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Confidential
To the Board of Directors of
Specialty Chemicals International B.V.
Fascinatio Boulevard 220
3065 WB ROTTERDAM

Amstelveen, 28 April 2022

Subject: Permission letter to the annual report 2021

Dear Sirs,

Please find enclosed an authenticated copy of the annual report 2021 of Specialty Chemicals International B.V. and our auditor's report thereon dated 28 April 2022.

We have enclosed one copy of our auditor's report with a signature. This copy is meant for your own use. The other copy of our auditor's report states the name of our firm and the name of the responsible audit partner, but without a signature. We kindly request you to use the copy of the auditor's report without signature in the version of the annual report that will be published.

We confirm our permission to include and publish our auditor's report in the section 'Other information' of copies of the annual report 2021, provided that they are identical to the enclosed authenticated annual report, subject to adoption of the audited financial statements, without modification, by the General Meeting.

The annual report to be filed with the Trade Register of the Chamber of Commerce, including the audited financial statements should be filed within one month of 28 April 2022. We emphasize that it is not allowed to publish the authenticated version of the annual report.

The annual report to be filed with the Trade Register of the Chamber of Commerce needs to be filed no later than eight days after adoption of the financial statements by the General Meeting and prior to 1 January 2023.

Please note that it's legally required to (timely) file the annual report including the audited financial statements with the Trade Register of the Chamber of Commerce and non-compliance is an offence punishable by law. Not complying with publication requirements could, in certain situations, even lead to personal liability for the Board of Directors.

All members of the Board of Directors sign a copy of the financial statements. If signatures of a number of them are missing, the reason is included in the annual report to be filed.

In order to prevent the abuse of signatures we discourage the filing of a signed copy of the annual report. The annual report to be filed with the Trade Register of the Chamber of Commerce should include the General Meeting's adoption date of the financial statements.

If you wish to publish the annual report including the audited financial statements on the Internet, it is your responsibility to ensure proper separation of the annual report from other information on the website. For example, by presenting the annual report as a separate, read-only file, or by issuing a warning if readers switch from the web page containing the annual report ('You are now leaving the secured page containing the annual report, including the audited financial statements.').

Specialty Chemicals International B.V.
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Further, we recommend that you include the following disclaimer: ‘In the event of any differences or inconsistencies between the text and quantitative information on this internet site and that in the original annual report, including the audited financial statements, as filed at the Trade Register of the Chamber of Commerce, the latter shall prevail’.

We will be pleased to provide any further information you may require.

Yours faithfully,

KPMG Accountants N.V.

L.M.A. van Opzeeland RA
Partner

Enclosure(s):
Authenticated copy of the annual report 2021
One copy of our auditor’s report
One unsigned copy of the auditor’s report for publishing at the Trade Register of the Chamber of Commerce

Specialty Chemicals International BV Annual Report 2021

KPMG

KPMG Audit
Document to which our report
2181967-22W00182258AVN dated
28 April 2022
also refers.
KPMG Accountants N.V.

POLYNT
SPECIALTY SOLUTIONS

KPMG Audit
Document to which our report
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KPMG Accountants N.V.

Contents

Company officers

Entity name	Position	Name
Specialty Chemicals International B.V.	Managing Director	Alberto Carpani
	Managing Director	Devi Ajaib Wouter Singh Aujla
	Managing Director	Daniel Christopher Vijselaar
	Managing Director	Tomasz Jarecki

On September 25, 2019 Alberto Carpani was appointed as managing director for an indefinite period of time.
On March 27, 2020 Devi Ajaib Wouter Singh Aujla and Daniel Christopher Vijselaar were appointed as managing directors for an indefinite period of time.
On November 2, 2021 director Kurt Theo Eckart Vogler resigned.
On November 2, 2021 Tomasz Jarecki was appointed as director 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, 2021.


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SPECIALTY SOLUTIONS

Directors’ report

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

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

Directors’ report

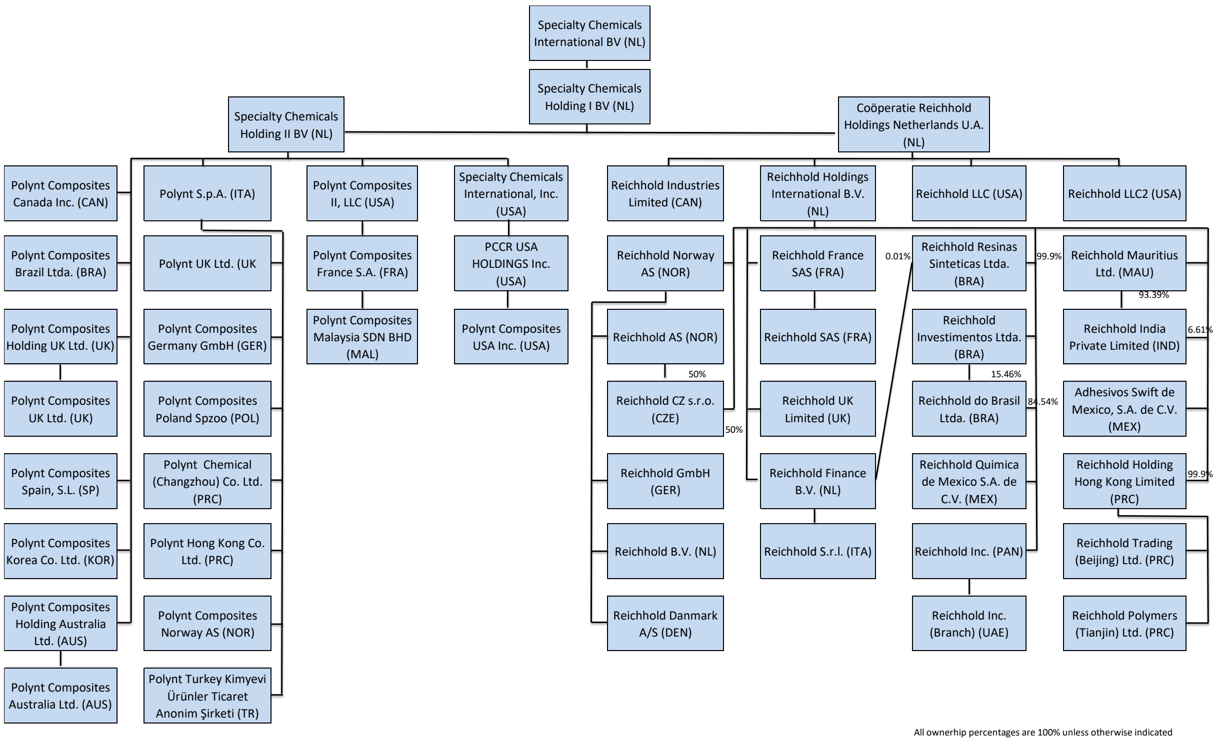
The Directors of the Company hereby present their report for the financial year ended on December 31, 2021.

General information

Specialty Chemicals International B.V. (“*Reporting entity” or “Company”*) 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 Company and its subsidiaries and together referred to as the “Group”. The Company is wholly indirectly held/controlled by Speciality Chemicals International Ltd., itself wholly held by indirect subsidiaries of Black Diamond Capital Management LLC (“Black Diamond”), with other shareholders holding minority positions.

Polynt – Reichhold structure & group restructuring

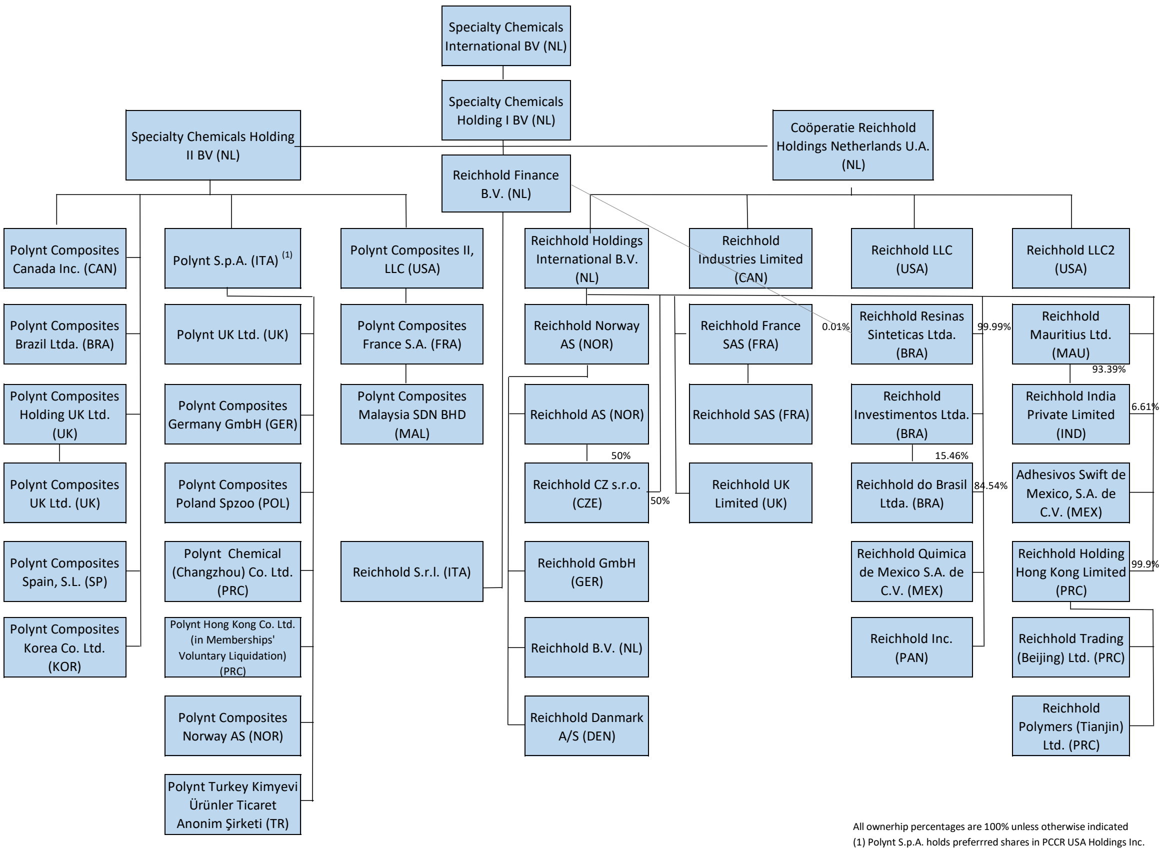
On May 17, 2017 Polynt Group (*“Polynt”*) and Reichhold Group (*“Reichhold”*) agreed to combine their businesses to form a global vertically integrated specialty chemical operation. As at December 31, 2020, the Group was equally held by an indirect subsidiary of Investindustrial V L.P. (“Investindustrial”) and Black Diamond Capital Management (“Black Diamond”), with other shareholders holding minority positions. The Group structure was as follows:



On June 29, 2021, Speciality Chemicals International Limited (the “Seller” or the “Parent”) and Speciality Chemicals International II Limited (the “Buyer”) entered into, inter alia, a

sale and purchase agreement (the "SPA") pursuant to which the Buyer would acquire the entire issued share capital of Specialty Chemicals International B.V. (the "Company" or the "Target"). The rights and obligations under the SPA were then assigned by the Buyer to SCIL IV LLC ("UK BidCo") that on November 2, 2021 completed, through a series of related transactions, the acquisition of the entire issued share capital (the "Acquisition") of Specialty Chemicals International B.V. (together with its Subsidiaries, the "Group"). As a result of the Acquisition, the Company became under the indirect control of Black Diamond Capital Management. Following the Acquisition, a corporate reorganization (the "Reorganization") was implemented, which was designed to better align the ownership structure of the Subsidiaries of the Parent and to make more efficient the servicing of the Senior Secured Notes that were issued by UK BidCo and SCIL USA Holdings LLC (the "Co-Issuer" or "US BidCo" and together with UK BidCo, the "Issuers") to finance the Acquisition and the repayment of the then existing Senior Indebtedness of the Group. For additional details, please refer to paragraph *"Relevant transactions during 2021 financial year".*
On December 21, 2021, Specialty Chemicals Holding II B.V. ("SCH II") demerged by means of a split-off of a portion of its assets and liabilities under universal succession of title (such split-off, the "Demerger") to Specialty Chemicals USA Holding B.V. (the "SC USA Holding"), a newly incorporated entity owned by SCH I, with its seat in Amsterdam. On December 23, 2021, the shares of Specialty Chemicals USA Holding were distributed by means of an interim distribution in kind from Specialty Chemicals Holding I B.V. to the Company. On December 31, 2021 the shares of Specialty Chemicals USA Holding were distributed by means of an interim distribution in kind from the Company to SCIL IV LLC (the "UK Bidco" and all such distributions, the "Distribution"). The Demerger and the Distribution were executed at book value, both such transactions being transactions between entities under common control. Since the Demerger was executed on December 31, 2021, the 2021 Consolidated statement of profit or loss includes the 2021 transactions and results of the demerged companies, while the Consolidated financial position items have been demerged (balances to zero). The changes in consolidation scope are described in paragraph "*Basis of consolidation*" in the Notes to the Consolidated financial statements as of and for the year ended 31 December 2021.
On December 31, 2021 SCH II and Reichhold Finance B.V. ("Reichhold Finance") executed the deed of merger, pursuant to which SCH II acquired all assets and liabilities of Reichhold Finance. The merger was completed at book value and it is considered to be a common control transaction. The effective date of the merger was January 1, 2022 and from such date Reichhold Finance ceased to exist.

As a result of the above transactions the Group structure as at December 31, 2021 is as follows:



Presentation of financial information

The 2021 operating results reflect twelve months of operations and are comparable with the twelve months results presented in the operating results as at December 31, 2020.
The Consolidated financial position as of 31 December 2021 and Consolidated statement of cash flows for the year ended 31 December 2021 do not include the demerged items.

General economic environment overview [1]

Resurgence of the Covid-19 pandemic, widespread supply constraints, and rising inflation dampened the pace of recovery in advanced economies, nevertheless global gross domestic product (GDP) growth surged to 5.5% in 2021, its strongest post-recession pace in 80 years. The output in many countries rebounded in 2021 after a sharp decline in 2020. International trade accelerated driving higher commodity prices benefiting many developing countries. Domestic financial crises and foreign debt restructurings have been less frequent than expected given the severe global shocks.
The Euro Area's GDP rose by 5.2% (2020: -7.2%), on the GDP rebound in the second and third quarters of 2021, only partially offset towards the end of 2021 by the sharp resurgence of COVID-19, a persistent drag on production from supply bottlenecks and sharply higher energy prices. Among the better performing countries were France (+6.7%) and Italy (+6.2%) with the United Kingdom also rising (7.2%).

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[1] IMF – World Economic Outlook January 2022
The World Bank – Global Economic Prospects | January 2022

In the United States, output expanded by 5.6% in 2021 (2020: -3.4%), despite slowdowns in private consumption and manufacturing production, rising energy prices, general inflation, and a tightening labor market.
In China, despite supply disruptions and electricity shortages, manufacturing activity has been solid and export growth accelerated. GDP growth reached 8% percent in 2021 (in 2020 China was the only major global economy to report growth: +2.3%).
Among other Asian countries India's GDP growth was significantly higher at 8.3% (2020: -8.0%).

Industry overview

The Group is a leading global, vertically integrated chemical manufacturer focused on the production of specialty chemical products.
Global growth in the chemical industry was 6.1% in 2021 (2020: -2.6%), with significant regional differences.
In Europe chemical output growth was approximately 6.0% (2020: –2.2%) despite intermittent production capacity limitations.
Chemical output increased only by 1.8% in North America as significant petrochemical capacities were negatively impacted in the United States due to extreme weather events: first quarter winter freeze; hurricanes Ida and Nichols. Chemical production in South America increased by 4.6%.
Chemical production in China, the world's largest chemical market, saw especially strong expansion (+7.7%) despite the negative impact of third and fourth quarter electricity curtailments. Higher growth in other emerging markets of Asia were at 6.9%. The average price for a barrel of Brent crude oil increased to USD 71 per barrel (2020: USD 43 per barrel).

Business overview

The Group's activities consist of research and development and the production and sale of organic anhydrides, composites, and their derivatives. These products are part of the larger chemical intermediary category encompassing oil refining through to the production, sale, and distribution of the finished products to the market. The Group's products are widespread in terms of applications and the number of end user sectors. They are used for, inter alia, the production of plastics, paints, inks and adhesives, electrical and electronic components, paper, and lubricants. Other uses include preparation of chemical products used to make animal food and additives for the food industry as well as compounds for the transportation, construction, and electrical sectors.
The Group manages the entire production-distribution chain internally, including the process stages leading to the sale of products, consisting of research and development, production planning, procurement of the raw materials, production, quality control and logistics, warehousing, sales, and after-sales assistance of the finished products.
The Group produces two major types of products:

- Specific use products: these products include phthalic anhydride, maleic anhydride, trimellitic anhydride, fumaric acid, malic acid, and general-purpose plasticizers. These products have a chemical-physical characterization universally defined.
- Customized products: these products include unsaturated polyester resins, coatings, special anhydrides, gelcoats, compounds, catalysts, and special esters. Products in this category are formulated at the customer's request to meet the customer's specifications or application requirements.

Relevant transactions during 2021 financial year

Relevant transactions that occurred during the reporting period ended December 31, 2021 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) were completed with no distributions or returns to shareholders. In accordance with the applicable law the companies were dissolved on May 26, 2021.
- In April 2021 certain subsidiaries of the Group entered into a cost sharing agreement for the apportionment of costs related to the incentive scheme ("the Plans"), adopted by Speciality Chemicals International Limited, for the purposes of rewarding and enhancing the relationships with certain directors and key employees of the Group and employed by some of the Group companies, based on the terms set forth in the Plans. Speciality Chemicals International Limited instructed Polynt S.p.A. to manage the Plan's administration, including the apportionment of those costs to each subsidiary. The Plans have been paid in 2021.
- On May 13, 2021, the Brazilian supreme federal tribunal (SFT) determined that the ICMS (Tax on Commerce and Services) highlighted in invoices is exempt from PIS (Program of Social Integration) and COFINS (Contribution for the financing of social security) tax thereby eliminating a double taxation impact with effect from March 15, 2017. The SFT also determined that companies who had paid the extra PIS and COFINS tax and who filed a legal claim prior to March 15, 2017 would also be able to recover these taxes paid from prior periods. With the final SFT decision and as the Company filed a legal claim prior to March 15, 2017, covering the periods from October 2003 through April 2017, the Company has included in these consolidated financial statements for the period ending December 31, 2021 an amount of approximately BRL 120 million (EUR 19 million) for these available tax credits.
- On June 29, 2021, Speciality Chemicals International Limited (the "Seller" or "the Parent") and Speciality Chemicals International II Limited (the "Buyer") entered, inter alia, a sale and purchase agreement (the "SPA") pursuant to which the Buyer would acquire the entire issued share capital of Specialty Chemicals International B.V. (the "Company" or "Target"). The rights and obligations under the SPA were then assigned by the Buyer to SCIL IV LLC ("SCIL IV" or "UK BidCo") that on November 2, 2021 completed, through a series of related transactions, the acquisition of the entire issued share capital (the "Acquisition") of Specialty

Chemicals International B.V. (together with its Subsidiaries, the “Group”). As a result of the Acquisition, the Company is under the indirect control of Black Diamond Capital Management.

- On November 2, 2021 (the “Closing Date”), SCIL IV completed the acquisition (the “Acquisition”) of the entire share capital of the Company.

  On the Closing Date the Senior Facilities Agreement entered into on March 5, 2020 by the Company was terminated and all facilities thereunder were repaid (such repayment the “Senior Facilities Repayment” and together with the Acquisition and the payment of the related transaction costs the “Transaction”). Following the Acquisition, a corporate reorganization (the “Reorganization”) was implemented, which was designed to better align the ownership structure of the Subsidiaries of the Parent and to make more efficient the servicing of the Senior Secured Notes that were issued by UK BidCo and SCIL USA Holdings LLC (the “Co-Issuer” or “US BidCo”) and together with UK BidCo, the “Issuers”) to finance the Acquisition and the repayment of the then existing Senior Indebtedness of the Group.
- On the Closing Date, SCIL IV entered into a Super Senior Revolving Credit Facility Agreement (the “SSRCF Agreement”). The SSRCF Agreement provides for a multicurrency facility with commitments of EUR 85 million available to various subsidiaries of the Company both as loans and letters of credit (the “SSRCF”). Interests on the New SSRCF borrowings accrue at a rate equal to the relevant Euribor rate floored to 0.00% plus a margin. The SSRCF terminates on May 1, 2026. The SSRCF 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 6.26:1 or less. The springing financial covenant will be tested starting from the third full financial quarter after the Closing Date if the aggregate amount of all outstanding loans under the SSRCF at the end of the relevant quarter exceed 40% of the total amount of commitments under the facility. The SSRCF was undrawn on the Closing Date.
- On December 21, 2021, Specialty Chemicals Holding II B.V. (“SCH II”) demerged a portion of its assets and liabilities under universal succession of title (such split-off, the “Demerger”) to Specialty Chemicals USA Holding B.V. (the “SC USA Holding”), a newly incorporated entity owned by SCH I, with its seat in Amsterdam. The entities involved in the Demerger were Specialty Chemicals International Inc., PCCR USA Holdings Inc. and Polynt Composites USA Inc. (such entities, the “Demerge Entities”).
- On December 23, 2021, the shares of Specialty Chemicals USA Holding were distributed by means of an interim distribution in kind from Specialty Chemicals Holding I B.V. to the Company. On December 31, 2021 the shares of Specialty Chemicals USA Holding were distributed by means of an interim distribution in kind from the Company to SCIL IV LLC (the “UK Bidco” and all such distributions, the “Distribution”). The Demerger and the Distribution were executed at book value, both such transactions being transactions between entities under common control.

Since the Demerger was executed on December 31, 2021, the 2021 Consolidated statement of profit or loss includes the 2021 transactions and results of the demerged companies, while the Consolidated financial position items have been demerged (balances to zero). The changes in consolidation scope are described in paragraph "*Basis of consolidation*" in the Notes to the Consolidated financial statements as of and for the year ended 31 December 2021.

- On December 31, 2021 the shares of Specialty Chemicals USA Holding were distributed by means of an interim distribution in kind from the Company to SCIL IV LLC (UK BidCo).
- On December 31, 2021 Specialty Chemicals Holding II B.V. ("SCH II") and Reichhold Finance B.V. ("Reichhold Finance") executed the deed of merger, pursuant to which SCH II acquired all assets and liabilities of Reichhold Finance. The merger was executed at book value since it involved entities under common control. The effective date thereof was January 1, 2022. Pursuant to the merger, that didn't have any effects on consolidated financial statements, Reichhold Finance B.V. has ceased to exist.

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 cyclicality in our products' end-markets and supply dynamics**

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

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

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

increase in demand for specialty chemical products being used in building and construction projects in developing regions.
The competitive landscape and macro and micro economic impacts (i.e industry expansion, plant shutdowns, scheduled maintenance, force majeure actions etc.) also influence the market supply and our operating results.

- **Fluctuation in the prices of raw materials**

Raw material costs comprise the largest portion of our operating costs. Most of the raw materials we use are based on crude oil, including butane, orthoxylene, benzene, styrene and pseudocumene. The prices we pay for our raw materials are closely linked to the price of crude oil and crude oil price fluctuations have affected, and will continue to affect, our results of operations and our financial condition. Other raw material costs such as the cost of soybean oil and normal butane used in the production of certain coating resins don't correlate directly with crude oil prices.
We, like other specialty chemical producers, typically seek to mitigate the risks of fluctuating commodity prices by having contracts both with suppliers and customers that allow for price renegotiation on a monthly or quarterly basis or for automatic price adjustment based on the average price of the commodity according to different price indices. The remainder of our volumes bought and sold are done so using either spot contracts at the then-prevailing market prices or otherwise based on formulas reflecting quotes in industry newsletters and other pricing benchmarks which in turn reflect the most recent changes in raw material costs at the time of sale. We also attempt to align the price negotiation periods between our customer contracts and the relevant supplier contracts where possible.
Passing through increases or decreases in raw material costs to our customers (either through price renegotiation or automatic price adjustments), while enabling us to maximize our Average Unit Margin without having to engage in commodity hedging, does cause our absolute revenue figures to fluctuate in close relation to raw materials prices (assuming constant sales volumes). We are not always able to pass through raw material price increases, or in some instances we suffer a certain time lag and, therefore, experience lower Average Unit Margins. Our inability to quickly pass through all raw material cost increases is affected by several additional factors. For example, demand in the end-markets where our customers compete can sometimes be too weak to absorb the full effect of price increases. As a result, we sometimes postpone passing on cost increases to maintain sales volumes, which can adversely affect Average Unit Margin. In contrast, during periods of falling raw material prices, to the extent that customers do not delay purchases while waiting for our prices to reflect falling prices, the time lag in raw material price pass through allows us to realize higher margins.
Changes in raw material prices also have a direct effect on our working capital levels. In general, increases in the cost of raw materials leads to an increase in our working capital requirements, as our inventories and trade receivables increase because of raw materials

prices and the higher price related sales level is partially offset by an increase in trade payables. Due to the quantity and turnover of the raw materials that we typically keep in stock, this increase occurs gradually over a period of three months. Conversely, decreases in the cost of raw materials lead to a decrease in our working capital requirements within the same three-month period following the decrease in costs.

- **Vertical integration and a focus on high-margin Composites and Specialties**

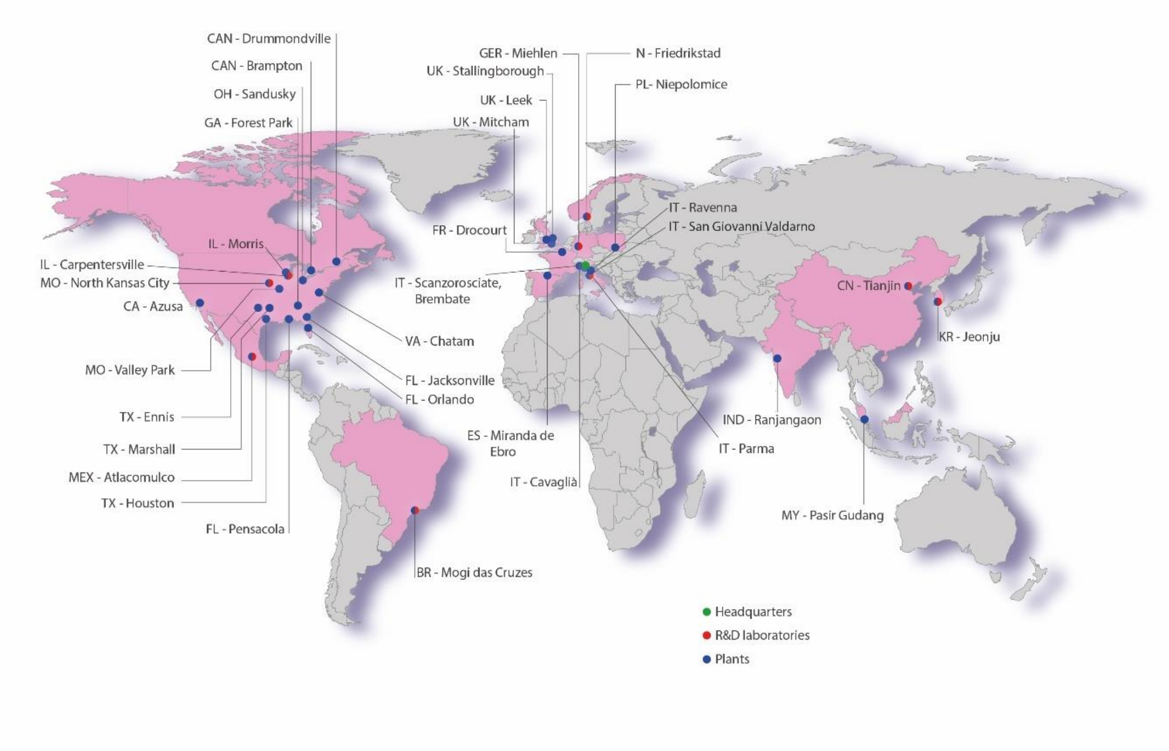
Our vertically integrated production model allows us to leverage the in-house production and consumption of lower-margin, less profitable, more price-volatile Intermediates (i.e. phthalic and maleic anhydrides) in the downstream production of higher-margin Composites and Specialties. For example, phthalic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

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

- **Product and geographic diversification**

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

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



The following sites belong to the demerged company Polynt Composites USA Inc.: Sandusky, Forest Park, Carpentersville, Ennis, Marshall, Houston, Chatham and Orlando.

- **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, 2021, roughly 38% of our revenue was Euro-denominated (35 % in 2020), approximately a 36% was U.S. dollar-denominated or U.S. dollar-linked (37% in 2020) with the remainder denominated in other currencies. The primary effects of exchange rates on our results of operations may be described in terms of translation and transaction exposure.

- **Translation risk**

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

- **Transaction risk**

As a result of our global customer and operations base, our Group companies occasionally enter into contracts expressed in currencies different from their operating currencies. Because these contracts are often settled and/or executed over a certain period of time, we are exposed to the risk that the relative exchange rate will fluctuate unfavorably between execution and full performance of the contracts. Although we engage in some currency hedging to mitigate the effects of currency transaction risk, the strength of our geographic diversification generally allows us to make use of natural hedges within our foreign currency denominated operations, including through matching the currency of our sales to the currency of the purchases of raw materials and other production costs.
The revaluation of assets and liabilities denominated in currencies other than the functional currencies of our Group companies results in either financial income or financial expense on our Consolidated statement of profit or loss for the relevant period. For the year ended December 31, 2021, the Group had financial income from exchange rate gains of EUR 27.5 million (EUR 9.0 million in 2020) and financial expense on exchange rate losses of EUR 12.4 million (EUR 31.6 million in 2020) 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, 2021 we have provisions of EUR 14.7 million (EUR 22.4 million in 2020) for anticipated

ecological remediation costs that may be necessary at certain facilities. The decrease in 2021 is partially due to the demerged of Specialty Chemicals International Inc. and its directly and indirectly controlling entities occurred on December 31, 2021 as described in the paragraph "*Relevant transactions during 2021 financial year*". 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 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, 2021, fixed costs represented 19% of our total costs (22% in 2020). In addition, our vertically integrated production model has the effect of reducing costs, particularly transportation and raw material costs. Additionally, the Group's increased scale and operational synergies will drive further operational optimizations including increased ability to organize production in response to peak demand, exploit economies of scale, reduce overhead, consolidate headquarters operations, and integrate anhydride production across facilities.
We regularly monitor our production and distribution processes to identify profitable streamlining efforts that can optimize efficiency and reduce unnecessary costs.
We intend to make strategic capital expenditures seeking to increase production capacity, achieve process improvements, improve our efficiency and margins, and reduce production and other costs.

- **Seasonality**

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

- **Management of trade receivables and bad debts**

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

- **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 to produce compounds and gelcoat. Intra-Group transactions are conducted on an arm's-length basis and are eliminated in the consolidated results presented herein.

Results of operations

The consolidated financial statements for the year ending December 31, 2021 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, 2020.
For the comparison of the Group's 2021 results in this Director's Report with the Group's 2020 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 reported 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[2]:

(Euro thousand)	2021		2020	Var %
Sales (ton)	**991,198**		**983,966**	**0.7%**
Revenue	**2,339,722**	*	**1,745,837**	**34.0%**
Variable costs	(1,559,051)		(1,160,811)	34.3%
Fixed costs	(354,262)		(323,916)	9.4%
EBITDA reported	**426,409**		**261,110**	**63.3%**
EBITDA %	*18.2%*		*15.0%*	
Depreciation & Amortization	(100,539)		(84,245)	19.3%
EBIT	**325,871**		**176,865**	**84.2%**

- **Sales and Revenue**

Sales and Revenue[2] by geographical segment are detailed as follows:

[2] (*) This is based on management accounts and excludes approximately € 9.2 million of income realized in 2021 through the sales of the remaining stock on hand of Polynt Chemical (Changzhou) Co. Ltd., whose production was discontinued in February 2021 following the mandatory closure request received from the Chinese Government.

(ton)	2021	2020	Var %
Europe	512,836	474,153	*8.2%*
Americas	394,925	391,075	*1.0%*
Asia	83,437	118,737	*(29.7%)*
Sales	**991,198**	**983,966**	***0.7%***

(Euro thousand)	2021		2020	Var %
Europe	1,136,967		775,383	*46.6%*
Americas	1,021,385		775,803	*31.7%*
Asia	181,371	*	194,651	*(6.8%)*
Revenue	**2,339,722**	*	**1,745,837**	***34.0%***

Revenue increased by 34.0% to EUR 2,340 million in 2021 from EUR 1,746 million in 2020 while sales volume increased by 0.7%.

In Europe market demand continued the trend recorded in the last quarter of 2020 with the availability of products was constrained in the first half by numerous force majeure and logistical events that negatively impacted the European industrial landscape. Demand was driven by the construction, energy, and leisure sectors (swimming pools, recreational vehicles) while the automotive segment suffered due to microchip supply issues. Despite these constraints, Europe businesses were able to support the incremental market demand with sales volumes increasing by 8,2% compared to the previous year. Revenue was higher by 46.6% versus 2020 on the higher sales prices from strong margin management efforts to offset higher raw materials prices due to the first half raw material shortages and higher second half energy costs.

In the Americas, sales volumes increased 1.0% as volumes improved in key industry segments including construction, marine, recreational vehicles and do it yourself despite on-going supplier, logistic and labor constraints, and lower volumes in Brazil from general economic conditions.
America’s revenue was 31.7% higher from the higher sales volume, higher average selling prices on proactive margin management actions to offset escalating raw material prices and partially offset by the unfavorable foreign exchange effect.

In Asia, sales volume and revenue were below 2020 by 29.7%, and 6.8% respectively due to the closing of the Intermediates production plant in China from March 2021 and to the Covid-19 issues and other restrictions in the Asian 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 398.2 million increase results from the significant increase in the unit cost of raw materials and utilities primarily in the second half of 2021.

- **Fixed costs**

Overall fixed costs were higher year over year by 9.4%.
Management continues to aggressively manage and control fixed costs. The year over year increase is mainly due to higher inflation, and higher fixed costs in the Americas driven by higher repair and maintenance expenditures, additional environmental provisions, cost inflation and partially offset by a favorable foreign exchange impact.

- **EBITDA reported**

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

EBITDA reported for 2021 was EUR 426.4 million, an increase of EUR 165.3 million from EUR 261.1 million in 2020 (+ 63.3%).

In Europe, EBITDA reported was higher year over year by 92%. The higher sales volume and higher average selling prices from aggressive margin management efforts helped offset higher raw material and higher energy costs.

Americas' EBITDA reported was higher year over year by 68%. The higher sales volume and higher average selling prices offset higher raw material inputs, higher fixed costs, and the unfavorable foreign exchange impact.

Asia's EBITDA reported was below the prior year by 27.9%, on lower volumes and higher variable costs and despite a significant decrease in fixed costs fixed cost.

The following is a reconciliation of EBITDA reported to EU - IFRS Gross operating profit:

(Euro thousand)		2021	2020
Profit for the year	**A**	**239,395**	**43,178**
Income taxes		*65,666*	25,562
Financial Income		*(38,711)*	(23,071)
Financial expense		*62,740*	101,963
Depreciation, amortisation and impairment losses		*96,252*	84,245
Non recurring and non-core items:			
Income related to sale or discontinuation of businesses	*(i)*	*(42,937)*	-
Indirect tax income	*(ii)*	*(6,739)*	-
Costs related to cash-settled share-based plans	*(iii)*	*57,777*	*12,997*
Restructuring expenses	*(iv)*	*2,606*	*7,201*
Merger and acquisition ("M&A") expenses	*(v)*	*1,099*	*1,285*
Claim settlement	*(vi)*	-	*1,710*
Other (income) / expenses		*474*	*40*
Adjusted EBITDA before taking into account the following items	**A + B**	**437,622**	**255,110**
Insurance compensation	*(vii)*	*2,791*	*6,000*
Inventory provision	*(viii)*	*(14,003)*	-
EBITDA reported	**A + B**	**426,409**	**261,110**

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

i. "*Income related to sale or discontinuation of businesses*" referred to the sale of the Taboao land, Brazil; Lynwood land, USA, and to the compensation received from the Chinese Government for the mandatory closure of the plant of the Polynt Chemical (Changzhou) Co. Ltd ("PCH") plant imposed by Chinese Government. The closure resulted in the discontinuance of production in the first quarter of 2021 and ultimately the closure of the site within December 2021.

ii. "*Indirect tax income*" related to the recognition of a tax credits on past years' indirect taxes in Reichhold do Brasil following a decision of the Brazilian Supreme Court (SFT) in May 2021. This decision eliminated a double taxation impact with effect starting from March 15, 2017. The Supreme Court also determined that companies who had paid the extra indirect taxes and who filed a legal claim prior to March 15, 2017 would be able to recover these taxes paid from prior periods. Considering the final Supreme Court decision and that Reichhold do Brasil filed a legal claim prior to March 15, 2017, covering the periods from October 2003 through April 2017, the Group has accounted for an "income" for these available tax credits.

iii. "*Costs related to cash-settled share-based plans*" were award payments made to certain directors and employees in accordance with the Phantom Share Option Plan ("PSP") and extraordinary deal bonus plan ("EB Plan").

iv. "*Restructuring expenses*" related to the costs for site closures in Dubai, Canada, US, Brazil, Norway, Australia, Hong Kong, and to the closure imposed by the Government in China (Polynt Chemical (Changzhou) Co. ltd.) and some other minor restructuring costs.

v. "*Merger and acquisition ("M&A") expenses*" related to external M&A advisors and financial, commercial, and legal due diligence fees and expenses, in respect to completed and potential acquisitions.

vi. "*Claim settlement*" in 2020 related to the definitive settlement agreement between (a) certain subsidiaries of the former Reichhold Group, (b) the Insurance Companies of the Group and (c) Fountaine Pajot ("FP") signed on February 12, 2020.

vii. "*Insurance compensation*" was received in 2019 from an accident that occurred at the Polynt S.p.A.' maleic anhydride Ravenna Plant (Italy) resulting in damage to the catalyst reactor. The occurrence was covered by insurance, including the loss of margins due to lower performance of the plant subsequent to the accident as the Group scheduled to replace both the reactor and the catalyst in the following years. Therefore, the compensation was recognized over multiple periods including a portion in 2021. This item is not accounted in the 2021 consolidated financial statement.

viii. "*Inventory provision*" related to adjust 2021 gross margins for specific and exceptional raw material market conditions. This item is not accounted in the 2021 consolidated financial statement.

Liquidity and capital resources

- **Overview**

The main sources of liquidity available to the Group on an ongoing basis as of December 31, 2021 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 85 million super senior secured multi-currency revolving credit facility (the "Revolving Credit Facility" or "RCF") available to certain entities.

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, 2021 the availability under bilateral facilities was adequate.

The outstanding borrowings under the RCF as of December 31, 2021 were equal to EUR 10 million (EUR 16 million as of December 31, 2020 related to previous Revolving Credit Facility).

Based on the current level of operations as reflected in the results of operations for the year ended December 31, 2021 and the effects of the Transaction, the cash flow from operating activities, cash on hand, the availability of borrowings under bilateral facilities

and the New RCF 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.

On October 27, 2021, the ABL agreement that was entered into on September 29, 2017 by some subsidiaries of the Company incorporated in the USA and Canada with some financial institutions unrelated to the Group, subsequently amended on October 1, 2020 and that would provide for a revolving facility available as loans and letters of credit (the “Existing ABL”) was terminated.

The Senior Facilities Agreement (the “Agreement”) issued on March, 13 2020 provided for the issuance of a Term Loan denominated in Euro in the amount of EUR 485 million (the "EUR TLB"), a Term Loan denominated in USD in the amount of USD 60 million (the "USD TLB" and together with EUR TLB, the "TLB") and a senior revolving credit facility in the amount of EUR 100 million (the "Existing RCF"). EUR TLB, that bore interest 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 that had been entered into in 2017 for the purpose of the prepayment thereof. USD TLB, that bore 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 that had been entered into in 2017. The maturity date of TLB was 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 were allowed. For USD TLB quarterly repayment instalments were also provided beginning in 2020. Total amount outstanding under USD TLB as at December 31, 2020 was USD 59.4 million.

The Existing RCF was a multicurrency facility available to certain Subsidiaries of the Group both as loans and letters of credit. Interest on the Existing RCF borrowings accrued at a rate equal to the relevant Euribor rate floored to 0.0% plus a margin. The Existing RCF contained a springing financial covenant requiring the Group to maintain a net leverage ratio of senior indebtedness to EBITDA beginning in 2021. The Agreement contained customary affirmative and negative covenants. All borrowings under the TLB or RCF were guaranteed by the borrowers and their respective holding companies. The maturity date of the Existing RCF was September 13, 2026. The outstanding borrowings under the Existing RCF as at December 31, 2020 were equal to EUR 16 million.
On the Closing Date the amount outstanding under EUR TLB was EUR 485 million and the amount outstanding under USD TLB was USD 58.9 million.

On November 2, 2021 (the "Closing Date"), SCIL IV LLC completed the acquisition (the "Acquisition") of the entire share capital of Specialty Chemicals International B.V. (the "Company" and together with the subsidiaries thereof "the Group"). On the Closing Date the Senior Facilities Agreement entered into on 5 March 2020 by the Company was terminated and all facilities thereunder (the "Existing Senior Facilities"), with certain subsidiaries of the Company as borrowers and guarantors, were repaid (such repayment "the Senior Facilities Repayment" and together with the Acquisition and the payment of the related transaction costs the "Transaction").

In anticipation of the Transaction all drawings under the Existing RCF were repaid in October and on November 1, 2021 the Existing RCF was replaced with a EUR 85 million multi-currency super senior revolving credit facility (the "New RCF") available to some entities incorporated in Italy, United Kingdom, the USA, and the Netherlands. The New RCF was undrawn on the Closing Date.

- **Cash flows**

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

(Euro thousand)		2021	2020
Cash flow from operating activities		215,612	257,950
Cash flow from investing activities		(76,976)	(47,982)
Cash flow used in financing activities		(253,127)	(176,448)
Effects of movement in exchange rates on cash held		29,279	(47,261)
Net change in cash and cash equivalents	**A**	**(85,212)**	**(13,741)**
Opening cash and cash equivalents	**B**	**289,193**	**302,934**
Closing cash and cash equivalents	**C=A+B**	**203,982**	**289,193**

For further details please refer to the Consolidated statement of cash flows for the year ended December 31, 2021.

- **Net financial indebtedness**

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

KPMG Audit
Document to which our report
2181967-22W00182258AVN dated
28 April 2022
also refers.
KPMG Accountants N.V.

(Euro thousand)	31-Dec-21	31-Dec-20
Term Loan	-	(533,407)
Others financial loans and interest accrual related parties	(353,804)	-
Others financial loans and interest accrual third parties	(64,817)	(68,317)
Borrowings under Revolving Credit Facilities	(10,000)	(16,008)
IFRS 16 effect on debt	(9,112)	(14,032)
Financial expenses capitalized	-	17,224
Total financial indebtedness	**(437,733)**	**(614,540)**
Cash and cash equivalents	203,982	289,193
Other financial assets	56,975	8,277
Total net financial indebtedness	**(176,776)**	**(317,070)**

Please note that the balances for the two years may not be comparable consequentially to the demerged of Specialty Chemicals International Inc. and its directly and indirectly controlling entities occurred on December 31, 2021 and described in note "*Relevant transactions during 2021 financial year*".

"Total financial indebtedness" includes long-term financial indebtedness, plus current financial indebtedness, in each case excluding debt issuance costs. Under IFRS, debt issuance costs are deducted from the related debt amounts for the purposes of statement of financial position presentation and are amortized over the life of the debt.

"Total net financial indebtedness" is the amount of long-term financial indebtedness, plus short-term financial indebtedness, less current financial assets, cash, and cash equivalents. 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, 2021:

(Euro thousand)	31-Dec-21	31-Dec-20
Trade receivables	316,018	263,953
Inventories	268,471	200,457
Current tax assets	6,127	5,912
Other current assets	39,127	11,617
Current assets	**629,743**	**481,939**
Trade payables	260,035	202,241
Current tax liabilities	13,193	8,334
Employee benefits	31,151	28,643
Other current liabilities	18,871	19,026
Current portion of provisions	2,095	5,362
Total current liabilities	**325,345**	**263,606**
NET WORKING CAPITAL	**304,398**	**218,333**

Please note that the balances for the two years may not be comparable consequentially to the demerged of Specialty Chemicals International Inc. and its directly and indirectly controlling entities occurred on December 31, 2021 and described in note "*Relevant transactions during 2021 financial year*".

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

Our working capital levels vary because of several other factors as well, including the effect of selling prices, production stoppages and maintenance works, changes in payment terms in the case of key suppliers, foreign exchange rates, our decisions to hold inventories, the operating level of our business, seasonality, and cyclicality of the industries that we supply. Historically, we have financed our working capital requirements out of available cash balances, cash earnings, active working capital management and the sale of certain receivables pursuant to recourse and non-recourse factoring agreements.

- **Capital Expenditures**

The following table summarizes capital expenditures for the periods indicated:

(Euro thousand)	2021	2020
Land and buildings	2,416	420
Plant and machinery	13,891	7,327
Industrial and commercial equipment	759	811
Other assets	1,046	955
Assets under construction and payments on account	52,599	37,524
Investments in property, plant and equipment	**70,711**	**47,037**
Investments in other intangible assets	3,325	3,075
Total capital expenditure	**74,036**	**50,112**

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 to expand capacity and support our organic growth.

The 2021 expenditures mainly refer to:

- Europe: EUR 15.5 million to install a second maleic anhydride reactor at the Ravenna, Italy site; EUR 0.4 million to establish a backup production facility in support of our pharma business at the Stallingborough, UK site; EUR 0.7 million and EUR 1.3 million to increase UPR and gelcoat production at the Miranda, Spain and Niepolomice, Poland sites respectively; other investments included capex to update process control systems, analytical instruments and safety health and environmental equipment.
- Americas: EUR 12.0 million for coating and UPR capacity investments under construction at various USA sites and BMC at the Atlacomulco, Mexico site; EUR 0.8 million to install rail car unloading and tank wagon loading capability to optimize procurement of molten phthalic anhydride at the Morris, Illinois site; EUR 0.8 million for curative production unit replacement/upgrade at the Ennis, Texas site; EUR 0.7 million for maleic anhydride bulk storage tank replacement at the Houston, Texas site; EUR 0.6 million to replace the production hot oil heater at the Valley Park, Missouri site; EUR 0.5 million to install a reactor emergency relief tank at the Mogi, Brazil site; EUR 0.5 million for Reichhold LLC 2's Morris site for additional low profile additive capacity at the Morris, Illinois site; EUR 0.2 million to add additional gelcoat capacity at the Houston, Texas site..
- Asia: EUR 1.3 million to add a third UPR reactor and bonding paste capability at the Pune, India site; EUR 1.0 million to construct a new warehouse, storage tank and office building at the Malaysia site; EUR 1.0 million for ongoing bonding paste projects at the Korea site.
- the remaining capital expenditures consists of 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 November 2, 2021 (the "Closing Date"), SCIL IV LLC completed the acquisition (the "Acquisition") of the entire share capital of Specialty Chemicals International B.V. (the "Company" or the "Target" and together with the subsidiaries thereof "the Group").

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

The Senior Facilities Repayment involved:

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

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

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

The Intercompany Note matures on November 2, 2026 and provides for quarterly interest payments. Interest on the Intercompany Note accrues at a rate equal to the relevant Euribor rate floored to 0.0% plus a margin. Pursuant to certain payments in connection with the Transaction, the Intercompany Note was partially prepaid in November 2021 and December 2021 for EUR 30.8 million. The outstanding amount under Intercompany Note as at December 31, 2021 was EUR 323 million.

On November 1, 2021, SCIL IV LLC entered into a Super Senior Revolving Facility Agreement (the "RCF Agreement"). The RCF Agreement provides for a multicurrency revolving facility (the "RCF") available to SCIL IV LLC and various Subsidiaries of the Group both as loans and letters of credit. Interest on RCF borrowings accrues at a rate equal to the relevant Euribor rate floored to 0.0% plus a margin. The RCF terminates on May 1, 2026.

The RCF Agreement contains a "springing financial covenant" requiring SCIL IV LLC and the subsidiaries thereof to maintain a net leverage ratio as defined in the Agreement of 6.26:1 or less. The springing financial covenant will be tested starting from the third full financial quarter ending after the Closing Date and only if on the testing date the aggregate amount of all outstanding loans thereunder is equal or greater than 40% of the total amount of commitments. On December 31, 2021 the Group was not required to test the springing

financial covenant. The Agreement contains customary affirmative and negative covenants. As at December 31, 2021, SCIL IV LLC was in compliance with all such covenants.
All borrowings under the RCF Agreement are guaranteed by the Co-Issuers and certain Subsidiaries thereof, including the Company and certain the Subsidiaries thereof. A Guarantor Coverage Test will have to be satisfied on an annual basis.

Factoring facilities

Substantial factoring facilities are available to certain Subsidiaries of the Company. The main facilities are available in Italy, France, Spain, and Poland by various financial institutions unrelated to the Company. All factoring facilities available in Italy and Poland are "without recourse" whereas the facilities available in France and Spain are "with recourse". Borrowings under factoring facilities are incurred mainly to manage local intra-month or seasonal working capital swings.

Other bilateral facilities

Bilateral facilities available as long or short-term loans, receivables financing, overdrafts or letters of credit are granted to many Subsidiaries of the Company, with special reference to Polynt S.p.A., by various financial institutions either with an international footprint or local, with which the Group has a longstanding relationship. The mix of facilities varies over time, 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 RCF Agreement are guaranteed in 2022 by SCIL IV LLC, SCIL USA Holdings LLC, the Company and the following Subsidiaries: Specialty Chemicals Holdings I B.V., Specialty Chemicals Holdings II B.V., Reichhold Holdings International B.V., Cooperatie Reichhold Holdings Netherlands U.A., Polynt S.p.A., Specialty Chemicals International Inc., PCCR USA Holdings, Polynt Composites USA Inc., Reichhold LLC 2, Polynt Composites UK Ltd., Polynt UK Ltd., Reichhold UK Limited, Polynt Composites Norway AS, Reichhold Norway AS, Reichhold AS, Polynt Composites Germany GmbH and Polynt Composites Spain SL.
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 prevented from becoming a Guarantor or would not be required to become a Guarantor in accordance with the Agreed Security Principles (the "Guarantor Coverage Test"). If so required, any Subsidiary whose EBITDA is equal or exceeds 5% of the Consolidated EBITDA and is incorporated in a Security Jurisdiction, shall also become an additional Obligor but no Subsidiary of the Group incorporated in inter alios, Mexico, Brazil, China (including Hong Kong), India, South Korea and Malaysia shall be required to provide any guarantee or security.

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 36 of the Consolidated financial statements as of and for the year ended December 31, 2021 and December 31, 2020.

Subsequent events after the reporting period

Significant events that occurred after the reporting period ended December 31, 2021 are as follow:

- On January 1, 2022 Reichhold Finance B.V. merged into Specialty Chemicals Holding II B.V..
- On February 23, 2022 the Group adopted for some Directors and employees a long-term incentive plan ("Phantom Share Option Plan") which allows them to receive extra compensation if both of the following situations occur: a) that certain events occur by April 30, 2032 (i.e. change of control of the ownership of the group, listing on a regulated market, disbursement of an extraordinary maxi dividend); b) revaluation in addition to a certain threshold of the shares of the Parent Company Speciality Chemicals International Ltd. compared to the reference value per share indicated in the agreements.
- Recent developments in Russia, Belarus and Ukraine, as well as the related international government responses, are being closely monitored. On 24 February 2022, following Russia's invasion in Ukraine, the Group temporarily reduced its trading/sales activities to Russian, Belarus and Ukraine customers. The Company has no subsidiaries, plants or other operations in Russian, Belarus and Ukraine. As the Group does not have assets and subsidiaries business in Russia, Belarus and Ukraine the direct impact for our business can be considered as not material. A macroeconomic risk arises from the increases in the energy prices and are causing a higher inflation. As the conflict is developing very rapidly and unexpectedly, it is currently not possible to quantify the future financial impact. However, the Group believes it has an economic-financial solidity and a Governance able to face this challenge in the best way.

Outlook

For 2022 we expect results, on the basis of the same perimeter, in line with 2021.

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. Our raw material prices depend on exchange rates and the price development of crude oil and virgin naphtha.

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

Credit risk

Credit risk is the risk that a customer or counterparty to a financial instrument may default. It mainly relates to our trade receivables and financial investments.
Our exposure to credit risk principally depends on our customers' individual characteristics. The demographical variables of our customer base, including the sector and country risk, do not have a significant impact on our credit risk.
We have a specific internal credit management procedure whereby each new customer's credit standing is analyzed before any credit facilities are granted. These analyses include third party appraisals, when available. Credit facilities are agreed for each customer, and they may only be exceeded after the approval of the relevant internal levels depending on the customers' exposure. The credit facilities are checked annually and customers that do not meet our credit standing criteria may only make purchases against advance or guaranteed payment.
Bad debts are infrequent. Credit risk monitoring procedures are based on grouping customers by credit characteristics, geographical location, sector, aging, due date, and the existence of previous financial difficulties. Our trade and other receivables are generally from industrial production companies.
We have an allowance for impairment, which reflects estimated losses on trade and other loans and receivables and non-current financial assets. It mainly comprises individual impairment losses on significant exposures and collective impairment losses on groups of similar assets on which losses of unknown amounts have already been incurred.
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 and is determined based on losses incurred in the past five years.

Interest rate risk

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

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 to settle the short-term imbalances. When Group companies incur costs in currencies other than those in which they earn revenue, fluctuations in exchange rates may affect their operating profits. We estimate that an increase or decrease of 1% in US dollar currency exposure would affect the profit and loss and equity by approximately EUR 1 million.
To cover the commercial netting (receivables minus payables) we use forward sales to hedge against currency fluctuations (mainly on USD). Despite having been entered into for hedging purposes, these forwards do not meet all conditions required by IFRS 9. Accordingly, the fair value gain has been recognized in the Consolidated statement of profit or loss under financial income.

Liquidity risk

Liquidity risk is the risk that we may encounter difficulties in meeting our obligations associated with financial liabilities. Our policy is to ensure that we always have funds available, as far as possible, to meet our obligations when they fall due in both normal and difficult financial conditions, without incurring excessive costs or risk damaging our reputation.
Our treasury units manage liquidity risk on a centralized basis. Maintenance of liquidity balance is systematically ensured on a daily basis. Our ability to meet our obligations on a timely and cost-effective basis is ensured through careful 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, 2021, the Group had a total of 2,621 employees (3,184 as of December 31, 2020).

For the second year in a row, since the Covid-19 pandemic has spread worldwide, the Group proactively promoted employee safety strategies and worked to comply with local government pandemic policies. Workplaces were routinely sanitized, and the workers provided adequate personal protection equipment. During the periods of increased spread of the infections, non-essential workers were allowed to work from home with the Group investing in and providing adequate tools to successfully perform their job functions. As these employees return to the workplace, the Group prioritized worker safety by adopting social distancing protocols, investing in workplace social distancing equipment, pandemic cleaning and providing adequate personal protective equipment. To support the Group's training and personnel development programs, the Group reinforced "distance learning" to enhance the workforce's professional skills, which represent one of the most important keys to achieving the Group targets.

In Europe, despite the difficulties produced by the pandemic scenario, the Group were able to carry out all training courses on subject Environmental Safety - Safety at work, with the aim to strength the prevention knowledge.

The Americas Human Resource team focused on stabilizing the workforce during the Covid-19 pandemic and despite a difficult recruiting climate. Keeping employees in the workforce this past year was the main challenge for the HR group and plant management. Employee turnover numbers remained in double digits with manufacturing employees leaving for better compensation and work life balance. To support growth plans and to reduce the number of employees leaving for better compensation, various compensation adjustments were made across regions. Company turnover has improved and employment hiring targets improving.

The Asia Human Resource team supported and achieved the Group's targets and aligned company policies to assure consistent employment procedures and practices. Training programs, such as mandatory occupational skills training, were harmonized and conducted. Employment benefit programs have been standardized among Asian companies.

The Management Board composition

The Company's board of directors consists of four male executive directors. The Company believes that the composition of its Board has resulted in a broad diversity of experience, expertise, background, and that the overall 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

2021 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 and the support of the technical assistance teams in their

work of implementing our products into the customers' manufacturing activities. Raw materials supply issues required significant efforts on qualifying alternative raw materials.
The European R&D team also focused efforts on the sustainability and environmental impact related to different product lines and improving our internal and manufacturing processes as follows:

- Developing next generation technology for fluidized and fixed bed of catalysts for maleic anhydride and phthalic anhydride, 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, anhydrides for epoxy curing and resins with improved technical performances; with food and pharma contact approvals; with focus on environmental sustainability using renewable raw materials with a better life cycle and recyclable profile.
- Continue to follow E-mobility trends requiring new lighter materials; continued developments to support the electrical and automotive compound sectors including new solutions such as battery covers and fire-resistant material.
- Focusing on customer's demands for tailored solutions and finding recycling and bio-alternatives to existing resin and gelcoat raw materials.
- Driving actions to reduce the environmental impact of existing resin products by replacing styrene or other additives (i.e cobalt) and improving resin recycling programs.
- Investing in continuous studies to improve the strength of vinyl ester resins using carbon fiber for wind 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 gelcoat, UPR and Coatings resins to provide our customers with products that last longer, are easier to work with and are more environmentally friendly to help them drive future growth. The Americas R&D team has established Polynt as a leading player in the development of thermosets for additive manufacturing of large parts.

2021 Americas R&D activities included:

- Supported all efforts to minimize disruption in supply chain through evaluation and approval of new sources for raw materials and in some cases reformulating products to utilize materials having availability.

- Worked with operations to maximize manufacturing capacity and bypass bottlenecks caused by raw material and carrier shortages by transferring formulas to the best possible site, including in some cases transferring formulas between countries in the Americas region.
- Assisted efforts to improve quality, reduce cycle time and minimize down time toward the same goal.
- Continued to consolidate the unsaturated polyester resin and vinyl ester product lines to improve manufacturing and commercial efficiency by eliminating redundant products, achieving greater than 10% reduction of product codes per year for the past 5 years.
- Conducted market analysis in both coatings and Composite product lines to identify the most attractive targets for Research and Development.
- Entered the final stage of approval for two new coatings products shown to provide significantly higher performance in environmentally friendly water borne products. These products are expected to have broad market acceptance.
- Continued to dedicate resources to higher margin technologies such as Carbon Fiber and Fiberglass Sizing, securing business at one customer and projects at the sample stage with three others.
- Entering the trial stage for a new high-performance gelcoat with double the UV resistance of our previous best product. This will allow gelcoat to compete with paint in transportation sector.
- Made significant progress in development of large-scale thermoset 3D printing.
    - Drum quantities of the first-generation print media are being sold for demonstration purposes while three new print media have been developed, targeting tooling for automotive and aerospace.
    - A third patent has been filed that covers the invention of a low CLTE material that should have utility for prepreg molds with significant cost saving to the customer.
    - A campaign to promote the technology with presentations at technical conferences has resulted in contacts with several printer manufacturers who have interest in developing and marketing large format printers using our material.
- The American region is also engaged in multiple projects to develop high performance products while eliminating substances of concern in both coatings and Composites product lines including a major gelcoat product in development.
- A recent breakthrough in technology to cure styrene free systems at room temperature is expected to pave the way for multiple new styrene free products in the coming years.

Asia

The Asian R&D team focused on working together across the various Asian sites, granting support and technical information 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.

2021 Asia R&D activities included:
- In operation with the purchasing team to rationalize and approve key raw materials and new suppliers.
- Working with the commercial and technical service teams 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 continues to expand into rapidly growing markets.

The Group is also committed to providing customers with the most innovative, highest quality value-added products and services possible supported by our world class global manufacturing sites, local customer and technical support, global research facilities and broad distribution networks.

The Group's beliefs 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 Speciality Chemicals International Limited ("SCIL"), approved the Group's code of ethics and Whistleblower policy. The Group also created a portal on the Group's website where the Code of Ethics and whistleblower policy can be found along with links to anonymously report any unethical behavior.

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

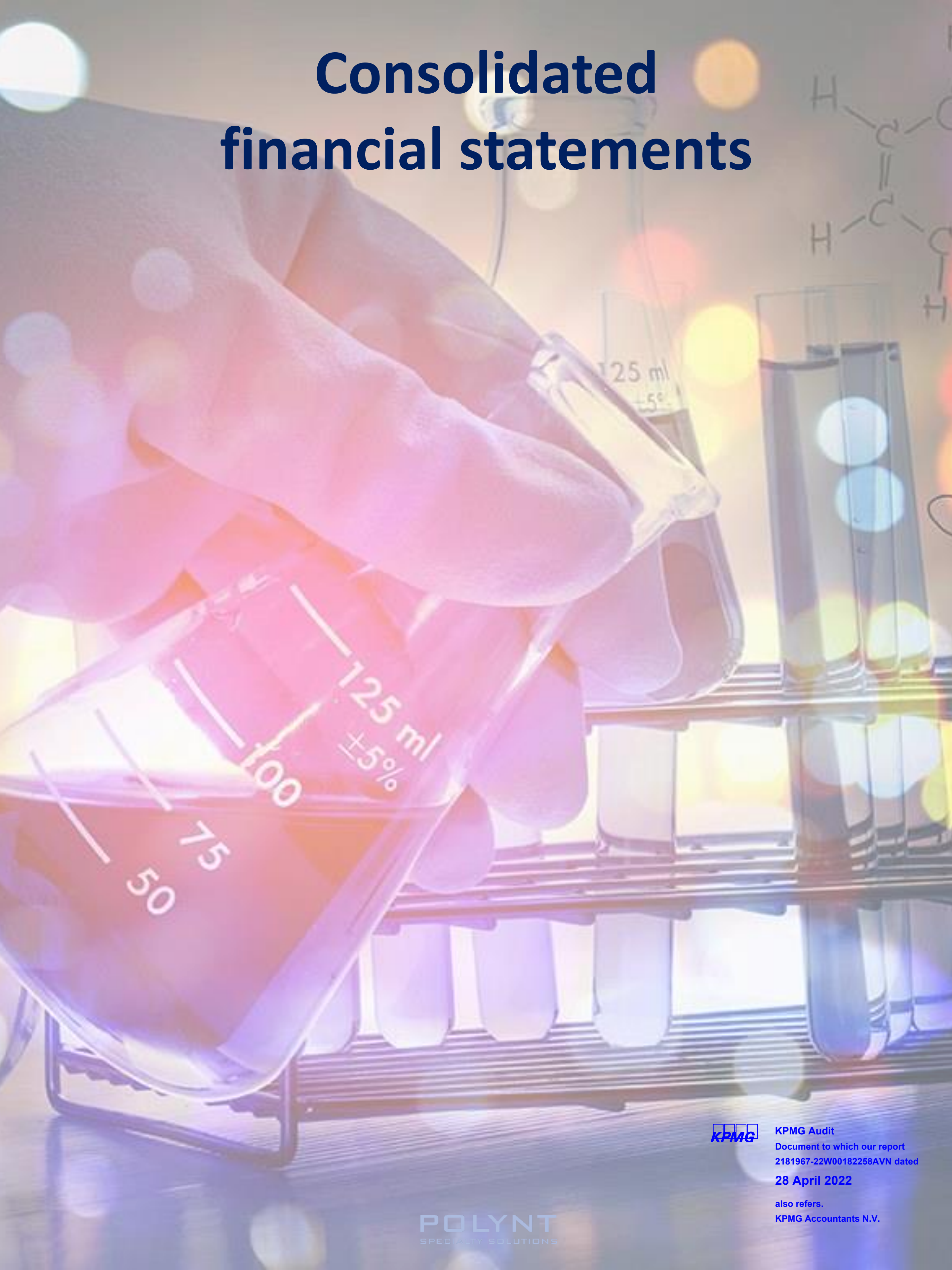
The Group achieves success only when our customers succeed. We strive to create value for customers through innovative products, unmatched customer service and value-added services which all combine to give our customers the tools they need for success in the markets they serve.

Rotterdam April 28, 2022.
On behalf of the Board of Directors

POLYNT
SPECIALTY SOLUTIONS


POLYNT

Consolidated financial statements



POLYNT

Consolidated statement of financial position as of 31 December 2021

(Before profit appropriation)

(Euro thousand)	Notes	31-Dec-21	31-Dec-20
Cash and cash equivalents	23	203,982	289,193
Trade receivables	6	316,018	263,953
Inventories	7	268,471	200,457
Current tax assets	8	6,127	5,912
Other current assets	9	39,127	11,617
Assets held for sale	10	-	4,132
Total current assets		**833,725**	**775,264**
Property, plant and equipment	10	422,142	497,355
Goodwill	11	51,947	64,932
Other intangible assets	12	24,893	42,131
Participation	13	121,000	-
Other financial assets	14	56,975	8,277
Deferred tax assets	15	20,206	31,980
Other non-current assets	16	17,934	14,906
Total non current assets		**715,097**	**659,581**
Total assets		**1,548,822**	**1,434,845**
Loan and borrowings	23	59,771	61,525
Trade payables	17	260,035	202,241
Current tax liabilities	18	13,193	8,334
Employee benefits	20	31,151	28,643
Other current liabilities	19	18,871	19,026
Current portion of provisions	22	2,095	5,362
Total current liabilities		**385,116**	**325,131**
Loan and borrowings	23	377,962	553,015
Employee benefits	20	16,584	38,466
Deferred tax liabilities	21	48,406	69,275
Non-current portion of provisions	22	23,900	31,231
Total non-current liabilities		**466,852**	**691,987**
Total liabilities		**851,968**	**1,017,118**
Share Capital	24	-	-
Share premium	24	260,365	265,672
Reserves	24	108,531	(37,309)
Retained earnings	24	327,958	189,364
Total equity attributable to the owners of the parent		**696,854**	**417,727**
Non-controlling interests		-	-
Total equity		**696,854**	**417,727**
Total liabilities and equity		**1,548,822**	**1,434,845**

The notes on pages 47 to 112 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 2021

(Euro thousand)	Notes	2021	2020
Revenue	26	**2,348,935**	**1,745,837**
Variation in work in progress, semi-finished goods and finished		47,411	(19,851)
Production revenue		**2,396,346**	**1,725,986**
Raw materials, consumables and supplies	27	(1,433,332)	(1,018,498)
Internal work capitalised under non-current assets	28	244	893
Cost of services:			
- energy	29	(86,707)	(56,046)
- other services	29	(198,484)	(173,156)
Personnel expense	30	(289,211)	(232,213)
Other income/operating expenses:			
- other income	31	57,547	5,584
- other operating expenses	31	(22,055)	(21,162)
- insurance compensation	31	994	489
Gross operating profit		**425,342**	**231,877**
Depreciation, amortisation and impairment losses	32	(96,252)	(84,245)
Operating profit		**329,090**	**147,632**
Financial income	33	38,711	23,071
Financial expense	34	(62,740)	(101,963)
Net financial expense		**(24,029)**	**(78,892)**
Profit/(loss) before tax		**305,061**	**68,740**
Income taxes	35	(65,666)	(25,562)
Profit/(loss) for the year (A)		**239,395**	**43,178**
Attributable to:			
Owners of the parent		239,395	43,178
Non-controlling interest		-	-
Items that will never be reclassified to profit or loss for the year :			
Net actuarial gains(losses) on defined benefit plans		1,501	(351)
Income tax relating to defined benefit plans		(173)	(60)
Total items that will never be reclassified to profit or loss for the year (B1)		**1,328**	**(411)**
Items that may be reclassified to profit or loss for the year:			
Exchange differences on translating foreign operations		27,801	(32,876)
Income tax relating to components of other comprehensive income		-	-
Total items that may be reclassified to profit or loss for the year (B2)		**27,801**	**(32,876)**
Other comprehensive income or loss, net of tax (B1)+(B2)		**29,129**	**(33,287)**
COMPREHENSIVE INCOME, net of tax (A)+(B1)+(B2)		**268,524**	**9,891**
Comprehensive income attributable to:			
Owners of the parent		268,524	9,891
Non-controlling interests		-	-

The notes on pages 47 to 112 form an integral part of these consolidated financial statements.

KPMG Audit
Document to which our report
2181967-22W00182258AVN dated
28 April 2022
also refers.
KPMG Accountants N.V.

Consolidated statement of cash flows for the year ended 31 December 2021

(Euro thousand)	Notes	2021	2020
Profit/(Loss) for the period		**239,395**	**43,178**
Adjustment for:			
- Tax expense	35	65,666	25,562
- Amortisation and Depreciation	32	71,150	72,181
- Amortized financial expenses	34	17,295	-
- Impairment losses on Property, plant and equipment	32	25,102	12,064
- Net finance costs	33-34	6,734	78,892
- Other non-cash variation		(9,626)	-
- Gain on sale of property, plant and equipment	31	(5,193)	56
Cash flows before changes in net working capital and provisions		***410,523***	***231,933***
Changes in:			
- Inventories	7	(117,806)	41,142
- Trade and other receivables	6	(150,733)	4,273
- Trade and other payables	17	177,032	2,459
- Other current assets and liabilities	9-19	(29,046)	5,286
- Provisions	22	(300)	(798)
- Employee Benefits	20	(8,688)	14,843
- Income tax paid		(65,369)	(41,188)
Cash flows from operating activities		***215,612***	***257,950***
Interest received to third parties		1,633	2,701
Acquisition of tangible and intangible assets	10-12	(78,040)	(49,706)
Changes in other non current financial assets	14	3,282	(2,800)
Disposal of tangible and intangible assets	10-12	17,163	1,823
Cash and cash equivalents held by entities object of demerger		(21,014)	
Acquisition of subsidiaries, net of cash acquired		-	-
Disposal of subsidiaries, associates and join ventures		-	-
Cash flow from investing activities		***(76,976)***	***(47,982)***
Payment of lease liabilities		(4,468)	(8,984)
Change in financial liabilities		8,704	17,635
Increase of loan and borrowings		12,500	533,067
Repayment of borrowing		(237,253)	(550,827)
Dividends paid		-	(7,000)
Interest paid		(32,611)	(38,379)
Increase/Decrease in share capital and reserves	24	-	(121,960)
Other variations		-	-
Cash flow used in financing activities		***(253,127)***	***(176,448)***
Effects of movement in exchange rates on cash held		29,279	(47,261)
Net change in cash and cash equivalents	**A**	**(85,212)**	**(13,741)**
Opening cash and cash equivalents	**B**	**289,193**	**302,934**
Closing cash and cash equivalents	**C=A+B**	**203,982**	**289,193**

The notes on pages 47 to 112 form an integral part of these consolidated financial statements.

KPMG Audit
Document to which our report
2181967-22W00182258AVN dated
28 April 2022
also refers.
KPMG Accountants N.V.

Consolidated statement of changes in equity

(Euro thousand)	Balances at 1 January 2020	Dividends	Capital Reduction	Other changes	Changes in consolidation scope	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)
Revaluation reserve	420	-	-	-	-	-	(411)	9
Total comprehensive income	**385,650**	**-**	**(124,000)**	**-**	**-**	**-**	**(33,287)**	**228,363**
Other reserve	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**

(Euro thousand)	Balances at 1 January 2021	Dividends	Capital Reduction	Other changes	Changes in consolidation scope	Profit for the year	Other comprehensive income/(expense)	Balances at 31 Dec 2021
Share capital	-	-	-	-	-	-	-	-
Share premium reserve	265,672	-		-	(5,307)	-	-	260,365
Translation reserve	(37,318)	-	-	-	(2,864)	-	27,801	(12,381)
Revaluation reserve	9	-	-	-	119,575	-	1,328	120,912
Total comprehensive income	**228,363**	**-**	**-**	**-**	**111,404**	**-**	**29,129**	**368,896**
Other reserve	16,412	-	-	-	-	-	-	16,412
Retained earnings	172,952	-	-		(100,801)	239,395		311,546
Total reserves	**417,727**	**-**	**-**	**-**	**10,603**	**239,395**	**29,129**	**696,854**
Total equity attributable to the owners of the parent	**417,727**	**-**	**-**	**-**	**10,603**	**239,395**	**29,129**	**696,854**
Non-controlling interests	-	-	-	-	-	-	-	-
Total equity	**417,727**	**-**	**-**	**-**	**10,603**	**239,395**	**29,129**	**696,854**

The notes on pages 47 to 112 form an integral part of these consolidated financial statements.

Notes to the Consolidated financial statements as of and for the year ended 31 December 2021

1. Reporting entity

Specialty Chemicals International B.V. (hereafter "Reporting Entity" 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 Company's indirect parent company is Speciality Chemicals International Ltd. (hereafter "SCIL").

2. Basis of preparation

<u>Statement of compliance</u>

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, 2022.

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 2021.

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.

<u>Basis of measurement</u>

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.

On December 21, 2021, Specialty Chemicals Holding II B.V. ("SCH II") demerged a portion of its assets and liabilities under universal succession of title (such split-off, the "Demerger") to Specialty Chemicals USA Holding B.V. (the "SC USA Holding") with seat in Amsterdam.

On December 23, 2021, the shares of Specialty Chemicals USA Holding were distributed by means of an interim distribution in kind from Specialty Chemicals Holding I B.V. to the Company. On December 31, 2021 the shares of Specialty Chemicals USA Holding were distributed by means of an interim distribution in kind from the Company to SCIL IV LLC (the "UK Bidco" and all such distributions, the "Distribution"). The Demerger and the Distribution were executed at book value, both such transactions being transactions between entities under common control. . Since the Demerger was executed on December 31, 2021, the 2021 Consolidated statement of profit or loss includes the 2021 transactions and results of the demerged companies, while the Consolidated financial position items have been demerged (balances to zero). The changes in consolidation scope are described in paragraph "*Basis of consolidation*" in the Notes to the Consolidated financial statements as of and for the year ended 31 December 2021.

The entities involved in the Demerger were Specialty Chemicals International Inc., PCCR USA Holdings Inc. and Polynt Composites USA Inc. (such entities, the "Demerge Entities").

The summary of the effects of Demerger on the Consolidated financial position items is the following:

(Euro thousand)	31-Dec-21
Cash and cash equivalents	21,014
Trade receivables	98,668
Inventories	49,792
Other current assets	811
Total current assets	**170,285**
Property, plant and equipment	88,434
Goodwill	15,004
Other intangible assets	566
Other financial assets	28,728
Deferred tax assets	10,471
Other non-current assets	7,665
Total non current assets	**150,866**
Total assets	**321,151**
Loan and borrowings	1,150
Trade payables	119,238
Current tax liabilities	1,899
Employee benefits	9,291
Other current liabilities	2,774
Current portion of provisions	20
Total current liabilities	**134,372**
Loan and borrowings	53,905
Deferred tax liabilities	12,012
Non-current portion of provisions	11,892
Total non-current liabilities	**77,810**
Total liabilities	**212,182**
Total equity	**108,969**
Total liabilities and equity	**321,151**

Business combinations

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

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

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

The reporting date of all the group companies is December 31, 2021.

The companies included in the consolidation scope as of December 31, 2021 and as of December 31, 2020 together with the related percentage of interest are listed below:

Company	Currency	investment % 2021	investment % 2020	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.	USD	0%	100%	Line-by-line
Polynt S.p.A.	EUR	100%	100%	Line-by-line
Polynt Composites Germany GmbH	EUR	100%	100%	Line-by-line
Polynt Composites Poland Sp.Zo.o.	PLN	100%	100%	Line-by-line
Polynt Chemical (Changzhou) Co. Ltd.	CNY	100%	100%	Line-by-line
Polynt Hong Kong Co. Ltd.	USD	100%	100%	Line-by-line
Polynt UK Ltd.	GBP	100%	100%	Line-by-line
Polynt Composites Norway A.S.	NOK	100%	100%	Line-by-line
Polynt Turkey Kimyevi Ürunler Ticaret Anonim Şirketi	TRY	100%	100%	Line-by-line
Polynt Composites USA Inc.	USD	0%	100%	Line-by-line
PCCR USA Holdings Inc.	USD	0%	100%	Line-by-line
Polynt Composites Holding Australia Pty Ltd.	AUD	0%	100%	Line-by-line
Polynt Composites Australia Pty Ltd.	AUD	0%	100%	Line-by-line
Polynt Composites Malaysia Sdn. Bhd.	MYR	100%	100%	Line-by-line
Polynt Composites France S.A.	EUR	100%	100%	Line-by-line
Polynt Composites Spain S.L.	EUR	100%	100%	Line-by-line
Polynt Composites Holding UK Ltd.	GBP	100%	100%	Line-by-line
Polynt Composites UK Ltd.	GBP	100%	100%	Line-by-line
Polynt Composites Korea Co. Ltd.	KRW	100%	100%	Line-by-line
Polynt Composites Brazil Ltda.	BRL	100%	100%	Line-by-line
Polynt Composites Canada Inc.	CAD	100%	100%	Line-by-line
Polynt Composites II, LLC	USD	100%	100%	Line-by-line
Cooperatie Reichhold Holdings Netherlands	USD	100%	100%	Line-by-line
Reichhold Norway AS	NOK	100%	100%	Line-by-line
Reichhold AS	NOK	100%	100%	Line-by-line
Reichhold Denmark AS	DKK	100%	100%	Line-by-line
Reichhold Industries Limited	CAD	100%	100%	Line-by-line
Reichhold LLC	USD	100%	100%	Line-by-line
Reichhold LLC2	USD	100%	100%	Line-by-line
Reichhold Polymers (Tianjin) Ltd.	CNY	100%	100%	Line-by-line
Reichhold Trading (Beijing) Ltd.	CNY	100%	100%	Line-by-line
Reichhold SAS	EUR	100%	100%	Line-by-line
Reichhold France SAS	USD	100%	100%	Line-by-line
Reichhold GmbH	EUR	100%	100%	Line-by-line
Reichhold Holding Hong Kong Limited	USD	100%	100%	Line-by-line
Reichhold CZ s.r.o.	CZK	100%	100%	Line-by-line
Reichhold Mauritius Ltd	USD	100%	100%	Line-by-line
Reichhold UK Ltd.	GBP	100%	100%	Line-by-line
Reichhold Srl	EUR	100%	100%	Line-by-line
Reichhold BV	EUR	100%	100%	Line-by-line
Reichhold Holdings International BV	USD	100%	100%	Line-by-line
Reichhold Inc. (Branch)	AED	100%	100%	Line-by-line
Reichhold India Private Limited	INR	100%	100%	Line-by-line
Adhesivos Swift de Mexico, S.A. de C.V.	MXN	100%	100%	Line-by-line
Reichhold Quimica de Mexico S.A.De C.V.	MXN	100%	100%	Line-by-line
Reichhold do Brasil Ltda	BRL	100%	100%	Line-by-line
Reichhold Investimentos Ltda	BRL	100%	100%	Line-by-line
Reichhold Resinas Sinteticas Ltda	BRL	100%	100%	Line-by-line
Reichhold Finance BV	EUR	100%	100%	Line-by-line

The changes to the Group's companies completed during 2021 are the following:

- On February 26, 2021 the liquidations of Polynt Composites Holding Australia Pty Ltd (in Liquidation) and Polynt Composites Australia Pty Ltd (in Liquidation) were finalized. There were no distributions or returns to shareholders. In accordance with the applicable law the companies were dissolved on May 26, 2021.

- On December 21, 2021 the subsidiary Specialty Chemicals Holding II B.V. ("SCH II") demerged part of its assets and liabilities to Specialty Chemicals USA Holdings B.V. ("SC USA Holding B.V.") a private company with limited liability with a seat in Amsterdam, the Netherlands. In the transaction, SC USA Holding B.V. acquired the shares of Specialty Chemicals International Inc. and consequentially the companies controlled by Specialty Chemicals International Inc. (PCCR USA Holdings Inc., which holds 100% of Polynt Composites USA Inc.).
- On December 23, 2021, the shares of SC USA Holding B.V. were distributed by means of an interim distribution in kind from Specialty Chemicals Holding I B.V. to the Company.
- On December 31, 2021 the shares of SC USA Holding B.V. were distributed by means of an interim distribution in kind from the Company to SCIL IV LLC. Consequently, Specialty Chemicals International Inc and its related controlled entities have been demerged from these financial statements as of December 31, 2021.

Subsidiaries

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

Non-controlling interests

Non-controlling interests (if applicable) are measured at their proportionate share of the parties' identifiable net assets at the date of acquisition.
Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

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

Consolidation procedures

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

- the financial statements of the consolidated entities are prepared for each reporting period using the same accounting policies as those of the Group.

- the assets and liabilities and revenue and expense of consolidated companies are fully recognized in the consolidated financial statements.
- intragroup balances, transactions, revenues, and expenses are fully eliminated.
- all intragroup profits not yet realized deriving from third party transactions are eliminated.
- the carrying amount of investments held is eliminated against the investee's equity. The portions of equity and profits or losses attributable to non-controlling interests are shown separately in equity and profit or loss.
- dividends distributed by consolidated companies are eliminated from the consolidated profit or loss.
- the assets and liabilities of foreign operations are translated into Euro at the closing rate, while income and expenses of foreign operations are converted at the average exchange rate of the year. Exchange rate gains or losses arising from translation are recognized in the *"Translation reserve"* in equity. If the investment is sold, any accumulated exchange rate gains or losses are reclassified to profit or loss.

4. Significant accounting policies

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

Consolidated statement of financial position

Financial instruments

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

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

Financial assets – classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL.

Financial assets are not reclassified after their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

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

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

Financial assets – subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On

	derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities – classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

This account also includes financial payables for existing leasing contracts. The initial recognition of these payables, as well as the valuation after the initial recognition, follow the treatment illustrated for financial leasing in the paragraph "As a lessee". The current portions of finance lease payables are reclassified to current financial liabilities to third parties.

Derecognition of financial assets and financial liabilities

Financial assets

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:
    - substantially all the risks and rewards of ownership of the financial asset are transferred; or
    - the Group neither transfers nor retains substantially all 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 the risks and rewards.

Financial liabilities

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 legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

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

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

Other non-derivative financial assets
Financial assets are initially measured at acquisition cost which is equal to fair value plus any directly attributable transaction costs.
Assets held to maturity are classified as current financial assets if their maturity is within one year, and they are classified as non-current if it is after one year. They are subsequently measured at 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.

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

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

Foreign currency transactions

Transactions in foreign currencies are 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	
		2021	2020	31-Dec-21	31-Dec-20
USD	U.S. Dollar	1.18	1.14	1.13	1.23
AUD	Australian Dollar	1.57	1.65	1.56	1.59
BRL	Real	6.38	5.89	6.31	6.37
CAD	Canadian Dollar	1.48	1.53	1.44	1.56
CNY	Renminbi	7.63	7.87	7.19	8.02
CZK	Czech crown	25.64	26.46	24.86	26.24
DKK	Danish krone	7.44	7.45	7.44	7.44
HKD	Hong Kong Dollar	9.19	8.86	8.83	9.51
INR	Indian Rupia	87.44	84.64	84.23	89.66
JPY	Japanese Yen	129.88	121.85	130.38	126.49
KRW	South Korean Won	1,354.06	1,345.58	1,346.38	1,336.00
MYR	Ringgit	4.90	4.80	4.72	4.93
MXN	Peso Mexican	23.99	24.52	23.14	24.42
NOK	Norwegian krone	10.16	10.72	9.99	10.47
PLN	Zloty	4.57	4.44	4.60	4.56
SGD	Singapore Dollar	1.59	1.57	1.53	1.62
SEK	Swedish krone	10.15	10.48	10.25	10.03
AED	Dirham	4.34	4.19	4.16	4.51
GBP	Pound Sterling	0.86	0.89	0.84	0.90
TRY	Turkish lira	10.51	8.05	15.23	9.11
CHF	Swiss Franc	1.08	1.07	1.03	1.08

Derivative financial instruments

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

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

The derivative financial instrument is designated as hedging or trading, depending on its nature. All derivatives are initially recognized in the consolidated statement of financial

position at cost that represents their fair value. Any directly attributable transaction costs are recognized in profit or loss as incurred. All derivatives are subsequently measured at fair value.
The changes in fair value are recognized in profit or loss in the case of derivatives which are not hedging instruments.
Hedging derivatives are classified as follows:

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

Both the changes in the fair value of fair value hedge derivatives and the fair value changes in the underlying item are recognized in profit or loss.
In the case of cash flow hedges of, for example, the risks related to non-current floating-rate loans, changes in the fair value are recognized in other comprehensive income statement for the part which highly effective way risk to which they were put in place, while recorded in profit or loss any part that proves ineffective.
The part attributed to other components of comprehensive income is reclassified to profit or loss when the assets and liabilities hedged impacts the costs and revenue of the period.
It is important to note that the Group has adopted a specific procedure to manage financial instruments that is part of an overall risk management policy.

Inventories

Inventories are measured at the lower of their purchase and/or production cost determined using the weighted average cost method and their net realizable value based on the estimated selling price less any estimated sales costs.
In the case of internally produced inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.
In the case of finished goods, this value corresponds to the estimated sales price in normal business conditions, net of the estimated costs to complete the sale.
The net realizable value for raw materials, supplies and consumables is represented by the weighted average replacement cost.
The purchase cost includes ancillary costs; the production cost includes directly attributable costs and a portion of indirect costs, reasonably chargeable to the products.
Work in progress is measured based on the actual average cost for the period, based on the percentage of completion.
Obsolete or slow-moving inventories are written down in relation to their presumed future possibility of use or realizable value, through the inclusion of a specific provision for the write-down of inventories.
The write-down is reversed if in subsequent years the reasons for the write-down no longer exist.

Property, plant, and equipment

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation, and any accumulated impairment losses. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant, and equipment.

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

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

Depreciation is calculated and accounted for on the date which the items of property, plant and equipment become available for use. Depreciation is calculated to write off the cost of items of property, plant, and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally 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%
- Registered vehicles 20%
- Transport vehicles 25%

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

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

Expenditure on research activities is recognised in profit or loss as incurred.
Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred.
The capitalized expenses include the costs for the materials, direct labor, and an appropriate quota of production overheads. These expenses are amortized based on their estimated useful life of 5 years (20%). After 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.

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 estimated reliably.

Long-term employee benefits

Defined benefit plans

Post-employment benefits are considered a defined benefit plan in accordance with IAS 19 "Employee Benefits".
The benefits guaranteed to employees in the form of the employee severance indemnity are paid when the employment relationship is terminated and are recognized over the period in which the right vests.

The liability for benefits to be paid at the end of the employment relationship is determined based on actuarial assumptions and is recognized on an accrual's basis consistent with the service necessary to obtain the benefits; the obligation is determined by independent actuaries.
Gains and losses arising from the actuarial calculation are recognized in other components of profit/loss of comprehensive income. Actuarial losses arising on the calculation of the present value of the liability to pay the benefits are recognized in the financial expenses.
Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), considering any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss under personnel expense.

Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes restructuring costs. If the benefits are not expected to be settled wholly within one year of the reporting date, then they are discounted.

Share-based payment arrangements

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

Provisions

Provisions are recognized when the Group:

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

Changes in the estimate of the provisions are reflected in profit or loss for the period in which the change occurred.
Provisions are recognized as the best estimate of the expenditure required to settle the obligation.
If the impact of discounting the time value of money is significant, the provision is determined by discounting expected future cash flows using a discount rate that reflects the current market assessment of the time value of money. When the cost is discounted, the increase of the provision due to the passage of time is recognized as an interest expense.

Impairment of assets
The Group verifies at least once a year if there is any indication that an asset may be impaired.
If such an indication exists, the asset's recoverable amount is calculated to identify the extent of any impairment. This recoverable amount equals the higher of the value in use and the fair value less costs to sell. Goodwill is tested annually for impairment.
For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units or "CGUs" or "CGU". Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.
The value in use of the CGU to which the asset belongs is determined when the value in use of an individual asset cannot be estimated. The value in use of a given asset is calculated as the present value of the estimated future cash flows, before taxes, by applying a pre-tax discount rate that reflects the market assessment of the time value of money and of the asset's specific risks.
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
An impairment loss is recognized in profit or loss if the recoverable amount determined is less than the asset's carrying amount for that cash generating unit (CGU).
The impairment of a CGU is first allocated to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the other assets of the CGU on a pro rata basis. Impairment losses are recognised in profit and loss.
An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined (net of amortization or depreciation) if no impairment had been recognized.

Leases

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

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component based on its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

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

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

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

The lease liability is measured at 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.
From 1 January 2021, where the basis for determining future lease payments changes as required by interest rate benchmark reform, the Group remeasures the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.
The Group presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment" and lease liabilities in "short-term and long-term financial indebtedness" in the statement of financial position.

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

Emission trading
At present there is no accounting standard or interpretation that deals specifically with the accounting for emission allowances or renewable energy certificates. Companies must

therefore apply judgment and determine an accounting method based on the general principles of international accounting standards in conformity with the requirements of the Companies Act 2006.
The Group uses the net liability approach to recognize emission allowances or renewable energy certificates.
According to this approach, allowances are recorded at nominal value (zero). This is in line with the general provisions in place for recognizing and measuring financial assets under international accounting standards in conformity with the requirements of the Companies Act 2006 and considers the absence of acquisition costs for allowances.

Fair value measurement
"Fair value" is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.
A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.
When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.
If there is no quoted price in an active market, then the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would consider in pricing a transaction.
If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.
The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e., the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based
on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted
to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data, or the transaction is closed out.

Consolidated statement of profit or loss and other comprehensive income

Revenue and costs

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

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

Government grants

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.

Grants related to the acquisition of assets are recognised in profit or loss as other income on a systematic basis over the useful life of the asset. Grants related to emissions certificates are recognised in profit or loss as a reduction of emissions expense in cost of sales as the group emits pollutants.

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.

With reference to Covid related government schemes, government grants refer to assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the entity. Those government grants are credited to the profit and loss account on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

The Group has elected to present grants related to income as a reduction to the related expense line in the profit and loss account.

Financial income and financial expense

Financial income and financial expenses are recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.
The “effective interest rate” is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset.
- the 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.

Income taxes

Tax expense of the period includes current and deferred tax. It is recognised in profit or loss except
to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.
Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.
Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.
Deferred tax is not recognized for:

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

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

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

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

The measurement of deferred tax reflects the tax consequences that would follow from the way the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

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

5. Standards and interpretations soon to become applicable

A number of new standards are effective for annual periods beginning after January 1, 2021 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:

- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16).
- 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).
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).

- Definition of Accounting Estimates (Amendments to IAS 8).

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 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 economic challenges presented by COVID-19 pandemic have persisted longer than anticipated. As a result, lessors and lessees are negotiating rent concessions that extend beyond 30 June 2021. The Board has issued further amendments *Covid-19-Related Rent Concessions beyond 30 June 2021* to allow a one-year extension to the practical expedient – i.e., permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022.

The extension can be applied immediately subject to any local endorsement process.

The original version of the practical expedients was optional and remains so; the 2021 amendments are not. This is because a lessee that chose to apply the practical expedient introduced by the 2020 amendments must consistently apply the extension to similar rent concessions. This means that lessees that may need to reverse previous lease modification accounting if a rent concession was ineligible for the original practical expedient under the 2020 amendments but becomes eligible through the 2021 amendments.

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

Consolidated statement of financial position

Since the Demerger was executed on December 31, 2021, the 2021 Consolidated statement of profit or loss includes the 2021 transactions and results of the demerged companies, while the Consolidated financial position items have been demerged (balances to zero). The changes in consolidation scope are described in paragraph "*Basis of consolidation*" in the Notes to the Consolidated financial statements as of and for the year ended 31 December 2021.

ASSETS

6. Trade receivables

Trade receivables by geographical segment are categorized as follows:

(Euro thousand)	31-Dec-21	31-Dec-20
European	167,082	128,378
Non-European	159,835	147,290
Gross balance	**326,917**	**275,668**
Allowance for impairment	(10,899)	(11,715)
Net balance	**316,018**	**263,953**

At December 31, 2021, there were EUR 919 thousand of trade receivables factored without recourse (EUR 1,401 thousand on December 31, 2020).
The Group sold with recourse trade receivables to a bank for cash proceeds. These trade receivables have not been derecognized from the statement of financial position, because the Group retains substantially all 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-21	31-Dec-20
Opening balance	11,715	13,399
Accruals	896	1,640
Utilisations	(1,123)	(2,093)
Changes in consolidation scope	(745)	-
Translation rate differences	156	(1,231)
Closing balance	**10,899**	**11,715**

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

Note 37 gives information about the Group's exposure to credit risk, currency risk and interest rate risk in relation to trade receivables.

"*Changes in consolidation scope"* relates to the demerged of Specialty Chemicals International Inc. and its directly and indirectly controlling entities occurred on December 31, 2021 and described in note "*Relevant transactions during 2021 financial year*".

7. Inventories

Inventories are broken down as follows:

(Euro thousand)	31-Dec-21	31-Dec-20
Raw materials, consumables and supplies	134,119	94,389
Allowance for write-down of inventory	(2,865)	(2,707)
Total	**131,254**	**91,682**
Work in progress and semi-finished products	6,294	11,333
Allowance for write-down of inventory	(58)	(75)
Total	**6,236**	**11,258**
Finished products	124,767	91,792
Allowance for write-down of inventory	(1,748)	(2,403)
Total	**123,019**	**89,389**
Generic spare parts	12,117	12,142
Allowance for write-down of inventory	(4,155)	(4,014)
Total	**7,962**	**8,128**
Total inventories	**268,471**	**200,457**

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-21	31-Dec-20
Current tax assets	4,133	3,833
Taxes for which reimbursement has been claimed	1,994	2,079
Total	**6,127**	**5,912**

"*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.

9. Other current assets

Other current assets are categorized as follows:

(Euro thousand)	31-Dec-21	31-Dec-20
VAT receivable	8,882	5,735
Sundry advances	276	620
Advances to social security institutions	54	51
Prepayments:		
- Insurance premiums	1,295	1,174
- Maintenance instalments	31	63
- Other prepayments	3,014	2,045
Other receivables	25,575	1,929
Total	**39,127**	**11,617**

In 2021, *"Other receivables"* included:

- EUR 13.2 million related to Polynt S.p.A. receivables from Speciality Chemicals International Ltd. ("SCIL") for the plans described in note 20.
- EUR 5.8 million related to Polynt Chemical (Changzhou) Co. Ltd. government compensation for the plant closure (last tranche received in January 2022).
- EUR 5.0 million related to the current portion of the tax credit claim for the over-payment of some indirect taxes of Reichhold do Brasil Ltda. (refer to *"Relevant transactions during 2021 financial year"* for further information).

10. Property, plant, and equipment

Changes in property, plant and equipment for the two years ended December 31, 2021 and December 31, 2020 are detailed in the following tables:

(Euro thousand)	Historical cost at 01-Jan-21	Reclassifications	Increases	Decreases	Changes in consolidation scope	Translation difference	Historical cost at 31-Dec-21	Carrying amount at 01-Jan-21	Carrying amount at 31-Dec-21
Buildings	144,053	4,540	2,122	(136)	(35,154)	5,128	120,553	75,759	52,879
Building (IFRS 16)	3,501	-	1,097	(463)	(220)	239	4,154	2,833	3,352
Land	122,090	-	59	(4,287)	(8,935)	3,640	112,567	122,090	112,567
Light constructions	12,888	433	235	(1)	(4,314)	484	9,725	7,191	5,265
Land and buildings	**282,532**	**4,973**	**3,513**	**(4,887)**	**(48,623)**	**9,491**	**246,999**	**207,873**	**174,063**
Generic plant	356,495	(19,991)	9,174	(794)	(61,927)	12,117	295,074	166,243	105,195
Generic Plant (IFRS 16)	350	-	9	-	-	24	383	263	229
Specific plant	387,400	38,259	4,717	(21,953)	-	7,207	415,630	60,206	66,759
Specific Plant (IFRS 16)	6,947	-	710	(514)	(5,692)	522	1,973	5,355	1,018
Plant and equipment	**751,192**	**18,268**	**14,610**	**(23,261)**	**(67,619)**	**19,870**	**713,060**	**232,067**	**173,201**
Sundry equipment	30,896	1,347	759	(377)	-	146	32,771	5,280	5,974
Industrial and commercial equipments (IFRS 16)	162	-	63	(19)	-	5	211	129	146
Industrial and commercial equipment	**31,058**	**1,347**	**822**	**(396)**	**-**	**151**	**32,982**	**5,409**	**6,120**
Furniture and office machines	6,465	123	142	(12)	(1,190)	226	5,754	1,698	1,076
Electronic office machines	18,345	641	843	(84)	(10,120)	1,058	10,683	4,452	1,683
Elettronic office equipments (IFRS 16)	518	-	15	(324)	-	2	211	204	102
Registered vehicles	1,029	-	-	(65)	-	8	972	(90)	(127)
Transport motor vehicles registered (IFRS 16)	3,182	-	1,148	(816)	(740)	126	2,900	1,658	1,518
Transport vehicles	1,242	-	61	(34)	(93)	42	1,218	745	584
Vehicles for internal transport (IFRS 16)	5,599	-	1,426	(922)	(1,419)	246	4,930	3,454	2,762
Other assets	**36,380**	**764**	**3,635**	**(2,257)**	**(13,562)**	**1,708**	**26,668**	**12,121**	**7,598**
Assets under construction	39,882	(25,352)	55,556	(183)	(11,000)	1,207	60,110	39,882	60,110
Advances to suppliers for plant	3	-	1,047	-	-	-	1,050	3	1,050
Assets under construction and advances	**39,885**	**(25,352)**	**56,603**	**(183)**	**(11,000)**	**1,207**	**61,160**	**39,885**	**61,160**
Total	**1,141,047**	**-**	**79,183**	**(30,984)**	**(140,804)**	**32,427**	**1,080,869**	**497,355**	**422,142**

(Euro thousand)	Accumulated depreciation at 01-Jan-21	Reclassifications	Increases	Decreases	Impairment loss	Changes in consolidation scope	Translation difference	Accumulated depreciation at 31-Dec-21
Buildings	68,294	8	6,794	(95)	4,105	(13,454)	2,022	67,674
Building (IFRS 16)	668	-	611	(427)	-	(95)	45	802
Land	-	-	-	-	-	-	-	-
Light constructions	5,697	-	634	4	-	(2,125)	250	4,460
Land and buildings	**74,659**	**8**	**8,039**	**(518)**	**4,105**	**(15,674)**	**2,317**	**72,936**
Generic plant	190,252	(2,757)	21,053	(667)	6,452	(30,080)	5,626	189,879
Generic Plant (IFRS 16)	87	-	60	-	-	-	7	154
Specific plant	327,194	2,749	15,520	(14,904)	12,372	-	5,940	348,871
Specific Plant (IFRS 16)	1,592	-	1,064	(438)	-	(1,384)	121	955
Plant and equipment	**519,125**	**(8)**	**37,697**	**(16,009)**	**18,824**	**(31,464)**	**11,694**	**539,859**
Sundry equipment	25,616	-	1,441	(347)	-	-	87	26,797
Industrial and commercial equipments (IFRS 16)	33	-	36	(6)	-	-	2	65
Industrial and commercial equipment	**25,649**	**-**	**1,477**	**(353)**	**-**	**-**	**89**	**26,862**
Furniture and office machines	4,767	-	391	(12)	12	(632)	152	4,678
Electronic office machines	13,893	-	1,794	(81)	98	(7,492)	788	9,000
Elettronic office equipments (IFRS 16)	314	-	99	(305)	-	-	1	109
Registered vehicles	1,119	-	29	(34)	15	(68)	38	1,099
Transport motor vehicles registered (IFRS 16)	1,524	-	1,122	(812)	-	(507)	55	1,382
Transport vehicles	497	-	155	(33)	7	-	8	634
Vehicles for internal transport (IFRS 16)	2,145	-	1,470	(883)	-	(666)	102	2,168
Other assets	**24,259**	**-**	**5,060**	**(2,160)**	**132**	**(9,365)**	**1,144**	**19,070**
Total	**643,692**	**-**	**52,273**	**(19,040)**	**23,061**	**(56,503)**	**15,244**	**658,727**

(Euro thousand)	Historical cost at 01-Jan-20	Reclassifications	Increases	Decreases	Translation difference	Historical cost at 31-Dec-20	Carrying amount at 01-Jan-20	Carrying amount at 31-Dec-20
Buildings	142,284	6,202	325	1,217	(5,975)	144,053	80,036	75,759
Building (IFRS 16)	1,329	-	2,706	(471)	(63)	3,501	1,088	2,833
Land	128,827	(38)	-	-	(6,699)	122,090	128,827	122,090
Light constructions	12,944	740	95	-	(891)	12,888	7,510	7,191
Land and buildings	**285,384**	**6,904**	**3,126**	**746**	**(13,628)**	**282,532**	**217,461**	**207,873**
Generic plant	351,059	16,698	3,076	(740)	(13,598)	356,495	176,720	166,243
Generic Plant (IFRS 16)	76	-	314	(36)	(4)	350	59	263
Specific plant	381,185	9,225	4,251	(3,938)	(3,323)	387,400	77,240	60,206
Specific Plant (IFRS 16)	5,720	(1)	1,947	(262)	(457)	6,947	4,909	5,355
Plant and equipment	**738,040**	**25,922**	**9,588**	**(4,976)**	**(17,382)**	**751,192**	**258,928**	**232,067**
Sundry equipment	29,840	1,061	884	(383)	(506)	30,896	4,949	5,280
Industrial and commercial equipments (IFRS 16)	4,047	(3,383)	394	(892)	(4)	162	3,007	129
Industrial and commercial equipment	**33,887**	**(2,322)**	**1,278**	**(1,275)**	**(510)**	**31,058**	**7,956**	**5,409**
Furniture and office machines	6,765	126	153	(184)	(395)	6,465	2,091	1,698
Electronic office machines	17,514	1,615	468	(100)	(1,152)	18,345	4,542	4,452
Elettronic office equipments (IFRS 16)	1,306	-	57	(845)	-	518	739	204
Registered vehicles	882	(16)	292	(127)	(2)	1,029	(271)	- 90
Transport motor vehicles registered (IFRS 16)	2,680	(53)	1,277	(666)	(56)	3,182	1,646	1,658
Transport vehicles	1,244	44	42	(38)	(50)	1,242	777	745
Vehicles for internal transport (IFRS 16)	541	3,437	2,289	(461)	(207)	5,599	757	3,454
Other assets	**30,932**	**5,153**	**4,578**	**(2,421)**	**(1,862)**	**36,380**	**10,281**	**12,121**
Assets under construction	38,865	(35,657)	38,256	(23)	(1,559)	39,882	38,865	39,882
Advances to suppliers for plant	61	-	(55)	-	(3)	3	61	3
Assets under construction and advances	**38,926**	**(35,657)**	**38,201**	**(23)**	**(1,562)**	**39,885**	**38,926**	**39,885**
Total	**1,127,169**	**-**	**56,771**	**(7,949)**	**(34,944)**	**1,141,047**	**533,552**	**497,355**

(Euro thousand)	Accumulated depreciation at 01-Jan-20	Reclassifications	Increases	Decreases	Impairment loss	Translation difference	Accumulated depreciation at 31-Dec-20
Buildings	62,248	11	7,931	(99)	20	(1,817)	68,294
Building (IFRS 16)	241	-	526	(99)	-	-	668
Land	-	-	-	-	-	-	-
Light constructions	5,434	-	(1,220)	1,746	86	(349)	5,697
Land and buildings	**67,923**	**11**	**7,237**	**1,548**	**106**	**(2,166)**	**74,659**
Generic plant	174,339	(8)	21,009	(778)	15	(4,325)	190,252
Generic Plant (IFRS 16)	17	(23)	58	35	-	-	87
Specific plant	303,945	(3)	17,127	(3,898)	11,943	(1,920)	327,194
Specific Plant (IFRS 16)	811	36	1,002	(257)	-	-	1,592
Plant and equipment	**479,112**	**2**	**39,196**	**(4,898)**	**11,958**	**(6,245)**	**519,125**
Sundry equipment	24,891	-	1,244	(266)	-	(253)	25,616
Industrial and commercial equipments (IFRS 16)	1,040	(841)	97	(263)	-	-	33
Industrial and commercial equipment	**25,931**	**(841)**	**1,341**	**(529)**	**-**	**(253)**	**25,649**
Furniture and office machines	4,674	-	505	(182)	-	(230)	4,767
Electronic office machines	12,972	-	1,795	(105)	-	(769)	13,893
Elettronic office equipments (IFRS 16)	567	-	490	(743)	-	-	314
Registered vehicles	1,153	16	7	(12)	-	(45)	1,119
Transport motor vehicles registered (IFRS 16)	1,034	(15)	1,142	(637)	-	-	1,524
Transport vehicles	467	(16)	158	(109)	-	(3)	497
Vehicles for internal transport (IFRS 16)	(216)	843	1,445	73	-	-	2,145
Other assets	**20,651**	**828**	**5,542**	**(1,715)**	**-**	**(1,047)**	**24,259**
Total	**593,617**	**-**	**53,316**	**(5,594)**	**12,064**	**(9,711)**	**643,692**

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

- EUR 15.5 million related to the new maleic anhydride ALMA reactor installation at the Ravenna site (Italy).
- EUR 12.0 million for coating and UPR capacity investments at various USA sites and BMC at the Atlacomulco, Mexico site.

- EUR 2.7 million for the upgrade of SPP units and the demolition of an old building for safety reasons in San Giovanni Valdarno site (Italy).
- EUR 2.6 million for furnaces replacement and infrastructure improvements and updates at the special esters site at Cavaglià (Italy).
- EUR 1.3 million for the third UPR reactor and bonding paste ongoing projects at Reichhold India Private Limited’s Pune site.
- EUR 1.3 million for resin storage expansion at Niepolomice site (Poland).
- EUR 1.2 million for building and infrastructure updates at Ravenna site (Italy).
- EUR 1.2 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 1.0 million mainly for the new warehouse, storage tank and the office building at the Polynt Composites Malaysia Sdn. Bhd.’s site.
- EUR 1.0 million for bonding paste ongoing project at Polynt Composites Korea Co. Ltd.
- EUR 0.9 million for the catalyst replacement at the maleic anhydrate plant at Scanzorosciate site (Italy).
- EUR 0.8 million for Reichhold LLC 2’s Morris site to install rail car unloading and tank wagon loading capability to optimize US procurement of molten phthalic anhydride.
- EUR 0.8 million for Polynt Composites USA Inc.’s Ennis site curative production unit replacement/upgrade.
- EUR 0.7 million to increase UPR production at the Miranda, Spain site.
- EUR 0.7 million for maleic anhydride bulk storage tank replacement at the Houston, Texas site.
- EUR 0.6 million for Reichhold LLC 2’s Valley Park site to replace the production hot oil heater.
- EUR 0.5 million for Reichhold do Brasil Ltda’s Mogi site reactor emergency relief tank.
- EUR 0.5 million for Reichhold LLC 2’s Morris site low profile additive capacity addition.
- EUR 0.4 million for the trimellitic anhydride plant refurbishment and EUR 0.3 million for product quality improvement of the Malic acid plant at Scanzorosciate site (Italy).
- EUR 0.4 million to establish a backup production facility in support for our pharma business at the Stallingborough, UK site.
- 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 2021 totaling EUR 4.5 million (EUR 8.6 million for the year 2020).

“*Changes in consolidation scope*” relates to the demerged of Specialty Chemicals International Inc. and its directly and indirectly controlling entities occurred on December 31, 2021 and described in note “*Relevant transactions during 2021 financial year*”.
Impairment losses are mainly related to fixed assets of Polynt Chemical Changzhou. Refer to note 32 for further information.

At December 31, 2020 the "*Total assets held for sale*" consisted of the Lynwood, California land stated at its carrying amount. No liabilities were associated with these assets held for sale. At December 31, 2021 there were no assets held for sale as Lynwood, California site was sold in 2021.

(Euro thousand)	31-Dec-21	31-Dec-20
Land	-	4,132
Total Assets held for sale	**-**	**4,132**

11. Goodwill

(Euro thousand)	31-Dec-21	31-Dec-20
Goodwill	51,947	64,932
Total	**51,947**	**64,932**

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 and net of the demerger effects, a residual Goodwill of EUR 51.9 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 rates and EUR 15 million for the effects of the demerger of Specialty Chemicals International Inc. and its direct and indirect controlling entities that occurred on December 31, 2021 and described more in the note "*Relevant transactions during 2021 financial year*".

As at December 31, 2021 and 2020, the carrying value of goodwill by regional CGU is as follow:

(Euro thousand)	31-Dec-21	31-Dec-20
Europe	37,248	37,093
Americas	8,911	22,073
Asia	5,788	5,766
Total	**51,947**	**64,932**

Goodwill is not amortized, but tested annually for impairment.

Goodwill was tested for impairment at December 31, 2021 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 2022 the budget approved by the Board of Directors of SCIL on February 24, 2022 was used in the impairment test. Results are expected to increase slightly in subsequent years compared to 2022.
Sales volumes are expected to grow on average 3%, in 2023 with continued growth across all regions from 2023. Margins are assumed to be approximately stable and fixed costs broadly in line with the volume growth from 2023 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 7.8% for Europe, 9.3% for America and 9.8% 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	1.397	467	930
Americas	378	236	142
Asia	243	79	164

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	13%	5%	16%

KPMG Audit
Document to which our report
2181967-22W00182258AVN dated
28 April 2022
also refers.
KPMG Accountants N.V.

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	1.397	1.217	1.638
Americas	378	338	429
Asia	243	217	276

12. Other intangible assets

Changes in other intangible assets at December 31, 2021 and December 31, 2020 are detailed in the following tables:

(Euro thousand)	Historical cost at 01-Jan-21	Reclassifications	Increases	Decreases	Changes in consolidation scope	Translation difference	Historical cost at 31-Dec-21	Carrying amount at 01-Jan-21	Carrying amount at 31-Dec-21
Software and patents	13,716	1,003	244	-	-	17	14,980	3,485	3,747
Research and development	-	-	-	-	-	-	-	-	-
Patents	**13,716**	**1,003**	**244**	**-**	**-**	**17**	**14,980**	**3,485**	**3,747**
EDP programs	22,124	983	147	-	-	221	23,475	3,728	3,490
Know How	43,550	-	-	-	-	-	43,550	1,401	891
Technology	52,732	-	-	-	-	-	52,732	14,941	4,394
Others	37,969	-	-	(26)	(6,788)	1,411	32,566	15,677	8,224
Other	**156,375**	**983**	**147**	**(26)**	**(6,788)**	**1,632**	**152,323**	**35,747**	**16,999**
Assets under development	2,899	(1,986)	2,934	-	-	300	4,147	2,899	4,147
Total	**172,990**	**-**	**3,325**	**(26)**	**(6,788)**	**1,949**	**171,450**	**42,131**	**24,893**

(Euro thousand)	Accumulated amortisation at 01-Jan-21	Reclassifications	Increases	Decreases	Impairment loss	Changes in consolidation scope	Translation difference	Accumulated amortisation at 31-Dec-21
Software and patents	10,231	202	782	-	-	-	18	11,233
Research and development	-	-	-	-	-	-	-	-
Patents	**10,231**	**202**	**782**	**-**	**-**	**-**	**18**	**11,233**
EDP programs	18,396	(202)	1,637	-	-	-	154	19,985
Know How	42,149	-	510	-	-	-	-	42,659
Technology	37,791	-	10,547	-	-	-	-	48,338
Others	22,292	-	5,401	-	2,041	(6,223)	831	24,342
Other	**120,628**	**(202)**	**18,095**	**-**	**2,041**	**(6,223)**	**985**	**135,324**
Total	**130,859**	**-**	**18,877**	**-**	**2,041**	**(6,223)**	**1,003**	**146,557**

(Euro thousand)	Historical cost at 01-Jan-20	Reclassifications	Increases	Decreases	Translation difference	Historical cost at 31-Dec-20	Carrying amount at 31-Dec-19	Carrying amount at 31-Dec-20
Software and patents	12,686	160	884	-	(14)	13,716	3,316	3,485
Research and development	-	-	-	-	-	-	-	-
Patents	**12,686**	**160**	**884**	**-**	**(14)**	**13,716**	**3,316**	**3,485**
EDP programs	21,392	843	479	(8)	(582)	22,124	4,162	3,728
Know How	43,550	-	-	-	-	43,550	1,911	1,401
Technology	52,732	-	-	-	-	52,732	25,487	14,941
Others	39,410	-	-	(26)	(1,415)	37,969	21,977	15,677
Other	**157,084**	**843**	**479**	**(34)**	**(1,997)**	**156,375**	**53,537**	**35,747**
Assets under development	2,244	(1,003)	1,573	(14)	99	2,899	2,244	2,899
Total	**172,014**	**-**	**2,936**	**(48)**	**(1,912)**	**172,990**	**59,097**	**42,131**

(Euro thousand)	Accumulated amortisation at 01-Jan-20	Reclassifications	Increases	Decreases	Translation difference	Accumulated amortisation at 31-Dec-20
Software and patents	9,370	47	827	-	(13)	10,231
Research and development	-	-	-	-	-	-
Patents	**9,370**	**47**	**827**	**-**	**(13)**	**10,231**
EDP programs	17,230	(47)	1,485	(8)	(264)	18,396
Know How	41,639	-	510	-	-	42,149
Technology	27,245	-	10,546	-	-	37,791
Others	17,433	-	5,497	-	(638)	22,292
Other	**103,547**	**(47)**	**18,038**	**(8)**	**(902)**	**120,628**
Total	**112,917**	**-**	**18,865**	**(8)**	**(915)**	**130,859**

The increase in intangible assets in 2021 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 2021 and costs for patents, software licenses and other software implementations.

"*Changes in consolidation scope*" relates to the demerged of Specialty Chemicals International Inc. and its directly and indirectly controlling entities occurred on December 31, 2021 and described in note "*Relevant transactions during 2021 financial year*".

13. Participation

Participation at December 31, 2021 refers to the preferred shares of PCCR USA Holdings Inc. ("PCCR USA") that was involved in the demerger and distribution finalized on December 31, 2021 as described in note "Relevant transactions during 2021 financial year". Those shares are held by Polynt S.p.A. and the nominal value is USD 3 million. The right to convert pertains to the Holder and if converted into common stock, those shares would represent 10,81% of the common stock of PCCR USA after such a conversion and fair market value thereof is therefore 121 million. The fair market value is estimated by applying the discounted cash flow method to the value of the future cash flows generated by Polynt Composites USA Inc.

Even if these instruments are classified as FVOCI, the amount is accounted in the Consolidated statement of changes in equity as "Change in consolidation scope" as a consequence of the demerger finalized on December 31, 2021. These are recognized in a non-distributable reserve, named "revaluation reserve", as the fair value is not yet realized.

14. Other financial assets

Other financial assets are as follows:

(Euro thousand)	31-Dec-21	31-Dec-20
Financial assets related parties	56,914	7,556
Forwards Contract	56	714
Other financial assets	5	7
Total	**56,975**	**8,277**

"Financial assets related parties" mainly relate to:

- the financial balance in the amount of EUR 7.3 million owing from Speciality Chemicals International Ltd ("SCIL") to Reichhold LLC2. The receivable refers to legal and professional fees related to the 2017 merger paid by Reichhold LLC2 on behalf of SCIL. A settlement date for the receivable has not been established.
- the loan receivable in the amount of EUR 4.4 million owing to Reichhold LLC2 from Polynt Composites USA Inc. that was demerged from the Company on December 31, 2021 as described in note "*Relevant transactions during 2021 financial year*".
- the loan receivable in the amount of EUR 44.5 million owing to Polynt Composites Canada Inc. from SCI Inc. that was demerged from the Company on December 31, 2021 as described in note "*Relevant transactions during 2021 financial year*".

15. Deferred tax assets

The Group considers the following principals when calculating deferred tax assets:

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

Based on the principals outlined above, the Group is expected to realize sufficient future taxable profits such that the recovery of the deferred tax assets recognized at the reporting date is reasonably certain.

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

(Euro thousand)	31-dic-20	Increase	Decrease	Reclassification	Changes in consolidation scope	Exchange rate	31-dic-21
Tax losses carry forward	2,027	2,521	(1,543)	(243)	-	7	2,768
Exchange rate adjustments	6,203	87	(685)	(10)	(6,076)	486	4
Provisions for bad debts	2,090	79	(192)	10	(143)	10	1,855
PPE	4,596	53	(409)	749	-	482	5,471
Provisions for environmental risks	1,988	1,394	(58)	-	(1,472)	127	1,979
Provision for lay-off costs	1,747	148	(139)	(655)	-	(3)	1,098
Provision for sundry risk	1,368	332	(359)	(602)	0	10	749
Non deducted interest	511	-	(321)	-	-	19	209
Employee benefits	3,670	824	(4,040)	379	-	22	855
Inventories	2,746	57	(2,035)	82	(335)	47	563
Intangible assets	1,647	256	(202)	(235)	(743)	120	842
Other differences	3,389	2,268	(881)	526	(1,702)	214	3,813
Total	**31,980**	**8,018**	**(10,864)**	**-**	**(10,471)**	**1,542**	**20,206**

“*Changes in consolidation scope”* relates to the demerged of Specialty Chemicals International Inc. and its directly and indirectly controlling entities occurred on December 31, 2021 and described in note “*Relevant transactions during 2021 financial year*”.

<u>Unrecognized deferred tax assets</u>

(Euro thousand)	31-Dec-21	31-Dec-20
Unrecognized deferred tax assets on tax losses carried forward	28,984	27,354
Total	**28,984**	**27,354**

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 relate to the following components: Cooperatie Reichhold Holdings Netherlands (EUR 14.2 million) with an expiry date between 2024-2029, Reichhold SAS (EUR 7.4 million) with no expiry date, Reichhold France SAS (EUR 2.1 million) with no expiry date and Specialty Chemicals Holding II BV (EUR 3.8 million) with no expiry date.

16. Other non-current assets

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

(Euro thousand)	31-Dec-21	31-Dec-20
Sundry guarantee deposits	799	982
Others:		
- Due from non-current VAT	14,216	848
- Due from related parties	2,919	5,900
- Due from Momentive for environmental remediation	-	7,176
Total	**17,934**	**14,906**

The amount *"Due from non-current VAT"* mainly refers the non-current portion of the tax credit claim for the over-payment of certain indirect taxes of Reichhold do Brasil Ltda. (refer to "*Relevant transactions during 2021 financial year*" for further information).
The amount *"Due from related parties"* mainly refers to Reichhold LLC2's receivables from Speciality Chemicals International Ltd. ("SCIL", the indirect parent company).

The amount *"Due from Momentive for environmental remediation"* at December 2020 referred to Polynt Composites USA Inc.'s indemnification for certain environmental remediation costs. As of December 31, 2021 this balance is null following the demerger of Polynt Composites USA Inc (refer to "*Relevant transactions during 2021 financial year*" for further information).

LIABILITIES

17. Trade payables

Trade payables by region are as follows:

(Euro thousand)	31-Dec-21	31-Dec-20
Europe	181,356	116,206
Americas	49,661	56,520
Asia	29,018	29,515
Total trade payables	**260,035**	**202,241**

Refer to note 37 for the Group's exposure to credit, exchange rate and interest rate risk analysis in respect of trade payables.

18. Current tax liabilities

Current tax liabilities are as follows:

(Euro thousand)	31-Dec-21	31-Dec-20
Corporate tax	13,193	8,334
Total	**13,193**	**8,334**

19. Other current liabilities

Other current liabilities are as follows:

(Euro thousand)	31-Dec-21	31-Dec-20
VAT payable	5,960	3,575
Social security charges	4,091	5,548
Withholdings on employees/self-employers	2,276	2,934
Amounts payable to supplementary funds for employees	2,284	3,448
Accrued expenses and deferred income	479	1,264
Other payable	3,781	2,257
Total	**18,871**	**19,026**

The caption *"Social security charges"* includes all the social contributions due and not yet paid at the reporting date.
"Accrued expenses and deferred income" includes costs for 2021 which will be paid in the subsequent year.

20. Employee benefits

Current portion of employee benefits

(Euro thousand)	31-Dec-21	31-Dec-20
Employee benefits - current	31,151	28,643
Total	**31,151**	**28,643**

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).

The Group had adopted the following incentive compensation plans ("Plans") for certain Directors and employees:

- a long term incentive plan ("Phantom Share Option Plan") was established in April 2018 (grant date) and provided for additional compensation if the following conditions were fulfilled: a) that certain events occurred 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 Speciality Chemicals International Ltd. compared to the reference value per share indicated in the agreements (Share appreciation rights, hereinafter SARs). The Phantom Share Option Plan granted a total maximum amount for the Holders of EUR 60 million.
- an extraordinary deal bonus plan ("EB Plan") was adopted in December 2020 (grant date) and provided for additional compensation if the following conditions were fulfilled: a) that certain events occur by June 30, 2021 (i.e. the signature of a definitive and legally binding agreement for the purchase of the group); b) the embedded equity value of the Group under the agreement mentioned under (a) above was at least equal to a certain amount (and therefore the SARs is over a determinate amount). The EB Plan granted an additional total maximum amount for the Holders of EUR 20 million.

The conditions set out under those Plans were satisfied and the maximum amounts provided thereby were fully paid in the last quarter of 2021.

The relevant costs have been accounted in the personnel expenses (EUR 58.5 million - the expense is net of the portion of plans which is recharged to SCIL, for an amount of EUR 13.2 million and an amount of EUR 16.5 million which was already accrued in previous years).

Non-current portion of employee benefits

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

The changes during the year are as follows:

(Euro thousand)	31-Dec-21	31-Dec-20
Opening balance	**38,466**	**22,395**
Accruals	342	16,418
Interest costs	141	225
Exchange rate gain/(loss)	(67)	(194)
Actuarial (gain)/loss	(1,417)	584
Utilisations	(19,428)	(962)
Reclassification in current employee benefits	(1,453)	-
Total	**16,584**	**38,466**

"*Utilizations*" are mainly related to the payment of the abovementioned Plans occurred in 2021.

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

The main actuarial assumptions applied at the reporting date for the measurement of the liability for post-employment benefits are:

- Polynt S.p.A.: the actuarial valuation is based on the changes made to Italian post-employment benefits by Italian Law no. 296 of December 27, 2006 (the 2007 Finance Act) and subsequent decrees and regulations issued in early 2007; inflation rate of 2.2%; annual employee turnover rate of 3.87%; annual probability of requests for advances of 4.0%. The discount rate applied in 2021 was 0.56%, 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.
- Reichhold S.r.L.: inflation rate of 2.2%; annual employee turnover rate of 3.65%; annual probability of requests for advances of 4.0%. The discount rate applied in 2021 was 0.78%, which is the reporting-date rate of return of high-quality bonds with maturity dates approximating those of the Reichhold S.r.L.'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.

- Reichhold UK Ltd.: discount rate of 2% and future salary growth rate of 3%.
- Reichhold Quimica de Mexico S.A.De C.V.: inflation rate of 4%, discount rate of 8% and future salary growth rate of 5.5%.
- Polynt Composites Norway A.S.: discount rate of 1.5% and future salary growth rate of 2.5%.
- Reichhold AS: discount rate of 1.5% and future salary growth rate of 2.5%.
- Polynt Composites France S.A.: discount rate of 0.8% and future salary growth rate of 2.75%.
- Polynt Composites Korea Co. Ltd.: discount rate of 2.6% and future salary growth rate of 3.0%.

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

	Defined Benefit Obligation 31-Dec-21	Fair value of plan assets 31-Dec-21	Net defined benefit liability 31-Dec-21
Balance - beginning of the year	**43,235**	**20,679**	**22,556**
Included in Profit or Loss			
Current Service costs	950	281	669
Past Service costs	-	7	(7)
Interest costs	459	318	141
Total	**1,409**	**606**	**803**
Included in Other comprehensive income			
Remesaurment loss (gain)			
Actuarial loss (gain) arising from:			
- Demographic assumptions	(181)	-	(181)
- Financial assumptions	(1,686)	(126)	(1,560)
- Experience adjustment	35	(230)	265
Return on plan assets excluding interest income	59	-	59
Effect of movements in exchange rates	1,195	1,568	(373)
Total	**(578)**	**1,212**	**(1,790)**
Other			
Employer contributions	(82)	456	(538)
Plan participants' contributions	10	10	-
Benefits paid	(5,829)	(1,384)	(4,445)
Balance End of year	**38,164**	**21,580**	**16,584**

	Defined Benefit Obligation 31-Dec-20	Fair value of plan assets 31-Dec-20	Net defined benefit liability 31-Dec-20
Balance - beginning of the year	**43,756**	**21,361**	**22,395**
Included in Profit or Loss	0	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			
Remesaurment 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**

21. 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 and to the inventory. Deferred tax liabilities on PPE and intangible assets are related to the fair value adjustment made for property, plant, and equipment because of the May 2017 business combination transaction.

The changes during the year are as follows:

(Euro thousand)	31-Dec-20	Increase	Decrease	Reclassification	Changes in consolidation scope	Exchange rate	31-Dec-21
Inventories	-	5,436	(41)	(3)	-	(1)	5,391
PPE	62,179	1,863	(14,656)	3	(11,780)	1,928	39,537
Other differences	610	668	(255)	-	(123)	17	918
Goodwill	-	-	-	-	-	-	-
Employee benefits	307	55	13	-	-	0	375
Non current assets	598	24	0	-	(109)	8	521
Intangible assets	5,581	-	(3,919)	-	-	1	1,663
TOTAL	**69,275**	**8,046**	**(18,857)**	**-**	**(12,012)**	**1,953**	**48,406**

"*Changes in consolidation scope*" relates to the demerger of Specialty Chemicals International Inc. and its directly and indirectly controlling entities occurred on December 31, 2021 and described in note "*Relevant transactions during 2021 financial year*".

22. Current and non-current provisions

The changes in current provisions were as follows:

(Euro thousand)	31-Dec-20	Increase	Decrease	Reclassification	Changes in consolidation scope	Exchange rate difference	31-Dec-21
Provision for ecological clean-up	684	238	(1,251)	838	-	39	548
Provision for lay off costs	4,112	1,285	(2,837)	(2,697)	(20)	193	36
Provision for sundry risk	-	373	-	604	-	49	1,026
Provision for customer litigation	566	455	(1,836)	1,255	-	45	485
Total	**5,362**	**2,351**	**(5,924)**	**-**	**(20)**	**326**	**2,095**

The changes in non-current provisions were as follows:

(Euro thousand)	31-Dec-20	Increase	Decrease	Reclassification	Changes in consolidation scope	Exchange rate difference	31-Dec-21
Provision for ecological clean-up	21,686	7,632	(4,537)	-	(11,891)	1,239	14,128
Provision for tax litigation	6,687	82	(126)	-	-	1	6,643
Provision for lay off costs	340	90	(29)	-	-	1	402
Provision for sundry risk	1,915	1,103	(946)	-	-	48	2,120
Provision for agent risks	308	4	(1)	-	-	-	311
Provision for local property tax litigation	295	-	-	-	-	-	295
Total	**31,231**	**8,910**	**(5,638)**	**-**	**(11,891)**	**1,288**	**23,900**

"*Changes in consolidation scope*" relates to the demerger of Specialty Chemicals International Inc. and its direct and indirect controlled entities occurred on December 31, 2021 and described in note "*Relevant transactions during 2021 financial year*".

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

- EUR 3,375 thousand relating to the subsoil remediation at the Scanzorosciate, Cavaglià and San Giovanni Valdarno (Italy) sites owned by Polynt S.p.A. These forecast costs for the soil and subsoil remediation were made based on Italian Legislative decree no. 152/06, as amended by Italian Legislative decree no. 4/08 and Italian Legislative decree no. 128/10.
- EUR 4,535 thousand relating to environmental remediation costs estimated for the U.S. sites of Reichhold LLC 2.
- EUR 4,866 thousand relating to environmental remediation costs estimated for the France site of Polynt Composites France S.A.
- EUR 512 thousand relating to environmental remediation costs estimated for the Mogi de Cruzes site of Reichhold do Brasil Ltda.
- EUR 383 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 Ltd.
- 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 for minor amounts related to other Group Companies.

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

The "*Provision for tax litigation – non current*" relates to an ongoing tax litigation of the Italian subsidiary Polynt S.p.A. as follows:

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” (“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: the first challenges 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 concerned a portion of certain costs borne by Polynt S.p.A. which was not recharged/rebilled to the proper related party, such expenses being allegedly for the benefit of the whole Group. Based on this presumption, the PVC proposed a EUR 3.3 million adjustment to taxable income for 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., confirming the findings already identified in the PVC for tax year 2014, for a total amount of EUR 1.2 million plus interest. On June 9, 2021, the tax Office issued formal assessment notices relevant to tax year 2015 totaling EUR 4.8 million plus interest.
While Polynt S.p.A. believes these assessments are without merit, to minimize the impact on Polynt S.p.A. and the Group, Polynt S.p.A. applied for an administrative settlement procedure (“accertamento con adesione”) for both the 2014 and 2015 tax assessments. Due to the Covid-19 pandemic, the settlement procedure was not completed within the applicable deadlines. To protect its interest, Polynt S.p.A. formally appealed the 2014 and 2015 assessment notices. Settlement discussions with the tax Office continue. Based on all available information and discussions with the tax Office, the EUR 6.2 million provision can be considered a reasonable estimate of the contingent liabilities that could result.

“Provision for lay off costs” refers to Reichhold LLC 2, Reichhold Inc. (Dubai), Polynt Composites Brazil Ltda and Polynt Composites France S.A. plant shutdown, severance costs and reorganization activities.

“Provision for sundry risk” relates mainly to Polynt S.p.A., Polynt Chemical (Changzhou) Co. Ltd. and Reichhold UK Ltd.

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

The *“Provision for customer litigation”* refers to Polynt Chemical (Changzhou) Co. Ltd. and Polynt Composites UK Ltd.

The "*Provision for local property tax litigation*" refers to Polynt S.p.A.

23. Net financial indebtedness

Net financial indebtedness is detailed in the table below:

(Euro thousand)	31-Dec-21	31-Dec-20
Cash and cash equivalents	203,982	289,193
Other financial assets	56,975	8,277
Short-term financial indebtedness	(59,771)	(61,525)
Net short term financial indebtedness	**201,186**	**235,945**
Long-term financial indebtedness	(377,962)	(553,015)
Total net financial indebtedness	**(176,776)**	**(317,070)**

The short-term financial indebtedness refers to:

- drawings under the RCF totaling EUR 10 million (EUR 16 million under the Existing RCF as at December 31, 2020).
- the current portion of IFRS 16 financial liabilities totaling EUR 3,058 thousand (EUR 3,779 thousand as at December 31, 2020).
- interests in the amount of EUR 2,474 thousand accrued on balances owing to affiliates of which EUR 2,415 thousand is owing from Specialty Chemicals Holding I B.V. to SCIL IV LLC and EUR 59 thousand is owing from Reichhold Holdings International B.V. to Polynt Composites USA Inc. that was demerged from the Company on December 31, 2021 as further described in note "*Relevant transactions during 2021 financial year*").
- short-term loans of EUR 44,214 thousand (EUR 41,628 thousand at December 31, 2020).
- overdrafts for EUR 24 thousand (EUR 117 thousand at December 31, 2020).

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

(Euro thousand)		31-Dec-21 €'000	31-Dec-21 expiry date	31-Dec-20 €'000	31-Dec-20 expiry date
RCF (Revolving Credit Facility)	Specialty Chemicals Holding I B.V.	10,000	20/01/22	-	
BPER - Hot Money	Polynt S.p.A.	10,000	16/03/22	5,000	06/03/21
Creval - Hot Money	Polynt S.p.A.	5,000	24/01/22	-	
BPM - import	Polynt S.p.A.	4,518	15/02/22	602	04/01/21
BPER	Polynt S.p.A.	3,389	21/06/22	6,711	21/12/21
Cariparma - import	Polynt S.p.A.	3,149	30/03/22	218	26/02/21
Others financial debts (IFRS 16)		3,058		3,779	
BPS - import	Polynt S.p.A.	3,000	26/01/22	-	
Cariparma	Polynt S.p.A.	2,500	26/04/22	2,750	31/10/21
BPM - import	Polynt S.p.A.	2,470	28/03/22	737	03/02/21
SCIL IV Loan interests	Specialty Chemicals Holding I BV	2,415	01/02/22	-	
Banca Popolare di Sondrio	Polynt S.p.A.	2,120	31/10/22	1,682	31/12/21
Cariparma - import	Polynt S.p.A.	1,761	16/02/22	482	24/02/21
Banca Popolare di Sondrio	Polynt S.p.A.	1,750	01/12/22	1,009	01/12/21
Banco Desio	Polynt S.p.A.	1,007	10/10/22	501	10/10/21
Banco Desio	Polynt S.p.A.	996	10/12/22	741	10/12/21
Banco Desio - import	Polynt S.p.A.	876	27/03/22	315	08/01/21
Creval	Polynt S.p.A.	625	31/12/22	1,843	05/10/21
Bank of China	Polynt Composites Malaysia Sdn. Bhd.	449	25/02/22	-	
Loan BBVA Short term	Polynt Composites Spain S.L.	298	30/10/22	-	
Medio Credito Centrale	Polynt S.p.A.	135	03/12/22	135	03/12/21
JP MORGAN commitment fee		123		-	
Polynt Composites USA Loan interests	Reichhold Holdings International B.V.	59		-	
Interest accruals		33		-	
Short term debt	Polynt Composites Spain S.L.	15	30/06/22	15	30/06/21
RCF Loan (interests accrual)	Specialty Chemicals Holding I B.V.	12	20/01/22	8	
RCF (Revolving Credit Facility)				16,000	
Interest on EUR TLB	Specialty Chemicals Holding I BV	-		6,608	15/03/21
BNP - Loan Covered by French Government	Polynt Composites France	-		1,500	01/09/21
Cariparma - import	Polynt S.p.A.	-		1,488	18/03/21
BPM - import	Polynt S.p.A.	-		1,380	14/03/21
Unicredit - import	Polynt S.p.A.	-		1,309	28/01/21
BPM - import	Polynt S.p.A.	-		1,177	11/02/21
Interest on USD TLB	Specialty Chemicals International Inc.	-		846	15/03/21
Unicredit - import	Polynt S.p.A.	-		756	26/01/21
Unicredit - import	Polynt S.p.A.	-		672	04/02/21
Unicredit - import	Polynt S.p.A.	-		589	04/03/21
BPM - import	Polynt S.p.A.	-		562	16/03/21
Unicredit - import	Polynt S.p.A.	-		534	03/02/21
BPM - import	Polynt S.p.A.	-		442	04/03/21
Banco Desio - import	Polynt S.p.A.	-		356	28/03/21
Cariparma - import	Polynt S.p.A.	-		264	26/02/21
Banco Desio - import	Polynt S.p.A.	-		210	14/01/21
Fidi Toscana	Polynt S.p.A.	-		186	31/10/21
Total		**59,758**		**61,408**	
Bank current overdrafts		13		117	
Total short-term financial indebtedness		**59,771**		**61,525**	

On November 1, 2021 SCIL IV LLC entered into a Super Senior Revolving Credit Facility Agreement (the "RCF Agreement"). The RCF Agreement provides for a multicurrency facility (the "RCF") with commitments of EUR 85 million available to various subsidiaries and affiliates of the Company both as loans and letters of credit. Interests on the RCF borrowings accrue at a rate equal to the relevant Euribor rate floored to 0.00% plus a margin. The RCF terminates on May 1, 2026. The RCF Agreement contains a "springing financial covenant" requiring the Group to maintain a net leverage ratio, as defined in the Agreement, of 6.26:1 or less. The springing financial covenant will be tested starting from the third full financial quarter after the Closing Date if the aggregate amount of all outstanding loans under the RCF at the end of the relevant quarter exceed 40% of the total amount of commitments under the facility.

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

(Euro thousand)		31-Dec-21 €'000	31-Dec-21 expiry date	31-Dec-20 €'000	31-Dec-20 expiry date
SCIL IV Loan	Specialty Chemicals Holding I BV	322,985	02/11/26	-	
Polynt Composites USA Loan	Polynt Composites II LLC	13,707		-	
Creval	Polynt S.p.A.	11,875	31/12/25	6,939	05/07/24
Polynt Composites USA Loan	Reichhold Holdings International B.V.	7,655		-	
Polynt Composites USA Loan	Specialty Chemicals Holding II BV	6,983		-	
Others financial debts (IFRS 16)		6,054		10,253	
Banca Popolare di Sondrio	Polynt S.p.A.	2,671	01/06/24	4,421	01/06/24
Banco Desio	Polynt S.p.A.	2,017	10/12/24	3,013	10/12/24
BNP - Loan Covered by French Government	Polynt Composites France	1,563	01/09/26	-	
Banco Desio	Polynt S.p.A.	1,015	10/10/23	2,023	10/10/23
Loan BBVA	Polynt Composites Spain S.L.	762	30/04/25	1,354	30/04/25
Others financial debts		539		549	
Medio Credito Centrale	Polynt S.p.A.	136	03/12/23	271	03/12/23
EUR TLB	Specialty Chemicals Holding I BV	-		485,000	13/03/27
USD TLB	Specialty Chemicals International Inc.	-		48,407	13/03/27
UBI	Polynt S.p.A.	-		3,389	21/06/22
Cariparma	Polynt S.p.A.	-		2,500	26/04/22
Banca Popolare di Sondrio	Polynt S.p.A.	-		2,120	31/10/22
Financial expenses capitalized	Specialty Chemicals Holding I BV	-		(14,918)	
Financial expenses capitalized	Specialty Chemicals International Inc.	-		(1,201)	
ABL Amortization - Cap Fees	Polynt Composites USA Inc.	-		(1,105)	
Total long-term financial indebtedness		**377,962**		**553,015**	

Long-term financial indebtedness as at December 31, 2020 was equal to EUR 553,015 thousand and at 31 December 2021 was equal to EUR 377,962 thousand. The variation is mainly related to the transaction occurred on November 2, 2021, when the Senior Facilities Agreement entered into on March 5, 2020 by Specialty Chemicals International B.V. was terminated and all facilities thereunder were repaid. The Senior Facilities Repayment consisted of the following:

- the repayment by Specialty Chemicals Holding I B.V. of the EUR TLB totaling EUR 486 million of which EUR 485 million as principal amount. The repayment was partially funded by applying the proceeds of a loan in the original amount of EUR 353.8 million that was granted to Specialty Chemicals Holding I B.V. by SCIL IV LLC. The remaining portion of about EUR 132 million was funded by using cash available to the Group.
  The outstanding principal amount at 31 December 2021 of the loan owing to SCIL IV was EUR 323 million;
- the repayment by Specialty Chemicals International Inc. of the USD TLB totaling USD 59.2 million of which USD 59 million as principal amount. The repayment was funded by using cash available to the Group.

In addition, and connected to the Transaction occurred on November 2, 2021, the Group has repaid, as part of short-term financial indebtedness, the following:

- the repayment by Specialty Chemicals Holding I B.V. of the relevant drawings under the RCF (“the RCF”) totaling EUR 16.9 million. The repayment was funded by using cash available to the Group;
- the repayment by Specialty Chemicals Holding II B.V. of the relevant drawings under the RCF totaling EUR 3.2 million. The repayment was funded by using cash available to the Group.

The long-term financial indebtedness refers to:

- non-current portion of IFRS 16 financial liabilities totaling EUR 6,054 thousand (EUR 10,253 thousand as at December 31, 2020).

- long-term financial liabilities owing to related parties in the amount of EUR 351,330 thousand of which EUR 322,985 thousand owing to SCIL IV LLC and EUR 28,345 thousand owing to Polynt Composites USA Inc. that was demerged from the Company on December 31, 2021 as described in note "*Relevant transactions during 2021 financial year*").
- long-term loans for EUR 20,578 thousand.

Cash and cash equivalents are as follows:

(Euro thousand)	31-Dec-21	31-Dec-20
Cash on hand	27	33
Bank and postal accounts	203,955	289,160
Total	**203,982**	**289,193**

The decrease in "*Bank and postal accounts*" is partially due to the demerger of Specialty Chemicals International Inc. and its controlled entities (totaling EUR 21 million).
Note 37 gives information about the Group's exposure to credit risk, currency risk and interest rate risk related to trade payables.

24. 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-21	31-Dec-20
Retained earnings	311,546	172,952
Share Premiums Reserve	260,365	265,672
Revaluation reserve	120,912	9
Other reserve	16,412	16,412
Translation Reserve	(12,381)	(37,318)
Total	**696,854**	**417,727**

Revaluation reserve mainly refers to the fair market value adjustment of the preferred shares of PCCR USA Holdings Inc. ("PCCR USA") that are held by Polynt S.p.A. Refer to note 13 for further information.

25. Commitments and guarantees

The breakdown of commitments is as follows:

Securities and guarantees given to third parties in the Group's interest	31-Dec-21	31-Dec-20
- customs authorities	1,236	1,236
- the Region of Lombardia for waste treatment	635	635
- suppliers	507	716
- the Municipal Authorities of Scanzorosciate	250	250
- the Municipal Authorities of San Giovanni	22	22
Others	860	223
Total	**3,510**	**3,082**

Consolidated statement of profit or loss and other comprehensive income

26. Revenue

Revenues by regional segment are as follows:

(Euro thousand)	2021	2020
Europe	1,136,967	775,383
Americas	1,021,384	775,803
Asia	190,584	194,651
Total	**2,348,935**	**1,745,837**

Revenue in Europe and Americas increased by EUR 361.6 million and EUR 245.6 million respectively resulting from higher sales volumes and higher sales prices.
Revenue in Asia decreased of EUR 4.1 million due to the closing of the Intermediates production plant in China in March 2021 and Covid-19 related issues restrictions in all Asian countries.

27. Raw materials, consumables, and supplies

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

(Euro thousand)	2021	2020
Raw materials	1,322,170	927,869
Consumables and supplies	86,360	68,237
Products for maintenance	13,250	10,336
Finished products for resale	7,878	9,409
Others	3,674	2,647
Total	**1,433,332**	**1,018,498**

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.

28. Internal work capitalized under non-current assets

(Euro thousand)	2021	2020
Internal work capitalised	244	893
Total	**244**	**893**

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

29. Cost of services

(Euro thousand)	2021	2020
Energy	86,707	56,046
Other services	198,484	173,156
Total	**285,191**	**229,202**

"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)	2021	2020
Product transport costs	95,086	82,085
Maintenance services	31,481	23,191
Production services	22,667	19,470
Loading and disposing of waste	15,329	14,621
Insurance premiums	9,396	9,730
Consultancy, audit and legal fees	9,354	8,319
Rentals	4,388	3,815
IT rentals and services	4,602	5,509
Technical services and consultancy	3,989	1,576
Commissions	1,823	2,261
Others	369	2,579
Total	**198,484**	**173,156**

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.

30. 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)	2021	2020
Wages and salaries	219,684	176,425
Social security contributions	40,102	30,757
Accruals for long term benefit	6,010	6,010
Board of directors' fees	3,561	3,180
Other personnel expenses	19,854	15,841
Total	**289,211**	**232,213**

The increase in wages and salaries is mostly related to the accrual for the incentive compensation plans. Please refer to note 20 for further details.

Other personnel expenses are as follows:

(Euro thousand)	2021	2020
Healthcare contributions	8,788	8,680
Temporary employment	3,429	3,318
Company canteen expenses	1,174	1,161
Medical care	835	603
Training costs	653	507
Sundry expenses	4,975	1,572
Total	**19,854**	**15,841**

During 2021 the Group spent approximately EUR 18.5 million (EUR 18.3 million during 2020) for research activities. These research costs include personnel and service costs that were not capitalized as they do not meet the criteria of IAS 38.

The workforce, by regional segment, is as follows:

(Euro thousand)	2021 year end	2021 average	2020 year end	2020 average
Europe	1,698	1,691	1,676	1,666
America	645	1,128	1,133	1,141
Asia	278	326	375	381
Total	**2,621**	**3,145**	**3,184**	**3,188**

The decrease in 2021 year-end workforce is due to the demerger of Polynt Composites USA Inc. from the Company that occurred on December 31, 2021 as further described in note "*Relevant transactions during 2021 financial year*".

31. Other operating income/expenses

The breakdown of other operating income is as follows:

(Euro thousand)	2021	2020
Prior year cost recoveries	1,766	1,786
Third party damage reimbursements	233	367
Grants	196	171
Release provisions	131	99
Gain on the disposal of fixed assets	5,323	116
Others	49,898	3,045
Total other income	**57,547**	**5,584**
Insurance compensation	994	489
Total	**58,541**	**6,073**

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

"*Others*" mainly includes:

- EUR 33.1 million related to Polynt Chemical (Changzhou) Co. Ltd. government compensation for the plant closure that occurred in 2021;
- EUR 9.6 million related to Reichhold do Brasil Ltda's tax credit claim for the over-payment of certain indirect taxes.
- EUR 5.3 million related to Polynt Composites USA Inc.'s other income from the sale of the Lynwood land.
- EUR 3.7 million related to Polynt Composites Brazil Ltda's other income from the sale of the Taboao site and the reversal of the related environmental provision.

Other operating expenses are as follows:

(Euro thousand)	2021	2020
Provisions for risks and charges	7,671	4,276
Property tax	4,653	5,215
Other operating local taxes	1,132	933
Industrial association contributions and membership fee	759	934
Bad debts	199	1,135
Losses on the disposal of fixed assets	130	172
Other charges	7,511	8,497
Total	**22,055**	**21,162**

"Other charges" mainly includes tax and duty expenses incurred by the various Group companies and restructuring costs arising from plant closures in China, Canada, USA, and Brazil.

32. Depreciation, amortization, and impairment losses

The breakdown is as follow:

(Euro thousand)	2021	2020
Depreciation	52,273	53,316
Amortization	18,877	18,865
Impairment losses	25,102	12,064
Total	**96,252**	**84,245**

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. An agreement was signed in November 2020 whereby the subsidiary agreed to discontinue the production activity at the Changzhou, China site from March 2021.

33. Financial income

Financial income includes the following:

(Euro thousand)	2021	2020
Exchange rate gains	27,451	8,950
Bank interest	1,631	2,479
Cash discount from suppliers	400	440
Financial income on fair value of derivatives	-	10,980
Other financial income	9,229	222
Total	**38,711**	**23,071**

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 of the embedded interest rate floor that was accounted for as regards Notes and EUR Loans under the Facilities 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*".
"*Other financial income*" mainly refers to the financial component of the tax credit resulting from the over-payment of certain indirect taxes by Reichhold do Brasil Ltda. Please refer to note "*Relevant transactions during 2021 financial year*" for further information.

34. Financial expense

Financial expenses are as follows:

(Euro thousand)	2021	2020
Bank interest	21,439	32,284
Amortization capitalized financial expenses	17,295	22,408
Exchange rate losses	12,430	31,597
Cash discount to customers	6,160	4,411
Interest expenses related parties	2,415	-
Interest expenses (IFRS 16)	222	354
Other financial expenses	2,779	10,909
Total	**62,740**	**101,963**

"*Bank interest*" includes interest expenses accrued and/or paid on current and non-current loans (see note 23).
The foreign currency exchange losses mainly refer to the exchange rate effect on outstanding intercompany loans of Specialty Chemicals International Inc. and the devaluation of foreign currency trade receivables and trade payables at the closing date.
The premiums for the redemption of Notes and the prepayment of Loans under the Facilities Agreement totaling EUR 8.6 million that occurred in 2020 are included in the caption *"Others"* as at December 31, 2020.
"*Interest expenses related parties*" refers to Specialty Chemicals Holding I B.V. interest expenses with SCIL IV LLC.

35. Income taxes

Income taxes are as follows:

(Euro thousand)	2021	2020
Corporate income taxes	73,729	41,322
Deferred tax income	(10,414)	(26,438)
Deferred tax expense	454	5,654
Prior year taxes	1,897	5,024
Total	**65,666**	**25,562**

Reference should be made to the notes to *"Deferred tax assets"* (note 15) and *"Deferred tax liabilities"* (note 21) 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)	2021		2020	
Profit/(loss) before tax		**305,061**		**68,740**
Theoretical tax charge using Parent's tax rate	25.0%	(76,265)	25.0%	(17,185)
Effect of tax rates in foreign jurisdictions and income tax accounted by components		2,536		(24,137)
Effect of change in tax rates		-		-
Net tax effect for permanent differences		9,960		20,784
Changes in estimates related to prior years		(1,897)		(5,024)
Income taxes	21.5%	**(65,666)**	37.2%	**(25,562)**

36. Related party transactions

Other material transactions with the Shareholder (Speciality Chemicals International Limited) and other related parties at December 31, 2021 include:

- Non-current financial liabilities EUR 322,985 thousand for a financial loan due from Specialty Chemicals Holding I B.V. to SCIL IV LLC as described in note 23.
- Other current assets EUR 13,232 thousand for a receivable due from Speciality Chemicals International Limited to Polynt S.p.A. as described in note 9 (EUR 2,913 at December 31, 2020, classified as other non-current assets).
- Other financial assets EUR 7,308 thousand for a financial receivable due from Speciality Chemicals International Limited to Reichhold LLC 2, as described in note 14 (EUR 6,745 thousand at December 31, 2020).
- Other non-current assets EUR 2,918 thousand for a receivable due from Speciality Chemicals International Limited to Reichhold LLC 2, as described in note 16 (EUR 2,693 thousand at December 31, 2020).
- Current financial liabilities EUR 2,415 thousand for the interest accrual on a financial loan due from Specialty Chemicals Holding I B.V. to SCIL IV LLC as described in note 23.
- Financial expenses EUR 2,415 thousand for the interest expenses due from Specialty Chemicals Holding I B.V. to SCIL IV LLC as described in note 34.

- Trade receivables EUR 4 thousand for a receivable due from Speciality Chemicals International Limited to Reichhold UK Ltd. (EUR Nil at December 31, 2020).

Following the December 31, 2021 the demerger of Specialty Chemicals International Inc. and its direct and indirect controlled entities and as further described in note "*Relevant transactions during 2021 financial year*", the financial statement at December 31, 2021 included the following transactions with the demerged entities:

- Trade receivables EUR 75,749 thousand for trade receivables of several group companies with Polynt Composites USA Inc.
- Other financial assets EUR 48,869 thousand for a financial receivable of EUR 4,414 thousand due from Reichhold LLC 2 to Polynt Composites USA Inc. and a financial receivable of EUR 44,455 thousand due from Polynt Composites Canada Inc. to Specialty Chemicals International Inc. as described in note 14.
- Non-current financial liabilities EUR 28,345 thousand for financial loans due from several group companies with Polynt Composites USA Inc. as described in note 23.
- Trade payables EUR 3,986 thousand for trade payables of several group companies with Polynt Composites USA Inc.
- Current financial liabilities EUR 59 thousand for the interest accrual on a financial loan due from Reichhold Holdings International BV to Polynt Composites USA Inc. as described in note 23.

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 67,300 thousand for top executives of the Group (EUR 5,530 thousand for 2020). The total amount for 2021 includes EUR 3,502 thousand for salaries, EUR 5,529 thousand for pension contributions and EUR 58,268 thousand for bonuses.

37. Financial risks managements

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

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

The policies in place to manage those risks aim to identify and analyze the risks to which the Group is exposed, establish suitable limits and controls, and monitor compliance with such limits. These policies and the related controls are revised regularly to reflect any

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

Credit risk

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

Trade receivables and other receivables

The Group's exposure to credit risk principally depends on its customers' individual characteristics. The demographical variables of its customer base, including the sector and country risk, do not have a significant impact on the Group's credit risk.
It has a specific internal credit management procedure whereby each new customer's credit standing is analyzed before any credit facilities are granted. These analyzes include third party appraisals, when available. Credit facilities are agreed for each customer, and they may only be exceeded after the approval of the relevant internal bodies depending on the customers' exposure. The credit facilities are checked annually and customers that do not meet the Group's credit standing criteria may only make purchases against advance or guaranteed payment.
The Group has worked with most of its customers for more than four years and the non-collection of receivables is infrequent. Credit risk monitoring procedures are based on grouping customers by credit characteristics, geographical location, sector, ageing, due date, and the existence of previous financial difficulties. The Group's trade and other receivables are generally from industrial production companies.
The Group has an allowance for impairment, which reflects estimated losses on trade and other loans and receivables and non-current financial assets. It mainly comprises individual impairment losses on significant exposures and collective impairment losses on groups of similar assets on which losses of unknown amounts have already been incurred.

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

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

Credit risk exposure

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

(Euro thousand)	31-Dec-21	31-Dec-20
Cash and cash equivalents	203,982	289,193
Trade receivables	316,018	263,953
Other Current Assets	39,127	11,617
Other Financial assets	56,975	8,277

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

December 31, 2021

(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	326,917	304,057	22,860	12,163 -	30	283	184	10,260
Bad debt provision	(10,899)	(725)	(10,174)	(2,415)	(21)	(4)	(27)	(7,707)
Trade receivables net	**316,018**	**303,332**	**12,686**	**9,748** -	**51**	**279**	**157**	**2,553**

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**

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

(Euro thousand)	31-Dec-21	31-Dec-20
Opening balance	11,715	13,399
Accruals	896	1,640
Utilisations	(1,123)	(2,093)
Changes in consolidation scope	(745)	-
Translation rate differences	156	(1,231)
Closing balance	**10,899**	**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 set up for receivables not impaired individually and is determined based on losses incurred in the past five years.

Liquidity risk

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

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

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

- 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:

(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**							
SCIL IV Loan	Specialty Chemicals Holding I BV	325,400	394,160	7,087	7,164	14,211	365,697	-
Polynt Composites USA Loan	Polynt Composites II LLC	13,707	13,980	-	-	-	13,980	-
Creval	Polynt S.p.A.	12,500	12,852	58	683	1,980	10,131	-
RCF (Revolving Credit Facility)	Specialty Chemicals Holding I B.V.	10,012	10,012	10,012	-	-	-	-
BPER - Hot Money	Polynt S.p.A.	10,000	10,009	10,009	-	-	-	-
Others financial debts (IFRS 16)		9,112	9,112	1,543	1,456	2,290	2,473	1,350
Polynt Composites USA Loan	Reichhold Holdings International B.V.	7,714	7,917	-	-	7,917	-	-
BPM - Finimport	Polynt S.p.A.	6,988	6,988	6,988	-	-	-	-
Polynt Composites USA Loan	Specialty Chemicals Holding II BV	6,983	7,109	-	-	7,109	-	-
Banca Popolare di Sondrio	Polynt S.p.A.	6,541	6,633	2,179	1,753	1,801	900	-
Banco Desio	Polynt S.p.A.	5,035	5,094	1,019	1,019	2,038	1,018	-
Creval Hot Money	Polynt S.p.A.	5,000	5,004	5,004	-	-	-	-
Cariparma - Finimport	Polynt S.p.A.	4,910	4,910	4,910	-	-	-	-
BPER	Polynt S.p.A.	3,389	3,403	3,403	-	-	-	-
BPS - Finimport	Polynt S.p.A.	3,000	3,000	3,000	-	-	-	-
Cariparma	Polynt S.p.A.	2,500	2,510	2,510	-	-	-	-
BNP - Loan Covered by French Government	Polynt Composites France S.A.	1,563	1,563	7	101	397	1,058	
Loan BBVA	Polynt Composites Spain S.L.	1,060	1,060	149	149	302	460	-
Banco Desio - Finimport	Polynt S.p.A.	876	876	876	-	-	-	-
Others financial debts		664	664	13	156	495		
Bank of China	Polynt Composites Malaysia Sdn. Bhd.	449	449	449	-	-	-	-
Medio Credito Centrale	Polynt S.p.A.	271	273	-	137	137	-	-
Financial debt	Polynt Composites Spain S.L.	59	59	15	-	15	29	-
EUR TLB	Specialty Chemicals Holding I BV	-	-	-	-	-	-	-
USD TLB	Specialty Chemicals International Inc.	-	-	-	-	-	-	-
Trade payables		260,035	260,035	130,018	130,018			
Total		**697,768**	**767,671**	**189,247**	**142,635**	**38,691**	**395,747**	**1,350**

The above contractual cash flows are the sum of the repayments expected at the different dates plus interest calculated based on 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 2021	*of which financial lines (*)*	Credit lines 31 Dec 2020	*of which financial lines (*)*
RCF Loan	RCF Borrowers	85,000	85,000	-	-
Creval	Polynt S.p.A.	22,500	17,500	18,783	8,783
BNP Paribas Factor	Polynt Composites France S.A.	19,000	-	19,000	-
Cariparma	Polynt S.p.A.	17,500	12,500	15,250	10,250
Banca popolare di Sondrio	Polynt S.p.A.	15,041	10,041	16,732	9,732
Banca IFIS Factoring	Polynt S.p.A.	13,850	-	13,850	-
BPER	Polynt S.p.A.	13,389	13,389	20,101	15,101
IFITALIA	Polynt S.p.A.	12,000	-	12,000	-
BNP Paribas Factor	Polynt Composites Spain S.L.	11,000	-	11,000	-
Banca popolare di Milano	Polynt S.p.A.	10,200	10,200	10,200	10,200
BPER Factor	Polynt S.p.A.	10,000	-	-	-
Creval Piu' Factor	Polynt S.p.A.	10,000	-	10,000	-
Factorit	Polynt S.p.A.	9,000	-	9,000	-
Banco Desio	Polynt S.p.A.	6,185	6,185	7,427	7,427
Unicredit Banca d'Impresa	Polynt S.p.A.	5,000	5,000	8,000	8,000
Bank of China	Polynt Composites Malaysia Sdn. Bhd.	4,239	3,603	-	-
Citibank	Polynt Composites Korea Co. Ltd.	3,714	-	3,743	-
Intesa Sanpaolo	Polynt S.p.A.	3,200	200	3,230	230
Millenium Bank	Polynt Composites Poland Sp.Zo.o.	3,000	3,000	3,000	3,000
Keb Hana Bank	Polynt Composites Korea Co. Ltd.	2,971	-	2,994	-
BBVA	Polynt Composites Spain S.L.	2,060	2,060	2,354	2,354
Banca IFIS	Polynt S.p.A.	2,000	-	2,000	2,000
Kotak Mahindra Bank Ltd	Reichhold India Private Ltd	1,781	1,781	2,509	2,509
Millenium Bank (factoring)	Polynt Composites Poland Sp.Zo.o.	1,500	-	1,500	-
Banca Nazionale del Lavoro	Polynt S.p.A.	550	550	600	600
Volksbank	Polynt Composites Germany GmbH	300	300	300	300
Medio Credito Centrale	Polynt S.p.A.	271	271	406	406
RCF Loan	RCF Borrowers	-	-	100,000	100,000
Wells Fargo	Polynt Composites USA Inc.	-	-	81,493	-
ICBC	Polynt Chemical (Changzhou) Co. Ltd.	-	-	6,232	6,232
Intesa Sanpaolo	Polynt Chemical (Changzhou) Co. Ltd.	-	-	5,983	5,983
Intesa Sanpaolo	Polynt Composites Poland Sp.Zo.o.	-	-	3,000	3,000
BNP Paribas Draft Facility	Polynt Composites France S.A.	-	-	1,800	1,800
Intesa Sanpaolo	Polynt Composites Germany GmbH	-	-	1,000	-
Intesa Sanpaolo	Polynt UK Ltd.	-	-	890	890
HSBC	Polynt UK Ltd.	-	-	334	334
Fidi Toscana Spa	Polynt S.p.A.	-	-	186	186

Market risk

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

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

Currency risk

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

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

<u>Currency risk exposures</u>

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

December 31, 2021

31-dic-21	Financial asset	Short term loan	Long term loan	Gross exposure for currency	Financial asset (EUR)	Short term loan (EUR)	Long Term loan (EUR)	Gross exposure for currency (EUR)
EUR	-	(51,311)	(350,441)	**(401,752)**	-	(51,311)	(350,441)	**(401,752)**
USD	14,117	(5,609)	(24,194)	**(15,686)**	12,464	(4,953)	(21,362)	**(13,851)**
KRW	74,936	-	(31,038)	**43,898**	56	-	(23)	**33**
MYR	-	(2,113)	-	**(2,113)**	-	(448)	-	**(448)**
BRL	-	-	(509)	**(509)**	-	-	(81)	**(81)**
Total					**56,975**	**(56,712)**	**(371,907)**	**(371,644)**

December 31, 2021

31-dic-21	Trade receivables	Trade payables	Gross exposure for currency	Trade receivables (EUR)	Trade payables (EUR)	Gross exposure for currency (EUR)
EUR	150,963	(178,454)	**(27,491)**	150,963	(178,453)	**(27,490)**
USD	106,811	(62,055)	**44,756**	94,305	(54,789)	**39,516**
PLN	6,285	(4,149)	**2,136**	1,367	(902)	**465**
CNY	39,091	(3,855)	**35,236**	5,433	(536)	**4,897**
GBP	9,567	(1,334)	**8,233**	11,385	(1,588)	**9,797**
JPY	21,360	-	**21,360**	164	-	**164**
SEK	8,945	-	**8,945**	873	-	**873**
AUD	549	-	**549**	352	-	**352**
KRW	18,977,274	(16,806,970)	**2,170,304**	14,095	(12,483)	**1,612**
NOK	16,670	8,684	**25,354**	1,669	869	**2,538**
CAD	323	(298)	**25**	225	(207)	**18**
CZK	-	(440)	**(440)**	-	(18)	**(18)**
MYR	3,264	(5,951)	**(2,687)**	692	(1,261)	**(569)**
INR	1,816,069	(410,160)	**1,405,909**	21,561	(4,870)	**16,691**
BRL	98,915	(18,067)	**80,848**	15,675	(2,863)	**12,812**
MXN	165,715	(67,393)	**98,322**	7,160	(2,912)	**4,248**
DKK	4,466	(162)	**4,304**	601	(22)	**579**
SGD	609	-	**609**	398	-	**398**
AED	(4)	-	**(4)**	(1)	-	**(1)**
Total				**326,917**	**(260,035)**	**66,882**

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 for currency (EUR)
Euro		(54,865)	(511,460)	**(566,325)**	-	(54,865)	(511,460)	**(566,325)**
USD	9,322	(3,524)	(59,400)	**(53,603)**	7,596	(2,872)	(48,407)	**(43,682)**
KRW	910,893	(10,362)	(38,183)	**862,349**	682	(8)	(29)	**645**
BRL	-	-	(582)	**(582)**	-	-	(91)	**(91)**
Total					**8,278**	**(57,745)**	**(559,986)**	**(609,453)**

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**
HKD	-	(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**

At December 31, 2021, an increase or decrease of 10% in USD currency exposure would impact profit or loss and equity by (EUR 3,215) thousand and EUR 3,929 thousand, respectively.
At December 31, 2021, an increase or decrease of 10% in INR currency exposure would impact profit or loss and equity by (EUR 1,517) thousand and EUR 1,855 thousand, respectively.
At December 31, 2021, an increase or decrease of 10% in BRL currency exposure would impact profit or loss and equity by (EUR 1,157) thousand and EUR 1,415 thousand, respectively.
At December 31, 2021, an increase or decrease of 10% in GBP currency exposure would impact profit or loss and equity by (EUR 891) thousand and EUR 1,089 thousand, respectively.
At December 31, 2021, an increase or decrease of 10% in CNY currency exposure would impact profit or loss and equity by (EUR 445) thousand and EUR 544 thousand, respectively.

The main exchange rates applied to translate the items expressed in a foreign currency into Euro in 2021 and 2020 are detailed below:

Currency		Average		Year-end	
		2021	2020	31-Dec-21	31-Dec-20
USD	U.S. Dollar	1.18	1.14	1.13	1.23
AUD	Australian Dollar	1.57	1.65	1.56	1.59
BRL	Real	6.38	5.89	6.31	6.37
CAD	Canadian Dollar	1.48	1.53	1.44	1.56
CNY	Renminbi	7.63	7.87	7.19	8.02
CZK	Czech crown	25.64	26.46	24.86	26.24
DKK	Danish krone	7.44	7.45	7.44	7.44
HKD	Hong Kong Dollar	9.19	8.86	8.83	9.51
INR	Indian Rupia	87.44	84.64	84.23	89.66
JPY	Japanese Yen	129.88	121.85	130.38	126.49
KRW	South Korean Won	1,354.06	1,345.58	1,346.38	1,336.00
MYR	Ringgit	4.90	4.80	4.72	4.93
MXN	Peso Mexican	23.99	24.52	23.14	24.42
NOK	Norwegian krone	10.16	10.72	9.99	10.47
PLN	Zloty	4.57	4.44	4.60	4.56
SGD	Singapore Dollar	1.59	1.57	1.53	1.62
SEK	Swedish krone	10.15	10.48	10.25	10.03
AED	Dirham	4.34	4.19	4.16	4.51
GBP	Pound Sterling	0.86	0.89	0.84	0.90
TRY	Turkish lira	10.51	8.05	15.23	9.11
CHF	Swiss Franc	1.08	1.07	1.03	1.08

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, 2021 and 2020 are illustrated in the table below:

(Euro thousand)		31-Dec-21 Currency	Year of maturity	Face Value	Carrying amount	31-Dec-20 Currency	Year of maturity	Face Value	Carrying amount
SCIL IV Loan	Specialty Chemicals Holding I BV	EUR		322,985	325,400			-	-
Polynt Composites USA Loan	Polynt Composites II LLC	EUR		13,707	13,707			-	-
Creval	Polynt S.p.A.	EUR	2022 - 2025	12,500	12,500	EUR	2021-2024	8,783	8,783
RCF (Revolving Credit Facility)	Specialty Chemicals Holding I B.V.	EUR		10,000	10,012	EUR		16,008	16,008
BPER - Hot Money	Polynt S.p.A.	EUR	2022	10,000	10,000	EUR	2021	5,000	5,000
Polynt Composites USA Loan	Reichhold Holdings International B.V.	EUR		7,655	7,714			-	-
BPM - Finimport	Polynt S.p.A.	EUR	2022	6,988	6,988	EUR	2021	4,900	4,900
Polynt Composites USA Loan	Specialty Chemicals Holding II BV	EUR		6,983	6,983			-	-
Banca Popolare di Sondrio	Polynt S.p.A.	EUR	2022 - 2024	6,541	6,541	EUR	2021-2024	9,232	9,232
Banco Desio	Polynt S.p.A.	EUR	2022 - 2024	5,035	5,035	EUR	2021-2024	6,277	6,277
Creval Hot Money	Polynt S.p.A.	EUR	2022	5,000	5,000				
Cariparma - Finimport	Polynt S.p.A.	EUR	2022	4,910	4,910	EUR	2021	2,451	2,451
BPER	Polynt S.p.A.	EUR	2022	3,389	3,389	EUR	2021-2022	10,101	10,101
BPS Finimport	Polynt S.p.A.	EUR	2022	3,000	3,000			-	-
Cariparma	Polynt S.p.A.	EUR	2022	2,500	2,500	EUR	2021-2022	5,250	5,250
BNP - Loan Covered by French Government	Polynt Composites France S.A.	EUR	2026	1,563	1,563			-	-
Loan BBVA	Polynt Composites Spain S.L.	EUR	2022 - 2025	1,060	1,060	EUR	2021-2025	1,354	1,354
Banco Desio - Finimport	Polynt S.p.A.	EUR	2022	876	876	EUR	2021	881	881
Others financial debts		EUR		664	664	EUR		549	549
Bank of China	Polynt Composites Malaysia Sdn. Bhd.	EUR	2022	507	449			-	-
Medio Credito Centrale	Polynt S.p.A.	EUR	2022 - 2023	271	271	EUR	2021-2023	406	406
Financial debt	Polynt Composites Spain S.L.	EUR	2022 - 2025	59	59			-	-
EUR TLB	Specialty Chemicals Holding I BV	EUR		-	-	EUR	2027	485,000	491,608
USD TLB	Specialty Chemicals International Inc.	EUR		-	-	EUR	2027	48,407	49,253
Unicredit - Finimport	Polynt S.p.A.	EUR		-	-	EUR	2021	3,860	3,860
Fidi Toscana Spa	Polynt S.p.A.	EUR		-	-	EUR	2021	186	186
Total financial indebtedness					**428,621**				**616,099**

<u>Price risk</u>

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

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

<u>Capital management</u>

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

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

38. 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 2021	Carrying amount						Fair value		
(Euro thousand)	Assets at amortized cost	Financial liabilities at amortized cost	FVOCI - Equity instruments	Fair Value through profit and loss	Other financial liabilities	Total	Level 1	Level 2	Level 3
Assets									
Trade and other receivables	316,018	-	-	-	-	316,018	-	-	-
Participation	-	-	121,000	-	-	121,000	-	121,000	-
Financial assets	56,975	-	-	-	-	56,975	-	-	-
Cash and cash equivalents	203,982	-	-	-	-	203,982	-	-	-
Total - Assets	**576,975**	**-**	**121,000**	**-**	**-**	**697,975**	-	-	-
Financial liabilities									
Other long term Loans	-	(371,908)	-	-	-	(371,908)	-	-	-
Total - Financial liabilities	**-**	**(371,908)**		**-**	**-**	**(371,908)**	**-**	**-**	**-**
Fair Value - hedging instrument at P&L									
FV embedded derivative on Loan	-	-	-	-	-	-	-	-	-
Total - Fair Value - hedging instrument at P&L	**-**	**-**	**-**	**-**	**-**	**-**	-	-	-
Other									
Bank overdrafts	-	-	-	-	(24)	(24)	-	-	-
Short term bank loans	-	-	-	-	(56,689)	(56,689)	-	-	-
Others financial debts (IFRS 16)	-	-	-	-	(9,112)	(9,112)	-	-	-
Trade payables to suppliers	-	-	-	-	(260,035)	(260,035)	-	-	-

31 December 2020	Carrying amount						Fair value		
(Euro thousand)	Assets at amortized cost	Financial liabilities at amortized cost	FVOCI - Equity instruments	Fair Value through profit and loss	Other financial liabilities	Total	Level 1	Level 2	Level 3
Assets									
Trade and other receivables	263,953	-	-	-	-	263,953	-	-	-
Participation	-	-	-	-	-	-	-	-	-
Financial assets	8,277	-	-	-	-	8,277	-	-	-
Cash and cash equivalents	289,193	-	-	-	-	289,193	-	-	-
Total - Assets	**561,423**	**-**	**-**	**-**	**-**	**561,423**	-	-	-
Financial liabilities									
Other long term Loans	-	(542,762)	-	-	-	(542,762)	-	(558,933)	-
Total - Financial liabilities	**-**	**(542,762)**	**-**	**-**	**-**	**(542,762)**	**-**	**-**	**-**
Fair Value - hedging instrument at P&L									
FV embedded derivative on Loan	-	-	-	-	-	-	-	-	-
Total - Fair Value - hedging instrument at P&L	**-**	**-**	**-**	**-**	**-**	**-**	-	-	-
Other									
Bank overdrafts	-	-	-	-	(1,632)	(1,632)	-	-	-
Short term bank loans	-	-	-	-	(56,113)	(56,113)	-	-	-
Others financial debts (IFRS 16)	-	-	-	-	(14,032)	(14,032)	-	-	-

39. Auditor's fee

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

(Euro thousand)	**2021**	**2020**
Audit of financial statements of subsidiaries of the company	1,823	2,132
Other audit engagements	422	-
Total	**2,245**	**2,132**

Relevant transactions during 2021 financial year

Relevant transactions that occurred during the reporting period ended December 31, 2021 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) were completed with no distributions or returns to shareholders. In accordance with the applicable law the companies were dissolved on May 26, 2021.

- In April 2021 certain subsidiaries of the Group entered into a cost sharing agreement for the apportionment of costs related to the incentive scheme ("the Plans"), adopted by Speciality Chemicals International Limited, for the purposes of rewarding and enhancing the relationships with certain directors and key employees of the Group and employed by some of the Group companies, based on the terms set forth in the Plans. Speciality Chemicals International Limited instructed Polynt S.p.A. to manage the Plan's administration, including the apportionment of those costs to each subsidiary. The Plans have been paid in 2021.
- On May 13, 2021, the Brazilian supreme federal tribunal (SFT) determined that the ICMS (Tax on Commerce and Services) highlighted in invoices is exempt from PIS (Program of Social Integration) and COFINS (Contribution for the financing of social security) tax thereby eliminating a double taxation impact with effect from March 15, 2017. The SFT also determined that companies who had paid the extra PIS and COFINS tax and who filed a legal claim prior to March 15, 2017 would also be able to recover these taxes paid from prior periods. With the final SFT decision and as the Company filed a legal claim prior to March 15, 2017, covering the periods from October 2003 through April 2017, the Company has included in these consolidated financial statements for the period ending December 31, 2021 an amount of approximately BRL 120 million (EUR 19 million) for these available tax credits.
- On June 29, 2021, Speciality Chemicals International Limited (the "Seller" or "the Parent") and Speciality Chemicals International II Limited (the "Buyer") entered, inter alia, a sale and purchase agreement (the "SPA") pursuant to which the Buyer would acquire the entire issued share capital of Specialty Chemicals International B.V. (the "Company" or "Target"). The rights and obligations under the SPA were then assigned by the Buyer to SCIL IV LLC ("SCIL IV" or "UK BidCo") that on November 2, 2021 completed, through a series of related transactions, the acquisition of the entire issued share capital (the "Acquisition") of Specialty Chemicals International B.V. (together with its Subsidiaries, the "Group"). As a result of the Acquisition, the Company is under the indirect control of Black Diamond Capital Management.
- On November 2, 2021 (the "Closing Date"), SCIL IV completed the acquisition (the "Acquisition") of the entire share capital of the Company.

  On the Closing Date the Senior Facilities Agreement entered into on March 5, 2020 by the Company was terminated and all facilities thereunder were repaid (such repayment the "Senior Facilities Repayment" and together with the Acquisition and the payment of the related transaction costs the "Transaction"). Following the Acquisition, a corporate reorganization (the "Reorganization") was implemented, which was designed to better align the ownership structure of the Subsidiaries of the Parent and to make more efficient the servicing of the Senior Secured Notes that were issued by UK BidCo and SCIL USA Holdings LLC (the "Co-Issuer" or "US

BidCo") and together with UK BidCo, the "Issuers") to finance the Acquisition and the repayment of the then existing Senior Indebtedness of the Group.

- On the Closing Date, SCIL IV entered into a Super Senior Revolving Credit Facility Agreement (the "SSRCF Agreement"). The SSRCF Agreement provides for a multicurrency facility with commitments of EUR 85 million available to various subsidiaries of the Company both as loans and letters of credit (the "SSRCF"). Interests on the New SSRCF borrowings accrue at a rate equal to the relevant Euribor rate floored to 0.00% plus a margin. The SSRCF terminates on May 1, 2026. The SSRCF 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 6.26:1 or less. The springing financial covenant will be tested starting from the third full financial quarter after the Closing Date if the aggregate amount of all outstanding loans under the SSRCF at the end of the relevant quarter exceed 40% of the total amount of commitments under the facility. The SSRCF was undrawn on the Closing Date.
- On December 21, 2021, Specialty Chemicals Holding II B.V. ("SCH II") demerged a portion of its assets and liabilities under universal succession of title (such split-off, the "Demerger") to Specialty Chemicals USA Holding B.V. (the "SC USA Holding"), a newly incorporated entity owned by SCH I, with its seat in Amsterdam. The entities involved in the Demerger were Specialty Chemicals International Inc., PCCR USA Holdings Inc. and Polynt Composites USA Inc. (such entities, the "Demerge Entities").
- On December 23, 2021, the shares of Specialty Chemicals USA Holding were distributed by means of an interim distribution in kind from Specialty Chemicals Holding I B.V. to the Company. On December 31, 2021 the shares of Specialty Chemicals USA Holding were distributed by means of an interim distribution in kind from the Company to SCIL IV LLC (the "UK Bidco" and all such distributions, the "Distribution"). The Demerger and the Distribution were executed at book value, both such transactions being transactions between entities under common control. Since the Demerger was executed on December 31, 2021, the 2021 Consolidated statement of profit or loss includes the 2021 transactions and results of the demerged companies, while the Consolidated financial position items have been demerged (balances to zero). The changes in consolidation scope are described in paragraph "*Basis of consolidation*" in the Notes to the Consolidated financial statements as of and for the year ended 31 December 2021.
- On December 31, 2021 the shares of Specialty Chemicals USA Holding were distributed by means of an interim distribution in kind from the Company to SCIL IV LLC (UK BidCo).
- On December 31, 2021 Specialty Chemicals Holding II B.V. ("SCH II") and Reichhold Finance B.V. ("Reichhold Finance") executed the deed of merger, pursuant to which SCH II acquired all assets and liabilities of Reichhold Finance. The merger was executed at book value since it involved entities under common control. The

effective date thereof was January 1, 2022. Pursuant to the merger, that didn't have any effects on consolidated financial statements, Reichhold Finance B.V. has ceased to exist.

Subsequent events after the reporting period

Significant events that occurred after the reporting period ended December 31, 2021 are as follow:

- On January 1, 2022 Reichhold Finance B.V. merged into Specialty Chemicals Holding II B.V..
- On February 23, 2022 the Group adopted for some Directors and employees a long-term incentive plan ("Phantom Share Option Plan") which allows them to receive extra compensation if both of the following situations occur: a) that certain events occur by April 30, 2032 (i.e. change of control of the ownership of the group, listing on a regulated market, disbursement of an extraordinary maxi dividend); b) revaluation in addition to a certain threshold of the shares of the Parent Company Speciality Chemicals International Ltd. compared to the reference value per share indicated in the agreements.
- Recent developments in Russia, Belarus and Ukraine, as well as the related international government responses, are being closely monitored. On 24 February 2022, following Russia's invasion in Ukraine, the Group temporarily reduced its trading/sales activities to Russian, Belarus and Ukraine customers. The Company has no subsidiaries, plants or other operations in Russian, Belarus and Ukraine. As the Group does not have assets and subsidiaries business in Russia, Belarus and Ukraine the direct impact for our business can be considered as not material. A macroeconomic risk arises from the increases in the energy prices and are causing a higher inflation. As the conflict is developing very rapidly and unexpectedly, it is currently not possible to quantify the future financial impact. However, the Group believes it has an economic-financial solidity and a Governance able to face this challenge in the best way.

Rotterdam April 28, 2022
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

KPMG Audit
Document to which our report 2181967-22W00182258AVN dated
28 April 2022
also refers.
KPMG Accountants N.V.

Separate statement of financial position as at 31 December 2021

(Before profit appropriation)

EURO'000	Notes	2021	2020
Fixed assets			
Financial fixed assets	1	697,644	417,581
Total fixed assets	**1**	**697,644**	**417,581**
Current assets			
Cash and cash equivalents		59	446
Other current assets		4	-
Total current assets		**63**	**446**
Total assets		**697,707**	**418,027**
Shareholders' equity			
Issued Share capital		-	-
Share premium	2	260,365	265,672
Legal reserve participations	2	10,461	9,284
Revaluation reserve	2	120,912	9
Translation reserve	2	(12,381)	(37,318)
Other reserve	2	16,412	16,412
Retained earnings	2	61,688	120,490
Result of the year	2	239,395	43,176
Total equity	**2**	**696,852**	**417,725**
Current liabilities	**3**	**856**	**302**
Total equity and liabilities		**697,707**	**418,027**

The notes on pages 115 to 121 are an integral part of these separate financial statements.

Separate income statement for the year ended 31 December 2021

EURO'000	Notes	2021	2020
Share in results from participating interests, after taxation	5	240,331	(87,996)
Other income and expenses, after taxation	4	(936)	131,172
Net result		**239,395**	**43,176**

The notes on pages 115 to 121 are an integral part of these separate financial statements.

KPMG Audit
Document to which our report
2181967-22W00182258AVN dated
28 April 2022
also refers.
KPMG Accountants N.V.

Notes to the separate financial statements for the year ended 31 December 2021

The separate financial statements are part of the 2021 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 2021

1. Fixed assets

Financial fixed assets

EURO'000		31-Dec-21	31-Dec-20
Participating interests in group companies	Specialty Chemicals Holding I B.V.	697,644	417,581
Total		**697,644**	**417,581**

The Company holds 100% (2020: 100%) of the shares of Specialty Chemicals Holding I B.V., Amsterdam, the Netherlands.

KPMG Audit
Document to which our report
2181967-22W00182258AVN dated
28 April 2022
also refers.
KPMG Accountants N.V.

Movements in financial fixed assets were as follows:

EURO'000	Participating interests in group companies
Balance at 1 January 2021	**417,581**
Share in result of participating interests	240,331
Other changes in equity	109,275
Changes in consolidation scope	(97,344)
Exchange differences	27,801
Balance at 31 December 2021	**697,644**

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**

On December 21, 2021 the subsidiary Specialty Chemicals Holding II B.V. ("SCH II") demerged part of its assets and liabilities (under universal succession of title) to a private company with limited liability with the name Specialty Chemicals USA Holding B.V. ("SC USA Holding") with seat in Amsterdam, which company was incorporated on occasion of the demerger. Upon its incorporation, the sole shareholder of SCH II (being Specialty Chemicals Holding I B.V.) held all shares in SC USA Holding.
On December 23, 2021, the shares of Specialty Chemicals USA Holding were distributed by means of an interim distribution in kind from Specialty Chemicals Holding I B.V. to the Company. On December 31, 2021 the shares of Specialty Chemicals USA Holding were distributed by means of an interim distribution in kind from the Company to SCIL IV LLC (the "UK Bidco" and all such distributions, the "Distribution"). The Demerger and the Distribution were executed at book value, both such transactions being transactions between entities under common control. . Since the Demerger was executed on December 31, 2021, the 2021 Consolidated statement of profit or loss includes the 2021 transactions and results of the demerged companies, while the Consolidated financial position items have been demerged (balances to zero). The changes in consolidation scope are described in paragraph "*Basis of consolidation*" in the Notes to the Consolidated financial statements as of and for the year ended 31 December 2021.
"*Changes in consolidation scope*" includes the effects related to the abovementioned operation.
"*Other changes in equity*" includes the OCI effects on the revaluation reserve for IAS 19 and the fair market value of the preferred shares of PCCR USA Holdings Inc. held by Polynt S.p.A.

2. Shareholders' equity

Reconciliation of movements in capital and reserves

EURO'000	Issued Share capital	Share premium	Legal reserve participations	Other reserve	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 (OCI)	-	-	-	-	(411)	-	-	-	(411)
Balance at 31 December 2020	**-**	**265,672**	**9,284**	**16,412**	**9**	**(37,318)**	**120,490**	**43,176**	**417,725**

EURO'000	Issued Share capital	Share premium	Legal reserve participations	Other reserve	Revaluation reserve	Translation reserve	Retained earnings	Result of the year	Total
Balance at 1 January 2021	**-**	**265,672**	**9,284**	**16,412**	**9**	**(37,318)**	**120,490**	**43,176**	**417,725**
Shareholders contributions	-	-	-	-	-	-	-	-	-
Allocation of dividends	-	-	-	-	-	-	-	-	-
Capital reduction	-		-	-	-	-	-	-	-
Allocation of legal reserve of acquired	-	-	1,177	-	-	-	(1,177)	-	-
Appropriation of result	-	-	-	-	-	-	43,176	(43,176)	-
Other changes	-	-	-	-	-	-		-	-
Result of the year	-	-	-	-	-	-	-	239,395	239,395
Changes in consolidation scope		(5,307)			119,575	(2,864)	(100,801)		10,603
Translation differences	-	-	-	-	-	27,801	-	-	27,801
- Result of the year (OCI)	-	-	-		1,328	-	-	-	1,328
Balance at 31 December 2021	**-**	**260,365**	**10,461**	**16,412**	**120,912**	**(12,381)**	**61,688**	**239,395**	**696,852**

Share capital

The issued share capital consists of 104 shares of USD 0.01 each as at 31 December 2021 (USD 0.01 each as at 31 December 2020).

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 December 21, 2021 the subsidiary Specialty Chemicals Holding II B.V. ("SCH II") demerged part of its assets and liabilities (under universal succession of title) to a private company with limited liability with the name Specialty Chemicals USA Holding B.V. ("SC USA Holding") with seat in Amsterdam, which company was incorporated on occasion of the demerger. Upon its incorporation, the sole shareholder of SCH II (being Specialty Chemicals Holding I B.V.) held all shares in SC USA Holding.

On December 23, 2021 the deed of transfer of shares in Specialty Chemicals USA Holding B.V was executed by Specialty Chemicals Holding I B.V. to Specialty Chemicals International B.V.

On December 31, 2021 the deed of transfer of shares in Specialty Chemicals USA Holding B.V was executed by Specialty Chemicals International B.V. to SCIL IV LLC.

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.

Revaluation reserve as at December 31, 2021 mainly refers to the fair market value adjustment of the preferred shares of PCCR USA Holdings Inc. ("PCCR USA") that are held by Polynt S.p.A.

Legal reserve participations
The legal reserve for participating interests, which amounts to EUR 10,461 thousand (2020: EUR 9,284), 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 do 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 appropriate the result after tax to retained earnings.

3. Current liabilities

EURO'000	31-Dec-21	31-Dec-20
Trade creditors	801	296
Short term financial liability	46	-
Other liabilites and accrued expenses	9	6
Total	**856**	**302**

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 2021

4. Other income and expenses

EURO'000	31-Dec-21	31-Dec-20
Office and general expenses	(463)	(371)
Other expenses	(425)	-
Financial income	3	131,600
Financial expenses	(50)	(57)
Other income and expenses	**(936)**	**131,172**

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 240,331 thousand (2020: EUR -87,996 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 31, 2021 the obligations under the indenture of the Senior Secured Notes co-issued by SCIL IV LLC and SCIL USA Holdings LLC and all borrowings under the SSRCF Agreement are secured by the equity of the Company and certain Subsidiaries and are guaranteed by the Company and certain subsidiaries. A Guarantor Coverage Test provided under SSRCF will have to be satisfied on an annual basis.

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 N.V. 2021	Others 2021	Total
Audit of the financial statements	148	1,675	**1,823**
Other audit engagements	120	302	**422**
Total	**268**	**1,977**	**2,245**

EURO'000	KPMG N.V. 2020	Others 2020	Total
Audit of the financial statements	194	1,938	2,132
Total	**194**	**1,938**	**2,132**

The fees mentioned in the table for the audit of the financial statements 2021 relate to the total fees for the audit of the financial statements 2021, irrespective of whether the activities have been performed during the financial year 2021.
In addition, for the fees charged by KPMG Accountants N.V. to company's subsidiaries and other consolidated companies refers to Notes 39 to the Consolidated Financial Statements as of and for the year ended 31 December 2021.

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 67,300 thousand for top executives of the Group (EUR 5,530 thousand for the period ended December 31, 2020). The total amount for 2021 includes EUR 3,502 thousand for salaries, EUR 5,529 thousand for pension contributions and EUR 58,268 thousand for bonuses.

Employee benefits and number of employees

During the 2021 financial year, the average number of staff employed by the company, converted into full-time equivalents, amounted to nil people (2020: 0 people).

Related parties

The balances outstanding with the related parties at December 31, 2021 are detailed below:

- EUR 564 thousand trade payables with Specialty Chemicals Holding I B.V.;
- EUR 15 thousand trade payables with Reichhold Finance BV;
- EUR 49 thousand office and general expenses for management fees with Reichhold Finance BV.

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.

KPMG Audit
Document to which our report
2181967-22W00182258AVN dated
28 April 2022
also refers.
KPMG Accountants N.V.

Auditor's report

The auditor's report with respect to the financial statements is set out on page 123.

Rotterdam April 28, 2022.
On behalf of the Board of Directors

KPMG Audit
Document to which our report
2181967-22W00182258AVN dated
28 April 2022
also refers.
KPMG Accountants N.V.

KPMG Audit
Document to which our report
2181967-22W00182258AVN dated
28 April 2022
also refers.
KPMG Accountants N.V.

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Independent auditor's report

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 2021 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 2021 and of its result and its cash flows for 2021 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 2021 and of its result for 2021 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 2021;

2 the following consolidated statements for 2021: the statement of Profit or Loss and other Comprehensive Income, the statement 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 2021;

2 the separate income statement for 2021; 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.

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.

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 regarding the management report and the other information.

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 management 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 or operations 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 2022

KPMG Accountants N.V.

L.M.A. van Opzeeland RA