volumes and higher margins. The coming 12-month period looks promising as long as the Corona-pandemic does not worsen.

The Company's risk is mainly related to the development of the subsidiaries. The liquidity risk is considered low and the company is not exposed to credit risk



Personell

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

External environment

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

Continued operation

The annual accounts for 2020 are set up under the assumption of continued operations. It is hereby confirmed that the assumption of continued operation is present.

Net income and profit and loss allocation

The company has for 2020 a loss of NOK 416 075. The Board of Reichhold Norway AS proposes the loss covered by:

Loss brought forward NOK 416 075

Fredrikstad, 20.07.2021

Rosario Valido
Styreleder

Alberto Valerio Carlo Maria Carpani
Styremedlem

Paolo Carugati
Styremedlem
Terje Hauge
Styremedlem



KPMG AS

Telephone
Fax
Internet www.kpmg.no
Enterprise 935 174 627 MVA

To the General Meeting of Reichhold Norway AS

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Reichhold Norway AS showing a loss of NOK 416 075. The financial statements comprise the balance sheet as at 31 December 2020, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2020, 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 laws and regulations, 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

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Offices in

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

Statsautoriserte revisorer - medlemmer av Den norske Revisorforening

Oslo	Liverpool	Moscow	Stord
Asta	London	Norway	Strømme
Bergen	Hannover	Osaka	Trondheim
Bodo	Haugesund	Sandefjord	Tynset
Drammen	Kharkiv	Sandnessjøen	Ålesund
	Kristiansand	Stavanger	



Reichhold Norway AS

Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors (management) is responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 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.



Reichhold Norway AS

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 31 August 2021
KPMG AS

John Thomas Sørhaug
State Authorised Public Accountant



Skatteetaten

Vår dato 16.12.2019	Din/Deres dato 18.10.2019	Saksbehandler Vibeke Horne
800 80 000 Skatteetaten.no	Din/Deres referanse AR340348270	Telefon 32212250
Org.nr 974761076	Vår referanse 2019/6626316	Postadresse Postboks 9200 Grønland 0134 OSLO

REICHHOLD NORWAY AS
Lilleborggata 4
1630 GAMLE FREDRIKSTAD

Att. Marianne Nerlie

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk

Vi viser til deres brev av 18. oktober 2019 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk for følgende selskap:

Reichhold Norway AS	org.nr. 978 680 860
Reichhold AS	org.nr. 939 378 103

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 de overnevnte selskaper 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

Reichhold AS er et heleid datterselskap av Reichhold Norway AS. Reichhold Norway AS er heleid av et utenlandsk selskap som er en del av et multinasjonalt konsern med hovedkontor i England. Selskapene driver virksomhet knyttet til utvikling, produksjon og salg av umettet polyester, gelcoat og relaterte produkter til komposittindustrien i Europa og Midtøsten. Kundene er norske og utenlandske profesjonelle aktører. Konsernets arbeidsspråk er engelsk, og flere av styremedlemmene er utenlandske.

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 selskapene er i et internasjonalt konsern. Videre er det vektlagt at alle sentrale aktører og samarbeidspartnere behersker og benytter engelsk.

Vennligst oppgi vår referanse ved henvendelse i saken.

Med hilsen

Vibeke Horne
rådgiver
Brukerdialog, brukerkontakt
Skatteetaten

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer.



Specialty Chemicals International BV Annual Report 2020





RIA

its international partn

Polynt





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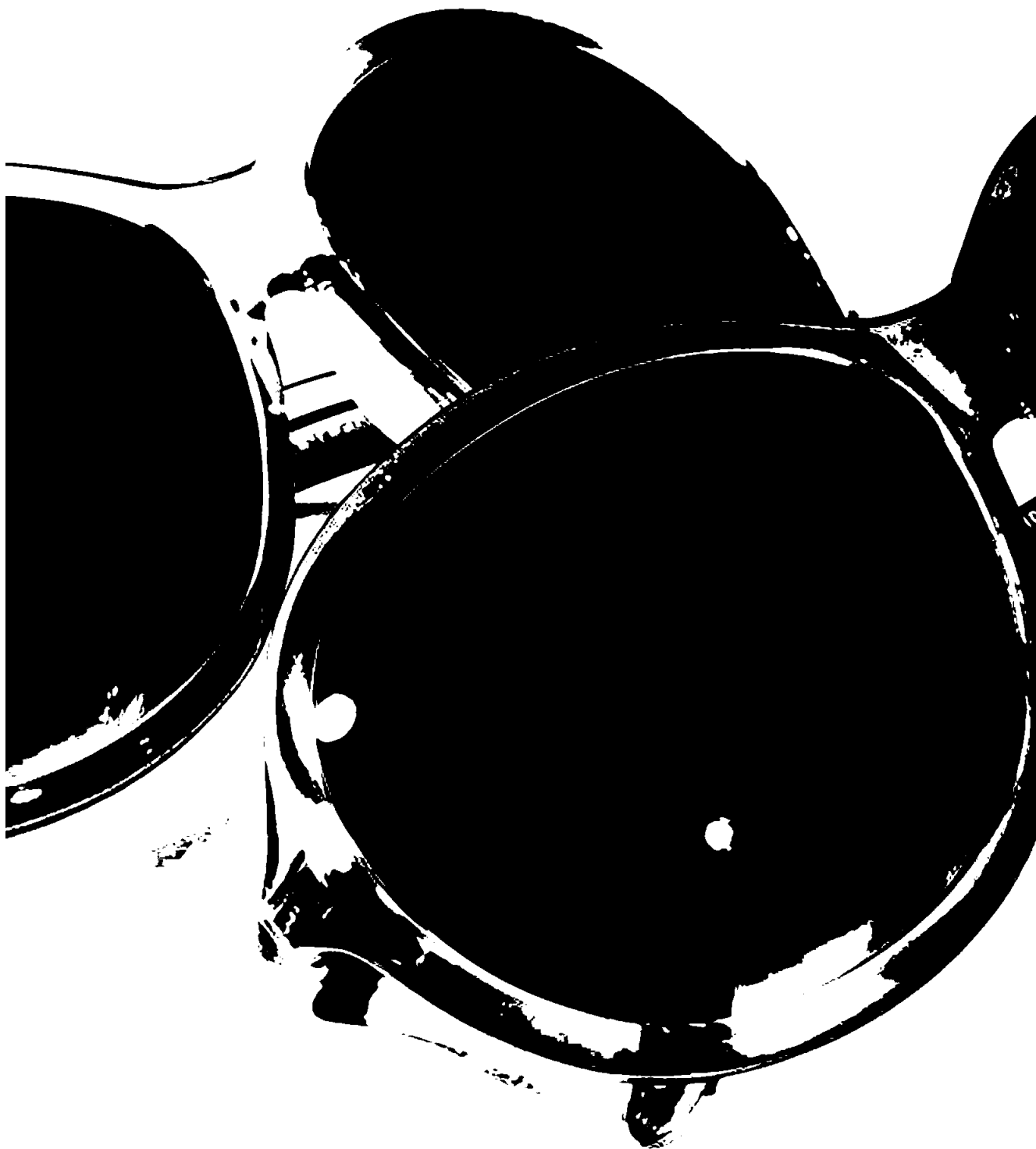
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Company officers

<i>Managing Director</i>	Kurt Theo Eckart Vogler
<i>Managing Director</i>	Devi Ajaib Wouter Singh Aujla
<i>Managing Director</i>	Daniel Christopher Vijselaar
<i>Managing Director</i>	Alberto Carpani

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

On September 25, 2019 Alberto Carpani was appointed as managing director for an indefinite period of time.

On March 27, 2020 Zin Man Ho, Gerard Matthijs Verheij and Jürgen Schröder have resigned as managing directors of the Company. On the same date Devi Ajaib Wouter Singh Aujla and Daniel Christopher Vijselaar have been appointed as managing directors for an indefinite period of time.

Independent auditors

KPMG Accountants N.V. with registered office in Amsterdam, the Netherlands. The audit engagement ends with the adoption of financial statements by the Shareholders as of and for the year ended December 31, 2020.

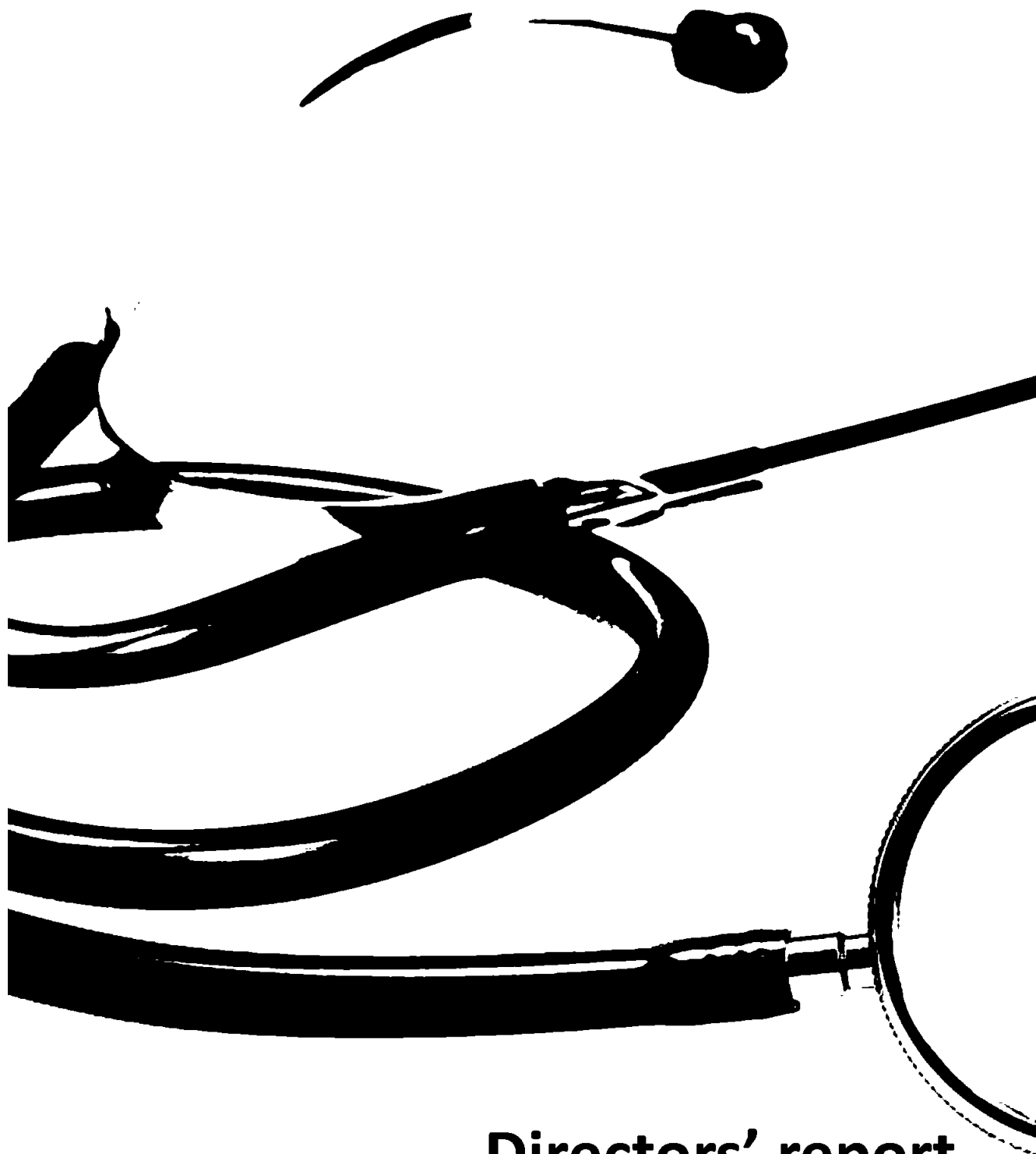


Director's Discussion and Analysis of Financial Condition and Results of Operations

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

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

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



Directors' report





Directors' report

The Directors of the Company hereby present their report for the financial year ended on December 31, 2020.

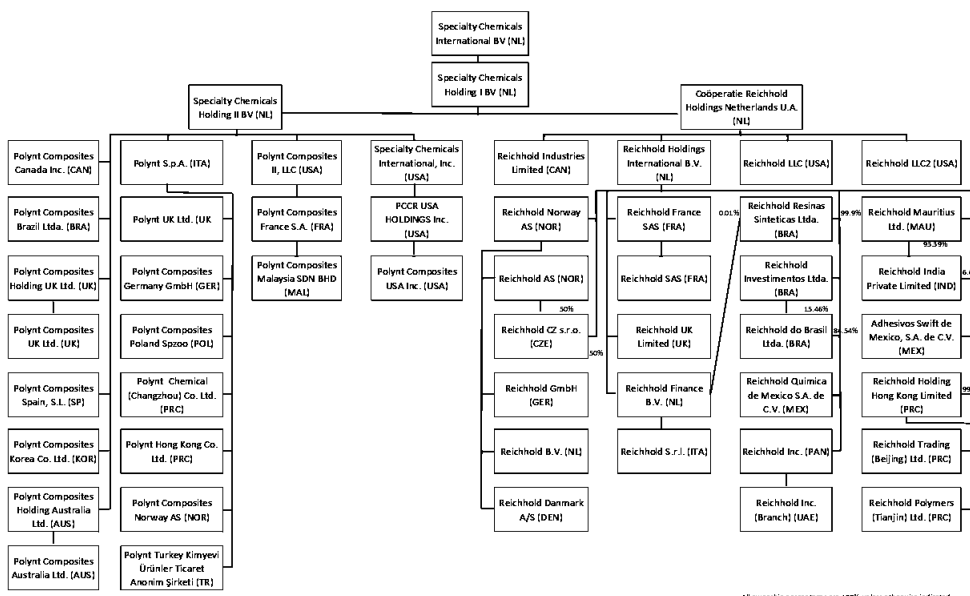
General information

Specialty Chemicals International B.V. (the "Parent" or "Reporting entity") is domiciled in the Netherlands with its statutory seat in Amsterdam and its place of business at Fascinatio Boulevard 220, 3065 WB, Rotterdam, the Netherlands. These consolidated financial statements are comprised of the Parent and its subsidiaries and together referred to as the "Group". The Parent is wholly held/controlled by Specialty Chemicals International Ltd., itself equally held by an indirect subsidiary of Investindustrial V L.P. ("Investindustrial") and Black Diamond Capital Management ("Black Diamond"), with other shareholders holding minority positions.

Polynt – Reichhold business combination

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

The Group structure as at December 31, 2020 is as follows:



Presentation of Financial Information

The 2020 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 at December 31, 2019.

General economic environment overview ⁽¹⁾

Global economic growth in 2020 was much weaker than initially forecasted due to the COVID-19 outbreak.

A sharp decline in economic activity in China in January and February was followed by similar downturns in the rest of the world from March onward. Local governments in advanced economies have provided expansive fiscal support to households and firms. Global gross domestic product (GDP) declined by 3.5% in 2020. Although global economic activity is currently growing again, it is not forecasted to return to business as usual in the short period.

Euro Area's GDP contracted by 7.2% (2019: +1.3%). Some countries were especially hit: GDP fell by 9.0% in France, 9.2% in Italy, 11.1% in Spain and 10.0% in the United Kingdom.

Overall, US GDP fell by 3.4% (2019: +2.2%).

China was the only major global economy to report growth in 2020, of 2.3% (2019: +6.0%). In India, by contrast, GDP fell by 8.0% after a lockdown lasting several months (2019: +4.2%).

Industry overview

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

Global chemical output in 2020 declined by 2.6% ² (2019: +1.8%), a much less pronounced decline than in global industrial production. This was because less cyclical customer sectors have a higher weighting in the chemical industry and because demand temporarily rose for disinfectants and cleaning products, protective clothing, single-use packaging and plexiglass.

However, there were significant regional differences.

In Europe chemical output decreased by around 2.2%, with significant differences between the different countries. While production only declined by between 1% and 3% in Germany and Spain, it fell by around 8% in Italy and by around 9% in France.

Chemical output decreased by 3.9% in North America and by 7.2% in South America.

By contrast, China, the world's largest chemical market, increased volumes by 3.4%. In the rest of Asia, on the other hand, chemical production declined, in some countries significantly (Japan: -9.8%; Malaysia: -6.2%; India: -5.4%; South Korea: -3.2%). As a result, chemical production in Asia only increased by around 1%.

The average price for a barrel of Brent crude oil decreased to USD 43 per barrel (2019: USD 64 per barrel).

¹ IMF – World Economic Outlook January 2021

The World Bank – Global Economic Prospects | January 2021

² IHS Markit



Business overview

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

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

The Group produces two major types of products:

- Specific use products: these products include phthalic anhydride, maleic anhydride, trimellitic anhydride, fumaric acid, malic acid and general purpose plasticizers. These products have a chemical-physical characterization universally defined and not changeable;
- Customized products: these products include unsaturated polyester resins, coatings, special anhydrides, gelcoats, compounds, catalysts and special esters. Products in this category are formulated at the customer's request in order to meet the customer's specifications or application requirements.

Relevant transactions during 2020 financial year

Relevant transactions that occurred during the reporting period ended December 31, 2020 are as follow:

- On December 14, 2018, the tax audit of the Italian subsidiary Polynt S.p.A. was closed. The tax audit started on June 6, 2018 and was carried out by officers of the local tax inspection unit ("Guardia di Finanza") and was completed with the notification of the "Processo Verbale di Constatazione" (the "PVC"). The tax audit covered tax year 2016 and, limited to some matters, tax years 2014, 2015 and 2017.

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

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

On December 23 and December 27, 2019 the tax office issued formal assessment notices ("Avvisi di Accertamento") against Polynt S.p.A., replicating the findings already identified in the "PVC", limited to the tax year 2014, for a total amount of EUR 1.2 million plus interest.

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On January 21, 2020, while there are well-founded reasons to support the illegitimacy and groundlessness of the tax claim, in order to minimize the consequence on the subsidiary and the Group, Polynt S.p.A. applied for a definition of the 2014 notices. Still, due to the Covid-19 pandemic, the settlement procedure could not be completed within the relevant deadline and Polynt S.p.A. appealed against the assessment notices for tax year 2014 to protect its position, whilst it kept on carrying out discussions with the tax Office on the other tax years, aimed at exploring the possibility to settle the case. Based on the ongoing debates it was thought it better prudentially to increase in 2020 the provision by EUR 5 million considering the total provision of EUR 6.2 million a reasonable estimate of contingent liabilities that could result from the definition of disputed cases.

- Effective on February 12, 2020 Reichhold Holdings International B.V., Reichhold SAS, Reichhold France SAS and Reichhold AS (the “Foreign Controlled Group Members”) have executed a Settlement Agreement with ACE American Insurance Company, ACE European Group Limited and Lexington (the “Insurance Company”) and a Settlement Agreement with Fountaine Pajot (“FP”) of EUR 6 million as final settlement of the claim asserted by FP. Pursuant to the Settlement Agreement executed with the Insurance Companies, the Foreign Controlled Group Members was responsible only for paying the difference between EUR 6 million and USD 5.3 million (as agreed by the insurance companies). Such difference has been already paid in March 2020 (amount provided by the shareholder). The involved entities are not expected to bear any residual liability.
- On March 18, 2020 the Group finalized the refinancing of the existing senior indebtedness that was originally incurred in connection with the merger occurred in May 2017. The new indebtedness is under more favorable terms and provides for additional flexibility and a lighter security package.

Such a transaction involved:

- the redemption of the Notes issued under the Indenture totaling EUR 164.2 million,
- the prepayment of the Euro and USD Loans under the Facility Agreement totaling respectively EUR 191.6 million and USD 166.1 million,
- the prepayment of loans outstanding under the Super Senior Revolving Facility Agreement totaling EUR 37.3 million.

In connection therewith, on March 5, 2020 the Parent and other Group’s affiliates entered into a Senior Facilities Agreement (the “Agreement”) with various subsidiaries of the Group as borrowers and guarantors and various financial institutions as lenders. The Agreement provides for the issuance of a Euro Term Loan B (the “EUR Loan”) in the amount of EUR 485.0 million and for the issuance of a USD Term Loan B (the “USD Loan” and together with the Euro Loan the “Loans”) in the amount of USD 60.0 million. The Agreement also provides for a Revolving Credit Facility (the “RCF”) in the amount of EUR 100.0 million. The EUR Loan, that bears interests at a rate equal to the relevant Euribor rate floored to 0.00% plus a margin, was made to Specialty Chemicals Holding I BV that on-lent the proceeds thereunder to the borrowers under the existing senior indebtedness for the purpose of the prepayment of the relevant tranches thereunder. The USD Loan, that bears interest at a rate equal to the relevant LIBOR floored to 1.00% plus a margin, was made to Specialty Chemicals International Inc. that applied the proceeds thereunder to the prepayment of the relevant existing senior indebtedness.



The RCF is a multicurrency facility available to various subsidiaries of the Company both as loans and letters of credit. All borrowings under the Agreement are guaranteed by a few subsidiaries of the Group incorporated in security jurisdictions and are secured by the equity of those subsidiaries. The Loans matures on March 13, 2027. The Agreement contains customary affirmative and negative covenants.

- On March 27, 2020 Zin Man Ho, Gerard Matthijs Verheij and Jürgen Schröder have resigned as managing directors of the Company. On the same date Devi Ajaib Wouter Singh Aujla and Daniel Christopher Vijselaar have been appointed as managing directors.
- On April 1, 2020 the Board of the Company resolved a partial conversion of the Company's share premium into nominal share capital. Such conversion resulted in an increase of the nominal value per share and a decrease of the Company's share premium reserves. The Company has subsequently made a distribution to its shareholder, by way of capital reduction, by decreasing its nominal share capital and repayment to the shareholder for an amount of EUR 120 million.
- On May 7, 2020 the company Polynt Turkey Kimyevi Ürünler Ticaret Anonim Şirketi was incorporated; the company is 100% owned by Polynt S.p.A.
- On May 20, 2020 the Board of the Company resolved a dividend distribution to the shareholder for the amount of EUR 7 million.
- Effective November 1, 2020 (i) Reichhold Holdings International B.V., Reichhold do Brasil Ltda., Reichhold Investimentos Ltda., Reichhold Resinas Sinteticas Ltda., Reichhold Industries Ltd., Reichhold Trading (Beijing) Ltd., Reichhold Polymers (Tianjin) Ltd., Reichhold CZ s.r.o., Reichhold Danmark A/S, Reichhold SAS, Reichhold France SAS, Reichhold GmbH, Reichhold Holding Hong Kong Limited, Reichhold India Private Limited, Reichhold S.r.l., Reichhold Mauritius Ltd., Reichhold Quimica S.A. de C.V., Adhesivos Swift de Mexico S.A. de C.V., Reichhold Finance B.V., Reichhold AS, Reichhold Norway AS, Reichhold Inc. (Panama), Reichhold UK Limited, and Reichhold BV (the "Foreign Controlled Group Members") and (ii) the Pension Benefit Guaranty Corporation ("PBGC") have executed the First Amendment to Settlement Agreement pursuant to which the Foreign Controlled Group Members have paid to PBGC the Lump Sum Amount of USD 14.4 million in full satisfaction of their obligations related to the claim asserted by the PBGC in March 2015, this payment replace the original plan to reimburse in seven instalments. PBGC has filed the lien releases on April 6, 2021.
- As consequence of certain requirements from the central government, on November 30, 2020 the Chinese subsidiary Polynt Chemical (Changzhou) Co. Ltd., ("PCH") on one side, and Changzhou Zhengnan House Demolition Co., Ltd, on the other side on behalf of the central government, signed an agreement pursuant to which PCH has agreed to discontinue the production activity in its site in Changzhou, China from Q1 2021. The site will be probably completely closed by the end of 2021. As total compensation the company will receive the overall amount of CNY 252 million (about EUR 31 million), which shall be paid in instalments subject to certain terms and conditions provided in the agreement.
- On December 14, 2020 the Board of the Company resolved a partial conversion of the Company's share premium into nominal share capital. Such conversion resulted in an increase of the nominal value per share and a decrease of the Company's share

premium reserves. The Company has subsequently made a distribution to its shareholder, by way of capital reduction, by decreasing its nominal share capital and repayment to the shareholder for an amount of EUR 4 million.

Key Factors Affecting Our Results of Operations

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

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

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

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

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

The competitive landscape 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. The majority 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 in an attempt to maintain sales volumes, which can adversely affect Average Unit Margin. In contrast, during periods of falling raw material prices, to the extent that customers do not delay purchases while waiting for our prices to reflect falling prices, the time lag in raw material price pass through allows us to realize higher margins.

Changes in raw material prices also have a direct effect on our working capital levels. In general, increases in the cost of raw materials leads to an increase in our working capital requirements, as our inventories and trade receivables increase as a result of raw materials prices and the higher price related sales 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.

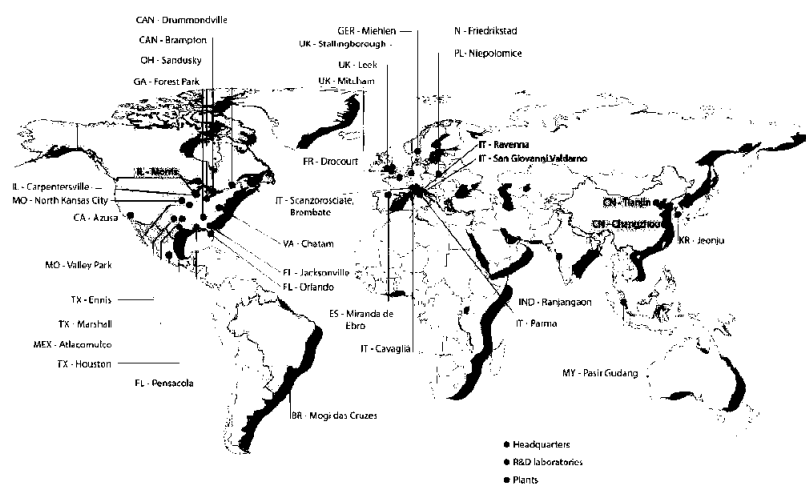
- ***Vertical Integration and a Focus on High-margin Composites and Specialties***

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.

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 in close proximity to both our broad and diverse supplier and customer bases enables us to meet client needs on a timely basis while minimizing logistics cost of transporting our raw materials 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, 2020, roughly 35% of our revenue was Euro-denominated, approximately a 37% was U.S. dollar-denominated or U.S. dollar-linked with the remainder denominated in other currencies. The primary effects of exchange rates on our results of operations may be described in terms of translation and transaction exposure.

- **Translation Risk**

Translation risk is the risk that the value of our revenue, costs, assets and liabilities reported in Euro on our consolidated income statement and balance sheet will fluctuate due to changes in foreign exchange rates. For instance, strengthening of the Euro against the U.S. dollar will result in a decrease in our net sales and costs denominated in U.S. dollars but reported in Euro. As many of our subsidiaries operate in markets that use currencies other than the Euro, these effects may be significant. Translation from each company's reporting currency into Euro does not expose us to any cash flow risk and thus this exposure is not hedged.

- **Transaction Risk**

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

The revaluation of assets and liabilities denominated in currencies other than the functional currencies of our Group companies results in either financial income or financial expense on our income statement for the relevant period. For the year ended December 31, 2020, the Group had financial income from exchange rate gains of EUR 9.0 million (EUR 11.5 million in 2019) and financial expense on exchange rate losses of EUR 31.6 million (EUR 8.2 million in 2019) 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, 2020 we have provisions of EUR 22.4 million (EUR 19.8 million in 2019) for anticipated ecological remediation costs that may be necessary at certain facilities. Given the nature of our chemical operations, should historical or future environmental conditions be discovered, the company may incur significant future remediation costs including fines and potential damages.

- **Asset Utilization**

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

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

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

- **Efficient Cost Management**

Our ability to manage and control costs has a significant effect on our results of operations. We have historically been able to react to adverse economic conditions and other events that have the effect of reducing the demand for our products by reducing our underlying cost base, implementing efficient corporate and management structures and maximizing the utilization of our assets by shifting production. We remain competitive with our low



fixed-cost base: for the year ended December 31, 2020, fixed costs represented 22.0% of our total costs (19.0% in 2019). In addition, our vertically integrated production model has the effect of reducing costs, particularly transportation and raw material costs. Further the Group's increased scale and operational synergies will drive further operational optimizations including increased ability to organize production in response to peak demand, exploit economies of scale, reduce overhead, consolidate headquarters operations and integrate anhydride production across facilities.

We regularly monitor our production and distribution processes in an effort to identify profitable streamlining efforts that can optimize efficiency and reduce unnecessary costs.

We intend to 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 due to the fact that they are used in market segments that have higher demand during spring and summer (e.g., paints for home maintenance and marine coatings), we believe our overall results are relatively stable as a result of the diversity of our product offerings and our geographic diversification.

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

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

- **Segment Analysis**

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

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



Results of operations

The consolidated financial statements for the year ending December 31, 2020 have been prepared in accordance with IFRS as endorsed by the European Union ("EU - IFRS") and Title 9 of the Netherlands Civil Code and include the balance sheet and income statement of each company belonging to the Polynt and Reichhold Group, which is comparable with the previous consolidated financial statements for the year ending December 31, 2019.

For the comparison of the Group's 2020 results in this Director's Report with the Group's 2019 results, the income statement for the prior year was prepared on the following basis:

- the economic data have been reclassified to comply with the management classification and indicators adopted for management accounts. Note that EBITDA and EBIT are group indicators which are not provided for by the EU - IFRS but are based on EU - IFRS values.

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

(Euro thousand)	2020	2019	Var %
Sales (ton)	983,966	1,050,093	(6.3%)
Revenue	1,745,837	2,043,037	(14.5%)
Variable costs	(1,160,811)	(1,458,513)	(20.4%)
Fixed costs	(323,916)	(343,131)	(5.6%)
EBITDA	261,110	241,393	8.2%
<i>EBITDA %</i>	<i>15.0%</i>	<i>11.8%</i>	
Depreciation & Amortization	(84,245)	(80,029)	5.3%
EBIT	176,865	161,364	9.6%

• Sales and Revenue

Sales and Revenue by geographical segment are detailed as follows:

(tons)	2020	2019	Var %
Europe	474,153	516,107	(8.1%)
Americas	391,075	407,910	(4.1%)
Asia	118,737	126,076	(5.8%)
Sales	983,966	1,050,093	(6.3%)
(Euro thousand)			
Europe	775,383	921,003	(15.8%)
Americas	775,803	891,712	(13.0%)
Asia	194,651	230,322	(15.5%)
Revenue	1,745,837	2,043,037	(14.5%)

Revenue decreased by 14.5% to EUR 1,746 million in 2020 from EUR 2,043 million in 2019 while sales volume decreased by 6.3%.

In Europe sales volumes in 2020 were down 8.1% due to the Covid-19 pandemic that hit markets hard between the first and second quarters. The transportation market was one of the most negatively impacted showing signs of recovery in the fourth quarter. Two positive factors helped limit the negative impact on sales volumes. Firstly, the Construction sector had a strong V-shaped recovery with strong sales and growth in the third and fourth quarters. Secondly, lower imports from Asia and the USA drove higher local demand from European producers. Revenues decreased during the year for all products due to lower sales volumes and the Group's lower raw materials prices driven by lower crude oil prices.

In America, sales volumes were down 4.1% mainly driven by the lower volumes in second quarter 2020 related to the Covid-19 pandemic and divestment of the Canadian distribution business in 2019. Generally, all regions and segments saw improved volumes in second half of 2020 as key industry segments rebounded including construction, marine, recreational vehicles and do it yourself.

Americas revenue was lower by 13.0% on the lower volume, unfavorable foreign exchange effect, divestment of the Canadian distribution and lower average selling prices as market prices were adjusted for lower raw material costs.

In Asia, sales volumes and revenues were below 2019 levels mainly due to the Covid-19 pandemic in all countries.

- **Variable costs**

Variable costs include the cost of purchasing raw materials, consumables and supplies, goods for resale, energy costs, selling expenses and the related changes in inventories. The EUR 297.7 million decrease results mainly from the net decrease in the unit cost of raw materials and utilities.

- **Fixed costs**

As soon as the outlook looked negative at the start of the Covid-19 outbreak, the Group took proactive actions to reduce fixed costs on a temporary basis, also utilizing local government subsidies and other support measures. The actions were country specific and included furloughs, delay in replacing employees who left voluntarily, lower overtime, deferral of maintenance activities, and savings on general expenses. Overall fixed costs were lower year over year by 5.6%.

- **EBITDA**

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

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

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needs or (c) any other measures of performance under EU - IFRS or any other generally accepted accounting principles.

EBITDA for 2020 was EUR 261.1 million, up EUR 19.7 million from EUR 241.4 million in 2019 (+ 8.2%).

In Europe the lower sales volume was offset by the year over year increase in unit margins.

In Americas the annual EBITDA was higher year over year thanks to higher unit margins on lower raw material inputs (partially offset by lower volumes).

In Asia, EBITDA in 2020 was well above 2019 levels driven by the higher unit margins and from strict fixed cost control.

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

(Euro thousand)		2020	2019
Gross operating profit - IFRS	A	231,877	272,086
Net non recurring costs/(income)	B	29,233	(30,693)
- Non-recurring income		(528)	(53,710)
- Other income		6,000	-
- Non-recurring costs		23,761	23,018
EBITDA	A + B	261,110	241,393

• **Non-recurring expense/(income)**

2020 “Non-recurring costs” are mainly related to accruals for the incentive compensation plans for certain Directors and employees and restructuring costs arising from plant closures in China, Canada and US.

Other income relates to insurance proceed received in 2019 by the Italian subsidiary Polynt S.p.A. and recognized over the impacted financial years in the management accounts, while it was fully recognized in the Gross operating profit in 2019.

“Non-recurring income” during the year ended December 2019 are mainly related to the net gain for the sale of distribution business in Canada and insurance proceeds received by Polynt S.p.A..

Liquidity and Capital Resources

• **Overview**

The main sources of liquidity available to the Group on an ongoing basis as of December 31, 2020 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 100.0 million senior secured multi-currency revolving credit facility (the “Revolving Credit Facility” or “RCF”) available to certain entities;
- the ability to draw under a USD 100.0 million committed ABL facility (the “US 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. As at December 31, 2020 the availability under bilateral facilities was adequate.

The outstanding borrowings under the RCF as at December 31, 2020 were equal to EUR 16.0 million.

The outstanding borrowings under the US ABL as at December 31, 2020 were nil.

Based on the current level of operations as reflected in the results of operations for the twelve months ended December 31, 2020 the cash flow from operating activities, cash on hand, the availability of borrowings under bilateral facilities, RCF and US ABL will be sufficient to fund operations, capital expenditures and debt service for the next twelve months.

The ability of Subsidiaries to pay dividends and make other payments to their parent companies may be restricted by, among other things, legal prohibitions on such payments or otherwise distributing funds to the Holding Companies, including for the purpose of servicing debt.

• **Cash Flows**

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

(Euro thousand)	2020	2019
Cash flow from operating activities	222,272	168,928
Cash flow from investing activities	(59,667)	6,305
Cash flow used in financing activities	(129,085)	(33,006)
Effects of movement in exchange rates on cash held	(47,261)	3,131
Net change in cash and cash equivalents A	(13,741)	145,358
Opening cash and cash equivalents B	302,934	157,576
Closing cash and cash equivalents C=A+B	289,193	302,934



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For further details please refer to the Consolidated Statement of cash flows for the year ended December 31, 2020.

• **Net Financial Indebtedness**

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

(Euro thousand)	31-Dec-20	31-Dec-19
Cash and cash equivalents	289,193	302,934
Other financial assets	8,277	8,445
Term Loan	(533,407)	-
Others financial loans and interest accrual	(68,317)	(72,981)
Borrowings under Revolving Credit Facilities	(16,008)	(37,238)
IFRS 16 effect on debt	(14,032)	(12,162)
Secured Notes and Loans	-	(503,660)
Financial expenses capitalized	17,224	14,617
Total net financial indebtedness	(317,070)	(300,045)

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

• **Net Working Capital**

The following table summarizes our net working capital as of December 31, 2020:

(Euro thousand)	31-Dec-20	31-Dec-19
Trade receivables	263,953	266,542
Inventories	200,457	239,910
Current tax assets	5,912	8,205
Other current assets	11,617	36,728
Current assets	481,939	551,385
Trade payables	202,241	199,782
Current tax liabilities	8,334	11,445
Employee benefits	28,643	29,859
Other current liabilities	19,026	29,942
Current portion of provisions	5,362	14,760
Total current liabilities	263,606	285,788
NET WORKING CAPITAL	218,333	265,597

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

inventories and trade receivables increase as a result of raw materials prices and related higher sales levels, partially offset by an increase in trade payables.

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

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

- **Capital Expenditures**

The following table summarizes capital expenditures for the periods indicated.

<i>(Euro thousand)</i>	2020	2019
Land and buildings	420	2,687
Plant and machinery	7,327	7,175
Industrial and commercial equipment	811	629
Other assets	955	306
Assets under construction and payments on account	37,524	37,334
Investments in property, plant and equipment	47,037	48,131
Investments in other intangible assets	3,075	2,093
Total capital expenditure	50,112	50,224

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

The 2020 expenditures mainly refer to:

- Europe: EUR 5.7 million related to the new maleic anhydride ALMA reactor installation at the Ravenna site (Italy); EUR 1.5 million for the catalyst replacement of the maleic anhydride and phthalic anhydride plants, EUR 0.7 million for the trimellitic anhydride plant refurbishment and EUR 1.3 million for product quality improvement of Malic acid plant at Scanzorosciate site (Italy); EUR 2.3 million for the upgrading of SPP units and feeding and the demolition of an old building for safety reasons at San Giovanni Valdarno site (Italy); EUR 3.0 million mainly for resin storage expansion and production debottlenecking at Niepolomice site (Poland); EUR 1.4 million for the increase of storage capacity in raw material and upgrading of storage area to comply with the new governing safety rules at Drocourt site (France).
- Americas: EUR 7.0 million mainly for Polynt Composites USA's Carpentersville, Illinois and North Kansas City, Missouri R&D facilities renovated to incorporate labs from the

transfer of R&D activities from Raleigh, North Carolina; EUR 4.9 million for Reichhold LLC2' Orlando and Morris site capabilities update related to the North Kansas City manufacturing closure; EUR 0.8 million for the reactor conversion implementation to expand UPR composite manufacturing capacity at the Reichhold Atacomulco site in Mexico; EUR 0.2 million for Polynt Composites Canada Inc.'s SAP implementation to support future business growth and harmonize business processes.

- Asia: EUR 1.3 million for the third UPR reactor and bonding paste ongoing projects at Reichhold India's Pune site; EUR 1.0 million mainly for the new warehouse, storage tank and the office building at the Polynt Composites Malaysia's site; EUR 1.0 million for bonding paste ongoing project at Polynt Korea.
- the remainder of the Capital expenditures relate to small investments at the Group's other sites.

Off-balance Sheet Arrangements

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

Description of material contractual arrangements, including certain financing arrangements

On March 18, 2020 the Group finalized the refinancing of the existing senior indebtedness that was originally incurred in connection with the May 2017 merger transaction. The new senior indebtedness is under more favorable terms and provides for additional flexibility and a lighter security package.

The foregoing transaction involved:

- the redemption of the Notes issued under the Indenture totaling EUR 164.2 million;
- the prepayment of Euro and USD Loans under the Facility Agreement totaling respectively EUR 191.6 million and USD 166.1 million;
- the prepayment of loans outstanding under the Super Senior Revolving Facility Agreement totaling EUR 37.3 million.

In connection therewith, on March 5, 2020 the Parent and other Group's affiliates entered into a Senior Facilities Agreement (the "Agreement") with various Subsidiaries of the Group as borrowers and guarantors and various financial institutions as lenders. The Agreement provides for the issuance of a Euro Term Loan B (the "EUR TLB") in the amount of EUR 485 million and for the issuance of a USD Term Loan B ("the USD TLB" and together with the EUR TLB "the Loans") in the amount of USD 60 million. The Agreement also provides for a Senior Revolving Credit Facility (the "RCF") in the amount of EUR 100 million.

EUR TLB bears interests at a rate equal to the relevant Euribor rate floored to 0.00% plus a margin was issued by Specialty Chemicals Holding I BV that on-lent most of the proceeds therefrom to the borrowers under the existing senior indebtedness for the purpose of the prepayment thereof. USD TLB that bears interest at a rate equal to the relevant LIBOR floored to 1.00% plus a margin was issued by Specialty Chemicals International Inc. that applied the net proceeds therefrom to the prepayment of the relevant existing senior indebtedness. The Loans mature on March 13, 2027 with annual mandatory prepayments



equal to a portion of consolidated excess cash flow, as defined in the Agreement, to occur beginning in 2022. Additionally, voluntary prepayments are allowed. For USD TLB quarterly repayment instalments are also provided beginning in 2020. Total amount outstanding under USD TLB as at December 31, 2020 was USD 59.4 million.

The RCF is a multicurrency facility available to various Subsidiaries of the Parent both as loans and letters of credit. Interest on the RCF borrowings accrues at a rate equal to the relevant Euribor rate floored to 0.0% plus a margin. The RCF terminates on September 13, 2026.

Only for the RCF the Agreement contains a “springing financial covenant” requiring the Group to maintain a net leverage ratio of senior indebtedness to EBITDA, as defined in the Agreement, of 6.75:1 or less. The springing financial covenant is tested only when the aggregate amount of all outstanding loans under RCF net of cash and cash equivalents at the end of the relevant quarter is equal or greater than 40% of the total amount of commitments under the facility and any breach would act as a draw stop to new borrowings only. The Agreement contains customary affirmative and negative covenants. As at December 31, 2020 the parties thereto were in compliance with all such covenants.

All borrowings under the Agreement are guaranteed by certain Holding Companies, the Issuers of EUR TLB and USD TLB, the Borrowers under the RCF and the respective Holding Companies and are secured by the equity of those Subsidiaries. A Guarantor Coverage Test will have to be satisfied on an annual basis.

On October 1, 2020 the ABL Credit Agreement (“ABL”) originally entered into on September 29, 2017 between an unrelated financial institution and certain US and Canadian subsidiaries of the Parent was amended. The ABL provides for a revolving facility available as loans and letters of credit to Polynt Composites USA, Inc. and, with a sublimit of USD 20 million, to Polynt Composites Canada, Inc. with the revolving facility increased from USD 58.6 million to USD 100 million and the maturity extended from September 29, 2022 to October 1, 2025. Interest on the 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. As at December 31, 2020 no ABL borrowings were outstanding. The ABL contains customary affirmative and negative covenants. As at December 31, 2020 the parties thereto were in compliance with all covenants of the ABL.

Factoring Facilities

Substantial factoring facilities are available to certain Subsidiaries of the Parent. The main facilities are available in Italy, France, Spain and Poland by various financial institutions unrelated to the Parent. All factoring facilities available in Italy 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 Parent, with special reference to Polynt S.p.A., by various financial institutions either with an international footprint or local, with which the Group has a longstanding relationship. The mix of facilities varies over time, is aimed at realizing the best possible assets and liabilities matching and depends on the opportunities available from time to time on the market.

Security and Guarantees

The obligations under the Senior Facilities Agreement are guaranteed by the following Subsidiaries of the Group (each an “Original Obligor” and collectively the “Original Obligors”): Specialty Chemicals International B.V., Specialty Chemicals Holding I B.V., Specialty Chemicals Holding II B.V., Polynt S.p.A., Specialty Chemicals International Inc., PCCR USA Holdings, Inc., Polynt Composites USA Inc., Coöperatie Reichhold Holdings Netherlands U.A., Reichhold Holdings International B.V., Reichhold LLC 2 with each Original Obligor that has granted security over any shares held by it in any other Original Obligor.

The list of Obligors might expand over time in accordance to 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 not incorporated in The Netherlands, the United States, Italy, the United Kingdom and Canada (the “Security Jurisdictions”) or any other Subsidiary that is not otherwise required to become a Guarantor (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 Asia, South America, Central America, Africa or Russia shall be required to provide any guarantee or security.

Material affiliate transactions

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

For a description of related party transactions, see note 35 of the Consolidated financial statements as of and for the year ended December 31, 2020 and December 31, 2019.

Subsequent events after the reporting period

Significant events that occurred after the reporting period ended December 31, 2020 are as follow:

- On February 26, 2021 the liquidations of Polynt Composites Holding Australia Pty Ltd (in Liquidation) and Polynt Composites Australia Pty Ltd (in Liquidation) have been finalized and therefore the winding up of the mentioned companies is complete. There were no distributions or returns to shareholders. In accordance with the applicable law the companies will be dissolved on May 26, 2021.
- On April 2021 certain group companies have entered into a cost sharing agreement aimed to regulate the apportionment of the costs related to two incentive plans,

adopted by the Parent Company Specialty Chemicals International Limited (“SCIL”), for the purposes of rewarding and enhancing the relationships with certain managers and employees who play a key role within the Group and are employed by some of the Group companies, upon the conditions set forth in the mentioned incentive plans. SCIL instructed Polynt S.p.A. to manage the implementation of the plan (including the regulation of the apportionment of the costs within the group companies), as it is the employer of the majority of the Beneficiaries.

Outlook

For 2021 we expect a recovery of the majority of volumes lost in 2020 due to the pandemic. In terms of results, we expect to achieve a moderate growth versus prior year. Capital expenditure is expected to grow and employees stable.

Quantitative and Qualitative Disclosure of Market Risks

Commodity Price Risk

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

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

Credit Risk

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

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

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

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

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

The Covid-19 pandemic spread did not impact the Credit Risk of the group.

Credit Risk Exposure

The carrying amount of financial assets is our maximum exposure to credit risk. Based on previous experience, we have impaired significant trade receivables on an individual basis, when there were indications of objective partial or total non-collection risks. The amount of the impairment losses considers the estimated recoverable flows. A general allowance is set up for receivables not impaired individually or provided for specifically based on losses incurred in the past five years.

Interest Rate Risk

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

Currency Risk

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

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

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

Liquidity Risk

Liquidity risk is the risk that we may encounter difficulties in meeting our obligations associated with financial liabilities. Our policy is to ensure that we always have funds available, as far as possible, to meet our obligations when they fall due in both normal and

difficult financial conditions, without incurring excessive costs or risk damaging our reputation.

Our treasury units manage liquidity risk on a centralized basis. Maintenance of liquidity balance is systematically ensured on a daily basis. Our ability to meet our obligations on a timely and cost-effective basis is ensured through careful reviews 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 resource management, reducing liquidity risks and, specifically: (i) maintaining a suitable level of available liquidity; (ii) diversifying the systems used to obtain financial resources; (iii) being continuously and actively present on the capital markets; (iv) obtaining adequate credit facilities; and (v) monitoring forecast financial conditions in relation to business plans.

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

Environmental and personnel-related information

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

Personnel and organization

As of December 31, 2020, the Group had a total of 3,184 employees (3,218 as of December 31, 2019).

The Covid-19 pandemic brought many challenges to the Group's workforce. The Group proactively promoted employee safety strategies during the pandemic and worked to comply with local government pandemic policies. Those sites deemed essential and allowed to remain open were routinely sanitized and the workers provided adequate personal protection equipment. Non-essential workers either by local government policy or by Company policy were allowed to work from home with the Group investing in and providing the adequate tools to successfully perform their job functions. Where applicable the Group utilized various government programs to retain jobs and reduce employment costs during the pandemic including job subsidies, flexible or reduced statutory work hours, and deferred or reduced employment tax payments. As nonessential employees return to the workplace, the Group continue to prioritize on worker safety by adopting social

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distancing protocols, investing in workplace social distancing equipment, pandemic cleaning and providing adequate personal protective equipment.

During 2020 and given the difficulties of the Covid-19 pandemic, the European Human Resource team focused on “distance learning”, in order to reinforce and enhance the workforce’s professional skills including training courses on Environmental Safety and behavioral based safety at work. These professional skills represent an important key to achieve the Group’s targets.

The Americas Human Resource team focused on stabilizing the workforce to the additional responsibilities brought on by site closures and other headcount synergies. Completed the hiring of, and replacement of personnel and the relocation of R&D personnel related from the former Reichhold headquarters in Raleigh, North Carolina to North Kansas City, Missouri and Carpentersville, Illinois. While turnover rates remain within industry standards, the Human Resources team continued its recruiting efforts especially the difficult R&D and EHS positions in the US. Efforts continue to harmonize union contracts as they come up for renewal.

The Asia Human Resource team supported and achieved the Group’s targets with no impact on regular activities and aligned company policies to assure consistent employment procedures and practices. Employment benefit programs have been standardized among Asian companies. Training programs, such as mandatory occupational skills training, were harmonized and conducted.

The Management Board composition

The Company’s board of directors consists of four male executive directors. Until 1 January 2020, Dutch corporate legislation was applicable regarding gender diversity and fully recognizes the benefits of diversity in its broader sense, including gender diversity. The Company believes that the composition of its Board has resulted in a broad diversity of experience, expertise, background, and that the backgrounds and qualifications of the board members, considered as a group, provide a significant mix of experience, knowledge, abilities and independence.

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

2020 European R&D activities included the continuous optimization of the existing product lines; the support to the customers for the optimization of the performances of our products into their processes; the support of the Technical Assistance teams in their work of implementing our products into the customers' manufacturing activities and improving our internal manufacturing processes including the following:

- Developing next generation technology for fluidized and fixed bed catalysts, including working with leading universities specializing in catalysts for the chemical optimization and the study of the fluid dynamic behavior of the catalyst.
- Developing new plasticizers, esters and resins with improved technical performances, with food and pharma contact approvals with focus on environmental sustainability through the use of renewable raw materials together with a better profile as of life cycle and recyclability.
- Market support for the Electrical and Automotive Compound sectors including new solutions for the electric mobility such as battery covers and fire-resistant material.
- Actions to reduce the environmental impact of resin products by replacing styrene or other additives like cobalt and improving resin recycling programs.
- Continue studies to improve the strength of vinyl ester resins using carbon fiber for wind fiber and marine applications.

Americas

The Americas R&D team is dedicated to servicing existing and new customers in the Americas region with the latest in technology by leveraging the knowledge and expertise of the Group worldwide 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 Gel Coat, UPR and Coatings resins to provide our customers with products that last longer, are easier to work with and are more environmentally friendly to help them drive future growth. The Americas R&D team has established Polynt as a leading player in the development of thermosets for additive manufacturing of large parts.

2020 Americas R&D activities included:

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- Completed the relocation and installation of lab equipment from the Raleigh, Durham laboratories into the two US Centers of Excellence for Composites and Coatings. Layouts for offices and labs have been redesigned and rules put in place for social distancing to safely operate at 100% capacity through the pandemic.
- Upgraded Composites Lab testing capability for the Wind Energy market to provide local support for resin, bonding paste and gel coat. Also participating on Global teams to improve performance, quality and consistency of products for the Wind Energy market.
- Commercialized the first thermoset print media for large scale additive manufacturing based on vinyl ester resin technology and have designed and installed semi-works equipment in the North Kansas City pilot lab to support initial sales.
- Continued to dedicate resources to higher margin technologies such as Carbon Fiber and Fiberglass Sizing, and progressed to customer trials with two new products
- Entered the development stage for two breakthrough coatings technologies expected to provide significantly higher performance in environmentally friendly water borne products. A third new coating technology aimed at the electronic circuit board market has also been started.
- Initiated a major project to consolidate the unsaturated polyester resin and vinyl ester product lines to improve manufacturing and commercial efficiency by eliminating redundant products.
- Working with commercial and technical support teams and customers to provide client focused solutions.
- Working with operations to optimize plant capacity and logistics by transferring production to the best possible site. Assisting efforts to improve quality, reduce cycle time and minimize down time to maximize effective capacity.
- Working with procurement department to approve new sources of raw materials for cost savings.

Asia

Asian R&D team carried out effective activity focused to the synergic working among Asian sites, granting information flow to the R&D teams of the other regions. 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.

2020 Asia R&D activities included:

- Strict cooperation with purchasing function, to rationalize and approve key raw materials and new suppliers.
- Implemented regional support for global customers.
- Working with commercial and technical service to support, advise and provide solutions to the customers.



Information regarding social aspects of operating business

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

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

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

- Operate Ethically and Legally:

Ensuring that a company and its representatives operate in a legal and ethical fashion should be a given value, but we choose to highlight the importance of both in an era when some companies try to draw sharp distinctions between what is legal and what is ethical. The Group does not tolerate unethical or illegal conduct by its employees. We put ethics ahead of short-term financial gains, which we believe will create loyalty when customers are treated fairly and equitably.

On September 24, 2020 the Board of Directors of the Parent Company Specialty Chemicals International Limited ("SCIL"), approved the first Edition of the Code of Ethics.

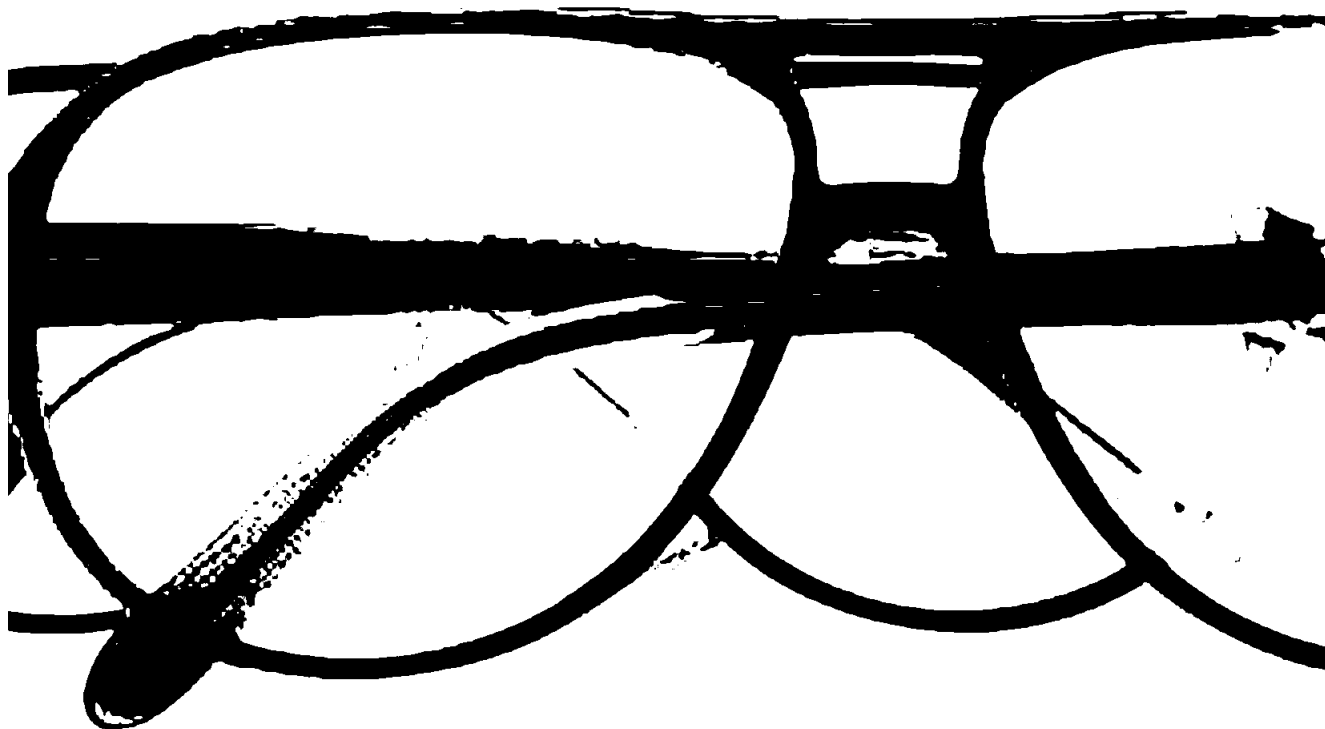
In addition to this, the Group has created a portal, on the website, where it is possible to anonymously indicate and report any notifications. It's also possible to access and read the Whistleblower Policy which has been adopted by the Board of Directors of SCIL.

- Create Value for Our Customers:

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

Rotterdam April 28, 2021.

On behalf of the Board of Directors





Consolidated financial statements





Consolidated Statement of Financial Position as of 31 December 2020

(Before profit appropriation)

(Euro thousand)	Notes	31-Dec-20	31-Dec-19
Cash and cash equivalents	22	289,193	302,934
Trade receivables	6	263,953	266,542
Inventories	7	200,457	239,910
Current tax assets	8	5,912	8,205
Other current assets	9	11,617	36,728
Assets held for sale	10	4,132	4,513
Total current assets		775,264	858,832
Property, plant and equipment	10	497,355	533,407
Goodwill	11	64,932	67,269
Other intangible assets	12	42,131	59,098
Other financial assets	13-22	8,277	8,445
Deferred tax assets	14	31,980	16,358
Other non-current assets	15	14,906	11,938
Total non current assets		659,581	696,515
Total assets		1,434,845	1,555,347
Loan and borrowings	22	61,525	74,784
Trade payables	16	202,241	199,782
Current tax liabilities	17	8,334	11,445
Employee benefits	19	28,643	29,859
Other current liabilities	18	19,026	29,942
Current portion of provisions	21	5,362	14,760
Total current liabilities		325,131	360,572
Loan and borrowings	22	553,015	536,640
Employee benefits	19	38,466	22,395
Deferred tax liabilities	20	69,275	75,831
Non-current portion of provisions	21	31,231	23,113
Total non-current liabilities		691,987	657,979
Total liabilities		1,017,118	1,018,551
Share Capital	23	-	-
Share premium	23	265,672	389,672
Reserves	23	(37,309)	(4,022)
Retained earnings	23	189,364	151,146
Total equity attributable to the owners of the parent		417,727	536,796
Total equity		417,727	536,796
Total liabilities and equity		1,434,845	1,555,347

The notes on pages 40 to 98 form an integral part of these consolidated financial statements.



Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2020

(Euro thousand)	Notes	2020	2019
Revenue	25	1,745,837	2,043,037
Variation in work in progress, semi-finished goods and finished products		(19,851)	(2,642)
Raw materials, consumables and supplies	26	(1,018,498)	(1,317,427)
Internal work capitalised under non-current assets	27	893	909
Cost of services:			
- energy	28	(56,046)	(61,704)
- other services	28	(173,156)	(191,495)
Personnel expense	29	(232,213)	(231,825)
Other income/operating expenses:			
- other income	30	5,584	55,578
- other operating expenses	30	(21,162)	(29,813)
- insurance compensation	30	489	7,468
Gross operating profit		231,877	272,086
Depreciation, amortisation and impairment losses	31	(84,245)	(80,029)
Operating profit		147,632	192,057
Financial income	32	23,071	15,491
Financial expense	33	(101,963)	(75,158)
Net financial expense		(78,892)	(59,667)
Profit/(loss) before tax		68,740	132,390
Income taxes	34	(25,562)	(24,990)
Profit/(loss) for the year (A)		43,178	107,400
Attributable to:			
Owners of the parent		43,178	107,400
<i>Items that will never be reclassified to profit or loss for the year :</i>			
Net actuarial gains(losses) on defined benefit plans	19	(351)	(2,091)
Income tax relating to defined benefit plans		(60)	304
Total items that will never be reclassified to profit or loss for the year (B1)		(411)	(1,787)
<i>Items that may be reclassified to profit or loss for the year:</i>			
Gains/(losses) on cash flow hedges		-	-
Exchange differences on translating foreign operations		(32,876)	6,055
Income tax relating to components of other comprehensive income		-	-
Total items that may be reclassified to profit or loss for the year (B2)		(32,876)	6,055
Other comprehensive income or loss, net of tax (B1)+(B2)		(33,287)	4,268
COMPREHENSIVE INCOME, net of tax (A)+(B1)+(B2)		9,891	111,668
Comprehensive income attributable to:			
Owners of the parent		9,891	111,668

The notes on pages 40 to 98 form an integral part of these consolidated financial statements.



Consolidated Statement of cash flows for the year ended 31 December 2020

(Euro thousand)	Notes	2020	2019
Profit/(Loss) for the period		43,178	107,400
Adjustment for:			
- Tax expense	34	25,562	24,990
- Amortisation and Depreciation	31	72,181	78,015
- Impairment losses on Property, plant and equipment	31	12,064	2,014
- Income tax paid		(41,188)	(34,191)
- Net finance costs	32-33	78,892	57,039
- Interest paid		(38,379)	(45,333)
- Interest received to third parties		2,701	-
- Gain on sale of property, plant and equipment		56	(37,910)
Cash flows before changes in net working capital and provisions		155,067	152,024
Changes in:			
- Inventories	7	41,142	559
- Trade and other receivables	6	4,273	28,318
- Trade and other payables	16	2,459	(16,705)
- Other current assets and liabilities	9-18	5,286	20,635
- Provisions	21	(798)	(17,217)
- Employee Benefits	19	14,843	1,314
Cash flows from operating activities		222,272	168,928
Acquisition of property, plant and equipment	10-12	(58,690)	(53,648)
Changes in other non current financial assets	13	(2,800)	1,694
Disposal of tangible and intangible assets	10-12	1,823	58,259
Cash flow from investing activities		(59,667)	6,305
Change in financial liabilities		17,635	(16,647)
Increase of loan and borrowings		533,067	54,491
Repayment of borrowing		(550,827)	(71,423)
Dividends paid		(7,000)	(1,500)
Increase/Decrease in share capital and reserves	23	(121,960)	2,073
Cash flow used in financing activities		(129,085)	(33,006)
Effects of movement in exchange rates on cash held		(47,261)	3,131
Net change in cash and cash equivalents	A	(13,741)	145,358
Opening cash and cash equivalents	B	302,934	157,576
Closing cash and cash equivalents	C=A+B	289,193	302,934

The notes on pages 40 to 98 form an integral part of these consolidated financial statements.



Consolidated Statement of changes in equity

(Euro thousand)	Balances at 1 January 2019	Dividends	Capital Reduction	Other changes	Profit for the year	Other comprehensive income/(expense)	Balances at 31 Dec 2019
Share capital	-	-	-	-	-	-	-
Share premium reserve	391,172	(1,500)	-	-	-	-	389,672
Translation reserve	(10,497)	-	-	-	-	6,055	(4,442)
Other reserves	2,207	-	-	-	-	(1,787)	420
Total comprehensive income	382,882	(1,500)	-	-	-	4,268	385,650
Transaction with owners	-	-	-	14,510	-	-	14,510
Retained earnings	27,581	-	-	1,655	107,400	-	136,636
Total reserves	410,463	(1,500)	-	16,165	107,400	4,268	536,796
Total equity attributable to the owners of the parent	410,463	(1,500)	-	16,165	107,400	4,268	536,796
Non-controlling interests	-	-	-	-	-	-	-
Total equity	410,463	(1,500)	-	16,165	107,400	4,268	536,796

(Euro thousand)	Balances at 1 January 2020	Dividends	Capital Reduction	Other changes	Profit for the year	Other comprehensive income/(expense)	Balances at 31 Dec 2020
Share capital	-	-	-	-	-	-	-
Share premium reserve	389,672	-	(124,000)	-	-	-	265,672
Translation reserve	(4,442)	-	-	-	-	(32,876)	(37,318)
Other reserves	420	-	-	-	-	(411)	9
Total comprehensive income	385,650	-	(124,000)	-	-	(33,287)	228,363
Transaction with owners	14,510	-	-	1,902	-	-	16,412
Retained earnings	136,636	(7,000)	-	138	43,178	-	172,952
Total reserves	536,796	(7,000)	(124,000)	2,040	43,178	(33,287)	417,727
Total equity attributable to the owners of the parent	536,796	(7,000)	(124,000)	2,040	43,178	(33,287)	417,727
Non-controlling interests	-	-	-	-	-	-	-
Total equity	536,796	(7,000)	(124,000)	2,040	43,178	(33,287)	417,727

The notes on pages 40 to 98 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements as of and for the year ended 31 December 2020

1. Reporting entity

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

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

2. Basis of preparation

Statement of compliance

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

The consolidated financial statements were authorized for issue by the Board of Directors of Specialty Chemicals International B.V. on April 28, 2021.

The Group has prepared these financial statements in accordance with EU - IFRS. The Group has not early adopted any new IFRS requirements that are not yet effective in 2020.

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

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

Basis of measurement

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

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

The Group presents the consolidated financial statements as follows:

- current and non-current assets and current and non-current liabilities are presented separately in the consolidated statement of financial position. Current assets, which include cash and cash equivalents, are expected to be realized, transferred or used in the Group’s normal operating cycle and, in any case, within one year of the reporting

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

Functional and presentation currency

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

Use of accounting estimates and judgement

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

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

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

3. Basis of consolidation

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

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or



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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, 2020.

The companies included in the consolidation scope as of December 31, 2020 and as of December 31, 2019 together with the related percentage of interest are listed below:



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Company	Currency	investment % 2020	investment % 2019	Consolidation method
Specialty Chemicals International B.V.	EUR			Line-by-line
Specialty Chemicals Holding I B.V.	EUR	100%	100%	Line-by-line
Specialty Chemicals Holding II B.V.	EUR	100%	100%	Line-by-line
Specialty Chemicals International Inc.	Polynt Group USD	100%	100%	Line-by-line
Polynt S.p.A.	Polynt Group EUR	100%	100%	Line-by-line
Polynt Composites Germany GmbH	Polynt Group EUR	100%	100%	Line-by-line
Polynt Composites Poland Sp. z o.o.	Polynt Group PLN	100%	100%	Line-by-line
Polynt Chemical (Changzhou) Co. Ltd.	Polynt Group CNY	100%	100%	Line-by-line
Polynt Hong Kong Co. Ltd.	Polynt Group USD	100%	100%	Line-by-line
Polynt UK Ltd.	Polynt Group GBP	100%	100%	Line-by-line
Polynt Composites Norway A.S.	Polynt Group NOK	100%	100%	Line-by-line
Polynt Turkey Kimyevi Ürünler Ticaret Anonim Şirketi	Polynt Group TRY	100%	-	Line-by-line
Polynt Composites USA Inc.	Polynt Group USD	100%	100%	Line-by-line
PCCR USA Holdings Inc.	Polynt Group USD	100%	100%	Line-by-line
Polynt Composites Holding Australia Pty Ltd.	Polynt Group AUD	100%	100%	Line-by-line
Polynt Composites Australia Pty Ltd.	Polynt Group AUD	100%	100%	Line-by-line
Polynt Composites Malaysia Sdn. Bhd.	Polynt Group MYR	100%	100%	Line-by-line
Polynt Composites France S.A.	Polynt Group EUR	100%	100%	Line-by-line
Polynt Composites Spain S.L.	Polynt Group EUR	100%	100%	Line-by-line
Polynt Composites Holding UK Ltd.	Polynt Group GBP	100%	100%	Line-by-line
Polynt Composites UK Ltd.	Polynt Group GBP	100%	100%	Line-by-line
Polynt Composites Korea Co. Ltd.	Polynt Group KRW	100%	100%	Line-by-line
Polynt Composites Brazil Ltda.	Polynt Group BRL	100%	100%	Line-by-line
Polynt Composites Canada Inc.	Polynt Group CAD	100%	100%	Line-by-line
Polynt Composites II, LLC	Polynt Group USD	100%	100%	Line-by-line
Cooperatie Reichhold Holdings Netherlands	Reichhold Group USD	100%	100%	Line-by-line
Reichhold Norway AS	Reichhold Group NOK	100%	100%	Line-by-line
Reichhold AS	Reichhold Group NOK	100%	100%	Line-by-line
Reichhold Denmark AS	Reichhold Group DKK	100%	100%	Line-by-line
Reichhold Industries Limited	Reichhold Group CAD	100%	100%	Line-by-line
Reichhold LLC2	Reichhold Group USD	100%	100%	Line-by-line
Reichhold Polymers (Tianjin) Ltd.	Reichhold Group CNY	100%	100%	Line-by-line
Reichhold Trading (Beijing) Ltd.	Reichhold Group CNY	100%	100%	Line-by-line
Reichhold SAS	Reichhold Group EUR	100%	100%	Line-by-line
Reichhold France SAS	Reichhold Group USD	100%	100%	Line-by-line
Reichhold GmbH	Reichhold Group EUR	100%	100%	Line-by-line
Reichhold Holding Hong Kong Limited	Reichhold Group USD	99.9%	99.9%	Line-by-line
Reichhold CZ s.r.o.	Reichhold Group CZK	100%	100%	Line-by-line
Reichhold Mauritius Ltd	Reichhold Group USD	100%	100%	Line-by-line
Reichhold UK Ltd.	Reichhold Group GBP	100%	100%	Line-by-line
Reichhold Srl	Reichhold Group EUR	100%	100%	Line-by-line
Reichhold BV	Reichhold Group EUR	100%	100%	Line-by-line
Reichhold Holdings International BV	Reichhold Group USD	100%	100%	Line-by-line
Reichhold Inc.	Reichhold Group AED	100%	100%	Line-by-line
Reichhold India Private Limited	Reichhold Group INR	100%	100%	Line-by-line
Reichhold Química de Mexico S.A. De C.V.	Reichhold Group MXN	100%	100%	Line-by-line
Reichhold do Brasil Ltda	Reichhold Group BRL	100%	100%	Line-by-line
Reichhold Investimentos Ltda	Reichhold Group BRL	100%	100%	Line-by-line
Reichhold Resinas Sintéticas Ltda	Reichhold Group BRL	100%	100%	Line-by-line
Reichhold Finance BV	Reichhold Group EUR	100%	100%	Line-by-line

The changes to the Group's companies completed during 2020 are the following:

- on May 7, 2020 the company Polynt Turkey Kimyevi Ürünler Ticaret Anonim Şirketi is incorporated; the company is 100% owned by Polynt S.p.A.

Subsidiaries

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



Non-controlling interests

Non-controlling interests (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, revenue and expense are fully eliminated;
- all intragroup profits not yet realized deriving from third party transactions are eliminated;
- the carrying amount of investments held is eliminated against the investee's equity. The portions of equity and profits or losses attributable to non-controlling interests are shown separately in equity and profit or loss;
- when the acquisition cost of an investment exceeds the carrying amount of the portion of the investee's equity at the acquisition date, this excess is allocated to specific asset and liability captions up to their fair value at that date. Any residual excess is then recognized as "Goodwill" and is not amortized but tested annually for impairment to verify that the amount is still recoverable, using the methods described in the paragraph on "Impairment losses on assets". When the acquisition cost of an investment is less than the carrying amount of the investee's equity at the acquisition date, the difference is taken to profit or loss;
- dividends distributed by consolidated companies are eliminated from the consolidated profit or loss;
- for transactions under common control, assets and liabilities are maintained at their historical value, and the excess between the consideration and the carrying amount is recognized under equity reserves;
- the assets and liabilities of foreign operations are translated into Euro at the closing rate, while income and expenses of foreign operations are converted at the average exchange rate of the year. Exchange rate gains or losses arising from translation are recognized in the "Translation reserve" in equity. If the investment is sold, any accumulated exchange rate gains or losses are reclassified to profit or loss.

4. Significant accounting policies

Consolidated statement of financial position

Financial instruments

The Group classifies non-derivative financial assets into the following categories: financial assets at FVTPL, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Group classifies non-derivative financial liabilities into the following categories: financial liabilities at FVTPL and other financial liabilities.

Cash and cash equivalents

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

Trade receivables

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

Loans and receivables

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

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

Derecognition of financial assets and financial liabilities

The Group derecognizes a financial asset when:

- the contractual rights to the cash flows from the asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
 - o substantially all the risks and rewards of ownership of the financial asset are transferred; or

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- the Group neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial assets.

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

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

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognizes a financial liability when its terms are modified 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 extinguished 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 legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Other non-derivative financial assets

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

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

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

Foreign currency transactions

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

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

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the reporting currency at the exchange rate in force when the fair value was determined. Non-monetary items that are measured at cost in a foreign currency are translated at the exchange rate in force at the transaction date. Translation differences are generally recognized in profit or loss.

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



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

Foreign operations

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

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

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

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

Currency	Average		Year-end	
	2020	2019	31-Dec-20	31-Dec-19
USD U.S. Dollar	1.14	1.12	1.23	1.12
AUD Australian Dollar	1.65	1.61	1.59	1.60
CAD Canadian Dollar	1.53	1.49	1.56	1.46
CZK Czech crown	26.46	25.67	26.24	25.41
DKK Danish krone	7.45	7.47	7.44	7.47
AED Dirham	4.19	4.11	4.51	4.13
INR Indian Rupia	84.64	78.84	89.66	80.19
NOK Norwegian krone	10.72	9.85	10.47	9.86
MXN Peso Mexican	24.52	21.56	24.42	21.22
GBP Pound Sterling	0.89	0.88	0.90	0.85
BRL Real	5.89	4.41	6.37	4.52
CNY Renminbi	7.87	7.74	8.02	7.82
MYR Ringgit	4.80	4.64	4.94	4.60
KRW South Korean Won	1,345.58	1,305.32	1,336.00	1,296.28
PLN Zloty	4.44	4.30	4.56	4.26
TRY Turkish lira	8.05	6.36	9.11	6.68

Derivative financial instruments

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

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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 effectively hedges the risk to which they were put in place, while recorded in profit or loss any part that proves ineffective.

The part attributed to other components of comprehensive income is reclassified to profit or loss when the assets and liabilities hedged impacts the costs and revenue of the period. It is important to note that the Group has adopted a specific procedure to manage financial instruments that is part of an overall risk management policy.

Inventories

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

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

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

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

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

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



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

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

Property, plant and equipment

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 recognised 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%



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- Registered vehicles 20%
- Transport vehicles 25%

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

Intangible assets and Goodwill

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

Research and development

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

Other intangible assets

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

Other intangible assets, including customer relationships, patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization 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.

Amortization 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 amortized.

The annual amortization rates are as follows:

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

Subsequent expenditure is capitalised 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 recognised 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 amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

Financial liabilities

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

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

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

Trade payables

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

Short-term employee benefits

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

Long-term employee benefits

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

The benefits guaranteed to employees in the form of the employee severance indemnity are paid when the employment relationship is terminated and are recognized over the period in which the right vests.

The liability for benefits to be paid at the end of the employment relationship is determined based on actuarial assumptions and is recognized on an 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), taking into account 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.

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.

Impairment of assets

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

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

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

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

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

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

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

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

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

Deferred tax

Deferred tax is 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.

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 manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

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

Leases

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 on the basis of

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 amortized 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.

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 "loans and borrowings" in the statement of

financial position.

Short-term leases and leases of low-value assets

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.

As a lessor

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 on the basis of 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 of 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 EU - IFRS.

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

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

Consolidated statement of profit or loss and other comprehensive income

Revenue and costs

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

Government grants

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

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

Grants that compensate the Group for expenses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses are recognized, unless the conditions for receiving the grant are met after the related expenses have been recognized. In this case, the grant is recognized when it becomes receivable.

Financial income and financial expense

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

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 amortized 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 amortized cost of the liability.

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

Income taxes

Tax expense of the period includes current and deferred tax.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognized for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for taxation purposes.

Deferred tax is not recognized for:

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

of the temporary differences and it is probable that they will not reverse in the foreseeable future;

- taxable temporary differences arising on the initial recognition of goodwill.

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

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 manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

5. Standards and interpretations soon to become applicable

A number of new standards are effective for annual periods beginning after January 1, 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

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

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16);
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Annual Improvements to IFRS Standards 2018–2020;
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Reference to the Conceptual Framework (Amendments to IFRS 3);
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).

In addition, in response to the COVID-19 coronavirus pandemic, in May 2020 the International Accounting Standards Board (the Board) issued an amendment to IFRS 16 Leases to provide practical relief for lessees in accounting for rent concessions.

Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient



if they occur as a direct consequence of the COVID-19 pandemic and if all of the following criteria are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to the other terms and conditions of the lease.

The amendment is effective for annual periods beginning on or after June 1, 2020. Early application is permitted.

The Group has decided to not early adopt the amendment as the practical expedient is not applicable.



Consolidated Statement of Financial position

ASSETS

6. Trade receivables

Trade receivables by geographical segment are categorized as follows:

(Euro thousand)	31-Dec-20	31-Dec-19
European	128,378	130,197
Non-European	147,290	149,744
Gross balance	275,668	279,941
Allowance for impairment	(11,715)	(13,399)
Net balance	263,953	266,542

At December 31, 2020, there were EUR 1,401 thousand of trade receivables factored without recourse (EUR 621 thousand on December 31, 2019).

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

Changes in the allowance for impairment are shown below:

(Euro thousand)	31-Dec-20	31-Dec-19
Opening balance	13,399	12,749
Accruals	1,640	1,494
Utilisations	(2,093)	(813)
Translation rate differences	(1,231)	(31)
Closing balance	11,715	13,399

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 established for receivables that are not impaired individually or provided for specifically based on losses incurred over the past five years.

Note 36 gives information about the Group's exposure to credit risk, currency risk and interest rate risk in relation to trade receivables.

7. Inventories

Inventories are broken down as follows:



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(Euro thousand)	31-Dec-20	31-Dec-19
Raw materials, consumables and supplies	94,389	110,490
Allowance for write-down of inventory	(2,707)	(3,709)
Total	91,682	106,781
Work in progress and semi-finished products	11,333	16,536
Allowance for write-down of inventory	(75)	(109)
Total	11,258	16,427
Finished products	91,792	111,945
Allowance for write-down of inventory	(2,403)	(3,247)
Total	89,389	108,698
Generic spare parts	12,142	11,827
Allowance for write-down of inventory	(4,014)	(3,823)
Total	8,128	8,004
Total inventories	200,457	239,910

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

8. Current tax assets

Current tax assets are categorized as follows:

(Euro thousand)	31-Dec-20	31-Dec-19
Current tax assets	3,833	5,564
Taxes for which reimbursement has been claimed	2,079	2,641
Total	5,912	8,205

“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, which was partially received during 2020.

9. Other current assets

Other current assets are categorized as follows:

(Euro thousand)	31-Dec-20	31-Dec-19
VAT receivable	5,735	7,279
Advances to social security institutions	51	37
Sundry advances	620	255
Prepayments:		
- Insurance premiums	1,174	1,439
- Maintenance instalments	63	834
- Others	2,045	24,835
Other receivables	1,929	2,049
Total	11,617	36,728

In 2019, “Prepayments - others” included Reichhold LLC2’s insurance receivable for EUR 8,800 thousand related to a product liability claim settled during 2020. Refer to note 21 for further information.



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In 2019, "Prepayments - others" for EUR 12,437 thousand related to Reichhold Holdings International receivable for Pension Benefit Guaranty Corporation obligation settled in December 2020. Refer to note 18 for further information.

10. Property, plant and equipment

Changes in Property, plant and equipment for the two years ended December 31, 2020 and December 31, 2019 are detailed in the following tables:

	Historical cost at	Reclassifications	Increases	Decreases	Impairment loss	Translation difference	Historical cost at	Carrying amount at
(Euro thousand)	01-Jan-20						31-Dec-20	31-Dec-20
Buildings	137,574	7,419	325	-	-	(5,968)	139,350	75,728
Building (IFRS 16)	1,382	-	2,642	(407)	-	(116)	3,501	2,833
Land	128,799	(38)	-	-	-	(6,699)	122,062	121,929
Light constructions	13,046	740	95	-	-	(896)	12,985	7,350
Land and buildings	280,801	8,121	3,062	(407)	-	(13,679)	277,898	207,840
Generic plant	346,989	16,697	3,076	(740)	-	(13,609)	352,413	173,051
Generic Plant (IFRS 16)	78	299	15	(35)	-	(7)	350	263
Specific plant	374,249	8,009	4,251	(2,721)	-	(3,323)	380,465	53,611
Specific Plant (IFRS 16)	5,804	(1)	1,945	(260)	-	(542)	6,946	5,354
Plant and equipment	727,120	25,004	9,287	(3,756)	-	(17,481)	740,174	232,279
Sundry equipment	29,601	1,135	811	(383)	-	(505)	30,559	5,280
Industrial and commercial equipments (IFRS 16)	4,107	(3,791)	394	(484)	-	(64)	162	129
Industrial and commercial equipment	33,708	(2,656)	1,205	(867)	-	(569)	30,821	5,409
Furniture and office machines	6,646	126	153	(184)	-	(379)	6,362	1,959
Electronic office machines	16,710	1,615	468	(100)	-	(1,136)	17,557	4,204
Electronic office equipments (IFRS 16)	1,308	-	58	(846)	-	(2)	518	204
Registered vehicles	589	44	42	(38)	-	(33)	1,004	22
Transport motor vehicles registered (IFRS 16)	2,747	(53)	1,265	(653)	-	(124)	3,182	1,636
Transport vehicles	1,064	(16)	292	(127)	-	(18)	1,195	611
Vehicles for internal transport (IFRS 16)	557	3,546	2,259	(539)	-	(223)	5,600	3,477
Other assets	30,021	5,262	4,537	(2,487)	-	(1,915)	35,418	12,113
Assets under construction	38,826	(35,731)	37,579	(24)	-	(814)	39,836	39,836
Advances to suppliers for plant	(71)	-	(55)	-	-	4	-	(122)
Assets under construction and advances	38,755	(35,731)	37,524	(24)	-	(810)	39,714	39,714
Total	1,110,408	-	55,615	(7,541)	-	(34,454)	1,124,025	497,355

	Accumulated depreciation at	Reclassifications	Increases	Decreases	Impairment loss	Translation difference	Accumulated depreciation at
(Euro thousand)	01-Jan-20						31-Dec-20
Buildings	57,569	11	7,931	(99)	20	(1,810)	63,622
Building (IFRS 16)	267	-	526	(99)	-	(26)	668
Land	143	-	-	-	-	(10)	133
Light constructions	5,367	526	-	-	86	(344)	5,635
Land and buildings	63,046	537	8,457	(198)	106	(2,190)	70,058
Generic plant	163,460	(6)	21,009	(778)	15	(4,336)	179,362
Generic Plant (IFRS 16)	26	4	58	-	-	(1)	87
Specific plant	303,605	(529)	15,907	(2,152)	11,943	(1,920)	326,854
Specific Plant (IFRS 16)	910	36	1,002	(257)	-	(99)	1,592
Plant and equipment	468,001	(497)	37,976	(3,187)	11,958	(6,356)	507,895
Sundry equipment	24,653	-	1,244	(266)	-	(252)	25,379
Industrial and commercial equipments (IFRS 16)	1,057	(928)	97	(176)	-	(17)	33
Industrial and commercial equipment	25,710	(928)	1,341	(442)	-	(269)	25,412
Furniture and office machines	4,294	-	505	(182)	-	(214)	4,403
Electronic office machines	12,413	-	1,795	(105)	-	(750)	13,353
Electronic office equipments (IFRS 16)	568	-	490	(743)	-	(1)	314
Registered vehicles	1,008	16	7	(12)	-	(37)	982
Transport motor vehicles registered (IFRS 16)	999	(15)	1,256	(637)	-	(57)	1,546
Transport vehicles	562	(16)	158	(109)	-	(11)	584
Vehicles for internal transport (IFRS 16)	97	903	1,331	(137)	-	(71)	2,123
Other assets	19,941	888	5,542	(1,925)	-	(1,141)	23,905
Total	576,998	-	53,316	(5,752)	12,064	(9,956)	626,670



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	Historical cost at	Right of Use Asset	Initial Adjustment	Reclassifications assets held for sale	Reclassifications	Increases	Decreases	Impairment loss	Translation difference	Historical cost at	Carrying amount at
	01-Jan-19	01-Jan-19	01-Jan-19							31-Dec-19	31-Dec-19
(Eurothousand)											
Buildings	135,527	-	135,527	-	2,484	1,868	(1,448)	(2,078)	1,419	137,576	80,005
Building (IFRS 16)	-	4,724	4,724	-	-	247	(3,728)	-	139	1,382	1,115
Land	133,933	-	133,933	(4,513)	-	94	717	(2,772)	-	128,799	128,856
Light constructions	12,022	-	12,022	-	529	304	(80)	(129)	158	13,046	7,879
Land and buildings	281,482	4,724	286,206	(4,513)	3,107	2,934	(8,042)	(1,947)	3,056	280,801	217,455
Generic plant	330,859	-	330,859	-	14,589	2,998	(3,173)	(1,029)	2,945	346,989	183,329
Generic Plant (IFRS 16)	-	25	25	-	-	51	-	-	-	76	52
Specific plant	386,926	-	386,926	-	2,863	4,177	(411)	-	894	379,249	70,644
Specific Plant (IFRS 16)	-	5,202	5,202	-	-	550	(32)	-	84	5,804	4,894
Plant and equipment	697,585	5,227	702,812	-	17,252	7,776	(3,616)	(1,029)	3,925	727,120	259,119
Sundry equipment	31,378	-	31,378	-	432	629	(2,744)	(255)	181	29,601	4,948
Industrial and commercial equipments (IFRS 16)	-	2,909	2,909	-	-	1,160	(7)	-	45	4,107	3,050
Industrial and commercial equipment	31,378	2,909	34,287	-	432	1,789	(2,751)	(255)	206	33,708	7,998
Furniture and office machines	8,609	-	8,609	-	(2)	187	(204)	5	71	8,646	2,352
Electronic office machines	16,638	-	16,638	-	1,345	302	(104)	(1,709)	238	16,710	4,297
Electronic office equipments (IFRS 16)	-	1,151	1,151	-	-	180	(5)	-	2	1,308	740
Registered vehicles	1,652	-	1,652	-	(451)	(218)	(31)	-	37	985	(19)
Transport motor vehicles registered (IFRS 16)	-	2,159	2,159	-	-	926	(393)	-	55	2,747	1,748
Transport vehicles	933	-	933	-	-	288	(159)	-	2	1,064	502
Vehicles for internal transport (IFRS 16)	-	347	347	-	-	330	(132)	-	12	557	460
Other assets	25,832	3,657	29,489	-	1,343	1,722	(1,215)	(1,735)	417	30,021	10,080
Assets under construction	23,251	-	23,251	-	(21,941)	37,274	-	-	242	38,826	38,826
Advances to suppliers for plant	58	-	58	-	(192)	60	-	-	3	(71)	(71)
Assets under construction and advances	23,309	-	23,309	-	(22,134)	37,334	-	-	244	38,755	38,755
Total	1,059,386	16,517	1,076,103	(4,513)	-	31,555	(15,824)	(4,966)	7,848	1,110,405	593,407

	Accumulated depreciation at	Right of Use Asset	Initial Adjustment	Reclassifications	Increases	Decreases	Impairment loss	Translation difference	Accumulated depreciation at
	01-Jan-19	01-Jan-19	01-Jan-19						31-Dec-19
(Euro thousand)									
Buildings	52,058	-	52,058	-	6,988	(1,196)	(827)	386	57,569
Building (IFRS 16)	-	-	-	-	889	(802)	-	-	267
Land	142	-	142	-	-	-	-	1	143
Light constructions	5,180	-	5,180	-	560	(558)	135	70	5,367
Land and buildings	57,380	-	57,380	-	8,997	(2,356)	(692)	437	63,346
Generic plant	145,252	-	145,252	-	21,829	(4,304)	(343)	1,028	163,466
Generic Plant (IFRS 16)	-	-	-	-	28	-	-	-	26
Specific plant	282,505	-	282,505	-	20,949	(258)	28	381	303,603
Assets under construction	-	-	-	-	913	-	-	(3)	910
Plant and equipment	427,757	-	427,757	-	43,717	(5,362)	(315)	1,404	468,001
Sundry equipment	24,833	-	24,833	-	1,500	(1,498)	(283)	81	24,653
Industrial and commercial equipments (IFRS 16)	-	-	-	-	1,058	(3)	-	4	1,057
Industrial and commercial equipment	24,833	-	24,833	-	2,558	(1,501)	(283)	85	25,710
Furniture and office machines	3,788	-	3,788	-	564	(71)	6	27	4,294
Electronic office machines	12,788	-	12,788	-	1,591	(510)	(1,610)	174	12,413
Electronic office equipments (IFRS 16)	-	-	-	-	573	(5)	-	-	568
Registered vehicles	1,099	-	1,099	-	108	(207)	(12)	22	1,008
Transport motor vehicles registered (IFRS 16)	-	-	-	-	1,018	(24)	-	5	999
Transport vehicles	532	-	532	-	150	(120)	-	-	562
Vehicles for internal transport (IFRS 16)	-	-	-	-	100	(3)	-	-	97
Other assets	18,167	-	18,167	-	4,102	(940)	(1,614)	228	19,941
Total	528,117	-	528,117	-	58,772	(9,359)	(2,686)	2,154	576,998

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

- EUR 7.0 million for Polynt Composites USA's Carpentersville, Illinois and North Kansas City, Missouri R&D facilities renovated to incorporate labs from the transfer of R&D activities from Raleigh, North Carolina;
- EUR 5.7 million related to the new maleic anhydride ALMA reactor installation at the Ravenna site (Italy);
- EUR 4.9 million for Reichhold LLCs' Orlando and Morris site capabilities update related to the North Kansas City manufacturing closure;
- EUR 3.0 million for resin storage expansion and production debottlenecking at Niepolomice site (Poland);
- EUR 2.3 million for the upgrade of SPP units and the demolition of an old building for safety reasons in San Giovanni Valdarno site (Italy);
- EUR 1.5 million for catalyst replacement at the maleic anhydride and phthalic anhydride plants at Scanzorosciate site (Italy);
- EUR 1.4 million for the increase of raw material storage capacity and upgrade of the storage area to comply with the new governing safety rules at Drocourt site (France);
- EUR 1.3 million for a third reactor for UPR and bonding paste and other ongoing projects at Reichhold India's Pune site;



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- EUR 1.0 million for a new office building, a new warehouse and storage tank at the Polynt Composites Malaysia's site;
- EUR 1.0 million to improve bonding paste capabilities at Polynt Korea;
- EUR 0.8 million to convert a reactor to expand UPR composite manufacturing capacity at the Reichhold Atlacomulco site in Mexico;
- EUR 0.7 million for the trimellitic anhydride plant refurbishment and EUR 1.3 million for product quality improvement of the Malic acid plant at Scanzorosciate site (Italy);
- EUR 0.2 million for Polynt Composites Canada Inc.'s SAP implementation to support future business growth and harmonize business processes;
- the remaining amounts represents minor investments at the various Group's sites.

The increases of property, plant and equipment also includes the effects of new IFRS 16 leases for those contracts starting during the year 2020 totaling EUR 8,6 million.

In June 2019, management committed to the sale of the Polynt Composite USA's Lynwood, California site with closing expected during 2021.

Impairment losses are mainly related to Fixed Assets of Polynt Chemical Changzhou. Refer to note 31 for further information.

At December 31, 2020 the "Total Assets held for sale" consisted of the Lynwood, California plant was stated at its carrying amount. No liabilities were associated with these assets held for sale. The year over year change in "Assets held for sale" amount is related to the exchange rate effect.

(Euro thousand)	31-Dec-20	31-Dec-19
Land	4,132	4,513
Total Assets held for sale	4,132	4,513

11. Goodwill

(Euro thousand)	31-Dec-20	31-Dec-19
Goodwill	64,932	67,269

Goodwill refers to the combination of the Polynt and Reichhold businesses that occurred in May 2017. After the allocation of the excess acquisition price to identifiable assets and related computation of deferred tax, a residual Goodwill of EUR 64.9 million was recorded. The Goodwill was allocated to the regional CGUs: Europe, Americas, Asia. The year over year change in Goodwill is related to the effects of exchange rate, mainly attributable to the US components.

As at December 31, 2020 and 2019, the carrying value of goodwill by regional CGU is as follow:



(Euro thousand)	31-Dec-20	31-Dec-19
Europe	37,093	37,219
Americas	22,073	24,111
Asia	5,766	5,939
Total	64,932	67,269

Goodwill is not amortized but tested annually for impairment.

Goodwill was tested for impairment at December 31, 2020 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 2021 the budget approved by the Board of Directors of SCIL on February 17, 2021 was used in the impairment test. Results are expected to increase slightly in subsequent years compared to 2021.

Sales volumes are expected to grow on average 3.9%, in 2021 with continued growth across all regions from 2022. Margins are assumed to be approximately stable and fixed costs broadly in line with the volume growth from 2022 onwards, net of synergy savings.

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 7.9% for Europe, 8.2% for America and 10.1% 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 1%.

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 loss)
Europe	736	415	321
Americas	1,261	250	1,011
Asia	343	102	241



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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	5%	25%	19%

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

(€ million)	Value in Use	Value in Use (+1% discount rate)	Value in Use (-1% discount rate)
Europe	736	635	870
Americas	1,261	1,100	1,473
Asia	343	307	388

12. Other intangible assets

Changes in other intangible assets at December 31, 2020 and December 31, 2019 are detailed in the following tables:

(Euro thousand)	Historical cost at 01-Jan-20	Redassifications	Increases	Decreases	Impairment loss	Translation difference	Historical cost at 31-Dec-20	Carrying amount at 31-Dec-20
Software and patents	18,553	334	1,422	(8)	-	(570)	19,731	5,581
Research and development	-	-	-	-	-	-	-	-
Patents	18,553	334	1,422	(8)	-	(570)	19,731	5,581
EDP programs	10,370	483	127	-	-	(2)	10,978	1,625
Know How	43,550	-	-	-	-	-	43,550	1,401
Technology	50,332	-	-	-	-	-	50,332	12,542
Others	40,366	-	-	(20)	-	(1,404)	38,942	18,076
Other	144,618	483	127	(20)	-	(1,406)	143,802	33,644
Assets under development	2,258	(817)	1,526	(14)	-	(41)	2,912	2,906
Total	165,429	-	3,075	(42)	-	(2,017)	166,445	42,131

(Euro thousand)	Accumulated amortisation at 01-Jan-20	Redassifications	Increases	Decreases	Translation difference	Accumulated amortisation at 31-Dec-20
Software and patents	12,609	-	1,802	(8)	(253)	14,150
Research and development	-	-	-	-	-	-
Patents	12,609	-	1,802	(8)	(253)	14,150
EDP programs	8,829	-	525	-	(1)	9,353
Know How	41,639	-	510	-	-	42,149
Technology	27,244	-	10,546	-	-	37,790
Others	15,989	-	5,497	-	(620)	20,866
Other	93,701	-	17,078	-	(621)	110,158
Assets under development	21	-	(15)	-	-	6
Total	106,331	-	18,865	(8)	(874)	124,314

(Euro thousand)	Historical cost at 01-Jan-19	Redassifications	Increases	Decreases	Impairment loss	Translation difference	Historical cost at 31-Dec-19	Carrying amount at 31-Dec-19
Software and patents	17,714	1,577	235	(1,322)	266	83	18,553	5,944
Research and development	-	-	-	-	-	-	-	-
Patents	17,714	1,577	235	(1,322)	266	83	18,553	5,944
EDP programs	9,242	684	462	(18)	-	-	10,370	1,541
Know How	43,550	-	-	-	-	-	43,550	1,911
Technology	50,332	-	-	-	-	-	50,332	23,088
Others	42,039	-	-	(2,143)	-	470	40,366	24,377
Other	145,163	684	462	(2,161)	-	470	144,618	50,917
Assets under development	3,118	(2,261)	1,396	(28)	-	33	2,258	2,237
Total	165,995	-	2,093	(3,511)	266	586	165,429	59,098



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(Euro thousand)	Accumulated amortisation at 01-Jan-19	Reclassifications	Increases	Decreases	Translation difference	Accumulated amortisation at 31-Dec-19
Software and patents	11,376	39	1,929	(787)	52	12,609
Research and development	-	-	-	-	-	-
Patents	11,376	39	1,929	(787)	52	12,609
EDP programs	8,444	(39)	442	(18)	-	8,829
Know How	41,129	-	510	-	-	41,639
Technology	16,698	-	10,546	-	-	27,244
Others	12,496	-	5,795	(2,478)	176	15,989
Other	78,767	(39)	17,293	(2,496)	176	93,701
Assets under development	-	-	21	-	-	21
Total	90,143	-	19,243	(3,283)	228	106,331

The increase in intangible assets in 2020 is primarily driven by ERP implementation costs to support the future growth of the business and harmonize business processes, expenditure for REACH activities carried out in 2020 and costs for patents, software licenses and other software implementations.

13. Other financial assets

Other financial assets are as follows:

(Euro thousand)	31-Dec-20	31-Dec-19
Forwards Contract	714	44
Other financial assets	7,563	8,401
Total	8,277	8,445

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

14. Deferred tax assets

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

- the tax regulations of the various countries in which it operates and their impact on temporary differences and any tax benefits arising from the use of carry forward tax losses considering the years they can be realized;
- the profits expected to be earned by each group company in the medium term and the financial and tax impacts of the business plan mentioned in note 11.

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

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



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(Euro thousand)	31-Dec-2019	Increase	Decrease	Exchange rate difference	31-Dec-2020
Tax losses carry forward	4,607	40	(2,216)	(403)	2,027
Exchange rate adjustments	1,687	5,062	(78)	(468)	6,203
Provisions for bad debts	1,814	674	(213)	(186)	2,090
PPE	1,004	5,033	(1,287)	(154)	4,596
Provisions for environmental risks	1,407	864	(102)	(181)	1,988
Provision for lay-off costs	1,542	238	-	(33)	1,747
Provision for sundry risk	1,129	399	(118)	(42)	1,368
Non deducted interest	213	358	(24)	(35)	511
Employee benefits	445	3,225	-	-	3,670
Inventories	415	2,486	(54)	(102)	2,746
Intangible assets	-	1,752	-	(105)	1,647
Other differences	2,095	2,180	(568)	(318)	3,389
Total	16,358	22,311	(4,661)	(2,029)	31,980

Unrecognized deferred tax assets

(Euro thousand)	31-Dec-20	31-Dec-19
Unrecognized deferred tax assets on tax losses carried forward	27,354	28,243
Total	27,354	28,243

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

The most significant impacts of unrecognized deferred tax asset for tax loss carry forwards are mainly due to the following components: Cooperatie Reichhold Holdings Netherlands (EUR 14.2 million) with an expiry date between 2024-2029, Reichhold SAS (EUR 7.0 million) with no expiry date, Reichhold France SAS (EUR 1.6 million) with no expiry date and Polynt Composites France S.A. (EUR 2.0 million) with no expiry date.

15. Other non-current assets

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

(Euro thousand)	31-Dec-20	31-Dec-19
Sundry guarantee deposits	982	1,149
Others:		
Due from Momentive for environmental remediation	7,176	6,434
Due from non current VAT	848	1,337
Due from others	5,900	3,018
Total	14,906	11,938

The amount “Due from Momentive for environmental remediation” refers to Polynt Composites USA Inc.’s indemnification for certain environmental remediation costs. Refer to note 21 for further details.

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

The amount “Due from others” mainly refers to Polynt S.p.A. and Reichhold LLC2’s receivables from Specialty Chemicals International Ltd. (“SCIL”, the direct parent company).

LIABILITIES
16. Trade payables

Trade payables by region are as follows:

(Euro thousand)	31-Dec-20	31-Dec-19
Europe	116,206	115,130
Americas	56,520	57,659
Asia	29,515	26,993
Total trade payables	202,241	199,782

Refer to note 36 for the Group's exposure to credit, exchange rate and interest rate risk analysis in respect of trade payables.

17. Current tax liabilities

Current tax liabilities are as follows:

(Euro thousand)	31-Dec-20	31-Dec-19
Corporate tax	8,334	11,445
Total	8,334	11,445

18. Other current liabilities

Other current liabilities are as follows:

(Euro thousand)	31-Dec-20	31-Dec-19
Social security charges	5,548	4,098
Withholdings on employees/self-employers	2,934	2,387
Payables to supplementary funds	3,448	2,847
Accrued expenses and deferred income	1,264	1,119
VAT payable	3,575	4,089
Other payable	2,257	15,402
Total	19,026	29,942

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

"*Accrued expenses and deferred income*" include costs for 2020 which will be paid in the subsequent year.

"*Other payable*" in 2019 included EUR 12,437 thousand for the remaining six annual installments for Pension Benefit Guaranty Corporation (PBGC) obligation related to the claim asserted by the PBGC in March 2015. Effective November 1, 2020 (i) Reichhold Holdings International B.V., Reichhold do Brasil Ltda., Reichhold Investimentos Ltda., Reichhold Resinas Sinteticas Ltda., Reichhold Industries Ltd., Reichhold Trading (Beijing) Ltd., Reichhold Polymers (Tianjin) Ltd., Reichhold CZ s.r.o., Reichhold Danmark A/S, Reichhold SAS, Reichhold France SAS, Reichhold GmbH, Reichhold Holding Hong Kong Limited, Reichhold India Private Limited, Reichhold S.r.l., Reichhold Mauritius Ltd., Reichhold Quimica S.A. de C.V., Adhesivos Swift de Mexico S.A. de C.V., Reichhold Finance



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B.V., Reichhold AS, Reichhold Norway AS, Reichhold Inc. (Panama), Reichhold UK Limited, and Reichhold BV (the “ Foreign Controlled Group Members ”) and PBGC have executed the First Amendment to Settlement Agreement pursuant to which the Foreign Controlled Group Members have paid to PBGC the Lump Sum Amount of USD 14,382 thousand in full satisfaction of their obligations. PBGC has filed the lien releases on April 6, 2021.

19. Employee benefits

Current portion of employee benefits

(Euro thousand)	31-Dec-20	31-Dec-19
Wages and salaries payables and other personnel expenses	5,085	5,345
Employee benefits	23,558	24,514
Total	28,643	29,859

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

Non-current portion of employee benefits

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

The Group have adopted the following incentive compensation plans for certain Directors and employees:

- a long term incentive plan (“Phantom Share Option Plan”) was established in February 2018 that provides for additional compensation if the following conditions are fulfilled: a) that certain events occur by December 31, 2026 (i.e. change of control of the ownership of the group, listing on a regulated market, disbursement of an extraordinary maxi dividend); b) revaluation in addition to a certain threshold of the shares of the Parent Company Specialty Chemicals International Ltd. compared to the reference value per share indicated in the agreements;
- an extraordinary deal bonus plan (“EB Plan”) was adopted in December 2020 that provides for a compensation if additional conditions are fulfilled.

At each reporting period the fair value of the awards has been determined using a Monte Carlo simulative model based on Black&Scholes FORMULA.

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-20	31-Dec-19
Opening balance	22,395	19,043
Accruals	16,418	2,732
Interest costs	225	180
Exchange rate gain/(loss)	(194)	(117)
Actuarial (gain)/loss	584	1,975
Utilisations	(962)	(1,418)
Total	38,466	22,395

Independent actuaries calculated the Group's post-employment benefits. Below we disclose the assumptions for the significant plans in place for the Group.

With regard to Polynt S.p.A.' liability for post-employment benefit, 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.

The main actuarial assumptions applied at the reporting date for the measurement of the Polynt S.p.A.'s liability for post-employment benefits are: inflation rate of 1.2%; annual employee turnover rate of 3.65%; annual probability of requests for advances of 4.0%.

The discount rate applied in 2020 was 0.09%, 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.

The main actuarial assumptions applied at the reporting date for the measurement of Polynt Composites France S.A.'s liability for post-employment benefits include a discount rate of 0.3% and future salary growth rate of 2.7%.

The main actuarial assumptions applied at the reporting date for the measurement of Polynt Composites Korea Co. Ltd.'s liability for post-employment benefits include a discount rate of 2.2% and future salary growth rate of 4.0%.

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



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	Defined Benefit	Fair value of plan	Net defined benefit liability (asset) 2020
	Obligation	assets	
	2020	2020	
Balance - beginning of the year	43,756	21,361	22,395
Included in Profit or Loss	-	0	
Current Service costs	81	35	46
Past Service costs	-	(18)	18
Interest costs	275	114	161
Total	356	131	225
Included in Other comprehensive income			
Remesaurement loss (gain)			
Actuarial loss (gain) arising from:			
- Demographic assumptions	124	(112)	236
- Financial assumptions	955	(41)	996
- Experience adjustment	-	-	-
Return on plan assets excluding interest income	(244)	404	(648)
Effect of movements in exchange rates	(1,352)	(1,158)	(194)
Total	(517)	(907)	390
Other			
Employer contributions	981	468	513
Plan participants' contributions	5	10	(5)
Benefits paid	(1,346)	(384)	(962)
Balance End of year	43,235	20,679	22,556

	Defined Benefit	Fair value of plan	Net defined benefit liability (asset) 2019
	Obligation	assets	
	2019	2019	
Balance - beginning of the year	38,813	19,770	19,043
Included in Profit or Loss			
Current Service costs	387	52	335
Past Service costs	-	-	-
Interest costs	360	515	(155)
Total	747	567	180
Included in Other comprehensive income			
Remesaurement loss (gain)			
Actuarial loss (gain) arising from:			
- Demographic assumptions	(640)	(457)	(183)
- Financial assumptions	2,870	(36)	2,906
- Experience adjustment	-	-	-
Return on plan assets excluding interest income	(3)	745	(748)
Effect of movements in exchange rates	605	722	(117)
Total	2,832	974	1,858
Other			
Employer contributions	2,488	(247)	2,735
Plan participants' contributions	(17)	(14)	(3)
Benefits paid	(1,107)	311	(1,418)
Balance End of year	43,756	21,361	22,395

20. Deferred tax liabilities

Deferred tax liabilities ("DTL") on property, plant and equipment are mainly due to the larger carrying amounts reported for financial reporting purposes versus the tax carrying value. Deferred tax liabilities on purchase price allocation ("PPA") are related to the fair



value adjustment made for property, plant and equipment as a result of the May 2017 business combination transaction.

The changes during the year are as follows:

(Euro thousand)	31-Dec-2019	Increases	Decreases	Exchange rate	31-Dec-2020
PPE and other difference	75,831	4,163	(7,904)	(2,815)	69,275
TOTAL	75,831	4,163	(7,904)	(2,815)	69,275

21. Current and non-current provisions

The changes in current provisions were as follows:

(Euro thousand)	31-Dec-19	Increase	Decrease	Exchange rate difference	31-Dec-20
Provision for ecological clean-up	1,550	437	(1,024)	(279)	684
Provision for tax litigation	160	-	(153)	(7)	-
Provision for Lay Off Costs	1,162	3,602	(401)	(251)	4,112
Provision for sundry risk	2,941	-	(2,967)	26	-
Provision for Product Liability Claim	8,800	-	(8,800)	-	-
Provision for customer litigation	147	582	(141)	(22)	566
Total	14,760	4,621	(13,486)	(533)	5,362

The changes in non-current provisions were as follows:

(Euro thousand)	31-Dec-19	Increase	Decrease	Exchange rate difference	31-Dec-20
Provision for ecological clean-up	18,226	8,141	(2,848)	(1,833)	21,686
Provision for tax litigation	559	6,267	(92)	(47)	6,687
Provision for Lay Off Costs	461	79	(156)	(44)	340
Provision for sundry risk	3,211	171	(1,301)	(166)	1,915
Provision for agent risks	361	-	(52)	(1)	308
Provision for local property tax litigation	295	-	-	-	295
Total	23,113	14,658	(4,449)	(2,091)	31,231

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

- EUR 7,131 thousand relating to Polynt Composites USA, Inc., which assumed certain environmental liabilities of Momentive subject to limitations. The expenditures result from known environmental remediation actions at the subsidiary's locations in California, Georgia and Illinois. The total estimated cost is principally for operating, maintaining, monitoring and analyzing soil and groundwater wells, soil remediation, project management and related environmental reporting to various state agencies, costs to expand soil groundwater wells and any other necessary actions required under various governmental orders. Polynt Composites USA Inc. engaged an environmental consultant to review the remediation plans. The provision is based upon the present value of the estimated future cash outflows necessary to complete the remediation. The discounted amount is expected to be paid over the life of the project. Polynt Composites USA Inc. was responsible for the first USD 2 million of environmental remediation costs. Momentive indemnified Polynt Composites USA Inc. for 75% of the

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environmental remediation costs in excess of USD 2 million and less than USD 5 million. According to the agreement with Momentive and their liability to cover the excess expenditure, Polynt Composites USA Inc. has recognized in non-current assets at December 31, 2020 a receivable of USD 8,805 thousand (EUR 7,176 thousand) (USD 7,228 thousand equal to EUR 6,434 thousand at December 31, 2019). The Group considered the credit worthiness of Momentive in assessing the collectability of this receivable;

- EUR 2,788 thousand relating to Polynt Composites USA Ins.' environmental remediation costs associated with the USA Kansas site acquired as part of the CCP Composite acquisition from Total SA in December 2015;
 - EUR 489 thousand related to other Polynt Composite USA Inc sites;
 - EUR 3,198 thousand relating to the subsoil remediation at the Scanzorosciate, Cavaglia and San Giovanni Valdarno (Italy) sites owned by Polynt S.p.A.. These forecast costs for the soil and subsoil remediation were made on the basis of Italian Legislative decree no. 152/06, as amended by Italian Legislative decree no. 4/08 and Italian Legislative decree no. 128/10;
 - EUR 3,290 thousand relating to environmental remediation costs estimated for the U.S. sites of Reichhold LLC 2;
 - EUR 2,524 thousand relating to environmental remediation costs estimated for the France site of Polynt Composites France S.A.;
 - EUR 1,197 thousand relating to environmental remediation costs estimated for the Taboao site of Polynt Composites Brazil Ltda.;
 - EUR 692 thousand relating to environmental remediation costs estimated for the Mogi de Cruzes site of Reichhold do Brazil Ltda.;
 - EUR 358 thousand for remediation at the Leek site of Polynt UK Ltd.. An insurance policy covering the remediation risk had been agreed for this site. It expired in 2013 and was not renewed as it is no longer considered necessary. The specific accrual in the consolidated financial statements is the best estimate of future costs;
 - EUR 470 thousand relating to environmental remediation costs estimated for the Canadian sites of Reichhold Industries Inc.;
 - EUR 200 thousand for asbestos disposal costs at Polynt S.p.A sites, which does not use asbestos or its derivatives in production activities. However, asbestos is present in the covers and certain conductors. To this end, the company engaged a third-party expert to map out the asbestos at its production sites. This mainly covers the industrial plants in Scanzorosciate, since there is only an immaterial amount, if any, of asbestos at the other sites;
 - other provisions in relation to other minor amounts related to other Group Companies.
- Based on information available at the reporting date, it is not known when these costs will be incurred. Accordingly, the Group cannot calculate the effect of the time value of money thereon.

The *“Provision for tax litigation – non current”* mainly refers to an ongoing tax litigation of the Italian subsidiary Polynt S.p.A. following to a tax audit occurred in 2018.

The tax audit started on June 6, 2018 and was carried out by officers of the local tax inspection unit (“Guardia di Finanza”) and was completed with the notification of the “Processo Verbale di Constatazione” (the “PVC”).

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

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

On December 23 and December 27, 2019 the tax office issued formal assessment notices (“Avvisi di Accertamento”) against Polynt S.p.A., replicating the findings already identified in the “PVC”, limited to the tax year 2014, for a total amount of Euro 1.2 million plus interest. On January 21, 2020, while there are well-founded reasons to support the illegitimacy and groundlessness of the tax claim, in order to minimize the consequence on the subsidiary and the Group, Polynt S.p.A. applied for a definition of the 2014 notices. Still, due to the Covid-19 pandemic, the settlement procedure could not be completed within the relevant deadline and Polynt S.p.A. appealed against the assessment notices for tax year 2014 to protect its position, whilst it kept on carrying out discussions with the tax Office on the other tax years, aimed at exploring the possibility to settle the case. Based on the ongoing debates it was thought it better prudentially to increase in 2020 the provision by EUR 5 million considering the total provision of EUR 6.2 million a reasonable estimate of contingent liabilities that could result from the definition of disputed cases.

“Provision for Lay Off costs – current” relates mainly to Polynt Chemical (Changzhou) Co. Ltd and to Reichhold Inc. (Dubai) plant shutdown and severance costs. As a result of an agreement signed in November 2020 this company has agreed to discontinue the production activity in its site in Changzhou, China from Q1 2021 and the site will be probably completely closed by the end of 2021.

“Provision for Lay Off costs – non-current” refers to Polynt Composites Brazil Ltda and to Polynt Composites France S.A. reorganization activities.

“Provision for sundry risks” relates mainly to Polynt S.p.A. and to Reichhold India Private Limited.

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.

The “Provision for Product Liability Claim” as at December 31, 2019 included a provision for a claim brought against Reichhold SAS (France) in 2005 by a former customer. During 2020 the claim was fully settled for EUR 6,000 thousand with insurance covering USD 5,266



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thousand and Reichhold SAS and other affiliates paying the balance. Accordingly, the provision for product liability claim and the related receivables (refer to note 9) for EUR 8,800 thousand were reversed in 2020.

22. Net financial indebtedness

Net financial indebtedness is detailed in the table below:

(Euro thousand)	31-Dec-20	31-Dec-19
Cash and cash equivalents	289,193	302,934
Other financial assets	8,277	8,445
Current financial indebtedness	(61,525)	(74,784)
Net short term financial indebtedness	235,945	236,595
Long-term financial indebtedness	(553,015)	(536,640)
Total net financial indebtedness	(317,070)	(300,045)

The current financial indebtedness refers to:

- ordinary bank current account overdrafts of EUR 1,632 thousand (EUR 11,098 thousand at December 31, 2019);
- loans of EUR 59,893 thousand (EUR 63,686 thousand at December 31, 2019).

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

(Euro thousand)	31-Dec-20		31-Dec-19	
	€'000	expiry date	€'000	expiry date
RCF (Revolving Credit Facility)	16,008		-	
RCF Loan (Euro part)	-		37,238	
Interest on EUR TLB	6,608	15/03/21	-	
Interest on USD TLB	846	15/03/21	-	
Banca Popolare di Sondrio	1,682	31/12/21	2,518	31/12/20
Banca Popolare di Sondrio	1,009	01/12/21	1,726	01/12/20
Kotak Mahindra Bank Ltd	-		2,245	28/02/20
Cariparma	2,750	31/10/21	2,250	31/10/20
Crevel	1,843	05/10/21	2,453	05/10/20
UBI	6,711	21/12/21	6,622	11/12/20
Banco Desio	501	10/10/21	1,000	10/10/20
Banco Desio	741	10/12/21	987	10/12/20
Others financial debts (leasing)	-		400	01/12/20
Fidi Toscana	186	31/10/21	186	31/10/20
Medio Credito Centrale	135	03/12/21	134	03/12/20
Banco Desio - Finanziamento import	315	08/01/21	-	
Banco Desio - Finanziamento import	210	14/01/21	-	
Banco Desio - Finanziamento import	356	28/03/21	-	
Cariparma - Finanziamento import	482	24/02/21	-	
Cariparma - Finanziamento import	218	26/02/21	-	
Cariparma - Finanziamento import	264	26/02/21	-	
Cariparma - Finanziamento import	1,488	18/03/21	-	
BPM - Finanziamento import	602	04/01/21	-	
BPM - Finanziamento import	737	03/02/21	-	
BPM - Finanziamento import	1,177	11/02/21	-	
BPM - Finanziamento import	442	04/03/21	-	
BPM - Finanziamento import	1,380	14/03/21	-	
BPM - Finanziamento import	562	16/03/21	-	
Unicredit - Finanziamento import	1,309	28/01/21	-	
Unicredit - Finanziamento import	756	26/01/21	-	
Unicredit - Finanziamento import	534	03/02/21	-	
Unicredit - Finanziamento import	672	04/02/21	-	
Unicredit - Finanziamento import	589	04/03/21	-	
UBI - Finanziamento Hot Money	5,000	06/03/21	-	
Others financial debts (IFRS 16)	3,779		3,862	
GSO Italian Notes - accrued interest	-		686	
GSO Loan (Euro part) - accrued interest	-		723	
GSO Loan (USD part) - accrued interest	-		656	
Total	59,893		63,686	
Bank current overdrafts	1,632		11,098	
Total short term financial indebtedness	61,525		74,784	

The Senior Facilities Agreement (the “Agreement”) entered into on March 5, 2020 provides for a Senior Revolving Credit Facility (the “RCF”) up to the amount of EUR 100 million. The RCF is a multicurrency facility available to various subsidiaries of the Company both as loans and letters of credit. The Group’s outstanding borrowings as of December 31, 2020 were exclusively denominated in EUR, with outstanding borrowings thereunder equal to EUR 16 million. Interest on the RCF borrowings accrues at a rate equal to the relevant Euribor rate floored to 0.00% plus a margin. The RCF terminates on September 13, 2026. Only for the RCF the Agreement contains a “springing financial covenant” requiring the Group to maintain a net leverage ratio of senior indebtedness to EBITDA, as defined in the Agreement, of 6.75:1 or less. The springing financial covenant is tested only when the aggregate amount of all outstanding loans under the RCF net of cash and cash equivalents at the end of the relevant quarter is equal to or greater than 40% of the total amount of commitments under the facility and any breach would act as a draw stop to new borrowings only.

On October 1, 2020, certain US and Canadian Subsidiaries of the Parent entered into an amendment of the existing credit agreement dated September 29, 2017 with an unrelated financial institution (“ABL”). The ABL provides for a revolving facility available as loans and letters of credit to Polynt Composites USA, Inc. and, with a sublimit of USD 20 million, to Polynt Composites Canada, Inc.. The ABL amendment increased the commitments from USD 58.6 million to USD 100 million with the maturity date extended from September 29, 2022 to October 1, 2025. Interest on the 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. As at December 31, 2020 no ABL borrowings were outstanding.

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



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(Euro thousand)		31-Dec-20		31-Dec-19	
		€'000	expiry date	€'000	expiry date
EUR TLB	Specialty Chemicals Holding I BV	485,000	13/03/27	-	
Financial expenses capitalized	Specialty Chemicals Holding I BV	(14,918)		-	
USD TLB	Specialty Chemicals International Inc.	48,407	13/03/27	-	
Financial expenses capitalized	Specialty Chemicals International Inc.	(1,201)		-	
ABL Amortization - Cap Fees	Polynt Composites USA Inc.	(1,105)		-	
Cariparma	Polynt S.p.A.	2,500	26/04/22	5,250	26/04/22
Banca Popolare di Sondrio	Polynt S.p.A.	2,120	31/10/22	2,120	31/10/21
Banca Popolare di Sondrio	Polynt S.p.A.	4,421	01/06/24	4,421	01/06/23
Creval	Polynt S.p.A.	6,939	05/07/24	6,939	05/07/23
UBI	Polynt S.p.A.	3,389	21/06/22	10,100	21/06/22
Banco Desio	Polynt S.p.A.	2,023	10/10/23	2,023	10/10/22
Banco Desio	Polynt S.p.A.	3,013	10/12/24	3,013	10/12/23
Medio Credito Centrale	Polynt S.p.A.	271	03/12/23	406	03/12/23
Fidi Toscana Spa	Polynt S.p.A.	-		186	31/10/21
GSO Loan (Euro part)		-		188,007	15/05/24
FV embedded derivative on Loan (Euro part)		-		5,913	
Financial expenses capitalized on Loan (Euro part)		-		(3,569)	
GSO Italian Notes		-		161,146	15/05/24
FV embedded derivative on Italian Notes		-		5,068	
Financial expenses capitalized on Italian Notes		-		(3,847)	
GSO Loan (USD part)		-		147,837	15/05/24
Financial expenses capitalized on Loan (USD part)		-		(7,201)	
Loan BBVA	Polynt Composites Spain S.L.	1,354	30/04/25	-	
Others financial debts (IFRS 16)		10,253		8,300	
Others financial debts		549		528	
Total long term financial indebtedness		553,015		536,640	

On March 18, 2020 the Group refinanced its existing senior indebtedness that was originally incurred in connection with the May 2017 merger transaction. The new senior indebtedness is under more favorable terms and provides for additional flexibility and a lighter security package.

The foregoing transaction involved:

- the redemption of the Notes issued under the Indenture totaling EUR 164.2 million;
- the prepayment of Euro and USD Loans under the Facility Agreement totaling respectively EUR 191.6 million and USD 166.1 million;
- the prepayment of loans outstanding under the Super Senior Revolving Facility Agreement totaling EUR 37.3 million.

In connection therewith, on March 5, 2020 the Parent and other Group's affiliates entered into a Senior Facilities Agreement (the "Agreement") with various Subsidiaries of the Group as borrowers and guarantors and various financial institutions as lenders. The Agreement provided for the issuance of a Euro Term Loan B (the "EUR TLB") in the amount of EUR 485 million and for the issuance of a USD Term Loan B ("the USD TLB" and together with the EUR TLB the "Loans") in the amount of USD 60 million. The Agreement also provides for a Senior Revolving Credit Facility (the "RCF") in the amount of EUR 100 million.

EUR TLB that bears interests at a rate equal to the relevant Euribor rate floored to 0.00% plus a margin was issued by Specialty Chemicals Holding I BV that on-lent most of the proceeds therefrom to the borrowers under the existing senior indebtedness for the purpose of the prepayment thereof. USD TLB that bears interest at a rate equal to the relevant Libor floored to 1.00% plus a margin was issued by Specialty Chemicals International Inc. that applied the net proceeds therefrom to the prepayment of the relevant existing senior indebtedness. The Loans mature on March 13, 2027 with annual mandatory prepayments equal to a portion of consolidated excess cash flow, as defined in the Agreement, to occur beginning in 2022. Additionally, voluntary prepayments are

allowed. For USD TLB quarterly repayment instalments are also provided beginning in 2020. Total amount outstanding under USD TLB as at December 31, 2020 was USD 59.4 million.

The up-front one-off borrowing costs incurred upon entering into the Agreement have been capitalized and are amortized over the life of Loans and RCF with the amortization of such capitalized costs recognized in the Profit and Loss as a financial expense.

The remaining unamortized balance of the up-front one-off borrowing costs incurred upon the issuance of Notes and Euro and USD Loans under the existing Facility Agreement was recognized in the Profit and Loss as a financial expense.

The fair value as of 31 December 2019 of the embedded interest rate floor that was accounted for as regards Notes and Euro Loans under the existing Facility Agreement as if it was a stand-alone derivative was recognized in the Profit and Loss as a financial income. Refer to note 32 and note 33 for further information.

Fees incurred in connection with the amendment of the ABL Agreement were added to the unamortized initial costs thereof. Such fees are amortized over the amended life to maturity of the ABL.

Note 36 gives information about the Group's exposure to credit risk, currency risk and interest rate risk in respect of other financial assets and liabilities.

Cash and cash equivalents are as follows:

(Euro thousand)	31-Dec-20	31-Dec-19
Cash on hand	33	46
Bank and postal accounts	289,160	302,888
Total	289,193	302,934

Note 36 gives information about the Group's exposure to credit risk, currency risk and interest rate risk related to trade payables.

23. Equity

Share capital

The share capital of Specialty Chemicals International B.V. consists of 104 shares of EUR 1 each fully paid.

Reserves

Reserves are as follows:

(Euro thousand)	31-Dec-20	31-Dec-19
Translation Reserve	(37,318)	(4,442)
Share Premiums Reserve	265,672	389,672
Retained earnings	189,364	151,146
Other Reserve	9	420
Total	417,727	536,796



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On April 1, 2020 the Board of Directors approved a partial conversion of the Company's share premium into nominal share capital, a decrease of the Company's share premium reserve and distribution to the shareholder of EUR 120 million by way of nominal share capital reduction. The conversion resulted in an increase of the nominal value.

On May 20, the Board of Directors approved a dividend distribution to the shareholder of EUR 7 million.

On December 14, 2020 the Board of Directors approved a partial conversion of the Company's share premium into nominal share capital, a decrease of the Company's share premium reserve and distribution to the shareholder of EUR 4 million by way of nominal share capital reduction.

24. Commitments and guarantees

The breakdown of commitments is as follows:

<i>Sureties and guarantees given to third parties in the Group's interest</i>	31-Dec-20	31-Dec-19
- the Region of Lombardia for waste incinerators	635	635
- the Municipal Authorities of Scanzorosciate	250	250
- suppliers	716	716
- the Municipal Authorities of San Giovanni	22	22
- customs authorities	1,236	1,000
Others	223	223
Total	3,082	2,846

Consolidated Statement of profit or loss and other comprehensive income
25. Revenue

Revenues by regional segment are as follows:

(Euro thousand)	2020	2019
Europe	775,383	921,003
Americas	775,803	891,712
Asia	194,651	230,322
Total	1,745,837	2,043,037

26. Raw materials, consumables and supplies

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

(Euro thousand)	2020	2019
Raw materials	927,869	1,188,684
Consumables and supplies	68,237	80,940
Finished products for resale	9,409	34,419
Products for maintenance	10,336	10,831
Others	2,647	2,553
Total	1,018,498	1,317,427

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.

27. Internal work capitalized under non-current assets

(Euro thousand)	2020	2019
Manpower and materials	893	909
Total	893	909

These are the costs associated with internally capitalized projects including: catalyst replacement activities, the design of new plants, improvements to existing plants, and projects that create other intangible assets.

28. Cost of services

(Euro thousand)	2020	2019
Energy	56,046	61,704
Other services	173,156	191,495
Total	229,202	253,199



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

Other service costs are detailed as follows:

(Euro thousand)	2020	2019
Product transport costs	82,085	91,512
Maintenance services	23,191	24,757
Production services	18,958	22,191
Loading and disposing of waste	14,621	14,967
Insurance premiums	9,730	8,733
Consultancy, audit and legal fees	8,319	8,922
Rentals	3,128	4,109
External IT services	3,636	4,845
Commissions	2,261	2,400
Hardware and software rental	1,873	1,667
Technical services and consultancy	1,576	1,447
Building leases	687	1,374
Third party processing	512	482
Advertising	82	626
Others	2,497	3,463
Total	173,156	191,495

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.

The caption “Others” mainly refers to non recoverable VAT costs of Polynt Chemical (Changzhou) Co. Ltd.

During 2020 the Group spent approximately EUR 6.1 million (EUR 6.3 million during 2019) 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.

29. 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)	2020	2019
Wages and salaries	176,425	173,536
Social security contributions	30,757	32,880
Accruals for long term benefit	6,010	4,982
Board of directors’ fees	3,180	2,462
Other personnel expenses	15,841	17,965
Total	232,213	231,825

Other personnel expenses are as follows:



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(Euro thousand)	2020	2019
Healthcare contributions	8,680	9,424
Temporary employment	3,318	4,095
Sundry expenses	1,443	1,449
Company canteens	1,161	1,313
Medical care	603	662
Training	507	923
National holiday employee pay	129	99
Total	15,841	17,965

The workforce, by regional segment, is as follows:

	2020 year end	2020 average	2019 year end	2019 average
Europe	1,676	1,666	1,683	1,666
Americas	1,133	1,141	1,156	1,188
Asia	375	381	379	384
Total	3,184	3,188	3,218	3,238

30. Other operating income/expenses

The breakdown of other operating income is as follows:

(Euro thousand)	2020	2019
Third party damage reimbursements	367	364
Gain on the disposal of Property, plant and equipment	116	53
Grants	171	58
Prior year cost recoveries	1,786	700
Release provisions	99	20
Others	3,045	54,383
Total other income	5,584	55,578
Insurance compensation	489	7,468
Total	6,073	63,046

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

In 2019 an accident occurred at Polynt S.p.A. Maleic Anhydride Ravenna Plant (Italy) causing damage to the catalyst reaction. The occurrence was covered by the insurance policy, including for the future loss of margins due to lower performance of the plant subsequent to the accident.

In order to restore the performance of the plant and to reduce the risk of future accidents, the company scheduled a replacement of both the reactor and the catalyst in Q3 2021.

In light of the ongoing discussion with the Insurer, both parties agreed to settle the insurance refund in July 2019.

Polynt S.p.A. received insurance proceeds of EUR 16.5 million in 2019 and recorded only EUR 5.0 million out the total EUR 16.5 million under Insurance proceeds heading as according to the scheduled reactor and catalyst replacement only that portion covers the 2019 losses due to the lower efficiency of the plant.

The remaining portion of the insurance proceeds was included under the “Others” income heading.

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The majority of “Others” in 2019 relates to the net gain on the sale of Polynt Composites Canada Inc.’s Canadian distribution business.

Other operating expenses are as follows:

(Euro thousand)	2020	2019
Non recurring items	5,223	11,075
Property and other local taxes	5,613	6,106
Provisions for risks and charges	4,276	6,547
Bad debts	1,135	1,304
Industrial association contributions and membership fee	527	528
Other membership fees	386	351
Losses on Property, plant and equipment	172	197
Compensation for damages	971	277
Costs arising from the prior years	646	719
Other charges	2,213	2,709
Total	21,162	29,813

“Non-recurring items” are mainly related to restructuring costs arising from plant closures in China, Canada and US and some costs arising from the settlement of claims at Group Level during 2020.

“Other charges” mainly includes expenses incurred by Polynt S.p.A. and Polynt Composites Korea for the renewal of patents and trademarks and tax and duty expenses incurred by the various Group companies.

31. Amortization, depreciation and impairment losses

The breakdown is as follow:

(Euro thousand)	2020	2019
Depreciation	53,316	58,772
Amortization	18,865	19,243
Impairment losses	12,064	2,014
Total	84,245	80,029

Reference should be made to notes 10 and 12 on “Property, plant and equipment” and “Other intangible assets”, respectively, for a specific analysis of depreciation, amortization and impairment losses.

The “impairment losses” mainly refers to the impairment of certain assets of the Chinese subsidiary Polynt Chemical (Changzhou) Co. Ltd.. As a result of an agreement signed in November 2020 this company has agreed to discontinue the production activity in its site in Changzhou, China from Q1 2021 and the site will be probably completely closed by the end of 2021.

32. Financial income

Financial income includes the following:

(Euro thousand)	2020	2019
Foreign currency exchange gains	8,950	11,485
Bank and other interest	2,479	3,348
Cash discount from suppliers	440	482
Financial income on Fair Value derivatives	10,980	-
Others	222	176
Total	23,071	15,491

The foreign currency exchange gains refer to exchange rate effect on the revaluation of foreign currency trade receivables and trade payables at the closing date.

The fair value as of December 31, 2019 of the embedded interest rate floor that was accounted for as regards Notes and Euro Loans under the existing Facility Agreement as if it was a stand-alone derivative was recognized in 2020 as a financial income in the caption “Financial Income on Fair Value derivatives”.

33. Financial expense

Financial expenses are as follows:

(Euro thousand)	2020	2019
Bank interest	32,284	48,347
Foreign currency exchange losses	31,597	8,157
Cash discounts to customers	4,411	5,952
Amortization capitalized financial expenses	22,408	8,030
Financial expenses on Fair Value derivatives	-	1,619
Interest expenses (IFRS 16)	354	478
Others	10,909	2,575
Total	101,963	75,158

“Bank interest” includes interest expenses accrued and/or paid on current and non-current loans (see note 22).

The foreign currency exchange losses mainly refer to the exchange rate effect on outstanding intercompany loans of Specialty Chemicals International Inc. and Reichhold Holdings International B.V. and the devaluation of foreign currency trade receivables and trade payables at the closing date.

The remaining unamortized balance totaling EUR 13.5 million of the up-front one-off borrowing costs incurred in connection with the Senior Financing that was prepaid in March 2020 and the remaining unamortized balance totaling EUR 6.7 million of initial fair value of the embedded interest rate floor were impaired and recognized in the caption “Amortization capitalized financial expenses”. Such expenses also include the amount referable to the up-front one-off borrowing costs incurred upon the entering into the Senior Facilities Agreement as well as fees incurred in connection with the ABL Agreement.

The premiums for the redemption of Notes and the prepayment of Loans under the existing Facility Agreement totaling EUR 8.6 million are included in the caption “Others”.

34. Income taxes

Income taxes are as follows:

(Euro thousand)	2020	2019
Income taxes	(41,322)	(41,710)
Deferred tax expense	(5,654)	14,810
Deferred tax income	26,438	(202)
Prior year taxes	(5,024)	2,112
Total	(25,562)	(24,990)

Reference should be made to the notes to “Deferred tax assets” (note 14) and “Deferred tax liabilities” (note 20) 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)	2020	2019
Profit/(loss) before tax	68,740	132,390
Theoretical tax charge using Parent's tax rate	25.0% (17,185)	25.0% (33,098)
Effect of tax rates in foreign jurisdictions and income tax accounted by components	(24,137)	(8,613)
Net tax effect for permanent differences	20,784	14,608
Changes in estimates related to prior years	(5,024)	2,112
Income taxes	37.2% (25,562)	18.9% (24,990)

35. Related party transactions

During the year a dividend totaling EUR 7,000 thousand was made by Specialty Chemicals International B.V. to the Specialty Chemicals International Limited (“Shareholder”).

On April 1, 2020 the Board of the Company resolved a partial conversion of the Company’s share premium into nominal share capital. Such conversion resulted in an increase of the nominal value per share and a decrease of the Company’s share premium reserves. The Company has subsequently made a distribution to its shareholder, by way of capital reduction, by decreasing its nominal share capital and repayment to the shareholder for an amount of EUR 120 million.

On December 14, 2020 the Board of the Company resolved a partial conversion of the Company’s share premium into nominal share capital. Such conversion resulted in an increase of the nominal value per share and a decrease of the Company’s share premium reserves. The Company has subsequently made a distribution to its shareholder, by way of capital reduction, by decreasing its nominal share capital and repayment to the shareholder for an amount of EUR 4 million.

Other material transactions with the Shareholder at December 31, 2020 include:

- Other financial assets EUR 6,745 thousand for a financial receivable due from Shareholder to Reichhold LLC2, as described in note 13 (EUR 7,367 thousand at December 31, 2019);
- Other non-current assets EUR 2,693 thousand for a receivable due from Shareholder to Reichhold LLC2, as described in note 15 (EUR 2,942 thousand at December 31, 2019)

- Other non-current assets EUR 2,193 thousand for a receivable due from Shareholder to Polynt S.p.A. as described in note 15 (EUR 0 at December 31, 2019).

Compensation, including pension costs as referred to in Section 2:383(1) of the Netherlands Civil Code, charged in the financial year to the company, its subsidiaries and consolidated other companies amounted to EUR 5,530 thousand for top executives of the Group (EUR 4,891 thousand for 2019).

36. Financial risks managements

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

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

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

The policies in place to manage those risks aim to identify and analyze the risks to which the Group is exposed, establish suitable limits and controls and monitor compliance with such limits. These policies and the related controls are revised regularly to reflect any changes in market conditions or the Group's business activities. Through training sessions, standards and management policies, the Group is developing a regulated and constructive control environment, in which its employees are aware of their roles and responsibilities. The internal audit unit supervises management's methods for monitoring compliance with risk management policies and procedures and checks the adequacy of the risk management system in relation to the risks to which the Group is exposed. The internal audit unit regularly checks risk management controls and procedures based on its audit plan, reporting the results to the relevant bodies.

Credit risk

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

Trade receivables and other receivables

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

It has a specific internal credit management procedure whereby each new customer's credit standing is analyzed before any credit facilities are granted. These analyzes include third party appraisals, when available. Credit facilities are agreed for each customer and they may only be exceeded after the approval of the relevant internal bodies depending on

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the customers' exposure. The credit facilities are checked annually and customers that do not meet the Group's credit standing criteria may only make purchases against advance or guaranteed payment.

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

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

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

All borrowings under the Senior Facilities Agreement are guaranteed by certain Holding Companies, the Issuers of EUR TLB and USD TLB, the Borrowers under the RCF and the respective Holding Companies and are secured by the equity of those Subsidiaries. A Guarantor Coverage Test 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-20	31-Dec-19
Cash and cash equivalents	289,193	302,934
Trade receivables	263,953	266,542
Other Current Assets	11,617	36,728
Other Financial assets	8,277	8,445

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

December 31, 2020

(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	275,668	238,930	36,738	17,928	1,215	929	1,590	15,076
Bad debt provision	(11,715)	(1,299)	(10,416)	(2,337)	(330)	(144)	(400)	(7,205)
Trade receivables net	263,953	237,631	26,322	15,591	885	785	1,190	7,871

December 31, 2019

(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	279,941	198,255	81,686	52,759	2,202	1,443	2,540	22,742
Bad debt provision	(13,399)	(1,125)	(12,274)	(1,292)	(443)	(348)	(477)	(9,714)
Trade receivables net	266,542	197,130	69,412	51,467	1,759	1,095	2,063	13,028

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



	(Euro thousand)	31-Dec-20
Opening balance		13,399
Accruals		1,640
Utilisations		(2,093)
Translation rate differences		(1,231)
Closing balance		11,715

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 established for receivables that are not impaired individually or provided for specifically based on losses incurred over the past five years.

Liquidity risk

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

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

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

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

The Group believe that the currently-available funds and credit facilities, as well as the cash flows 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:



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(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							
EUR TLB	Specialty Chemicals Holding I BV	491,608	628,741	16,490	11,094	22,128	66,445	512,584
USD TLB	Specialty Chemicals International Inc.	49,253	66,215	2,349	1,651	3,273	9,656	49,286
RCF (Revolving Credit Facility)		16,008	16,008	16,008	-	-	-	-
Cariparma	Polynt S.p.A.	5,250	5,297	1,271	1,516	2,510	-	-
Banca Popolare di Sondrio	Polynt S.p.A.	9,232	9,435	622	2,180	3,932	2,701	-
Banco Desio	Polynt S.p.A.	6,277	6,385	272	1,019	2,098	3,056	-
Creval	Polynt S.p.A.	8,783	9,064	678	1,290	2,580	4,516	-
UBI	Polynt S.p.A.	10,101	10,204	3,399	3,401	3,404	-	-
Medio Credito Centrale	Polynt S.p.A.	406	410	-	137	137	136	-
Fidi Toscana Spa	Polynt S.p.A.	186	186	93	93	-	-	-
Banco Desio - Finanziamento import	Polynt S.p.A.	881	881	881	-	-	-	-
Cariparma - Finanziamento import	Polynt S.p.A.	2,451	2,454	2,454	-	-	-	-
BFM - Finanziamento import	Polynt S.p.A.	4,900	4,907	4,907	-	-	-	-
Unicredit - Finanziamento import	Polynt S.p.A.	3,860	3,865	3,865	-	-	-	-
UBI - Finanziamento Hot Money 5 MLN	Polynt S.p.A.	5,000	5,018	5,018	-	-	-	-
Loan BBVA	Polynt Composites Spain S.L.	1,354	1,354	147	147	298	762	-
Others financial local debts		549	549	-	-	549	-	-
Others financial debts (IFRS 16)		14,082	14,082	951	2,828	1,345	5,710	3,198
Trade payables		202,241	202,241	101,121	101,120	-	-	-
Total		832,372	987,246	160,526	126,476	42,194	92,982	565,068

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

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

Banks	Company	Credit lines 31 Dec 2020	of which financial lines (*)	Credit lines 31 Dec 2019	of which financial lines (*)
RCF Loen	RCF Borrowers	100,000	100,000	60,000	60,000
Kotak Mahindra Bank Ltd	Reichhold India Private Ltd	2,509	2,509	2,806	2,806
Wells Fargo	Polynt Composites USA Inc.	81,493	-	52,163	-
IFITALIA	Polynt S.p.A.	12,000	-	12,000	-
Banca popolare di Milano	Polynt S.p.A.	10,200	10,200	10,200	10,200
Unicredit Banca d'Impresa	Polynt S.p.A.	8,000	8,000	9,000	9,000
Banca IFIS	Polynt S.p.A.	2,000	2,000	3,000	3,000
Banca IFIS Factoring	Polynt S.p.A.	13,850	-	13,850	-
Banco Desio	Polynt S.p.A.	7,427	7,427	8,172	8,172
Banca popolare di Sondrio	Polynt S.p.A.	16,732	9,732	18,284	11,284
Cariparma	Polynt S.p.A.	15,250	10,250	17,500	12,500
Clarix Factor	Polynt S.p.A.	-	-	5,000	-
Factorit	Polynt S.p.A.	9,000	-	9,000	-
Medio Credito Centrale	Polynt S.p.A.	406	406	540	540
Fidi Toscana Spa	Polynt S.p.A.	186	186	372	372
Banca Nazionale del Lavoro	Polynt S.p.A.	600	600	250	250
Intesa Sanpaolo	Polynt S.p.A.	3,230	230	3,230	230
Creval	Polynt S.p.A.	18,783	8,783	14,392	14,392
Creval Piu' Factor	Polynt S.p.A.	10,000	-	-	-
UBI	Polynt S.p.A.	20,101	15,101	16,723	16,723
Others financial debts (leasing)	Polynt S.p.A.	-	-	400	400
ICBC	Polynt Chemical (Changzhou) Co. Ltd.	6,232	6,232	6,138	6,138
Intesa Sanpaolo	Polynt Chemical (Changzhou) Co. Ltd.	5,983	5,983	6,393	6,393
Intesa Sanpaolo	Polynt Composites Germany GmbH	1,000	-	1,000	-
Volksbank	Polynt Composites Germany GmbH	300	300	300	300
Intesa Sanpaolo	Polynt Composites Poland Sp.Zo.o.	3,000	3,000	3,000	3,000
Millenium Bank	Polynt Composites Poland Sp.Zo.o.	3,000	3,000	3,000	3,000
Millenium Bank (factoring)	Polynt Composites Poland Sp.Zo.o.	1,500	-	1,500	-
Intesa Sanpaolo	Polynt UK Ltd.	890	890	941	941
HSBC	Polynt UK Ltd.	334	334	353	353
BNP Paribas Draft Facility	Polynt Composites France S.A.	1,800	1,800	300	300
BNP Paribas Factor	Polynt Composites France S.A.	19,000	-	19,000	-
BNP Paribas Factor	Polynt Composites Spain S.L.	11,000	-	11,000	-
BBVA	Polynt Composites Spain S.L.	2,354	2,354	1,000	1,000
Citibank	Polynt Composites Korea Co. Ltd.	3,743	-	3,857	-
Keb Hane Bank	Polynt Composites Korea Co. Ltd.	2,994	-	3,086	-

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, due to fluctuations in interest rates,



exchange rates or equity instrument prices. The objective of market risk management is to manage and control the Group's exposure thereto, containing it within acceptable levels, while concurrently optimizing returns on investments.

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

Currency risk

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

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

Currency risk exposures

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

December 31, 2020

31-dic-20	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
Euro		(54,885)	(511,460)	(566,325)	-	(54,885)	(511,460)	(566,325)
USD	9,322	(3,524)	(59,400)	(53,603)	7,596	(2,872)	(48,407)	(43,682)
KRW	910,893	(10,352)	(38,183)	862,349	682	(8)	(29)	645
BRL	-	-	(582)	(582)	-	-	(91)	(91)

December 31, 2020

31-dic-20	Trade receivables	Trade payables	Gross exposure for currency	Trade receivables (EUR)	Trade payables (EUR)	Gross exposure for currency (EUR)
Euro	119,210	(121,913)	(2,703)	119,210	(121,913)	(2,703)
USD	88,879	(60,428)	28,451	72,430	(49,245)	23,185
PLN	1,149	(5,901)	(4,752)	252	(1,294)	(1,042)
CNY	192,636	(34,565)	158,071	24,012	(4,308)	19,703
HK\$	-	(9)	-	-	(1)	-
GBP	7,189	(2,763)	4,426	7,997	(3,074)	4,923
JPY	18,238	-	18,238	144	-	144
SEK	10,116	-	10,117	1,008	-	1,008
AUD	587	(259)	328	370	(163)	207
KRW	20,301,708	(14,587,483)	5,714,225	15,196	(10,919)	4,277
NOK	16,050	(15,435)	614	1,533	(1,474)	59
CAD	(109)	378	270	(70)	242	173
CZK	808	(810)	(2)	31	(31)	(0)
MYR	4,493	(9,079)	(4,586)	911	(1,840)	(929)
INR	1,328,468	(336,036)	992,432	14,817	(3,748)	11,069
BRL	85,802	(22,309)	63,493	13,462	(3,500)	9,962
MXN	92,733	(23,152)	69,581	3,798	(948)	2,850
DKK	3,469	(187)	3,281	466	(25)	441
SGD	166	-	166	102	-	102
AED	(4)	-	(4)	(1)	-	(1)
Total				275,668	(202,241)	73,427



December 31, 2019

31-dic-19	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
Euro	32	(66,899)	(390,628)	(457,495)	32	(66,899)	(390,628)	(457,495)
USD	1,134	-	(166,080)	(164,946)	1,009	-	(147,837)	(146,828)
KRW	45,852	-	(45,327)	525	35	-	(35)	-
INR	-	(180,048)	-	(180,048)	-	(2,245)	-	(2,245)
BRL	-	-	(663)	(663)	-	-	(147)	(147)

December 31, 2019

31-dic-19	Trade receivables	Trade payables	Gross exposure for currency	Trade receivables (EUR)	Trade payables (EUR)	Gross exposure for currency (EUR)
Euro	117,959	(110,308)	7,651	117,959	(110,308)	7,651
USD	81,822	(63,100)	18,722	72,834	(56,169)	16,665
PLN	4,650	(5,692)	(1,042)	1,092	(1,337)	(245)
CNY	167,637	(78,033)	89,604	21,436	(9,978)	11,458
GBP	5,917	(350)	5,567	6,955	(411)	6,544
JPY	25,520	-	25,520	209	-	209
SEK	8,516	21	8,537	815	2	817
AUD	4,827	(258)	4,569	3,018	(161)	2,857
KRW	17,467,885	(12,202,402)	5,265,483	13,475	(9,413)	4,062
NOK	17,098	(19,510)	(2,412)	1,733	(1,978)	(245)
CAD	8,305	(1,325)	6,980	5,689	(908)	4,781
CZK	852	(549)	303	34	(22)	12
MYR	6,651	(8,104)	(1,453)	1,447	(1,764)	(317)
INR	885,509	(121,431)	764,078	11,043	(1,514)	9,529
BRL	66,422	(18,976)	47,446	14,709	(4,202)	10,507
MXN	143,869	(34,644)	109,225	6,780	(1,633)	5,147
DKK	3,399	279	3,678	455	37	492
SGD	9	-	9	6	-	6
AED	1,035	(97)	938	251	(24)	227
Total				279,940	(199,783)	80,157

At December 31, 2020, an increase or decrease of 10% in USD currency exposure would impact profit or loss and equity by (EUR 2,108) thousand and EUR 2,576 thousand, respectively.

At December 31, 2020, an increase or decrease of 10% in CNY currency exposure would impact profit or loss and equity by (EUR 1,791) thousand and EUR 2,189 thousand, respectively.

At December 31, 2020, an increase or decrease of 10% in INR currency exposure would impact profit or loss and equity by (EUR 1,006) thousand and EUR 1,230 thousand, respectively.

The main exchange rates applied to translate the items expressed in a foreign currency into Euro in 2020 and 2019 are detailed below:



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Currency	Average		Closing date	
	2020	2019	31-Dec-20	31-Dec-19
USD U.S. Dollar	1.14	1.12	1.23	1.12
AUD Australian Dollar	1.65	1.61	1.59	1.60
BRL Real	5.89	4.41	6.37	4.52
CAD Canadian Dollar	1.53	1.49	1.56	1.46
CNY Renminbi	7.87	7.74	8.02	7.82
CZK Czech crown	26.46	25.67	26.24	25.41
DKK Danish krone	7.45	7.47	7.44	7.47
HKD Hong Kong Dollar	8.86	8.77	9.51	8.75
INR Indian Rupia	84.64	78.84	89.66	80.19
JPY Japanese Yen	121.85	122.01	126.49	121.94
KRW South Korean Won	1,345.58	1,305.32	1,336.00	1,296.28
MYR Ringgit	4.80	4.64	4.93	4.60
MXN Peso Mexican	24.52	21.56	24.42	21.22
NOK Norwegian krone	10.72	9.85	10.47	9.86
PLN Zloty	4.44	4.30	4.56	4.26
SGD Singapore Dollar	1.57	1.53	1.62	1.51
SEK Swedish krone	10.48	10.59	10.03	10.45
AED Dirham	4.19	4.11	4.51	4.13
GBP Pound Sterling	0.89	0.88	0.90	0.85
TRY Turkish lira	8.05	6.36	9.11	6.68
CHF Swiss Franc	1.07	1.11	1.08	1.09

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

The bank loans with terms and conditions at December 31, 2020 and 2019 are illustrated in the table below:

(Euro thousand)	Currency	Year of maturity	31-Dec-20		31-Dec-19		
			Face Value	Carrying amount	Face Value	Carrying amount	
EUR TLB Specialty Chemicals Holding I BV	EUR	2027	485,000	491,608	-	-	
USD TLB Specialty Chemicals International Inc.	EUR	2027	48,407	49,253	-	-	
RCF (Revolving Credit Facility)	EUR	-	16,008	16,008	-	-	
UBI Polynt S.p.A.	EUR	2021-2022	10,101	10,101	EUR	2020-2022 16,722 16,722	
Banca Popolare di Sondrio Polynt S.p.A.	EUR	2021-2024	9,232	9,232	EUR	2020-2023 10,785 10,785	
Crevin Polynt S.p.A.	EUR	2021-2024	8,783	8,783	EUR	2020-2023 9,392 9,392	
Banco Desio Polynt S.p.A.	EUR	2021-2024	6,277	6,277	EUR	2020-2023 7,023 7,023	
Cariparma Polynt S.p.A.	EUR	2021-2022	5,250	5,250	EUR	2020-2022 7,500 7,500	
Cariparma - Finanziamento Import Polynt S.p.A.	EUR	2021	2,451	2,451	-	-	
BPW - Finanziamento Import Polynt S.p.A.	EUR	2021	4,500	4,500	-	-	
Unicredit - Finanziamento Import Polynt S.p.A.	EUR	2021	3,880	3,880	-	-	
UBI - Finanziamento Hot Money Polynt S.p.A.	EUR	2021	5,000	5,000	-	-	
Banco Desio - Finanziamento Import Polynt S.p.A.	EUR	2021	851	851	-	-	
Medio Credito Centrale Polynt S.p.A.	EUR	2021-2023	406	406	EUR	2020-2023 540 540	
Fidi Toscana Spa Polynt S.p.A.	EUR	2021	188	188	EUR	2020-2021 372 372	
Loan BBVA Polynt Composites Spain	EUR	2021-2025	1,354	1,354	-	-	
GSO Loan (EURO part)	-	-	-	-	EUR	2024 191,598 188,730	
GSO Italian Notes	-	-	-	-	EUR	2024 164,225 161,832	
GSO Loan (USD part)	-	-	-	-	EUR	2024 147,837 148,493	
RCF Loan (EURO part)	-	-	-	-	EUR	2020 37,238 37,238	
Kotak Mahindra Bank Ltd. Reichhold India Private Limited	-	-	-	-	EUR	2020 2,245 2,245	
Others financial debts (leasing) Polynt S.p.A.	-	-	-	-	EUR	2020 400 400	
Others financial debts	EUR	-	549	549	EUR	2020 528 528	
Total financial indebtedness				616,099			591,800

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 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 in order 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.

37. 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 2020 (Euro thousand)	Carrying amount				Total	Fair value		
	Financial assets at amortized cost	Financial liabilities at amortized cost	Fair Value - hedging instrument at P&L	Other financial liabilities		Level 1	Level 2	Level 3
Financial assets at amortized cost								
Trade and other receivables	263,953	-	-	-	263,953			
Cash and cash equivalents	289,193	-	-	-	289,193			
Total - Financial Assets at amortized cost	553,146	-	-	-	553,146			
Financial liabilities at amortized cost								
Other long term Loans	-	(542,762)	-	-	(542,762)		(558,933)	
Total - Financial liabilities at amortized cost	-	(542,762)	-	-	(542,762)			
Other financial liabilities								
Bank overdrafts	-	-	-	(1,632)	(1,632)			
Short term bank loans	-	-	-	(56,113)	(56,113)			
Others financial debts (IFRS 16)	-	-	-	(14,032)	(14,032)			
Trade payables to suppliers	-	-	-	(202,241)	(202,241)			
Total - Other financial liabilities	-	-	-	(274,019)	(274,019)			

38. Auditor's fee

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

(Euro thousand)	2020	2019
Audit of financial statements of subsidiaries of the company	2,132	2,232
Total	2,132	2,232

Significant events of the reporting period ended December 31, 2020

Significant events that occurred during the reporting period ended December 31, 2020 are as follow:

- On December 14, 2018, the tax audit of the Italian subsidiary Polynt S.p.A. was closed. The tax audit started on June 6, 2018 and was carried out by officers of the local tax inspection unit ("Guardia di Finanza") and was completed with the notification of the "Processo Verbale di Constatazione" (the "PVC"). The tax audit covered tax year 2016 and, limited to some matters, tax years 2014, 2015 and 2017.

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

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

On December 23 and December 27, 2019 the tax office issued formal assessment notices ("Avvisi di Accertamento") against Polynt S.p.A., replicating the findings already identified in the "PVC", limited to the tax year 2014, for a total amount of EUR 1.2 million plus interest.

On January 21, 2020, while there are well-founded reasons to support the illegitimacy and groundlessness of the tax claim, in order to minimize the consequence on the subsidiary and the Group, Polynt S.p.A. applied for a definition of the 2014 notices. Still, due to the Covid-19 pandemic, the settlement procedure could not be completed within the relevant deadline and Polynt S.p.A. appealed against the assessment notices for tax year 2014 to protect its position, whilst it kept on carrying out discussions with

the tax Office on the other tax years, aimed at exploring the possibility to settle the case. Based on the ongoing debates it was thought it better prudentially to increase in 2020 the provision by EUR 5 million considering the total provision of EUR 6.2 million a reasonable estimate of contingent liabilities that could result from the definition of disputed cases.

- Effective on February 12, 2020 Reichhold Holdings International B.V., Reichhold SAS, Reichhold France SAS and Reichhold AS (the “Foreign Controlled Group Members”) have executed a Settlement Agreement with ACE American Insurance Company, ACE European Group Limited and Lexington (the “Insurance Company”) and a Settlement Agreement with Fountaine Pajot (“FP”) of EUR 6 million as final settlement of the claim asserted by FP. Pursuant to the Settlement Agreement executed with the Insurance Companies the Foreign Controlled Group Members will be responsible only for paying the difference between EUR 6 million and USD 5.3 million (as agreed by the insurance companies). Such difference has been already paid in March 2020. The involved entities are not expected to bear any residual liability.
- On March 18, 2020 the Group finalized the refinancing of the existing senior indebtedness that was originally incurred in connection with the merger occurred in May 2017. The new indebtedness is under more favorable terms and provides for additional flexibility and a lighter security package.

Such a transaction involved:

- the redemption of the Notes issued under the Indenture totaling EUR 164.2 million,
- the prepayment of the Euro and USD Loans under the Facility Agreement totaling respectively EUR 191.6 million and USD 166.1 million,
- the prepayment of loans outstanding under the Super Senior Revolving Facility Agreement totaling EUR 37.2 million.

In connection therewith, on March 5, 2020 the Parent and other Group’s affiliates entered into a Senior Facilities Agreement (the “Agreement”) with various subsidiaries of the Group as borrowers and guarantors and various financial institutions as lenders. The Agreement provides for the issuance of a Euro Term Loan B (the “EUR Loan”) in the amount of EUR 485.0 million and for the issuance of a USD Term Loan B (“the USD Loan” and together with the Euro Loan “the Loans”) in the amount of USD 60.0 million. The Agreement also provides for a Revolving Credit Facility (the “RCF”) in the amount of EUR 100.0 million. The EUR Loan, that bears interests at a rate equal to the relevant Euribor rate floored to 0.00% plus a margin, was made to Specialty Chemicals Holding I BV that on-lent the proceeds thereunder to the borrowers under the existing senior indebtedness for the purpose of the prepayment of the relevant tranches thereunder. The USD Loan, that bears interest at a rate equal to the relevant LIBOR floored to 1.00% plus a margin, was made to Specialty Chemicals International Inc. that applied the proceeds thereunder to the prepayment of the relevant existing senior indebtedness. The RCF is a multicurrency facility available to various subsidiaries of the Company both as loans and letters of credit. All borrowings under the Agreement are guaranteed by a few subsidiaries of the Group incorporated in security jurisdictions and are secured by the equity of those subsidiaries. The Loans matures on March 13, 2027. The Agreement contains customary affirmative and negative covenants.



- On March 27, 2020 Zin Man Ho, Gerard Matthijs Verheij and Jürgen Schröder have resigned as managing directors of the Company. On the same date Devi Ajaib Wouter Singh Aujla and Daniel Christopher Vijselaar have been appointed as managing directors.
- On April 1, 2020 the Board of the Company resolved a partial conversion of the Company's share premium into nominal share capital. Such conversion resulted in an increase of the nominal value per share and a decrease of the Company's share premium reserves. The Company has subsequently made a distribution to its shareholder, by way of capital reduction, by decreasing its nominal share capital and repayment to the shareholder for an amount of EUR 120 million.
- On May 7, 2020 the company POLYNT TURKEY KİMYEVİ ÜRÜNLER TİCARET ANONİM ŞİRKETİ was incorporated; the company is 100% owned by Polynt S.p.A.
- On May 20, 2020 the Board of the Company resolved a dividend distribution to the shareholder for the amount of EUR 7 million.
- Effective November 1, 2020 (i) Reichhold Holdings International B.V., Reichhold do Brasil Ltda., Reichhold Investimentos Ltda., Reichhold Resinas Sinteticas Ltda., Reichhold Industries Ltd., Reichhold Trading (Beijing) Ltd., Reichhold Polymers (Tianjin) Ltd., Reichhold CZ s.r.o., Reichhold Danmark A/S, Reichhold SAS, Reichhold France SAS, Reichhold GmbH, Reichhold Holding Hong Kong Limited, Reichhold India Private Limited, Reichhold S.r.l., Reichhold Mauritius Ltd., Reichhold Quimica S.A. de C.V., Adhesivos Swift de Mexico S.A. de C.V., Reichhold Finance B.V., Reichhold AS, Reichhold Norway AS, Reichhold Inc. (Panama), Reichhold UK Limited, and Reichhold BV (the " Foreign Controlled Group Members ") and (ii) the Pension Benefit Guaranty Corporation ("PBGC") have executed the First Amendment to Settlement Agreement pursuant to which the Foreign Controlled Group Members have paid to PBGC the Lump Sum Amount of USD 14.4 million in full satisfaction of their obligations related to the claim asserted by the PBGC in March 2015, this payment replace the original plan to reimburse in seven instalments. PBGC has filed the lien releases on April 6, 2021.
- As consequence of certain requirements from the central government, on November 30, 2020 the Chinese subsidiary Polynt Chemical (Changzhou) Co. Ltd., ("PCH") on one side, and Changzhou Zhengan House Demolition Co., Ltd, on the other side on behalf of the central government, signed an agreement pursuant to which PCH has agreed to discontinue the production activity in its site in Changzhou, China from Q1 2021. The site will be probably completely closed by the end of 2021. As total compensation the company will receive the overall amount of CNY 252 million (about EUR 31 million), which shall be paid in instalments subject to certain terms and conditions provided in the agreement.
- On December 14, 2020 the Board of the Company resolved a partial conversion of the Company's share premium into nominal share capital. Such conversion resulted in an increase of the nominal value per share and a decrease of the Company's share premium reserves. The Company has subsequently made a distribution to its shareholder, by way of capital reduction, by decreasing its nominal share capital and repayment to the shareholder for an amount of EUR 4 million.

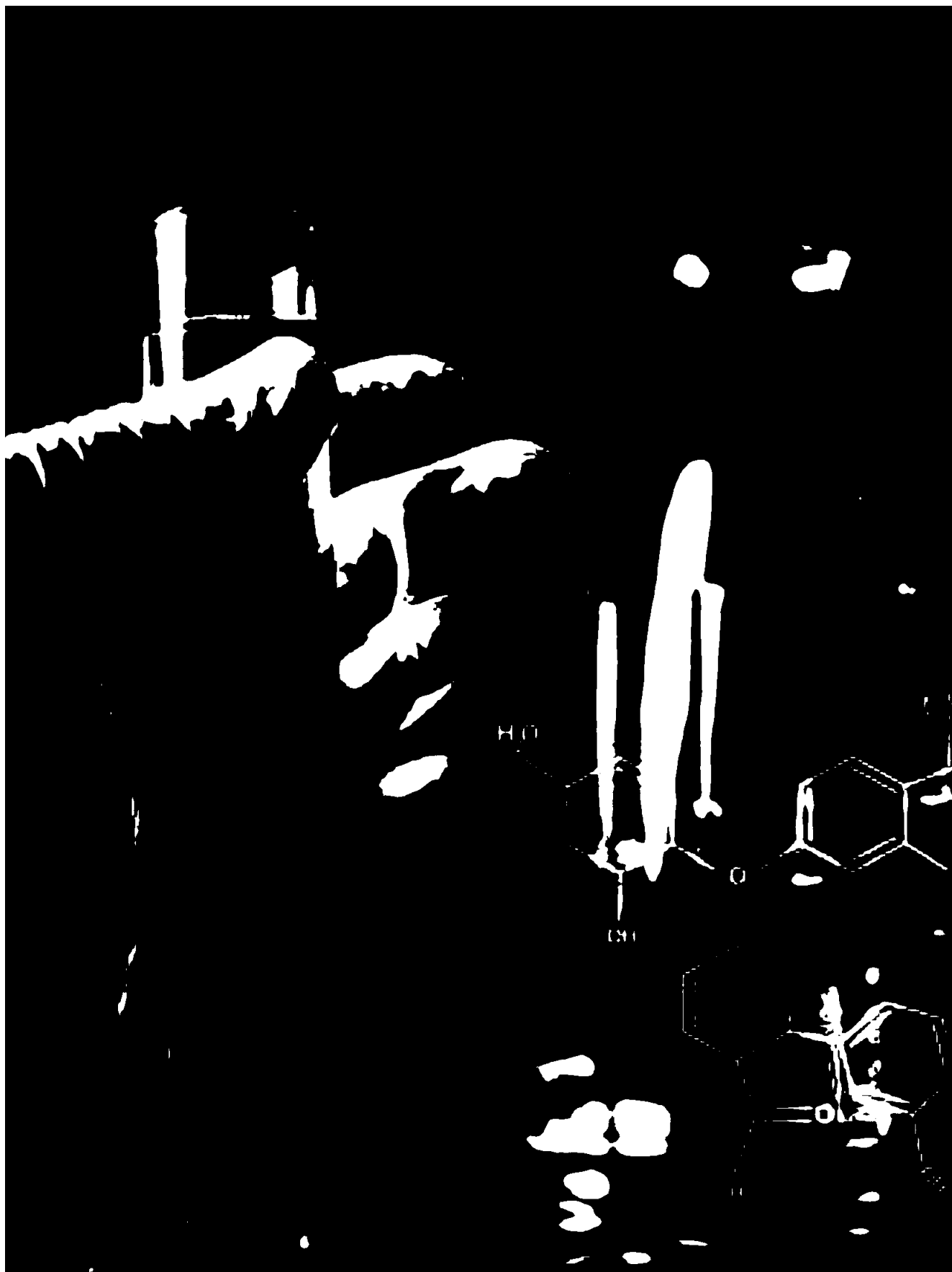
Significant events after the reporting period

Significant events that occurred after the reporting period ended December 31, 2020 are as follow:

- On February 26, 2021 the liquidations of Polynt Composites Holding Australia Pty Ltd (in Liquidation) and Polynt Composites Australia Pty Ltd (in Liquidation) have been finalized and therefore the winding up of the mentioned companies is complete. There were no distributions or returns to shareholders. In accordance with the applicable law the companies will be dissolved on May 26, 2021.
- On April 2021 certain group companies have entered into a cost sharing agreement aimed to regulate the apportionment of the costs related to two incentive plans, adopted by the Parent Company Specialty Chemicals International Limited ("SCIL"), for the purposes of rewarding and enhancing the relationships with certain managers and employees who play a key role within the Group and are employed by some of the Group companies, upon the conditions set forth in the mentioned incentive plans. SCIL instructed Polynt S.p.A. to manage the implementation of the plan (including the regulation of the apportionment of the costs within the group companies), as it is the employer of the majority of the Beneficiaries.

Rotterdam April 28, 2021.

On behalf of the Board of Directors





Separate financial statements

prepared in accordance with title 9 BW 2 applying the accounting principles on recognition and measurement as applied in the consolidated financial statements





Separate statement of financial position as at 31 December 2020

(Before profit appropriation)

EURO'000	Notes	2020	2019
Fixed assets			
Financial fixed assets	1	417,581	536,825
Total fixed assets	1	417,581	536,825
Current assets			
Cash and cash equivalents		446	259
Other current assets		-	16
Total current assets		446	275
Total assets		418,027	537,100
Shareholders' equity			
Share premium	2	265,672	389,672
Legal reserve	2	9,284	9,910
Revaluation reserve	2	9	420
Translation reserve	2	(37,318)	(4,442)
Other reserve		16,412	14,510
Retained earnings	2	120,490	19,326
Result of the year	2	43,176	107,400
Total equity	2	417,725	536,796
Current liabilities	3	302	304
Total equity and liabilities		418,027	537,100

The notes on pages 101 to 106 are an integral part of these separate financial statements.



Separate income statement for the year ended 31 December 2020

EURO'000	Notes	2020	2019
Share in results from participating interests, after taxation	5	(87,996)	106,090
Other income and expenses, after taxation	4	131,172	1,310
Net result		43,176	107,400

The notes on pages 101 to 106 are an integral part of these separate financial statements.



Notes to the separate financial statements for the year ended 31 December 2020

The separate financial statements are part of the 2020 financial statements of Specialty Chemicals International B.V. (the 'Company').

With reference to the income statement of the company, use has been made of the exemption pursuant to Section 402 of Book 2 of the Netherlands Civil Code.

Basis of preparation

The separate financial statements have been prepared in accordance with Title 9, Book 2 of the Netherlands Civil Code. For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its separate financial statements, the Company makes use of the option provided in section 2:362(8) of the Netherlands Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the separate financial statements of the Company are the same as those applied for the consolidated EU-IFRS financial statements. See Note 4 for a description of these principles.

Participating interests in group companies

Participating interests in group companies are accounted for in the separate financial statements according to the equity method. Refer to the basis of consolidation accounting policy in the consolidated financial statements.

Share of result of participating interests

The share in the result of participating interests consists of the share of the Company in the result of these participating interests. Results on transactions involving the transfer of assets and liabilities between the Company and its participating interests and mutually between participating interests themselves, are eliminated to the extent that they can be considered as not realized.

Notes to the balance sheet as at 31 December 2020

1. Fixed assets

Financial fixed assets

EURO'000		31-Dec-20	31-Dec-19
Participating interests in group companies	Specialty Chemicals Holding I B.V.	417,581	536,825
Total		417,581	536,825



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The Company holds 100% (2019: 100%) of the shares of Specialty Chemicals Holding I B.V., Amsterdam, the Netherlands.

Movements in financial fixed assets were as follows:

EURO'000	Participating interests in group companies
Balance at 1 January 2019	410,302
Share in result of participating interests	106,090
Other changes in equity	14,378
Exchange differences	6,055
Balance at 31 December 2019	536,825

EURO'000	Participating interests in group companies
Balance at 1 January 2020	536,825
Share in result of participating interests	(87,996)
Other changes in equity	1,629
Exchange differences	(32,876)
Balance at 31 December 2020	417,581

2. Shareholders' equity

Reconciliation of movements in capital and reserves

EURO'000	Issued Share capital	Share premium	Legal reserve	Other resources	Revaluation reserve	Translation reserve	Retained earnings	Result of the year	Total
Balance at 1 January 2019	-	391,172	8,873	-	2,207	(10,497)	(16,051)	34,759	410,463
Shareholders contributions	-	(1,500)	-	-	-	-	-	-	(1,500)
Allocation of legal reserve of acquired companies	-	-	1,038	-	-	-	(1,038)	-	-
Appropriation of result	-	-	-	-	-	-	34,759	(34,759)	-
Other changes	-	-	-	14,510	-	-	1,655	-	16,165
Result of the year	-	-	-	-	-	-	-	107,400	107,400
Translation differences	-	-	-	-	-	6,055	-	-	6,055
- Result of the year	-	-	-	-	(1,787)	-	-	-	(1,787)
Balance at 31 December 2019	-	389,672	9,910	14,510	420	(4,442)	19,326	107,400	536,796

EURO'000	Issued Share capital	Share premium	Legal reserve	Other resources	Revaluation reserve	Translation reserve	Retained earnings	Result of the year	Total
Balance at 1 January 2020	-	389,672	9,910	14,510	420	(4,442)	19,326	107,400	536,796
Shareholders contributions	-	-	-	-	-	-	-	-	-
Allocation of dividends	-	-	-	-	-	-	(7,000)	-	(7,000)
Capital reduction	(124,000)	-	-	-	-	-	-	-	(124,000)
Allocation of legal reserve of acquired companies	-	-	(626)	-	-	-	626	-	-
Appropriation of result	-	-	-	-	-	-	107,400	(107,400)	-
Other changes	124,000	(124,000)	-	1,902	-	-	138	-	2,040
Result of the year	-	-	-	-	-	-	-	43,176	43,176
Translation differences	-	-	-	-	-	(32,876)	-	-	(32,876)
- Result of the year	-	-	-	-	(411)	-	-	-	(411)
Balance at 31 December 2020	-	265,672	9,284	16,412	9	(37,318)	120,490	43,176	417,725

Share capital

The issued share capital consists of 104 shares of EUR 1 each as at 31 December 2020 (USD 0.01 each as at 31 December 2019).

Share premium

The share premium concerns the income from the issuing of shares in so far as this exceeds the nominal value of the shares (above par income).

On April 1, 2020 the Board of the Company resolved a partial conversion of the Company's share premium into nominal share capital. Such conversion resulted in an increase of the nominal value per share and a decrease of the Company's share premium reserves. The Company has subsequently made a distribution to its shareholder, by way of capital reduction, by decreasing its nominal share capital and repayment to the shareholder for an amount of EUR 120 million.

On May 20, the Board of the Company resolved a dividend distribution to the shareholder for the amount of EUR 7 million.

On December 14, 2020 the Board of the Company resolved a partial conversion of the Company's share premium into nominal share capital. Such conversion resulted in an increase of the nominal value per share and a decrease of the Company's share premium reserves. The Company has subsequently made a distribution to its shareholder, by way of capital reduction, by decreasing its nominal share capital and repayment to the shareholder for an amount of EUR 4,000,048.

Revaluation reserve

The revaluation reserve represents the accumulated remeasurements of the net defined benefit liability, which comprises actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), which are recognized immediately in OCI.

Legal reserve

The legal reserve for participating interests, which amounts to EUR 9,284 thousand (2019: EUR 9,910), pertains to participating interests that are measured at net asset value. The reserve is equal to the share in the results and direct changes in equity (both calculated on the basis of the company's accounting policies) of the participating interests since the first measurement at net asset value, less the distributions that the company has been entitled to since the first measurement at net asset value, and less distributions that the company may effect without restrictions. As to the latter share, this takes into account any profits that may not be distributable by participating interests. The legal reserve is determined on an individual basis.

Translation reserve

The legal translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

Result of the year

The Board of the Directors proposes to the General meeting to appropriate the result after tax to retained earnings.

3. Current liabilities

EURO'000	31-Dec-20	31-Dec-19
Trade creditors	296	303
Other liabilities and accrued expenses	6	1
Total	302	304

Financial instruments

General

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk.

In the notes to the consolidated financial statements information is included the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

These risks, objectives, policies and processes for measuring and managing risk, and the management of capital apply also to the separate financial statements of Specialty Chemicals International B.V..

Further quantitative disclosures are included below:

Fair value

The fair values of most of the financial instruments recognized on the statement of financial position, including accounts receivable, cash at bank and in hand and current liabilities, is approximately equal to their carrying amounts.

Notes to the profit and losses account for the year ended 31 December 2020

4. Other income and expenses

EURO'000	31-Dec-20	31-Dec-19
Other income	-	-
Office expenses	(289)	(311)
General expenses	(82)	(52)
Financial income	131,600	1,800
Financial expenses	(57)	(127)
Other income and expenses	131,172	1,310

Financial income caption refers to the dividend income from Specialty Chemicals Holding I B.V..

5. Share in results from participating interests after tax

An amount of EUR -87,996 thousand (2019: EUR 106,090 thousand) of share in results from participating interests relates to group companies.

Off-balance sheet assets and liabilities

Several liability and guarantees

As disclosed in Notes to the Consolidated Financial Statements as of and for the year ended December 2020 in connection with the refinancing of Polynt Reichhold Group, Specialty Chemicals International B.V. has provided security and guaranteed borrowings by certain Polynt Reichhold Group entities under the Senior Facilities Agreement. Securities and guarantees provided in connection with the May 17, 2017 merger and refinancing of the Polynt Reichhold Group have been released.

Auditor's fee

The following fees were charged by KPMG Accountants N.V. to Specialty Chemicals International B.V., as referred to in Section 2:382a (1) and (2) of the Netherlands Civil Code.

EURO'000	KPMG Accountants N.V.	Other KPMG network and others	Total
	2020	2020	
Audit of the financial statements	194	1,938	2,132
Other audit engagements	-	-	-
Tax-related advisory services	-	-	-
Other non-audit services	-	-	-
Total	194	1,938	2,132

The fees mentioned in the table for the audit of the financial statements 2020 relate to the total fees for the audit of the financial statements 2020, irrespective of whether the activities have been performed during the financial year 2020.

In addition, for the fees charged by KPMG Accountants N.V. to company's subsidiaries and other consolidated companies refers to Notes 38 to the Consolidated Financial Statements as of and for the year ended 31 December 2020.

Directors remuneration

The emoluments, including pension costs as referred to in Section 2:383(1) of the Netherlands Civil Code, charged in the financial year to the company, its subsidiaries and consolidated other companies amounted to EUR 5,530 thousand for top executives of the Group (EUR 4,891 thousand for the period ended December 31, 2019).

Employee benefits and number of employees

During the 2020 financial year, the average number of staff employed by the company, converted into full-time equivalents, amounted to nil people (2019: 0 people).

Related parties

During the year dividend totaling EUR 7,000 thousand was made by Specialty Chemicals International B.V. to the parent company Speciality Chemicals International Limited.

During the year the Board of the Company resolved a partial conversion of the Company's share premium into nominal share capital. Such conversion resulted in an increase of the nominal value per share and a decrease of the Company's share premium reserves. The Company has subsequently made a distribution to its shareholder, by way of capital reduction, by decreasing its nominal share capital and repayment to the shareholder for an amount of EUR 124,000 thousand.

The transactions with the related parties at December 31, 2020 are detailed below:

- EUR 131,600 thousand for dividend income from Specialty Chemicals Holding I B.V. (EUR 1,800 thousand at December 31, 2019).

The terms and conditions of these transactions were no more favorable than those available, or which might reasonably be expected to be available, in similar transactions with non-related parties on an arm's length basis.

Other information**Provisions in the Articles of Association governing the appropriation of profit**

Under article 14 of the Company's Articles of Association, the profit is at the disposal of the General Meeting of Shareholders, which can allocate said profit either wholly or partly to the formation of – or addition to – one or more general or special reserve funds.

Auditor's report

The auditor's report with respect to the financial statements is set out on page 107.

Rotterdam April 28, 2021.

On behalf of the Board of Directors



Independent auditor's report

To: the General Meeting of Specialty Chemicals International B.V.

Report on the audit of the accompanying financial statements

Our opinion

We have audited the financial statements for the year ended as at 31 December 2020 of Specialty Chemicals International B.V., based in Amsterdam. The financial statements include the consolidated financial statements and the separate financial statements.

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of Specialty Chemicals International B.V. as at 31 December 2020 and of its result and its cash flows for 2020 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- the accompanying separate financial statements give a true and fair view of the financial position of Specialty Chemicals International B.V. as at 31 December 2020 and of its result for 2020 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

- 1 the consolidated statement of financial position as at 31 December 2020;
- 2 the following consolidated statements for 2020: the statement of Profit or Loss and other Comprehensive Income, the statements of cash flows and changes in equity; and
- 3 the notes comprising a summary of the significant accounting policies and other explanatory information.

The separate financial statements comprise:

- 1 the separate statement of financial position as at 31 December 2020;
- 2 the separate income statement for 2020; and
- 3 the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Specialty Chemicals International B.V. in accordance with the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

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

KPMG Accountants N.V., a Dutch limited liability company registered with the trade register in the Netherlands under number 33263683, is a member firm of the global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

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Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- director's report;
- other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Board of Directors is responsible for the preparation of the other information, including the director's report, in accordance with Part 9 of Book 2 of the Dutch Civil Code, and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Description of the responsibilities for the financial statements

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Directors is responsible for such internal control as the Board of Directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Directors should prepare the financial statements using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Board of Directors should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud during our audit.

Misstatements can arise from fraud or errors 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 the financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.



We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining 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 errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining 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;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- concluding 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 ceasing to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

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

Amstelveen, 28 April 2021

KPMG Accountants N.V.

L.M.A. van Opzeeland RA





Årsregnskap regnskapsåret 2020 for 978680860