Italmatch Chemicals S.p.A.

issuer of Senior Secured Floating Rate Notes due 2028

ISIN XS2582797358 (144A Notes) / ISIN XS2582796541 (Reg. S Notes)

And issuer of Senior Secured Fixed Rate Notes due 2028

ISIN XS2582796202 (144A Notes) / ISIN XS2582788100 (Reg. S Notes)

Financial Report as of year ended

December 31, 2023

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Capitalized terms not otherwise defined in this Report shall have the meanings assigned to such terms in the Listing Particulars (as defined below).

FORWARD-LOOKING STATEMENTS

This Financial Report (the “Report”) of Italmatch Chemicals S.p.A. (the “Issuer”) and its subsidiaries (together with the Issuer, the “Group”) may contain and refer to certain forward-looking statements with respect to our financial condition, results of operations and business. Forward-looking statements are statements of future expectations that are based on management’s current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance, or events to differ materially from those expressed or implied in these statements. Forward-looking statements include, among others, statements concerning the potential exposure to market risks and statements expressing management’s expectations, beliefs, plans, objectives, intentions, estimates, forecasts, projections, and assumptions. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements provide our current expectations, intentions, or forecasts of future events.

Forward-looking statements include statements about expectations, beliefs, plans, objectives, intentions, assumptions, and other statements that are not statements of historical fact. Words or phrases such as “anticipate,” “believe,” “continue,” “estimate,” “expect,” “intend,” “may,” “ongoing,” “plan,” “potential,” “predict,” “project,” “seek,” “target” or similar words or phrases or the negatives of those words or phrases, may identify forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking. Forward-looking statements are subject to known and unknown risks and uncertainties and are based on potentially inaccurate assumptions that could cause actual results to differ materially from those expected or implied by the forward-looking statements. Among others, the evolution of geopolitical tensions, potential supply chain issues, volatility in the prices of energy sources, raw materials and transportation costs, and de-stocking wave following the Covid-19 pandemic, create unprecedented and extraordinary uncertainties for most businesses including that of the Issuer and its subsidiaries and affiliates. As a result, any projections or forward-looking information (including any underlying assumptions) contained herein are subject to significant uncertainties and contingencies and no assurance can be given that any projections or forward-looking information (including any underlying assumptions) will be realized. Actual results may differ from any projections or forward-looking information and such differences may be material. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this Report, the Listing Particulars and our periodic reporting. There are important risks, uncertainties and other factors that could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made in this Report by us or on our behalf. Therefore, you should not place undue reliance on any of these forward-looking statements.

New factors will emerge in the future, and it is not possible for the Group to predict such factors. In addition, the Group cannot assess the impact of each factor on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those described in any forward-looking statements. All future written and oral forward-looking statements attributable to the Group, or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section, our periodic reporting and contained in the listing particulars dated as of February 6, 2023 in connection with the issuance by the Issuer of €690,000,000 Senior Secured Notes due 2028 (the “Listing Particulars”). Considering these risks, the actual results of the Group could differ materially from the forward-looking statements contained in this Report. In addition, even if our results of operations, including our financial condition and liquidity and the development of the industries in which we operate, presented in this Report, are consistent with the forward-looking statements also contained herein, those results or developments may not be indicative of results or developments in subsequent periods. None of the information contained on the Group’s website is incorporated by reference into or otherwise deemed to be linked to this Report.

This Report may include certain non-IFRS historical financial and other information, including Contribution Margin, volumes, and Adjusted EBITDA. This non-IFRS information has not been audited or reviewed, is not indicative of future results, has not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act or any generally accepted accounting standards and should not be considered as alternative to performance measures derived in accordance with IFRS or any other generally accepted accounting principles. You should not place undue reliance on such non-IFRS information, and no opinion or any other form of assurance is provided with respect thereto.

The statement of cash flows as of and for the twelve months ended December 31, 2023 have been prepared in accordance with ESMA guidelines issued in May 2022.

You should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of the statement. We undertake no obligation to publicly update or revise any forward-looking statement, whether because of new information, future events or otherwise. All forward-looking statements are expressly qualified in their entirety by the cautionary statements referred to in this section and contained elsewhere in this Report, our periodic reporting, or the Listing Particulars, including those described under the section entitled "Risk Factors" of the Listing Particulars. Considering these risks, our results could differ materially from the forward-looking statements contained in this Report.

We or our affiliates may, at any time and from time to time, seek to purchase or retire our outstanding notes through open-market purchases, privately negotiated transactions, tender offers or otherwise. Such purchases, if any, will be upon such terms and at such prices as we or our affiliates, as the case may be, may determine in light of then-existing market conditions.

PRESENTATION OF OUR FINANCIAL INFORMATION

GENERAL

The Issuer's Consolidated Financial Statements as of and for twelve months ended December 31, 2023 have been prepared in accordance with the International Accounting Standards Board ("IASB") and endorsed by the European Union.

ISSUER

The Issuer, Fire (BC) S.p.A. was formed on July 13, 2018 in connection with the Italmatch's acquisition from Bain Capital Private Equity and until November 5, 2020 was a holding, management, and finance company with no business operations. The Issuer's material assets and liabilities were its interest in the issued and outstanding shares of Italmatch Chemicals and its outstanding indebtedness and intercompany balances incurred in connection with the Italmatch Acquisition and with the BWA and WST Acquisitions made by the Group during the financial year 2019.

On November 5, 2020, the Issuer finalized the merger by incorporation into its subsidiary Italmatch Chemicals S.p.A. and at the same time the Issuer changed its company name to Italmatch Chemicals S.p.A.

All historical financial information presented in this Report is that of Issuer and its consolidated subsidiaries. Accordingly, unless otherwise stated, all references to ''we'', ''us,'' or ''our'' in respect of historical financial information in this Report are to the Issuer and its subsidiaries on a consolidated basis.

NON-IFRS MEASURES

This Report contains certain financial measures that are not recognized by IFRS or any other generally accepted accounting principles and that are not included in our Condensed Interim Consolidated Financial Statements or footnotes thereto. The primary non-IFRS financial measures used in this Report include:

- Adjusted EBITDA, defined as profit (loss) before tax and after adding back finance income, finance costs, depreciation, and amortization as well as impairment losses on financial assets, impairment losses on goodwill and certain management adjustments and non-recurring costs.
- Contribution Margin, defined as revenue less raw materials, consumables, production utilities and other costs including transportation costs for sales to third parties, purchased raw materials and consumables and commission expenses, excluding utilities and transportation costs not directly related to sales to third parties. Contribution Margin does not include third-party production and maintenance costs, employee benefit expenses, other operating expenses (other than commission expenses), depreciation and amortization and impairment losses on goodwill. Contribution Margin is calculated based on unaudited management accounts that do not reconcile to our statutory accounts due to the exercise of management judgment in determining the qualification of other cost items.

Non-IFRS financial measures may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results as reported under IFRS.

KEY FINANCIAL DATA

(€ million except percentages)	Twelve months ended December 31, 2023	2022
Adjusted EBITDA	107.1	141.6
Adjusted EBITDA Margin	16.0%	16.4%

We define Adjusted EBITDA as profit (loss) before tax and after adding back finance income, finance costs, depreciation and amortization as well as impairment losses on financial assets, impairment losses on goodwill and certain management adjustments and non-recurring costs. We define Adjusted EBITDA Margin as Adjusted EBITDA divided by revenue and expressed as a percentage.

Set forth below is a reconciliation of our Profit/(Loss) after tax to Adjusted EBITDA for the periods indicated.

(€ million)	Twelve months ended December 31, 2023	2022
Profit/(Loss) after tax	**(82.5)**	**28.5**
Income tax expense	4.7	12.8
Finance income	(18.8)	(34.3)
Finance costs	101.6	67.4
Impairment losses on financial assets	0.8	1.6
Operating profit/(loss)	**5.8**	**76.0**
Depreciation and amortization and impairment losses on goodwill	90.2	56.8
Management adjustments and non-recurring items	11.2	8.8
Adjusted EBITDA	**107.1**	**141.6**

(*) Cost saving and other synergies not included (€2,745 million in 2023, €2,077 million in 2022).

RISK FACTORS AND UNCERTAINTY

The Group, in view of its operations, adopts a risk classification that encompasses four categories: Strategic and External Context risks, Financial risks, Operational and Compliance risks.

STRATEGIC AND EXTERNAL CONTEXT RISKS

- Risks related to the Group's competitive positioning and industry dynamics

Changes in the global competitive environment, especially in a constantly evolving macro-economic, geopolitical and industry framework, could impact the Group's leadership position in certain markets and/or products (e.g. commodity products).

However, a mitigating factor is that Italmatch Chemicals operates globally in specialty chemicals and is focused on continuous product innovation and technological development as an integral part of offering 'solutions' to its customers, rather than products, sometimes developed in partnership with its customer base. In addition, the increasing focus on high value-added solutions and 'sustainable' products is another factor mitigating risk from some competitors less sensitive to HSE, safety and sustainability aspects.

The Group's customer portfolio is mostly made up of blue-chip multinational companies and long-established business relationships, which have been strengthened over time with the continuity of supplies ensured despite the shocks that have occurred in recent years.

- Regulatory and regulatory risks

The Group operates in an industry that is subject to numerous laws and regulations concerning the testing, production, branding and product safety for both sales and the products purchased from suppliers. In manufacturing, production plants operate in compliance with safety and environmental regulations that are applicable on a local basis.

The presence of ISO 14001-compliant management systems in the environmental area, ISO 45001 and Seveso for the health and safety part, facilitates constant regulatory monitoring, the updating of operating procedures in accordance with best practices, a periodic management review process of performance and KPIs, and a related 'continuous improvement' plan.

In the regulatory area, the Group operates in compliance with the European Reach regulation (Regulation EC No. 1907/2006) on the registration of chemicals and/or equivalent for other geographical areas (e.g. UK, USA, Canada). In particular, products and raw materials produced, exported or imported into the European Union are subject to extensive environmental and hygiene controls for safety purposes. However, in certain geographical areas, such as Europe and the United States, controls and restrictions are constantly evolving and increasing, but are constantly monitored by the relevant departments.

The risks related to non-compliance with the aforementioned regulations may vary from the application of sanctions to the suspension of activities. In response to these risk factors, the Group adopts a policy of regulatory and compliance risk monitoring and management to mitigate their effects as much as possible though a multi-level approach, primarily involving collaborative dialogue with institutions.

- Risk of climate change

In 2023, Italmatch started an analysis of the impacts that Climate Change may have on its business. The analysis was conducted in accordance with the TCFD (Task Force on Climate-related Financial Disclosure) guidelines for the identification of risks and their monitoring.

Regarding the opportunities identified, it is noted that the range of innovative products on offer (e.g. those for desalination and electrification) cover market sectors functional to combating climate risks.

- <u>Risks related to the global macroeconomic *outlook*</u>

The Group operates globally (Europe, North America and Asia mainly) in terms of end markets for sales, operations and sourcing. Economic cycles and general economic conditions in the countries in which the Group operates could influence results to the extent that they affect demand in the relevant 'end markets' where the Group's customers operate.

Mitigating factors include:
- diversification of the product portfolio (end-market) and geography of markets, with limited concentration on individual customers;
- the geographical distribution of plants with limited interdependence (19 plants);
- diversification of supply sources;
- innovation and development of speciality, value-added and increasingly sustainable chemistry products (e.g. biodegradable antiscalants for the desalination industry, electrolytes for lithium batteries, antiscalants for geothermal plants).

With reference to country risk, the Group adopts, where appropriate, a 'local for local' strategy, establishing production presence in countries to meet local demand with competitive industrial and logistical costs. This strategy aims at increasing the Group's competitiveness, as well as enabling it to overcome potential protectionist measures (customs barriers or other measures such as technical prerequisites, product certification, administrative costs associated with import procedures, etc.).

- <u>Risks Related to the Rating of the Parent Company Italmatch S.p.A.</u>

Any credit rating downgrades by rating agencies could constitute a limitation to the possibility of accessing the capital market and increase the cost of funding with consequent negative effects on the Group's economic, financial and equity position. The Group implements a risk mitigation strategy that is developed on various levels and envisages the pursuit of: (i) a balanced financial structure in terms of duration and composition, (ii) the continuous monitoring of actual and expected results and financial balances, (ii) the stabilisation of cash flow generation by its business activities, also through geographic diversification and actions to optimise working capital.

- <u>Risks relating to the prices of raw materials and energy sources</u>

This risk refers to the possibility that fluctuations in the purchase and sale price of raw materials may generate changes in economic results such as to compromise the achievement of the objectives and guidance communicated to its stakeholders as well as the maintenance of financial equilibrium. The risk of raw material price increases/volatility could in fact affect the Group's financial position.

The Group constantly monitors the level of raw material prices, also in perspective, identifying appropriate mitigation strategies and actions as well as opportunities, activating cost efficiency levers aimed at preserving unit margin levels as much as possible.

Italmatch also adopts a multi-sourcing strategy, based on solid, long-term supply relationships.

- <u>New investment risk</u>

This risk refers to uncertain events originating from various factors, for example: scenario (micro/macroeconomic, political, regulatory, business), technical, operational, financial, organisational, etc. that may impact the success and profitability of a new investment initiative. Risks are mainly related to the inability of developing certain economic-financial forecasts over the plan period or project life (in the case of a specific initiative, especially a development one), with consequent potential economic or equity losses, or the deterioration of the Group's image.

FINANCIAL RISKS

- Credit risk

Credit risk arises from the loss the Group may incur as a result of the inability of a contractual counterparty to fulfil its obligations, in particular to meet its payment obligations.

The Group manages credit risk with the aim of optimising the risk profile in the pursuit of commercial and business objectives through structured processes and by adopting the necessary procedures for monitoring overdue receivables and implementing the necessary credit recovery procedures.

- Market risk (interest rate and exchange rate)

Market risk is the risk of a change in the price of a financial instrument (interest rate and exchange rate) caused by a change in one or more market conditions. The use of derivative instruments is only permitted against an underlying, commercial or financial instrument to reduce the economic impact of interest and exchange rate volatility. Transactions with derivative instruments for speculative purposes are not permitted. The Group actively employs derivative and/or traditional instruments to manage risk. In particular:

  - *INTEREST RATE RISK*

Interest rate risk is the exposure to the variability of the fair value or future cash flows of financial assets or liabilities due to changes in market interest rates. The Group assesses whether to enter into derivative contracts, typically IRS (interest rate swaps), for hedge accounting purposes if the conditions of IFRS 9 are met.

In order to mitigate the financial effect of changes in interest rates, it is Group policy to hedge, predominantly, the exposure related to medium- to long-term debt. Hedge derivates such as "plain vanilla" and IRS or collar are used to manage this risk.

  - *EXCHANGE RATE RISK*

The diversified geographical distribution of Italmatch Chemicals' production and commercial activities entails exposure to exchange rate risk, both transactional and translational.

The transactional exchange rate risk is generated by transactions of a commercial and financial nature carried out in individual companies in currencies other than the functional currency (Euro), because of fluctuations in exchange rates between the time the commercial/financial relationship originates and the time the transaction is finalised (collection/payment).

- Liquidity risk

Liquidity risk relates to the Group's inability to meet its payment commitments under normal and extraordinary conditions. In order to address this risk, the Group:
- monitors and preserves the maintenance of financial assets (i.e. cash and cash equivalents, readily liquid assets and undrawn committed credit lines) as well as an operational 'liquidity' buffer;
- makes use of the capital market to raise medium- to long-term funds;
- proactively manages the maturity profile of the various funding sources;

- diversifies, it complements, at competitive costs, various instruments of the banking and parabanking system, including factoring and confirming;
- adopts prudent interest rate risk management policies regarding long-term funding sources.

The Group's objective is also to ensure a sustainable financial structure, in terms of leverage and fixed-rate-variable-rate mix, consistent with the Group's commitments and financial requirements, including prospective ones, while preserving a certain financial flexibility to seize available opportunities on a case-by-case basis.

BUSINESS AND OPERATIONAL RISKS

- Health, Safety and Environment (HSE)

The environmental risks arising from the Group's activities are diversified and relate to transportation, storage and management stages of raw materials, as well as the production, transportation, storage of products, and waste management. The diversified geographical presence of plants means that the Group needs to monitor numerous regulations which, if within the European Union they are substantially aligned, are not necessarily reflected in the same principles in regulations on other continents.

In general, a distinction must be made between the management of (i) risks related to the ordinary phase of plant operations and (ii) those generated by the management of extraordinary events/emergencies.

Ordinary operations are managed according to the usual operating procedures and comply with all the requirements set forth in the authorisation decrees issued by the territorially competent authorities. The presence of management systems certified according to ISO 14001 ensures constant regulatory monitoring, updating of operating procedures in accordance with best practices and new regulations, a periodic review process of performance and KPIs by management, and a related continuous improvement plan.

The raw material procurement process (transport) is managed in relation to the type of product, in compliance with the product safety data sheets and related regulatory requirements. Their storage and management takes place on the basis of internal management procedures while complying with the requirements imposed by the authorising bodies.

The main environmental releases from production processes consist of emissions and discharges: technological systems for emission abatement (where present) and effluent treatment systems (or the transfer of the latter to external treatment plants) continuously or periodically monitored according to local regulations, guarantee the minimisation of impacts and in any case compliance with the environmental regulations in force. Periodic environmental monitoring includes environmental sampling subject to analysis by certified third-party laboratories.

In case of extraordinary events, contingency plans are provided within the management systems, which, depending on the severity of the event, provide for internal management, communication to the authorities or even the involvement of external bodies in the management of the emergency for monitoring and intervention plans.

The Group monitors the vulnerability to catastrophic natural events at its production sites and mitigates business interruption and business continuity risks by adopting plans that include procedures for managing emergencies and catastrophic natural events. The geographical diversification of production capacity (especially in certain end-markets such as ASW and LPA) and the underwriting of insurance policies to cover (at least partial) property damage and business interruption that the Group's production sites may suffer represent at least partial risk mitigation factors. The supply chain is also assessed for potential business interruption risks.

- Human Capital

Risks in human resources refer to the Group's ability to retain people in key roles within the Group, ensuring continuity of know-how. The Group adopts long-term incentive plans and retention plans sized, among others, on the risk profiles of business-related activities. Finally, specific management policies are adopted to motivate and retain talent.

The Group employs its own personnel in countries whose laws implement advisory powers and provide for economic protections on matters concerning reorganisations and production reconversions. These powers and protections could therefore affect flexibility in drawing strategic lines of business and entail extraordinary charges with an impact on the results for the year. However, the management of relations with personnel is ensured by the HR functions at the 'Region' level, in coordination with the equivalent central functions all in order to ensure a dialogue with institutions and design appropriate organisational strategies.

- Risks related to innovation, product development and intellectual property

Protecting the intellectual property of the Group's products is a crucial aspect of competitive advantage; the Group currently has an extensive portfolio of registered trademarks and patents. However, actions to protect these rights may not be sufficient to prevent the development of similar products. In particular, laws in some foreign countries do not provide the same level of protection as in Italy, the European Union and the United States.

At the same time, the Group refers to the development of non-proprietary know-how, subject to continuous technological innovation, in order to maintain and defend its competitive position. Mitigating factors also include the application of restrictive confidentiality policies to employees and third parties.

- ICT and Cyber Security

In the ICT environment, the main risks concern attacks on systems with data theft (data breach), security breaches, or the interruption of IT services due to cybersecurity attacks. Essentially, anything that compromises the availability, confidentiality or integrity of data, through its ICT systems, adopts a risk-based approach in order to define security measures of both a preventive and reactive nature, and specific continuous improvement programmes aimed at increasing the company's resilience against cyber security risks. The Cybersecurity Roadmap, adopted in 2019, is inspired by the US-based international framework of the National Institute of Standards and Technology (NIST). Every year Italmatch undergoes external monitoring and vulnerability assessments are carried out to identify risks and gaps and plan remediation actions. All improvement steps contribute to increasing the level of security in one of the five key areas described by NIST:

- Increased network integration (DETECT/RESPOND areas)
- Cyber Threat Intelligence to enable vulnerability analysis and to allow appropriate action to counter attacks (PROTECT/DETECT areas)
- Simulation of attacks, to enable the security team to analyse network vulnerabilities, improve responses and decrease recovery times (PROTECT/DETECT/RESPOND/RECOVER areas)
- control of incoming e-mails, which undergo machine learning and data analytics to detect phishing and fraudulent e-mails (PROTECT area)
- Cybersecurity rating and Vulnerability Assessment via BitSight - to improve protection from our external perimeter (IDENTIFY/PROTECT areas)

The protection of sensitive data is a priority: policies and procedures have been implemented to ensure system access control and secure access to data, especially if relevant or confidential. Disaster Recovery plans have been implemented for business continuity and data recovery, based on in-depth risk assessments specific to each business and each plant.

COMPLIANCE RISKS

The Italmatch Group recognises the fundamental principle of compliance with laws and regulations in all the countries where it operates. All Group personnel are required to operate with fairness and transparency in carrying out their business activities.

The Group condemns the use of any corrupt practice with the utmost rigour and without exception, and has put in place a system of rules and controls for the purpose of preventing and/or managing any criticalities including:

- Globally: the recognition of the principles of integrity and transparency as an integral part of the Italmatch Group's corporate culture and policy and the continuous commitment to their observance. These principles are identified and included in the Group's Code of Ethics and in the main Global Policies, such as the Anticorruption Global Policy, Gifts, Hospitality, Sponsorship and Donation Global Policies, which condemn/prohibit all forms of corruption, active or passive.

  The recognition of a business model based on the principles of integrity and transparency is also required by the Italmatch Group from its suppliers, through adherence to the Supplier Code of Conduct.

  The Whistleblowing reporting procedure is also in place on a global basis, allowing people to report suspected violations of the Code of Ethics, procedures and Group Policy while guaranteeing the protection of confidentiality.
- Locally: the parent company Italmatch Chemicals S.p.A. has adopted the Organisational Model 231, supplemented by ad hoc anti-corruption procedures in the main countries where the Group also operates through its subsidiaries.

  Operational measures are identified for each legal entity, with Directors and Officers designated as authorised individuals to interact with third parties. Specific authorisation and signature powers are also defined and assigned, with single and/or joint signature in consideration of the areas of interest and the spending limits assigned, to circumscribe the management of processes in complete autonomy.

  The accurate and detailed book-keeping and accounting control system monitors that all transactions are authorised, recorded and justified.

In conclusion, as an integral part of the safeguards in place, specific e-Learning training courses are provided to all Group personnel aimed at (i) increasing awareness of the main areas of compliance subject to greater risks, with a specific focus on Anti-Bribery and Anti-Corruption and the conduct to be adopted, and (ii) promoting good behavioural practices adopted at Group level.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion and analysis of our results of operations and financial conditions as of and for the twelve months ended December 31, 2023 and the comparative information for the twelve months ended December 31, 2022 as derived from the Issuer's Consolidated Audited Financial Statements for the twelve months ended December 31, 2023.

Results of Operations

The following table provides an overview of our results of operation for the twelve months ended December 31, 2023 and December 31, 2022.

	Twelve months ended December 31,			
(€ million)	**2023**	**2022**	**Change**	**Change %**
Revenue	**671.2**	**861.9**	**(190.7)**	***(22.1%)***
Other income	17.2	5.5	11.7	*214.2%*
Raw materials, consumables and production utilities	(430.1)	(546.0)	115.8	*(21.2%)*
Third-party production and maintenance	(33.1)	(37.3)	4.2	*(11.2%)*
Transportation costs	(22.7)	(47.9)	25.3	*(52.7%)*
Employee benefits expense	(73.5)	(74.3)	0.8	*(1.1%)*
Other operating expenses	(32.9)	(28.9)	(4.0)	*13.9%*
Depreciation and amortization	(56.1)	(56.8)	0.7	*(1.3%)*
Impairment losses on goodwill	(34.1)	0.0	(34.1)	*(100%)*
Operating profit/(loss)	**5.8**	**76.0**	**(70.2)**	***(92.4%)***
Impairment losses on financial assets	(0.8)	(1.6)	0.8	*(52.2%)*
Finance income	18.8	34.3	(15.5)	*(45.1%)*
Finance costs	(101.6)	(67.4)	(34.2)	*50.8%*
Net finance income/(costs)	**(82.8)**	**(33.2)**	**(49.7)**	***149.8%***
Profit/(Loss) before taxes	**(77.8)**	**41.3**	**(119.1)**	***(288.4%)***
Income tax expense	(4.7)	(12.8)	8.1	*(63.0%)*
Profit/(Loss) after tax	**(82.5)**	**28.5**	**(111.0)**	***(389.5%)***

Revenue

Revenue decreased by €190.7 million to €671.2 million for the twelve months ended December 31, 2023 from €861.9 million for the twelve months ended December 31, 2022. The decrease in our revenue is primarily was affected by a decrease in sales volumes in a context of weak and uncertain global final demand, with a prolonged de-stocking effect throughout the industrial chain in a context also characterised by progressive deflation and falling commodity prices, although not yet at pre-pandemic levels.

Revenue split by end market

The tables below set forth our revenue and volume by end market, respectively, for the twelve months ended December 31, 2023 and 2022.

	Twelve months ended December 31,	
(€ million)	**2023**	**2022**
AWS	326.5	423.9
LPA	201.4	240.4
FPA	72.4	96.2
PPA	71.0	101.4
Total Sales Revenues	**671.2**	**861.9**

Volume sold (Ktons)	Twelve months ended December 31, 2023	2022
AWS	140.3	171.3
LPA	51.0	59.3
FPA	20.7	23.9
PPA	26.4	34.6
Total Volume sold	**238.3**	**289.1**

Here below a brief overview of our end market:

- **Advanced Water Solutions or AWS:** the performance was characterised by a decline in sales volumes in the context of weak and uncertain global end demand. Sales revenues decreased by 23% compared to the previous year, in an environment also affected by progressive deflation and falling commodity prices, although not yet at pre-pandemic levels.
- **Lubricant Performance Additives or LPA:** decrease in sales volumes and revenues by 16% compared to the previous year, although the latter showed a growth trend compared to 2021 (+10% CAGR). The segment that contributed most to sustaining revenues and margins was the Industrial segment, compared to Engine Oil, thanks to commercial initiatives as well as the introduction of new application solutions.
- **Flame Retardants and Plastic Additives or FPA:** in 2023, the reduction in volumes was -14%, in particular, the weakness of demand from the construction industry and more recently from E&E (Electrical&Electronics) applications continued to impact. Sales revenues decreased by 25% due to commercial policies on sales prices, which, however, had a more mitigated impact on unit margins. The Group continues to focus on innovative products, such as 'Halogen-Free' flame retardants for E&E and especially for photovoltaic panels, with potential for volume growth, especially in China; PVC additives are slowing down.
- **Performance Products and Personal Care or PPA:** decline in volumes and revenues compared to the previous year, driven by the prolonged effect of de-stocking and weak demand, especially in Europe, as well as competitive pricing pressures that impacted the segment's unit margins. The general weakness in demand (due to the aforementioned causes) also had a direct effect on domestic consumption.

Raw materials, consumables, and production utilities

Raw materials, consumables and production utilities decreased by €115.8 million, or 21.2%, to €430.1 million for the twelve months ended December 31, 2023 (representing 64.1% of our revenue) from €546.0 million for the twelve months ended December 31, 2022 (representing 63.3% of our revenue). The decrease of the period is mainly the result of volume effect (about 70%). The following table sets forth a breakdown of costs to purchase raw materials, consumables and production utilities for the periods presented.

(€ million)	Twelve months ended December 31, 2023	2022
Raw materials	407.2	506.2
Production utilities	22.5	38.9
Consumables and others	0.4	0.8

Third-party production and maintenance, transportation costs

Third-party production and maintenance, transportation costs decreased by €29.5 million, or 35%, to €55.8 million for the twelve months ended December 31, 2023 from €85.2 million for the twelve months ended December 31, 2022. The decrease is mainly due to the decrease in transportation costs, which decreased by 25.3% during the period mainly due to the normalization of the global supply chain combined to volume reduction.

Employee benefits expense

Employee benefits expense decreased by €0.8 million, or 1.1%, to €73.5 million for the twelve months ended December 31, 2023 from €74.3 million for the twelve months ended December 31, 2022.

Other operating expenses

Other operating expenses increased by €4.0 million, or 13.9%, to €32.9 million for the twelve months ended December 31, 2023 from €28.9 million for the twelve months ended December 31, 2022. The increase is mainly due to an increase in sundry expenses, which include cost recharges to the parent company, travel expenses, non-income taxes, contingent liabilities, licenses, environment quality and safety costs, advertising and others.

Depreciation and Amortization and Impairment Losses on Goodwill

Depreciation and amortization increased remaining substantially in line with those of the previous comparable period at €56.1 million for the twelve months ended December 31, 2023 compared to €56.8 million for the twelve months ended December 31, 2023. Impairment losses on goodwill increased by €34.1 million due to impairment losses for goodwill in CGU 1 and CGU 5.

Impairment Losses on Financial Assets

Impairment Losses on Financial Assets decreased by €0.8 million, or 52.2% to €0.8 million for the twelve months ended December 31, 2023 from €1.6 million for the twelve months ended December 31, 2022. The loss is mainly due to the MTM valuation of the investment in FRXI, listed in the Canadian stock exchange (i.e. TSX Venture Exchange).

Net Finance Income/(Costs)

Net finance costs amounted to € (82.8) million for the twelve months ended December 31, 2023 compared to net finance income of € (33.2) million for the twelve months ended December 31, 2022. The increase of € (49.7) million is mainly due to unrealized exchange rate effect amounting to € (17.4) million, higher interests on Bonds for € (29.9) million and the change of amortized costs for € (7.4) million related to the execution of refinancing process in the first quarter 2023, partially offset by the reduction of other financial costs/write downs.

In the twelve months ended December 31,2023 the unrealized exchange rate effect decreased by € (17.4) million, from €9.3 million for the twelve months ended December 31, 2022 to € (8.1) million for the twelve months ended December 31, 2023. This change is mainly due to the re-translation of USD and GBP denominated intra-group loans.

Income Tax expense

Income tax expense decreased by €8.1 million, or 63.0%, to €4.7 million for the twelve months ended December 31, 2023 from €12.8 million for the twelve months ended December 31, 2022. This decrease was primarily due to the decrease of our tax base.

Cash Flows

The table below sets forth a summary of our consolidated statements of cash flows for the periods indicated:

	As of December 31,		
(€ million)	**2023**	**2022**	**Change**
Cash Flow from operating activities	102.1	0.0	102.1
Cash Flow (used in) investing activities	(30.2)	(31.5)	1.3
Cash Flow from financing activities	18.8	21.6	(2.7)
Increase/(Decrease) in cash and cash equivalent	**90.7**	**(9.9)**	**100.6**
Cash and cash equivalent at the beginning of period	26.9	36.3	99.3
Cash and cash equivalent at the end of period	116.9	26.9	197.2

For further details refer to the Cash Flow Statements in the Consolidated Financial Statements in the Consolidated Audited Financial Statements. The above summarized Cash Flow Statements for the twelve months ended December 31, 2023 and 2022.

Cash Flows from Operating Activities

Cash flows used in operating activities was €0.0 million for the twelve months ended December 31, 2022 compared to cash flow from operating activities of €102.1 million for the twelve months ended December 31, 2023. The increase in cash flow was due to the working capital optimization actions (mainly reducing inventory volumes and benefitting from lower raw material prices).

Cash Flows (Used In) Investing Activities

Cash flows used in investing activities decrease by €1.3 million to € (30.2) million for the twelve months ended December 31, 2023 from € (31.5) million for the twelve months ended December 31, 2022. Refer to "Cash flows used in investing activities" below for further information.

Cash Flows from Financing Activities

Cash flows used in financing activities were €18.8 million for the twelve months ended December 31, 2023, compared to €21.6 million for the twelve months ended December 31, 2022.

Net Working Capital

We actively manage the working capital requirements to optimize and improve the capital efficiency.

Net Working Capital represents inventories and trade receivables, less trade payables. 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 mainly due to inventories and could bring to an increase in trade receivables as a result of higher prices on sales, partially offset by an increase in trade payables. Working capital levels vary also as a result of several other factors, including the terms for the collection of receivables from our customers or the payables by our suppliers, production stoppages and maintenance works, changes in payment terms in the case of key suppliers, foreign exchange rates, decisions to hold inventories, the operating level of business, seasonality and cyclicality of the industries that we supply.

The following table summarizes our Net Working Capital as of the dates indicated:

(€ million)	As of December 31, 2023	2022	Change
Inventories	131.5	218.6	(87.1)
Trade receivables	59.9	79.3	(19.5)
Trade payables	(71.3)	(100.3)	29.1
Trade Net Working Capital	**120.1**	**197.6**	**(77.5)**

Net Working Capital decrease by €77.5 million to €120.1 million as of December 31, 2023, from €197.6 million as of December 31, 2022, primarily due €87.1 million decrease in inventory.

Cash flows used in investing activities

We define Cash flows used in investing activities as the addition and disposal in goodwill, other intangible assets and property, plant and equipment and acquisition or disposal of subsidiary.

The table below sets forth the cash flows used in investing activities for the periods indicated below.

(€ million)	As of December 31, 2023	2022
Investments in property,plant and equipment [a]	(24.8)	(24.6)
Investments in other intangible assets [b]	(5.4)	(4.9)
(Acquisition of subsidiary, net of cash acquired) [c]	0.0	(2.1)
Cash flows used in investing activities [b]	**(30.2)**	**(31.5)**

(a) Investments in property, plant and equipment mainly includes expenditure for industrial building, generic plant, laboratory equipment, office furniture.
(b) Investments in other intangible assets mainly includes start-up and expansion costs, concessions, licenses and intellectual property rights, trademark.
(c) Acquisition of subsidiary, net of cash acquired.

RECENT DEVELOPMENT - NEW ORGANIZATION

For information regarding key highlights and events after the reporting period, please refer to the paragraph "37. Subsequent events" at page 122 of the 2023 Annual Report.

ANNEX 1 – ISSUER CONSOLIDATED AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDING DECEMBER 31, 2023

2023

Annual Report
Italmatch Chemicals Group

Italmatch Chemicals

Italmatch Chemical Group

2023 Annual Report

BoD of the 22 March 2024

Italmatch Chemicals S.p.A.

Registered office: Via Magazzini del Cotone 17, Modulo 4 –16128 Genova
Genova Companies Registry no. 13471010150
Genova Economic and Administrative Index no. 415649
Share capital Euro 7,153,209 fully paid-in
Tax Code/VAT Code no. 13471010150

Summary

Dear shareholders

After a three-year period of pandemics, *lockdowns*, global logistic crises and new geopolitical tensions leading to uncertainties in the supply chain, a period of difficult interpretation and limited visibility has opened up. The long tail of 2022 led to a period of global *de-stocking,* leaving companies on stand-by, with uncertainties about future investments.

The weak economic growth and high interest rates due to ongoing inflation, combined with increasing regulations, tend to weaken the competitiveness of local European producers. The year 2023 has therefore required a considerable effort from companies in the light of so many complexities. The entire chemical supply chain still presents complex scenarios: our markets, our competitors and our customers' needs are changing rapidly.

In this complex period, the Group has accepted these challenges and has demonstrated its ability to stay on the course. Overall, the results were satisfactory again this year, relying on a policy of sustained margins over time and a policy of financial discipline as well as a strengthening of the liquidity position, now structurally improved compared to previous years.

To these must be added factor of resilience and continuous and persistent improvement factors, Such as a strengthened capital structure from the refinancing carried out in February 2023 and **the entry of the Saudi Arabia** - **Dussur fund**, — through Fire (BC) MidCo Ltd. together with targeted ESG initiatives, a strong push for product innovation and expansion of the customer base especially in markets with growth potential, operating cost efficiencies and a return to selective and strategic acquisitions, such as **Alcolina Quimica & Derivados in Brazil**.

The uncertainties of the prospective scenario remain: in recent years, there has been talk of overcoming the 'VUCA' world, an acronym that aimed to make sense of a world that appeared to us to be volatile, uncertain, complex and ambiguous. Now a new phase is emerging, explained and summarised by the so-called 'BANI' model, in which fragility, anxiety, non-linearity and incomprehensibility prevail. The year 2023 was proof of this, and this had impacts on all stakeholders.

However, the challenging year has not affected the deep sense of responsibility that has always characterised the work of our Group.

People have remained firmly at the centre of our activities. Despite a project to streamline and optimise the Group's structure, priority has always been given to our principles and code of ethics, which have been the foundation of the company for over twenty years. We aim to increasingly invest in our human resources, listening and sharing, with all generations, integrating and enhancing them with *upskilling/reskilling* projects.

The ambitious and strongly believed goal is '*Shared Value Creation*': leadership models (*future Proofing leadership*), integration and building of *Change Management* practices in the context area of digital change, *Engagement* and *Development*, are our roadmap in **People** area.

In 2023, according to a well-defined project, there was also a strong push to enhance the **communication** model **towards all stakeholders.** External communication not only aimed at consolidating *brand awareness*, *product marketing* and digitisation of the *customer journey*. It has indeed been central for us to transparently communicate the Italmatch Group's commitment on the ESG front, also with the intention of spreading and increasing awareness of the key role of chemistry in the *green* transition.

Reflectivity, also of the importance of STEM studies for the new generations, supporting educational initiatives with a focus on *gender diversity* in our sector, which has always been difficult for the female gender to attract and *retain.* Always with an ESG perspective, community relations and sponsorship activities to support initiatives beneficial to or of interest to the territories in which the Italmatch Group operates have been strengthened. This has contributed to increasing the Group's recognition and reputation, with positive impacts on business and institutional relations.

Internal communication work for greater *employee engagement* was also strengthened, making the 25th anniversary of the founding of Italmatch Chemicals S.p.A. an occasion for cohesion, celebration of the roots and industrial model, and vision for the future. The values and direction were summarised and officially disseminated with the publication and delivery of a commemorative book handed out to employees, institutions, partners and long-standing customers.

On the environmental and sustainability front, Italmatch has worked on building management systems to achieve targets, inventorying GHG emissions and defining a roadmap to reduce its carbon footprint by 2030, announcing its commitment to the UN *Sustainable Development Goals* and setting specific targets. In April 2023, it published its first **sustainability report**, the first important official tool to update stakeholders on four main areas of work (Responsible Product, Environment, People & Communities, Governance & Business Ethics).

Concurrently, all *business units*, plants and **R&D** laboratories continue to work closely with the ESG team to develop the *environmentally-friendly* product portfolio and to strengthen our role in *green* supply chains — from renewable energies to electric mobility, prioritizing circular economy projects. The European **IPCEI** project — of common European interest — for research and innovation in the electric battery production chain (to which the Group can contribute thanks to its role as a key product supplier in the chain), for the reuse of certain materials, and for research on next-generation batteries continues to be important. The Group's commitment to the **FlashPhos** circular economy project, for the recovery of phosphorous from urban and industrial waste continues in May 2023, Italmatch hosted all its European partners in Spoleto, in its historical plant in Italy, confirming its role as a key operator from a technological and industrial point of view in the consortium.

A solid and growing Group is framed by an increasingly strong **governance** system. 2023 was a year of strong policy development and compliance models, fundamental in a complex international and matrix system like ours.

We have changed and achieved results together, in challenging times, thanks to our determined, motivated and passionate people.

All this, holding firmly to our fundamental principles, which have accompanied us for twenty-five years, made up of passion for ideas, sense of belonging, cultural combination in integration and internationalisation processes, innovation and digitalisation, sustainability, social responsibility and leadership as an ambition to think of a better future.

We will succeed in all these areas because we are a resilient and change-oriented company with concrete entrepreneurial and managerial plans that we are systematically implementing. And we will emerge even stronger from these challenging times, just as we have repeatedly done over our 25 year of history.

With the responsibility to leave a world that lives up to the dreams of younger generations.

COMMUNITY RELATIONS, SUSTAINABLE DEVELOPMENT

25 YEARS OF INNOVATION, PASSION AND GROWTH

Directors’ Report

1. General economic situation and industry trends

The post Covid-19 pandemic global economic recovery, Russia's invasion of Ukraine and geopolitical tensions as well as the cost-of-living crisis proved surprisingly resilient. Inflation is declining more rapidly than expected compared to its peak in 2022, with a lower-than-expected impact on employment and activity, reflecting favourable supply-side developments and central bank tightening, which has kept inflation expectations anchored.

Economic growth is estimated to have been stronger than expected in the second half of 2023 in the US and many major emerging markets. In several cases, public and private spending contributed to the recovery, with increases in real disposable income supporting consumption against a backdrop of still tight, if easing, labour markets and household consumption drawing on savings accumulated during the pandemic era. The growing momentum was not felt everywhere, with particularly subdued growth in the euro area, reflecting weak consumer confidence, persistent effects of high energy prices and weakness in the manufacturing and business investment.

In this context, according to the latest International Monetary Fund (IMF) estimates for 2023 and updated in 2024, the Eurozone grew by 0.5% (reflecting the high exposure to the war in Ukraine) while the US ended the year with +2.5%.

For the current year (2024), the IMF reported a projected global GDP growth of 3.1%. This projection was increased by 0.2 percentage points compared to the October 2023 estimates, due to greater-than-expected resilience in the US and several large emerging market and developing economies, as well as fiscal support in China.

The forecast for 2024 is, however, below the historical average (2000-2019) of 3.8%, reflecting restrictive monetary policies to mitigate inflation and the withdrawal of fiscal support, as well as low productivity growth.

From a geographical perspective, the projected growth in 2024 mainly reflects lower growth in advanced economies and substantially stable growth in emerging markets and developing economies.

Overall, moderate inflation and steady growth pave the way for a *soft landing*.

Below is a summary table on estimates to 2023 and projections to 2024 for the main geographical areas.

GDP projectio	**2023**	**2024**
Advanced economies	**+1.6%**	**+1.5%**
United States	+2.5%	+2.1%
Euro zone	+0.5%	+0.9%
Germany	-0.3%	+0.5%
Italy	+0.7%	+0.7%
Emerging markets and developing countries	**+4.1%**	**+4.1%**
Emerging and Developing Asia	+5.4%	+5.2%
China	+5.2%	+4.6%
India	+6.7%	+6.5%
ASEAN -5	+4.2%	+4.7%
Latin America and Carribbean	+2.5%	+1.9%
Brazil	+3.1%	+1.7%
Mexico	+3.4%	+2.7%
Middle East and Central Asia	+2.0%	+2.9%
Saudi Arabia	-1.1%	+2.7%
South Africa	+0.6%	+1.0%
Worldwide	**+3.1%**	**+3.1%**

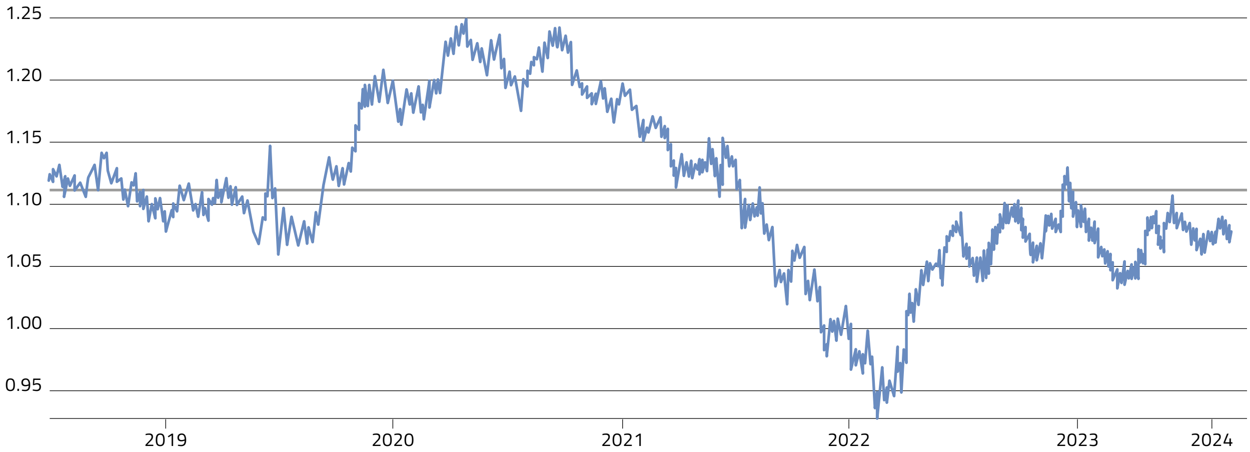
Source: International Monetary Fund (IMF)

These forecasts are based on the assumption that interest rates will decrease in major economies.

The year 2024 began with new negative supply shocks for the global recovery, with the ongoing tensions from the conflict in Gaza and Israel and the recent attacks in the Red Sea, through which 11% of global trade circulates, leading to spikes in food, energy and transport prices. (*container* shipping costs have already risen sharply).

Regarding the EUR/USD exchange rate and monetary policies, the expectations of the major players on central bank rates are that the Fed will begin cutting rates at the May/June meeting with a cumulative 100 basis point decrease to 4.25-4.50% by December 2024. The European Central Bank (ECB) is also expected to initiate rate cuts that could bring the refinancing rate to 3.25% by the end of 2024. Below is the 5-year historical trend of the Euro/USD exchange rate.

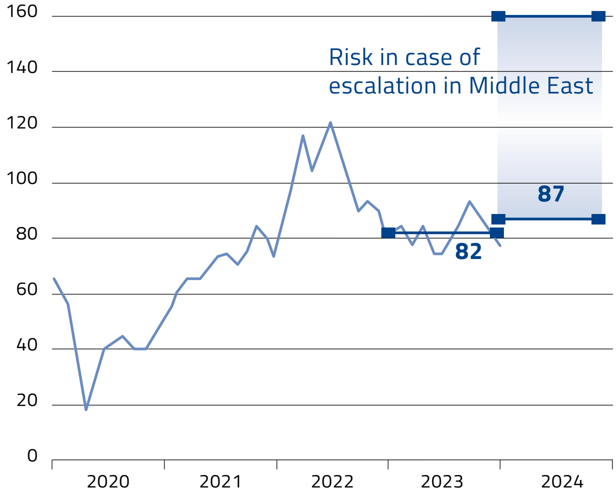
EUR/USD exchange rate



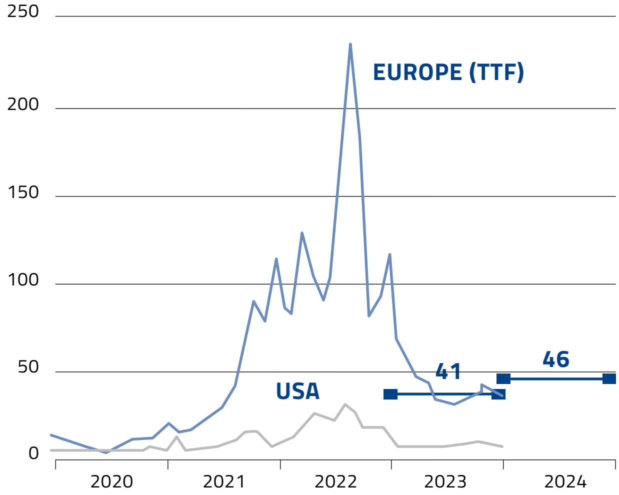
Source: Banca d'Italia

In conclusion, the graphs below show the trend of Brent oil price ($/barrel) and natural gas price (Euro/MWh). Oil prices have recently risen and remain a key source of upside risk for inflation. In 2023, oil prices fluctuated between $70 and $90 per barrel, with some exceeding $90 due to political uncertainty (especially after the tensions in the Middle East).

Oil price (US$/Barrel)



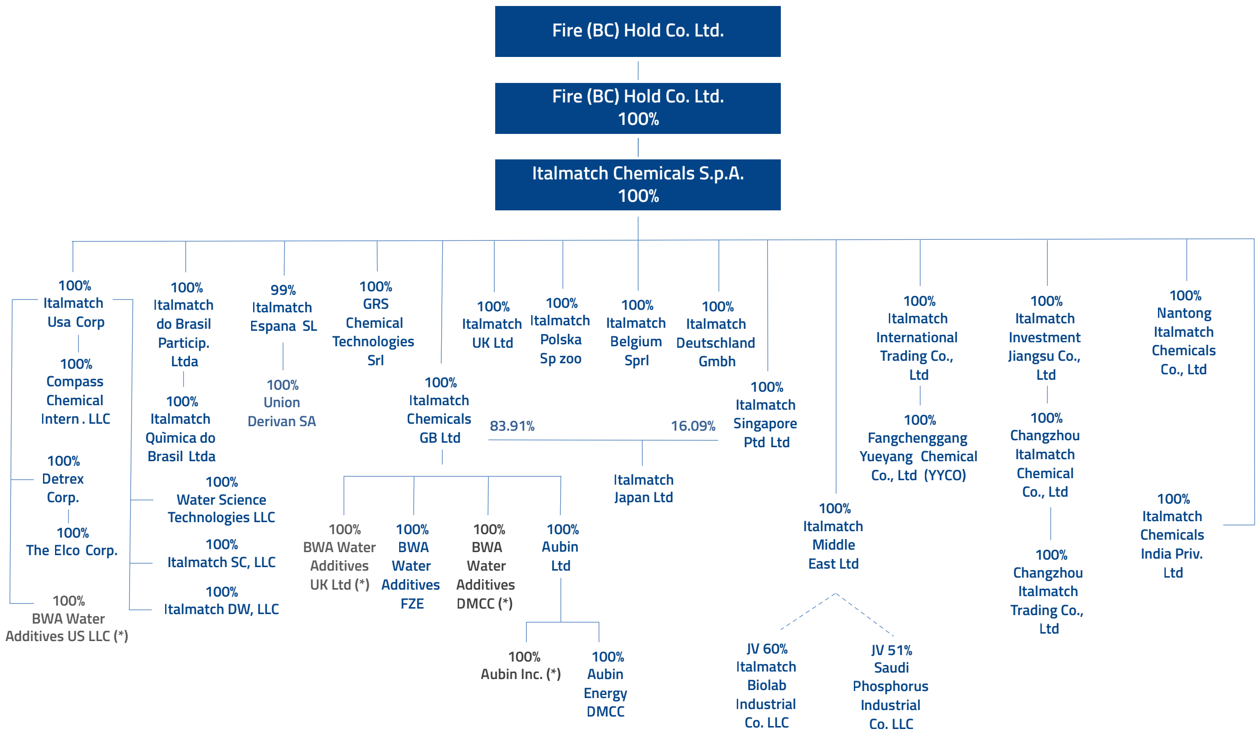
Gas Price (EUR/MWh)



Source: IMF, World Bank, GME, Prometeia

2. Company structure and Group companies

(as at 31 December 2023)



(*) Not operating company,

Italmatch Chemicals is a leader in speciality chemicals and particularly in the production of inorganic and organic phosphorous derivatives and in the production of polymer and chloride esters from synthetic and all-natural ranges and the marketing of functional solutions.

The Group is characterised by its extensive geographic and product/solution/market diversification, as well as its constant commitment to innovation and research and development, with 7 R&D centres of excellence worldwide and an increasing focus on environmental sustainability issues, to support the offer of *green* solutions to its customers.

The Group mainly serves four so-called *end markets* (Lubricants — LPA, Water Treatment — AWS, Plastics Additives and Flame Retardants — *FPA*, Personal Care and Other Specialty Chemicals — PPA), through integrated *Business Units*, 19 production plants located globally (9 in EMEA, 5 in America, 5 in APAC) and 1,022 employees as of 31/12/2023.

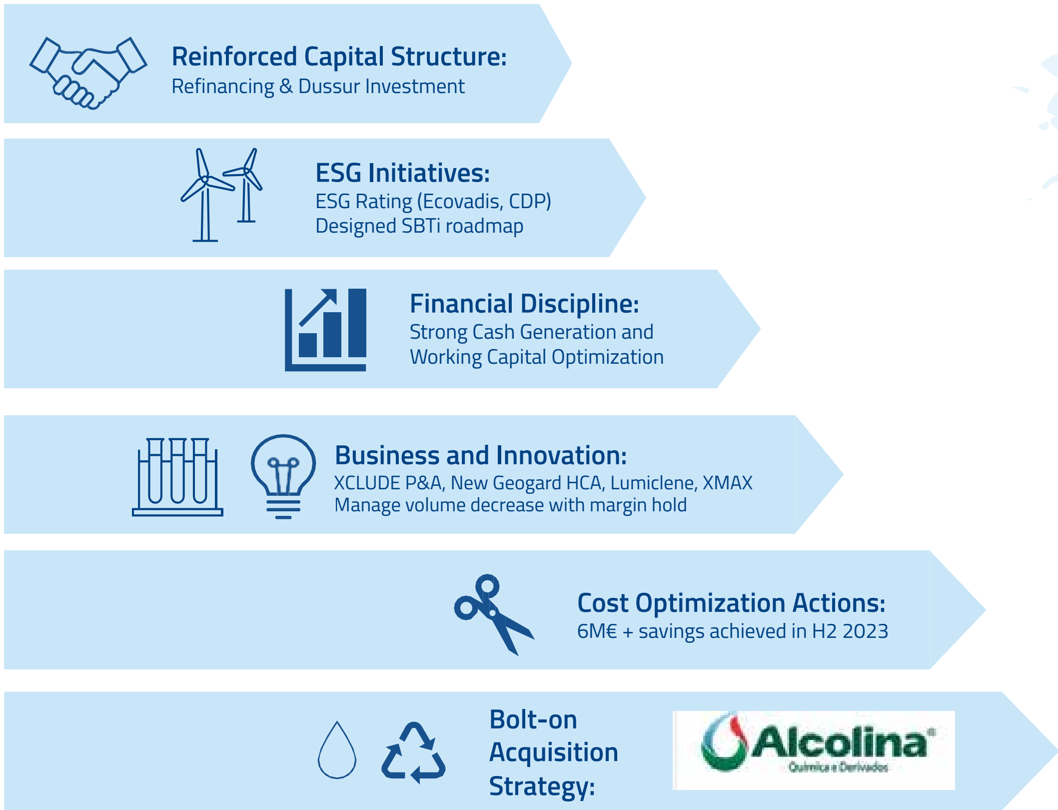
	Advanced Water Solutions	Lubricant Performance Additives	Flame Retardants & Plastic Additives	Performance Products & Personal Care Additives
% of Net Sales	48% 	30% 	11% 	11% 
Selected Products	• Antiscalants • Microbial control • Corrosion Inhibitors • Water solution polymers	• P2S5 (Antiwear) • Polymeric Esters • MWF Additives • Sulphurides EP additives • Grease	• Red Phosphorus Flame Retardants • Halogen-Free Flame Retardants • PVC Stabilizers • Antislip Agents	• Fatty Acid Chlorides • Special Phosphites / Phosphates • Esterquats and Esters
Key End Markets	• I&I Cleaning • Household Detergents • Desalination • Geothermal • Mining and Metal Recovery	• Industrial Lube Oil • Metalworking Fluids • Fuel Additives and Engine Oil	• Engineering Thermoplastic • Polyolefins • PVC, Epoxy, Rubbers, Foams	• Lithium Batteries • Personal Care & Pharma • Agrochemicals • Construction • Mining

The Group comprises 37 companies within the consolidation scope as of 2023, and some corporate divestitures took place during the year, particularly in the APAC region: JV China Kumming e JV China Xundian.

It should be noted that Alcolina Quimica & Derivados will be included in the scope of consolidation in 2024; the *closing* — for the purchase of the 60% stake — was finalised in early of 2024.

The analysis of management data in these financial statements refers to consolidated data.

3. Major events in 2023



Throughout 2023 and currently the Group has focused on strengthening its balance sheet and financial position, while preserving organic and external growth objectives. In particular, the main actions guidelines were:

- **Capital structure strengthening**: business and financial continuity was supported by the refinancing of long-term debt, finalised in February 2023, with the issue of the bond (maturing in 2028) and the Amendment and Extension of the SsRCF *committed revolving* line (expiring in October 2027). In addition, in early 2023 the entry of the minority shareholder Dussur (i.e. the Saudi Arabian Industrial Investments company) with a stake of less than 20% in the capital of Italmatch's parent company, Fire (BC) MidCo Ltd, was finalised, also through a capital increase of approximately Euro 100 million, subsequently reflected at the level of Italmatch Chemicals S.p.A. through a capital increase.
- **ESG initiatives development**: Italmatch Group firmly believes in the possibility of developing an ethical and sustainable business model through a global vision and local presence, in order to create shared value and wellbeing while respecting people, the environment and the local communities of which it is part. To pursue this objective, the Group has carried out several ESG (Environmental, Social and Governance) initiatives with a focus on community development, the governance model (e.g. establishment of an ESG Steering Committee) and the decarbonisation path (e.g. certification of the Group's emissions inventory). In 2023, the Group achieved a significant improvement in its Ecovadis rating being awarded the silver medal, as well as initiated the CDP Climate Change rating process, which concluded with a B-rating in early 2024.
- **Financial discipline and liquidity position strengthening**: during 2023, the Group adopted a policy of financial optimisation and constant working capital efficiency, with particular reference to inventory, which decreased by

1.022
People

19
Manufacturing plants

671 M€
Sales Revenue

7
R&D centers

approximately Euro 83 million during the year. The Group's liquidity position amounted to Euro 224 million, consisting of cash & equivalents of Euro 117 million (compared to Euro 27 million at the end of 2022) and medium-term *committed* undrawn lines amounting to Euro 107 million (compared to Euro 41 million at the end of 2023).

- **Operating leverage strengthening**: in mid-2023, a policy of optimising and reducing operating costs was implemented in a context of prolonged de-stocking and strong macroeconomic and sectoral uncertainty. Contingent '*quick-win' measures were* adopted, as well as structural actions to contain costs and improve efficiency, always respecting the Group's ethical principles, which place people who have been the foundation of the company's growth for over twenty years at the center.
- **Business development and innovation**: in 2023 and to date, the Group has supported several product development initiatives with a *green* footprint, including 'XCLUDE P&A' a new solution being tested in the O&G field, 'GEOGARD® HCA' a solution in the geothermal field, and 'LUMICLENE®' a new series of solutions characterised by '*smart-tagged'* polymers for use in industrial water treatment.
- **External lines development**: at the end of December, the Group signed a binding agreement for the acquisition of the majority stake in Alcolina Quimica & Derivados, a Brazilian company specialising in water treatment chemical additives (AWS) for the sugar industry, bioethanol and industrial applications. The acquisition was finalised in early 2024 and is in line with the Group's strategy of pursuing targeted acquisitions of small and medium-sized companies operating in interesting markets and/or technology niches with potential for operational and "*accretive"* synergies for the Group. The acquisition is also consistent with the strategy of strengthening Italmatch's positioning in *green* products and solutions.

4. Alternative Performance Indicators

In addition to the financial parameters provided for by International Financial Reporting Standards (IFRS), this Annual Financial Report also includes alternative performance indicators not provided for by IFRS in order to allow for further evaluation of the Group's results. In particular, these parameters are defined as follows:

- **EBITDA:** profit/(loss) before tax, after adding financial income, financial expenses, depreciation and amortisation as well as impairment of financial assets, goodwill;
- **Adjusted EBITDA:** profit (loss) before tax, after adding financial income, financial expenses, depreciation and amortisation as well as impairment of financial assets, goodwill and certain *managerial* adjustments and non-recurring expenses;
- **Contractually Defined EBITDA**: this is the EBITDA contractually defined by the existing debt agreements, including the indenture of the bond. Specifically, this is determined as Adjusted EBITDA further adjusted for certain cost savings and other operating synergies expected to be realised;
- **Net financial debt:** with regard to the definition of the net financial position, reference is made to what is reported on the subject in CONSOB Attention Notice No. 5/21 of 29 April 2021. In particular, the net financial position is composed of the following elements:
  A) Cash,
  B) Cash equivalents,
  C) Other current financial assets,
  D) Liquidity (A) + (B) + (C),
  E) Current financial debt,
  F) Current portion of non-current financial debt,
  G) Current financial debt (E) + (F),
  H) Net current financial debt (G) – (D),
  I) Senior Secured Floating Rate Notes,
  J) Super Senior RCF,
  K) Non-current financial debt - lease liability,
  L) Non-current financial debt (I) + (J) + (K),
  M) Net financial debt (H) + (L);
- **Net financial debt contractually defined:** this indicator was constructed as contractually defined for covenant verification purposes and corresponds to the algebraic sum of the aggregate nominal amount of outstanding bonds, cash and cash equivalents, utilisations of the SsRCF *committed* line, other financial debt, the amount of factoring with recourse and lease liabilities.

5. Group Performance and Results

In a complex macro-economic context at a global level, characterised by high inflation and rising interest rates as well as weak final demand and prolonged *de-stocking* wave, particularly in the chemical sector, the Italmatch Group continued to pursue its strategy of focusing on speciality chemical solutions and products with high added value and innovation, supporting unit margins even at the expense of sales volumes (which were down compared to previous years).

Overall, the Group thus demonstrated its economic and financial resilience again in FY2023, recording growing revenues and margins in recent years, albeit lower than in FY2022, a year characterised by inflationary pressures and sustained demand following the post-pandemic supply chain crisis.

Business performance

The Group ended FY23 with sales revenue of Euro 671 million, down 22% from 2022 (amounting to Euro 862 million) and volumes of 238 thousand tonnes, a decrease of 18% from the previous year (amounting to 289 thousand tonnes).

A detailed table for EBITDA is provided below:

(Euro/m)	01.01.2023 31.12.2023	01.01.2022 31.12.2022
Net profit/(loss)	**(83)**	**29**
Income taxes	5	13
Finance costs	102	67
Finance income	(19)	(34)
Impairment Losses on Financial Assets	1	2
Impairment Losses on Goodwill	34	0
Depreciation and amortization	56	57
EBITDA	**96**	**133**
Managerial adjustments and non-recurring items	11	9
Adjusted EBITDA	**107**	**142**
Cost savings and other synergies	3	2
Contractually-defined EBITDA	**110**	**144**

Adjusted EBITDA[1], amounting to Euro 107 million in 2023, decreased by 24% compared to the previous year (in which the Group achieved its highest level historically), while maintaining profitability levels as a percentage of revenues at 16%, despite low-capacity utilisation levels. This was also achieved through the adoption of operating cost containment measures that took place in the second half of 2023 and are continued into early 2024.

At the end of the year 2023, an agreement was signed for the acquisition of Alcolina Quimica & Derivados in Brazil, a company operating in the AWS end market, which was finalised in early 2024. The company will be included in the scope of consolidation as of Q1 2024 and therefore the table above does not include it.

Managerial adjustments and non-recurring items, amounting approximately to Euro 11 million, include "*add-backs*" of about Euro 4 million concerning potential or realised transactions related costs (external only), mainly related to one-time events that occurred in the first quarter of the year; approximately Euro 2 million of external and personnel settlement and related costs as a result of restructuring, integration and review of the organisational structure during the year, resulting in workforce reduction, as well as the elimination of about Euro 1 million related to depreciation and amortisation

[1] Please refer to the section 'Alternative Performance Indicators' for an analytical description of the definitions.

included in the inventory change; the remaining about Euro 4 million refer to costs related to strategic initiatives and projects (including the KSA project) and/or set-up costs, as well as non-recurring costs.

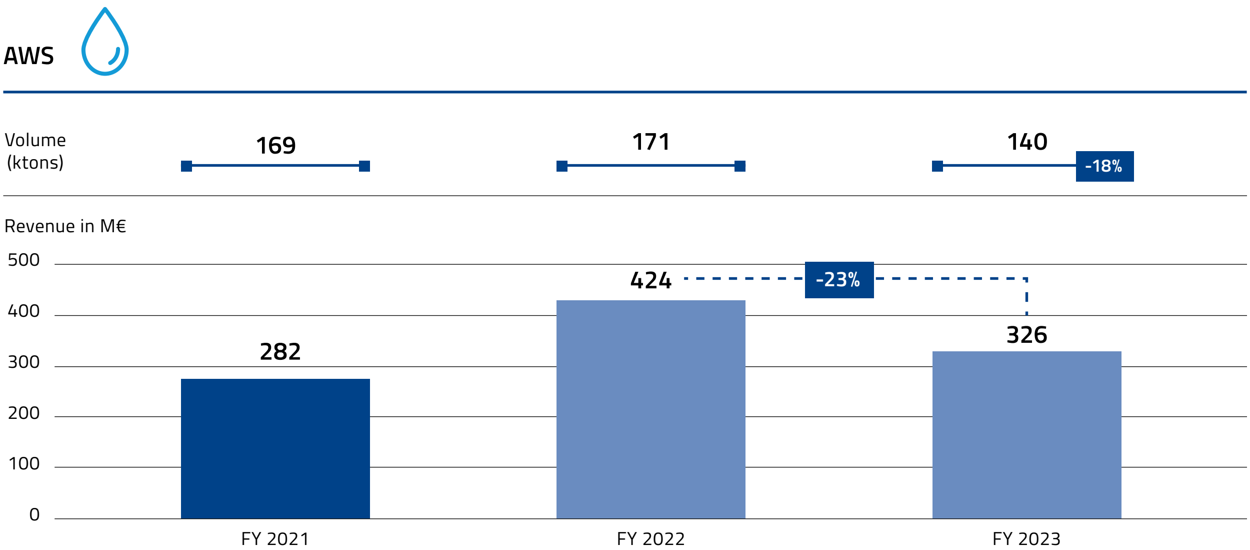
The contractually defined EBITDA (so-called Further Adjusted EBITDA[1]) amounts to Euro 110 million (compared to Euro 144 million in the previous year) and includes cost synergies arising from (i) the construction of the cogeneration plant in Arese (the authorisation process for which is expected to be completed in the first half of 2024) for approximately Euro 0.7 million (ii) the final phase of the integration of the Qualiano plant for about Euro 0.2 million as well as (ii) the restructuring and reorganisation actions implemented during 2023, with particular reference to the second half of the year, in order to reflect the related "run rate" effect, for about Euro 2 million.

In 2023, it should be noted that the production internalisation process was substantially completed in the Qualiano plant in Naples (belonging to GRS Chemical Technologies S.r.l. - GRS) of products and formulations previously supplied to affiliates, especially American ones, by external 'tollers'; the commissioning of the new plant with a tenfold capacity increase and the consolidation of other activities, also following a new warehouse and dedicated spaces, made the GRS subsidiary the first plant in Europe in terms of tonnage of water-soluble polymers (raw materials and finished products) with a capacity of 30 thousand tonnes per year.

In addition, the acquisition of AUBIN in June 2022 was fully integrated into the Group in 2023 to support the development of complementary products in the O&G sector with a strong ESG content, starting from the application of '*green chemicals*' for P&A of depleted wells (*plug & abandonment*).

To date, the contribution of the acquisitions made in recent years, including Solvay Water, BWA, WST, Aubin, as well as the aforementioned expansion of the Naples plant and the acquisition Alcolina Quimica & Derivados completed in early 2024, have strengthened the Group's position in the segments of water treatment for industrial use, oil & gas, desalination and geothermal, representing the new core business.

The trend of sales volumes and revenues by *end market is* summarised below:

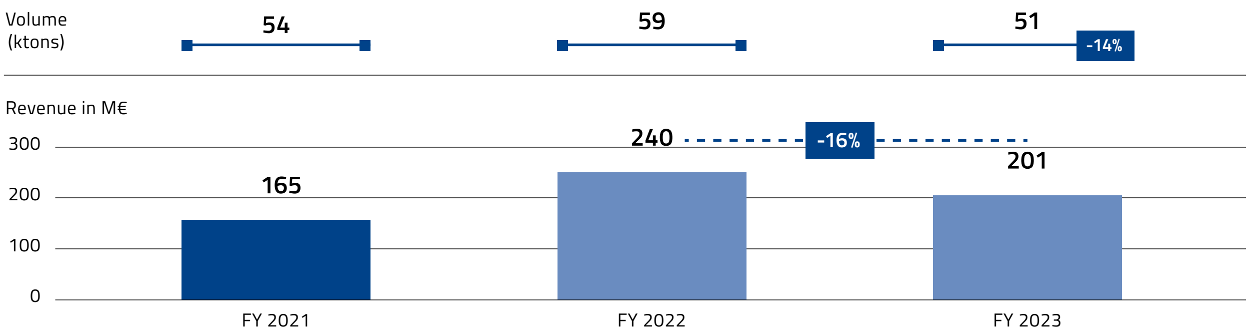


AWS (Advanced Water Solutions): represents the Group's main end-market with 48% of total revenues and includes a broad and diversified group of products, solutions and formulations (e.g. *antiscalants*, polymers, *esterquats*, biocides, etc.) with numerous and diverse final applications (e.g. industrial, home-care, cleaning, O&G, desalination, mining for separation of minerals, metals and precious materials, geothermal, etc). The Group holds a leadership position in phosphonates, especially for industrial use and additives, as well as in *scale-inhibitors* for desalination and the production of renewable energies such as geothermal energy.

FY23 was characterised by a decline in sales volumes in the context of a weak and uncertain global final demand, with a prolonged *de-stocking* effect throughout the industrial supply chain, especially in Europe, and complicated by Chinese competition — particularly for more '*commoditised*' products — against the weakening of local domestic demand.

Sales revenues decreased by 23% year-on-year, in a context also characterised by progressive deflation and declining raw material prices, although not yet at pre-pandemic levels. It should be noted that the performance showed growth compared to 2021 in terms of revenue and margins.

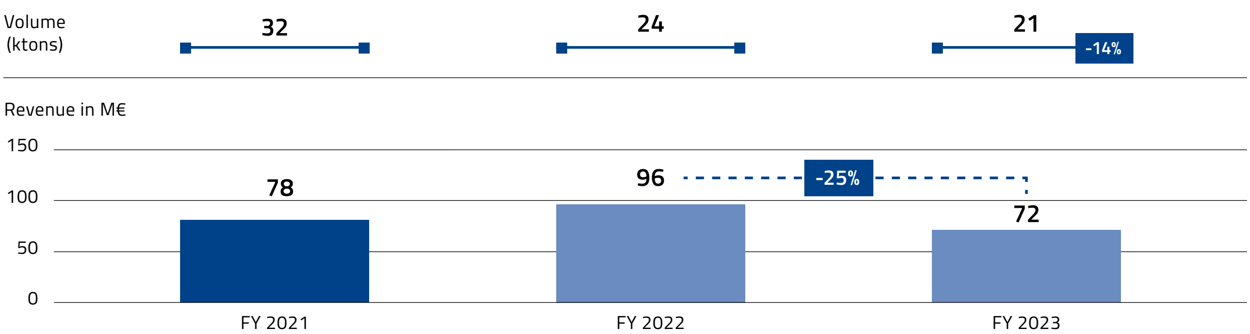
LPA



LPA (Lubricant Performance Additives): represents the Group's second largest end-market and the most resilient historically in terms of economic performance, accounting for about 30% of total revenues.

In 2023, there was a reduction in revenue by 16% compared to the previous year, although the trend showed a growth compared to 2021 (+10% CAGR). The segment that mostly contributed to sustaining revenues and margins was the Industrial segment, compared to *Engine Oil*, thanks to commercial initiatives as well as the introduction of new application solutions.

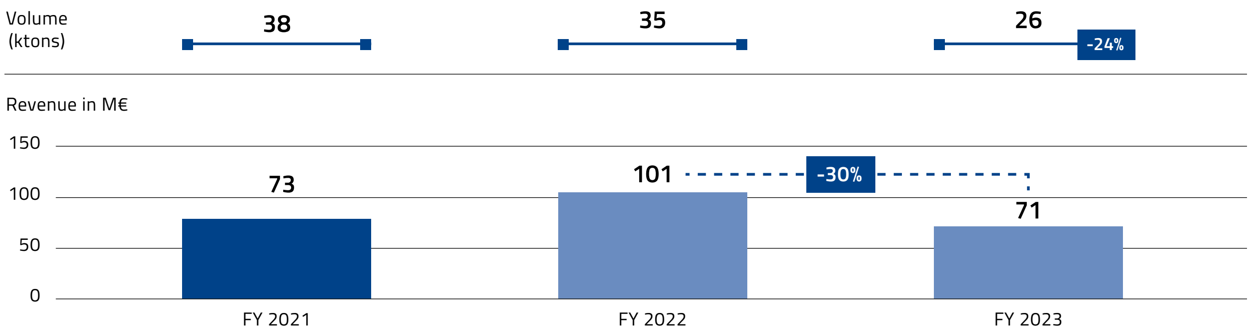
FPA



FPA (Flame Retardants and Plastic Additives): represents the third largest *end-market* with 11% of total revenues. In 2023, the volume reduction was equivalent to 14%, the most significant compared to the Group's other *end-markets when* comparing with volumes in 2021; in particular, the weakness in demand from the construction industry continues to impact and more recently from E&E (*Electrical&Electronics*) applications.

Sales revenues decreased by 25% due to pricing policies, which, however, had a more mitigated impact on unit margins. The *focus* on innovative products continued, such as '*Halogen-Free*' flame retardants for E&E and especially for photovoltaic panels with volume growth potential, especially in China; PVC additives slowed down.

PPA



PPA (Performance Products and Personal Care): represents approximately 11% of total revenues and in FY2023 recorded a drop in volumes and revenues compared to the previous year, driven by the prolonged effect of de-stocking and weak demand, especially in Europe, as well as competitive pricing pressures that impacted the segment's unit margins. The general weakness in demand (due to the aforementioned causes) also had a direct effect on domestic consumption.

Investments

The Group incurred investments in tangible fixed assets of approximately Euro 25 million (Euro 25 million as of 31 December 2022) and in intangible fixed assets of about Euro 5 million (Euro 5 million as of 31 December 2022).

Total investments for brown/greenfield and extraordinary developments as well as for strategic and integration initiatives amounted to about Euro 5 million. Main investments included the completion of the warehouse expansion at the Naples plant (about Euro 2 million), the Flame retardant line in China (about Euro 2 million), as well as investments inherent and functional to the IPCEI and Industria 4.0 projects (for a total of about Euro 2 million).

In 2023, the Group also capitalised development costs of approximately Euro 3 million in addition to IT investments aimed at global data quality and supporting functional developments in ESG themes, including tools such as SAP SuccessFactors used to support organisational management and development.

Group Financial Performance

Net Financial Debt[2] amounted to Euro 588 million at the end of December 2023, significantly decreasing — by **Euro 129 million** — compared to 2022 (amounting to Euro 717 million). The meaningful cash generation for the year was partly due to capital structure strengthening related actions, totalling approximately Euro 63 million, undertaken in the first quarter of the year. The remaining part, for a total of Euro 66 million, was due to the Group's financial discipline, which benefited from constant actions to improve efficiency and optimise working capital, with particular reference to inventory.

The Group maintained a consistent commitment and strong financial discipline throughout 2023, implementing a new organisation and global volume reduction and optimisation programmes as well as rationalising inventories and days to cover forecast demand. The reduction of inventories in 2023 amounted to Euro 83 million with particular reference to finished products.

Credit performance remained at a high level and in line with the 2022 fiscal year, reflecting the quality of the customer base and the relationship, although structurally improving due to less recourse to factoring in the year.

This cash generation led to a structural improvement in the Group's liquidity position, amounting to Euro 224 million at the end of FY23, of which Euro 117 million in cash, giving the company a high degree of financial flexibility in a highly uncertain environment. Thanks to the refinancing that took place in February 2023 — which expires in 2028 resulted in a strong mitigation of the Group's financial risks.

The Net Senior Secured Debt Leverage Ratio reached a level of 5.2x at the end of December 2023 (without considering the accretive impact of the acquisition finalised at the beginning of 2024), slightly increasing Like-for-like compared to December 2022, equal to 4.8x, as a consequence of the decrease in margins recorded in the year, but significantly decreasing compared to previous years (i.e. 6.1x in 2021 and 6.3x in 2020), reflecting the Group's structural *deleveraging* commitment in the medium term. The structural reduction in the level of Net Senior Debt recorded in 2023 lays the foundation for a structural improvement in leverage as well.

For completeness, the structure of net financial debt[2] is reported in accordance with CONSOB Attention Notice No. 5/21 of 29 April 2021 and the reconciliation between net financial debt and contractually defined net financial debt[2].

Net financial debt - 31 December 2023 & 2022

(Euro/m)	31.12.2023	31.12.2022
A. Cash	117	27
B. Cash equivalents	-	-
C. Other current financial assets	2	3
D. Liquidity (A + B + C)	**119**	**30**
E. Current financial debt	(8)	(21)
F. Current part of non-current financial debt — current lease liability	(3)	(2)
G. Current financial debt (E + F)	**(11)**	**(24)**
H. Net current financial debt (G + D)	**107**	**6**
I. Senior Secured Floating Rate Notes	(659)	(644)
J. Super Senior RCF	1	(66)
K. Non-current financial debt — non-current lease liability	(3)	(3)
L. Non-current financial debt (I + J + K)	**(661)**	**(713)**
M. Net financial debt	**(553)**	**(707)**

(Euro/m)	31.12.2023	31.12.2022
Net financial debt	**(553)**	**(707)**
Bond Amortized Cost	(31)	(7)
RCF Amortized Cost	(1)	
Other current financial asset	(2)	(3)
Net financial debt contractually defined	**(588)**	**(717)**

[2] Please refer to the section 'Alternative Performance Indicators' for an analytical description of the definitions.

It should be noted that the company's ability to continue as a going concern was strengthened by the refinancing of long-term debt, finalised in February 2023. In addition, in early 2023, the entry of the minority shareholder Dussur (Saudi Arabian Industrial Investment company), with less than 20% share into the capital of Italmatch's parent company, Fire (BC) MidCo Ltd., was finalised through the capital increase of approximately Euro 100 million. The capital increase was also carried out at the same time at Italmatch Chemicals S.p.A.

The aforementioned events contribute to the Group's increased flexibility and financial sustainability, along with the company's continued focus on maintaining an adequate liquidity *buffer* as well as the Group's increased focus on operational cash generation and capital allocation.

During the first months the demand has recovered in terms of volumes compared to the last months of 2023, also due to the lack of *destocking* actions in the sector; and unit margins are holding at the average levels recorded in 2023. Therefore, the Group's expectations in 2024 — in a context of low visibility and persistent uncertainty — are oriented towards a scenario of moderate growth and a possible recovery of the business is estimated starting from the third quarter.

6. Environment, Quality and Safety

The Italmatch Group firmly believes in the possibility of developing an ethical and sustainable business model through a global vision and local presence, to create shared value and prosperity while respecting humanity, the environment and the local communities of which we are part.

In pursuit of this goal, ESG (Environmental, Social and Governance) principles and digitisation of processes are set as cornerstones for people, relationships, communities, governance and the decarbonisation path.

All of this enables Italmatch Chemicals to safeguard its most valuable 'assets', namely its people and the technological, innovative and R&D capacity on which the Group's success and competitiveness is based. In this context, the quality policy, is a reference for the overall pursuit of corporate improvement objectives.

The Group has therefore put in place a system of continuous improvement on the overall organisation, in order to reduce the impact of its activities on the environment and related risks, while at the same time seizing related opportunities and also improving the awareness of those working on its behalf.

In addition, the management of *Operations* at the Group's sites is focused, first and foremost, on compliance with the relevant regulations, then on the monitoring of emerging regulations, the implementation of practices that ensure smooth operation. Quality is another factor of great importance to the Group, as in the world of 'chemical specialties' (products 'built' for the specific needs of the interlocutor) plays an essential role in customer satisfaction. This approach is supported by management systems, certified according to international standards and adopted by our plants:

ISO 9001 – Quality

Most of the Group's plants have quality certification. This certification strengthens the customers' confidence in the Group's production capacity: the focus on product quality, efficiency, systemisation and repeatability of processes allows us to ensure consistent quality over time. As many of our products are special, customer-specific formulations, this certification strengthens the competitive positioning of the Group.

ISO 14001 – Environment

The largest number of Group plants have environmental certification. Possession of these certifications guarantees careful management of environmental impact issues (impact on nature and biodiversity, monitoring and minimisation of emissions) and compliance with authorisation requirements. No significant sanctions for environmental violations were recorded during the year.

ISO 45001 or Safety Management System consistent with the Seveso law – Health and Safety

Management System to protect our workers, third-party workers in Group plants and the local communities in which the plants are located. Most of the Group plants (in number) hold this certification, covering approximately half of the plant personnel. As a confirmation of the effectiveness of the implemented systems, no major accidents were recorded during the year.

The operational implementation throughout the year follows, for all management systems, a few main strands:

I. the **RESOURCE ENGAGEMENT** through:
   - increasing awareness and involvement of all staff at all levels in company processes;
   - optimisation of technological and production performance to pursue continuous improvement of products and services;

II. the **MANAGEMENT and IMPROVEMENT OF INDUSTRIAL PROCESSES** through:
   - the collection of all data and information to develop indicators for:
     - a decrease in non-conformities and complaints;
     - adherence to delivery times for our products;
   - the adoption of technological and process best practices;
   - recovery of all energy and utility streams to decrease consumption of primary goods:
   - the involvement of R&D functions in the search for innovative and environmentally friendly solutions;

III. the **INVESTMENT PROCESS**, which prioritises investments based on:
   - the need to assure the requirements dictated by compliance with new health and safety, environmental and quality standards;
   - usefulness in pursuing process improvement and continuity;
   - the reduction of emissions, thus enabling the achievement of the emission reduction targets submitted to SBTi (Science Based Target initiative) and currently undergoing validation.

With reference to quality certification emphasis is placed:

I. **QUALITY OF PRODUCTS AND SERVICES** through:
   - scrupulous compliance with existing and emerging legislation;
   - monitoring of non-compliance;
   - development of innovative solutions and products through the involvement of the R&D department;

II. **CUSTOMER SATISFACTION** by:
   - control and management of suppliers and for proactivity in responding to customers;
   - a continuous and constant focus on the development and delivery of samples;
   - carrying out 'pre' and 'post' sales support visits to ensure that customer expectations are met and customer satisfaction increased;
   - the improvement of the product and related service also through joint technical collaboration and development;
   - analysis of feedback information.

In the **environmental** area, notable progress has been made under the guidance of the sustainability function, with the development of a comprehensive **project for monitoring and reporting emissions** involving all production, procurement, and operations functions.

This project allowed the development of three main operational strands:
- Green House Gases (GHG) **emissions inventory** certified by an independent third party, which certifies relevant information to be communicated to the Group's various stakeholders, especially those most attentive to sustainability and ESG issues (please note that the updated sustainability report is published and available on Italmatch's website — Investor Relations section);

- **definition of projects to reduce emissions**: starting from the current situation and defined as a reference baseline (FY21), a process was started to identify actions to reduce emissions for (so-called Scope 1,2 and 3). The targets thus defined were sent to Science Based Target for approval (expected in the course of 2024), to certify the alignment between the emission reduction trajectory defined by the company and the goals defined at COP 21 in Paris in 2015: to keep the global temperature increase within +1.5°C (for details please refer to the sustainability report published and available on the Corporate website);
- **calculation of the carbon footprint of products**: the availability of the emissions database, and in particular the emissions 'contained' in the raw materials purchased (so-called Scope 3.1), allows to calculate the carbon footprint of the products. This information, calculated only at the request of the customers and after signing a confidentiality agreement, is used to improve the comparability of products, to improve the accuracy of our stakeholders' GHG inventory and to define their decarbonisation strategies. All this always within the logic of customer service.

In the **health and safety** area, the company's strategic direction is to constantly pursue continuous improvement even in the absence of certified management systems. At corporate level, a project has also been launched to implement a reporting and 'incident analysis' model that allows, through the lesson-learning process and staff involvement, the improvement of operating procedures. Each event generates an 'incident analysis & remediation' process as a learning and prevention tool: the analysis process involves technical and managerial figures at different levels depending on the severity of the event. These contribute, according to their specific role, to identifying the original causes and defining operational solutions (amending and updating operational procedures or suggesting plant upgrading activities) to reduce the risk of similar events recurring.

7. Our people

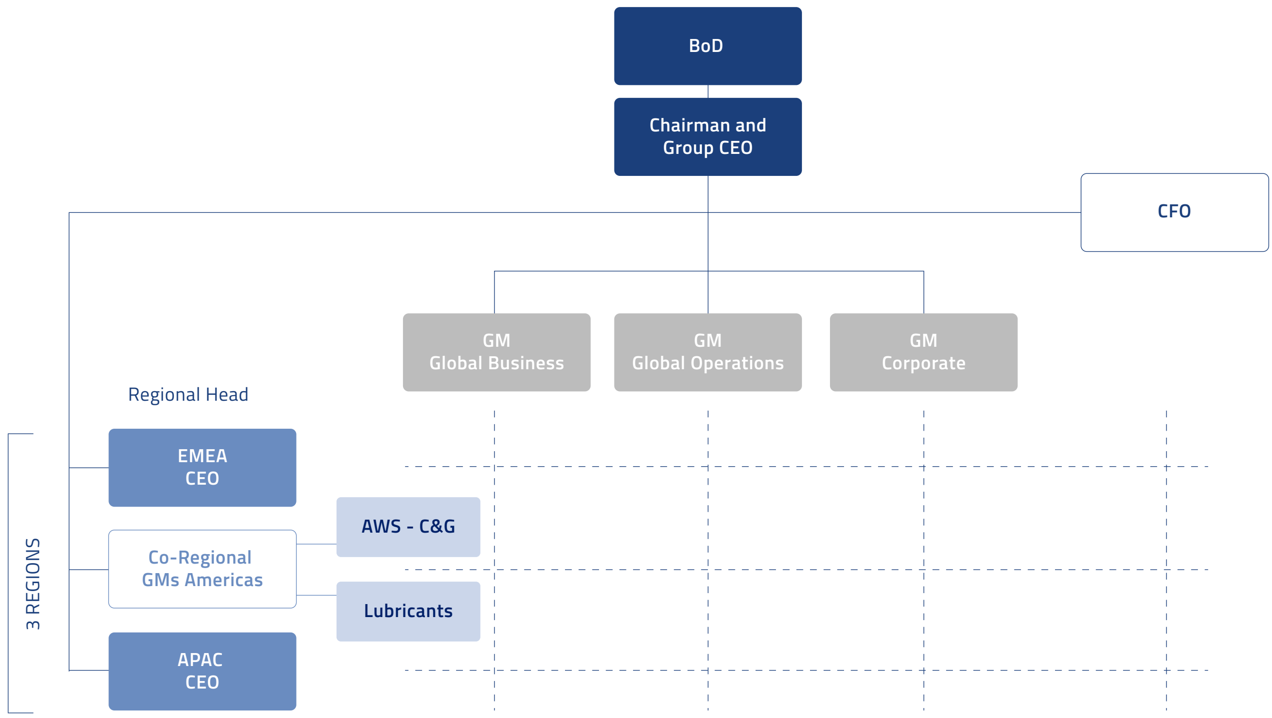
The particular challenges of the market, triggered by an economic scenario made even more unstable by the geopolitical and inflationary crises, have shone the light on the need to invest, with even more focus, in upgrading the skills of our people both with a view to retraining and to development and growth.

All this has required challenging approaches from Human Resources within a Governance that aligns business methods with the evolving scenario:

- Customer centricity as a key factor in sustaining business growth;
- Organisational agility to promote speed of managerial decisions;
- Flexibility, to intersect central models and local practices.

In particular, the review and strengthening of the matrix organisational structure made it possible to leverage global business presence and lean corporate approaches through:

- 3 Geographical regions (APAC, EMEA, AMERICAS);
- 1 Global Business (out of 4 End Markets);
- 3 Global Services (Finance, Operations, Corporate Services).



Co-Regional GM Americas Lubricants e Co-Regional GM Americas AWS. O&G: both report to the CEO as APAC and EMEA CEO.

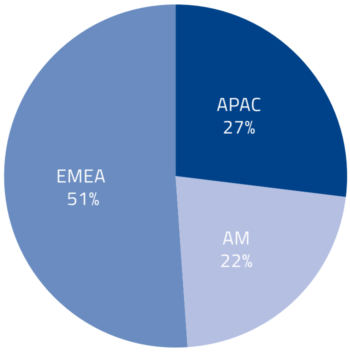
From an organisational perspective, the group promptly responded to the complex situation in the global chemical market by adjusting the workforce and redistributing activities according to business priorities.

The workforce as at 31/12/2023 is distributed as follows:

Legal Entity Name	Headcounts 31.12.2022	Headcounts 31.12.2023	Of which 31.12.2023				
			Top Manager	Manager	White collar	Blue collar	Temporary
Italmatch Chemicals S.p.A.	255	241	4	34	105	90	8
GRS Chemical Technologies S.r.l.	76	74	0	3	26	44	1
Italmatch Deutschland GmbH	41	43	0	4	11	28	
Italmatch Polska Sp.zo.o.	16	15	0	1	2	12	
Italmatch Belgium S.p.r.l.	7	4	0	3	1	0	
Italmatch Chemicals GB Ltd.	61	65	0	26	26	13	
Union Derivan S.A.	85	75	0	9	17	49	
Italmatch Chemicals India Plc.	15	13	0	2	11	0	
Italmatch Japan Ltd.	6	7	0	3	4	0	
Italmatch Singapore Pte Ltd.	8	7	0	5	2	0	
Changzhou Italmatch Chemical Co. Ltd.	89	75	0	0	19	55	1
Changzhou Italmatch Trading Co. Ltd.	6	5	0	0	5	0	
Nantong Italmatch Chemicals Co. Ltd.	90	89	0	1	13	75	
Fangchenggang Yueyang Chemical Co. Ltd.	64	63	0	3	13	47	
Italmatch International Trading (Shanghai) Co Ltd.	7	8	0	5	3	0	
Italmatch Investment Jiangsu Co. Ltd.	14	13	0	3	10	0	
Italmatch USA Corporation	41	34	0	17	17	0	
Compass Chemicals International LLC	51	45	0	3	7	35	
Elco Corporation	84	76	1	13	25	35	2
Italmatch SC LLC	26	20	0	6	3	11	
Water Science Technologies LLC	35	28	1	9	8	9	1
Italmatch Quimica do Brasil Ltda	9	8	0	3	5	0	
BWA Water Additives DMCC	1	0	0	0	0	0	
BWA Water Additives FZE	2	3	0	1	2	0	
Aubin Energy DMCC	2	2	0	0	2	0	
Aubin Ltd.	13	0	0	0	0	0	
Italmatch Middle East Limited (IME)	5	6	0	3	3	0	
Italmatch Biolab Industrial	2	3	0	2	1	0	
Total	**1,111**	**1,022**	**6**	**159**	**341**	**503**	**13**

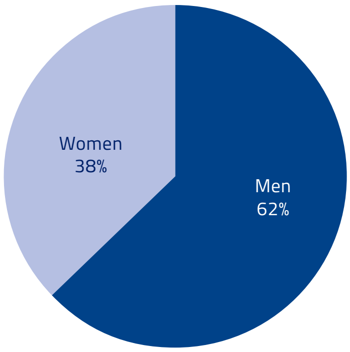
The geographic distribution of personnel is structured according to the needs of the market, of *footprint* of production facilities and sales offices. As evidence of the company's global structure, about half (51%) of the staff is in Europe, Middle East and Africa (EMEA), the remainder distributed between Pacific Asia (PA) and America (AM).

Regional Distribution



From the point of view of *diversity*, there is continuity with the previous year: 25% of women in the total population, 38% if blue-collar staff are excluded and only white-collar and managerial staff are considered.

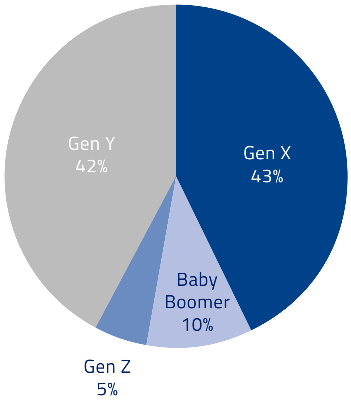
Employees by gender (global) - excluding workers



With an average age of 43.7 years the distribution across the generations illustrates a company going through a natural succession path, where those born after 1981 (Gen Y up from 40% to 42% the previous year, Gen Z up from 4% to 5%) now make up almost half of the workforce.

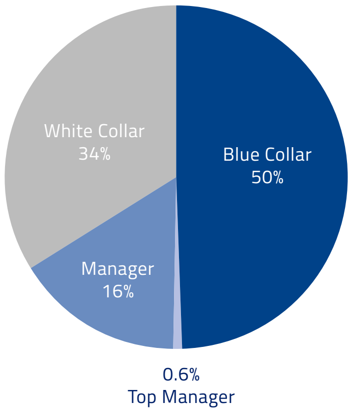
Corporate *seniority* increases slightly from 5.6 years in 2022 to 5.9 years in 2023.

Distribution by Generations



From a hierarchical point of view, the organisation is as shown in the table below. Managerial levels are less than 17% of the Italmatch Group population. The reorganisation of the C-Suite led to a slight change in the count of managers compared to last year.

Hierarchical Distribution



Despite a year that is still part of a period of high inflation, the cost containment measures on personnel were able to ensure a reduced personnel cost in reduction compared to 2022. This was made possible thanks to a reduction of organic, and a judicious management of remuneration instruments (also including the disposal of backlogs of holidays).

Organisationally, even in the face of the reduction in volumes handled, efficiencies were found in both series of actions planned and executed quickly during the second half of the year that led to a significant overall reduction in costs, thus absorbing the increases at the beginning of the year due to collective bargaining and inflation in the various countries, and indeed achieving a target of sustainability of personnel costs in relation to a year of reduced profitability compared to last year.

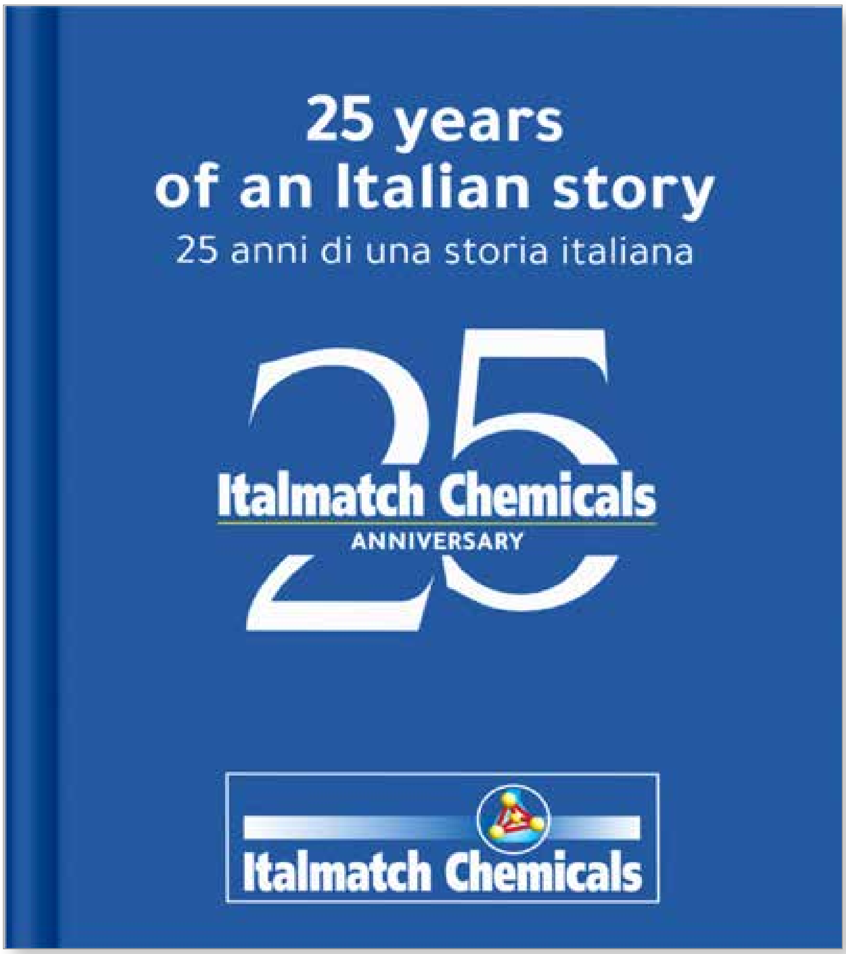
With reference to variable remuneration, numerous bonus instruments are implemented globally ensuring an alignment of personnel with company results.

With reference to national and international trade union bargaining, there are no significant critical issues. Consistently with the dynamic and historical concertation between the social partners, which, at our production sites, has always taken place in an atmosphere of cooperation, while respecting the prerogatives of the Parties.

From the point of view of organisational change, the following activities still stand out:

- Conclusion of top management reorganisation with a strengthening of Group management, and a redistribution of leadership responsibilities in Asia and the US.
- The launch of a talent mapping and succession planning process in order to mitigate attrition and succession risks and ensure a more structured management of talent in the company.
- Continuation of data rationalisation using tools such as SAP s4HANA and SAP SuccessFactors, in order to map and monitor the organisation.
- Updating and improving global staff reporting with a view to global data quality and with a focus on sustainability issues.
- Evolving or launching corporate policies, such as the Sustainability Policy, Recruitment Policy and Conflict of Interest Policy. It was also published updates to the Whistleblowing global policy, the Code of Ethics and policies on Anti-Corruption, Human Rights and Diversity and Inclusion, Gifts, Hospitality, Sponsorships and Donations Policy.
- Continuity of diversity training and staff development initiatives through the partnership with Valore D.
- With a view to training and school-to-work alternation, an annual competition for scholarships has been set up for the children of employees who have completed their studies with excellence.
- Participation in various meetings with schools and career days to strengthen employer branding.
- Renewed focus on home-work and care-giving needs through the continuation and expansion of the company's smart-working agreement with a focus on parenting and family care issues

The company also celebrated an important anniversary, accompanied by the distribution of the company's 25-year anniversary book to all employees.



8. Research and Development

Innovation is an integral part of the Group's business strategy and operating model and is increasingly inspired by sustainability issues, with reference to the circular economy, environmental impact and energy transition.

Examples are the growing initiatives for product development and solutions with biodegradable characteristics (also in the O&G sector) and in the field of electric batteries and lubricating solutions for electric and hybrid engines, as well as for the recovery of precious metals (such as nickel and cobalt) and in the future of so-called 'rare earths'.

Research and development activities are carried out by the Group in 7 research centres, at Arese and Spoleto in Italy, Zuera in Spain, Manchester and Aberdeen in the UK and Atlanta and Cleveland in the USA.

The R&D facilities also carry out pilot reactor syntheses of the various products developed with subsequent sampling for customer testing of the new products listed above, or our laboratories can carry out application tests to verify the effectiveness of new products or proposed solutions. The analysis of the various semi-industrial syntheses has historically provided important insights into large-scale industrial production processes for the ultimate *scale-up of* implementation.

The Group also has numerous active collaborations with external institutes and research centres and participates in the project of common European interest known as **IPCEI**, which aims at the sustainable development of the electric vehicle battery (EVB) value chain in Europe. This includes three innovative projects approved and partly financed by the European Commission's Next Generation Batteries programme, with which Italmatch intends to position itself in advanced raw materials and recycling projects.

Furthermore, the Group participates in the circular economy project called **FlashPhos**, co-funded by the European Commission, which aims to transform urban and industrial waste into a resource by extracting, from waste materials, white phosphorus, a valuable raw material for hundreds of everyday use, as well as raw materials for the cement industry. Italmatch occupies a leading position, as lead partner, in this project with reference to phosphorus production technologies and its diffusion on the market.

In 2023, the commitment of financial resources in research and development amounted to Euro 6 million (of which Euro 3 million were capitalised costs, in application of IAS38).

9. Outlook

After a three-year period of major shocks, such as the pandemic, difficulties and constraints in the global supply chain, shortages of raw materials, geopolitical tensions, inflation and high interest rates, 2023 was also characterised by prolonged de-stocking phenomena globally, along the entire supply chain and with significant impacts on production and future investments of the industry, especially the chemical industry.

Industrial demand, which was generally weak in the latter part of 2023, especially in Europe, is not showing any significant signs of structural trend reversal, following an unprecedented cycle of chemical de-stocking.

The macroeconomic outlook in 2024 is therefore characterised by uncertainty and low visibility, albeit gradually normalising. Interest rates are expected to be more stable and decreasing, but still high in the year. Demand in the chemicals sector is expected to grow moderately in 2024, especially in the second half of the year, albeit diversified geographically and across numerous end markets and sub-segments. The geopolitical situation remains critical in Ukraine and the Middle East, with global tensions and increasing volatility, with further recent impact on Far East logistics.

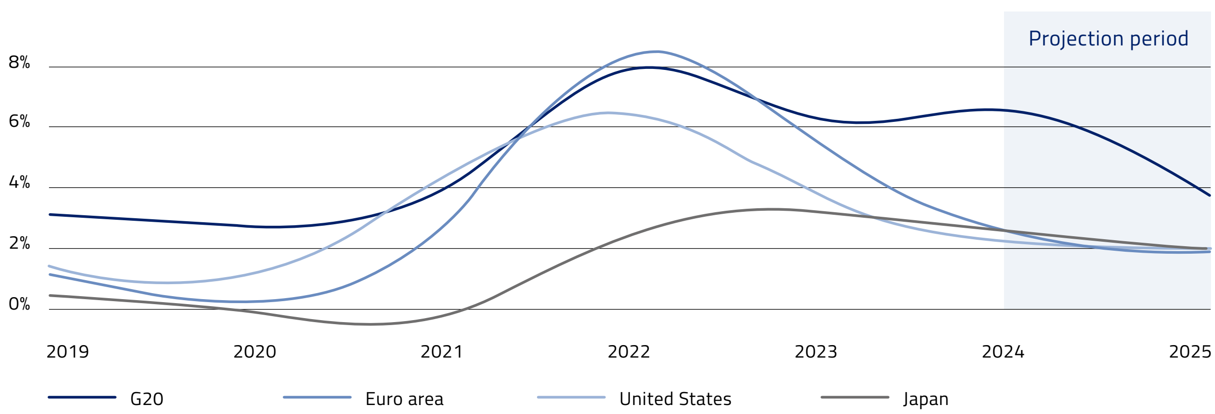
At the same time, there are some macro-trends that represent opportunities for the sector, as well as medium to long term drivers of change, such as the energy transition, including the automotive sector, as well as the circular economy with a push for re-use and recovery of materials and raw materials, including 'rare earths' as well as precious metals such as nickel and cobalt. In addition, the expected growth of the food sector in general and the growing demand for fertilisers in the medium to long term, as well as applications for water treatment, fungicides, cosmetics, detergents, and chemical derivatives in general, are the main medium to long term drivers of the market and lead to higher growth than GDP.

The chemical sector plays an key role in the industry, ensuring continuity and support to certain sectors that also have a strong environmental (such as desalination and renewable energies) and social impact. The chemical industry is a very dynamic sector: despite the financial crisis of 2008-09 and the health crisis of 2020, global chemical consumption is still increasing and in the direction of sustainable development.

The main contextual developments with a greater impact on the Group are described below:

- **Inflation:** primary and core inflation decreased during 2023. Some factors that favoured disinflation over the past year are dissipating or reversing, while others are vulnerable to geopolitics, extreme weather conditions or unpredictable events. With inflation still above target and the increase in unit labour costs still above levels compatible with medium-term inflation targets, it cannot be argued with certainty that the inflationary drive, which started in 2021, is now over.

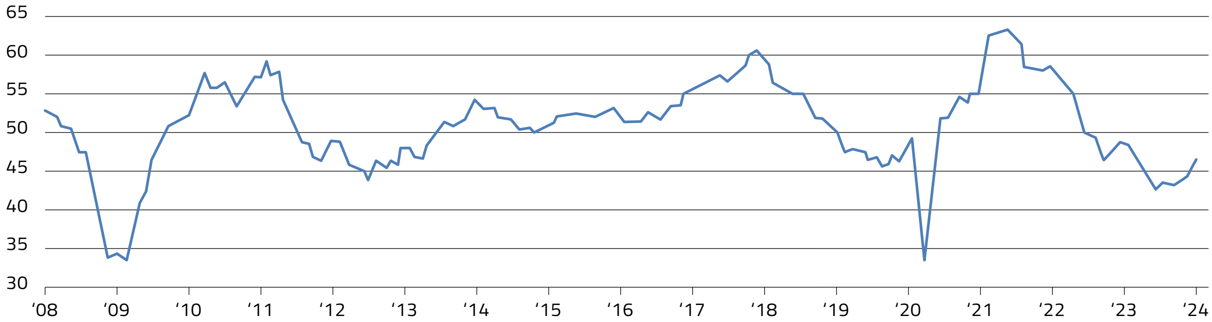
Headline inflation (%. year-on-year)



Source: OECD Economic Outlook, Interim Report February 2024

- **Economic cycle (GDP) developments:** growth expectations seem to converge towards moderate global growth. There are signs of strong short-term growth (e.g. India) and at the same time relative weakness in Europe and slight growth in most other major economies. Global growth of 3.1% in FY23, is expected to be stable (per IMF, see Section 1. General Economic Situation and Sector Performance) or will slow down (to 2.9% according to OECD estimates, Economic Outlook — February 2024) in 2024 and then increase in 2025.
- **Manufacturing index**: the eurozone recently showed signs of recovery, albeit moderate, for the third consecutive month, but not yet sufficient to assume a structural reversal of the trend.

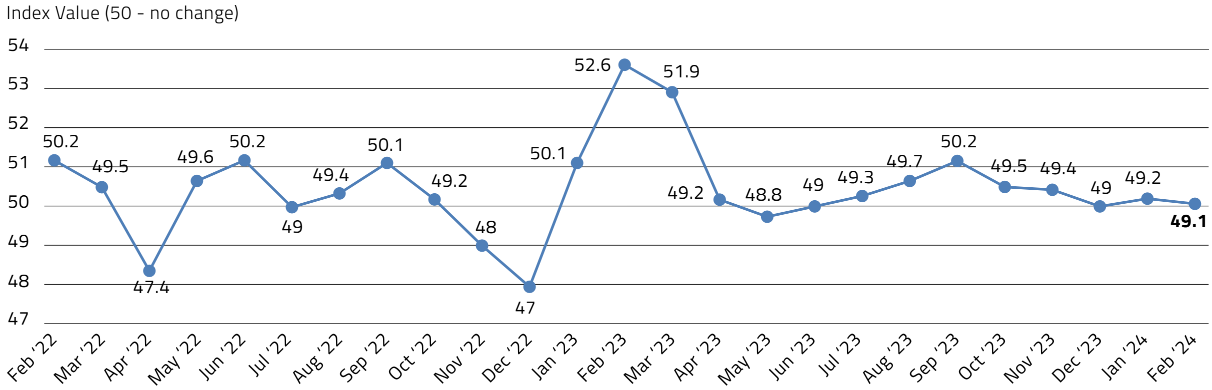
HCOB Eurozone Manufaturing PMI sa, > 50 = improvement since previous month



Source: HCOB, S&P Global PMI

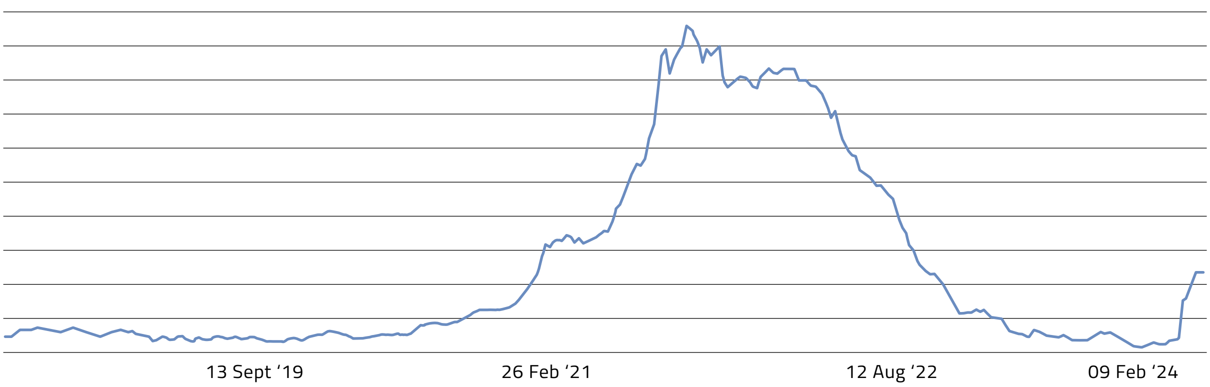
A similar indicator for China shows a downward trend for the fifth month in a row, although influenced by the Lunar New Year, reflecting the vulnerability of the Chinese economy. Growth in 2023 is expected to be 5.3% and is challenged to be confirmed in 2024; despite the Central Authorities' efforts to stimulate sectors, such as construction, and foreign investment as well as domestic consumption.

China Manufacturing PMI for February 2004



Sources: Cefic Prometeia

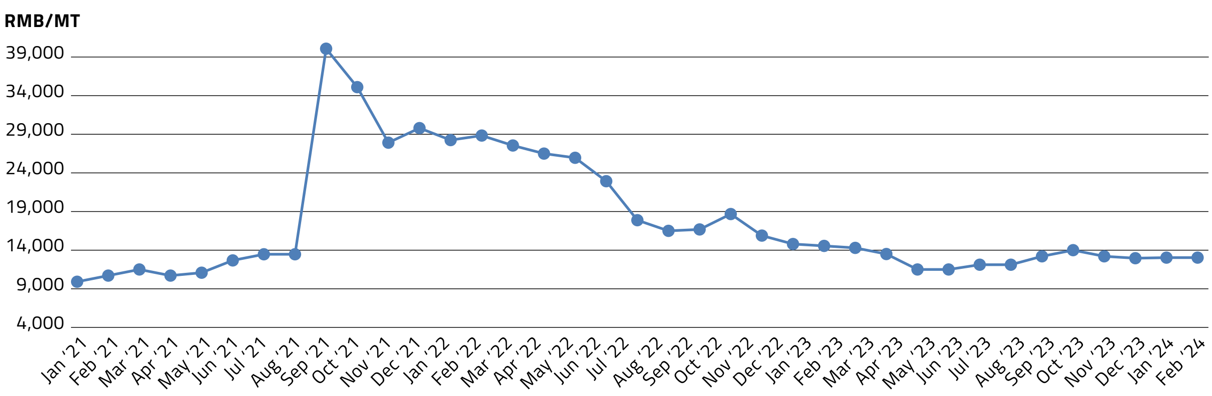
- **Level of manufacturing inventories:** the prevailing expectation in the sector is that inventories have reached a "normal" level or below it and that the phenomenon of inventory reduction has come to an end; at the same time, it is expected that, in an environment of stable inventories, at least for some time, raw material orders will only be executed against new sales orders. The consensus is therefore cautious and estimates stable or declining volumes in 2024 compared to 2023, with expectations of growth in niche markets.
- **Geopolitical crises and logistical impacts**: the Red Sea crisis and the new Cape of good Hope transits for container traffic are increasing transport and rental tariffs. Additional transit times are causing an initial supply shortage in Europe; some analysts predict that this will continue until the second half of 2024.



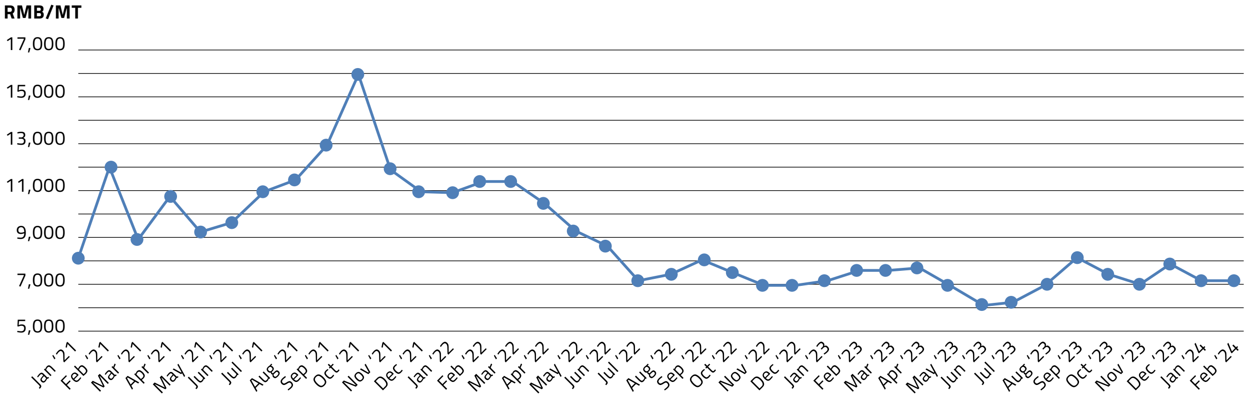
Sources: Freightos Baltic Index (FBX)

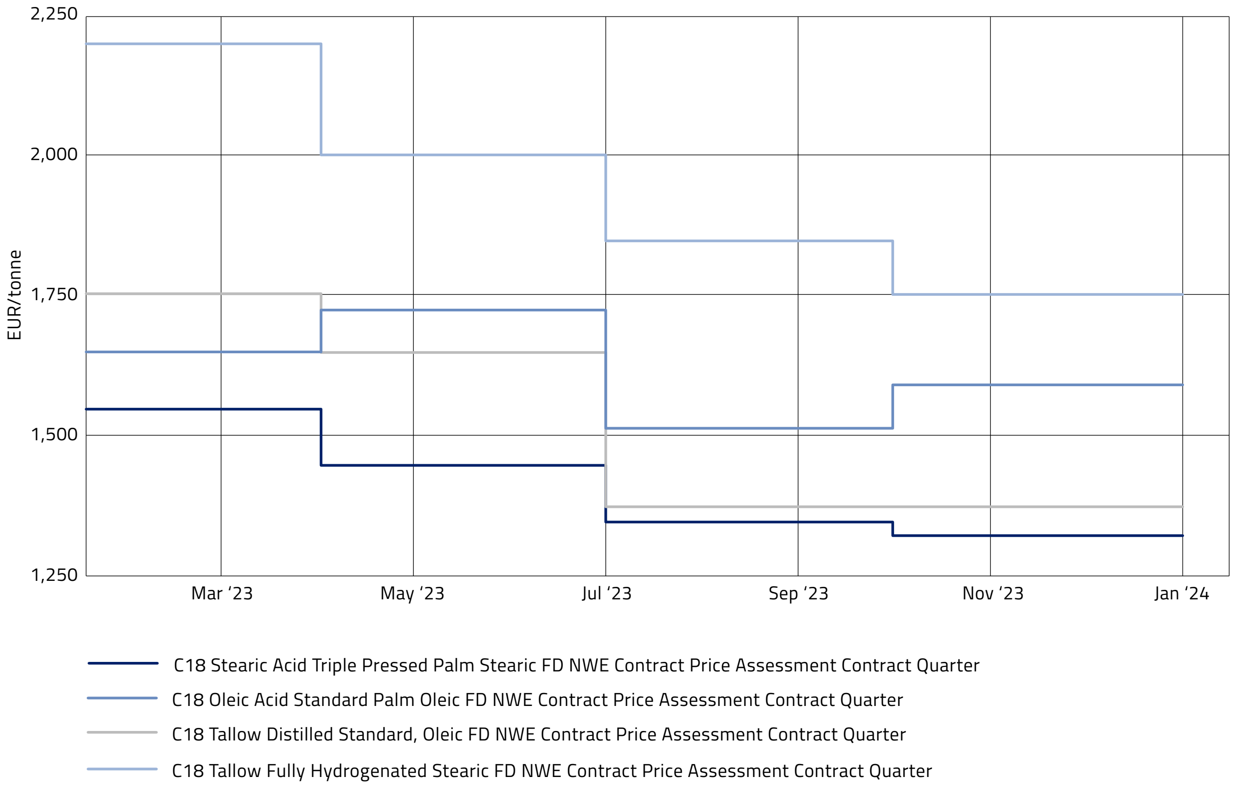
- **Raw material price trends**: Italmatch Group is more exposed to certain raw materials, such as phosphorus, PAC, Maleica, fatty acids, alcohols etc., whose prices are stabilising, although the Red Sea crisis is certainly creating tensions, especially in spot prices, and in any case not at pre-pandemic levels. Recently, during the first months of 2024, in Europe, some 'force majeure' declarations for various raw materials are starting to create strong tensions on certain products (e.g. amines, butylenes, alcohols) with short-term price increases.

PAC 99% Purchase Price



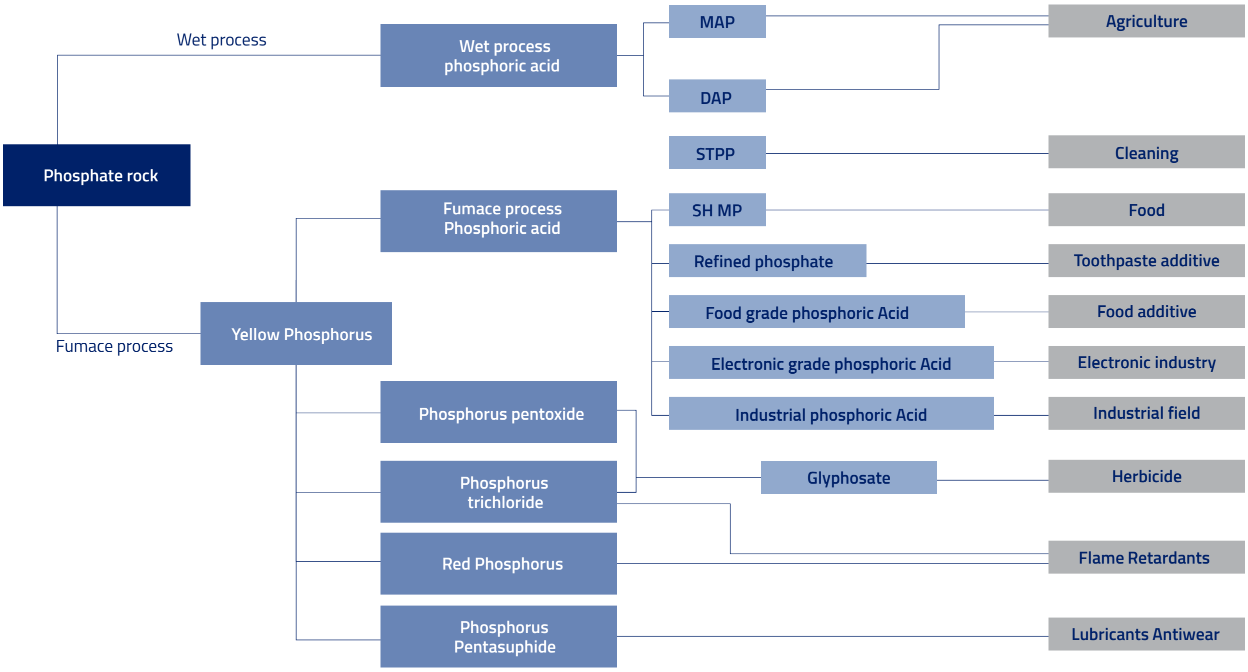
Malele Anhyadride - Eastern China Price Index





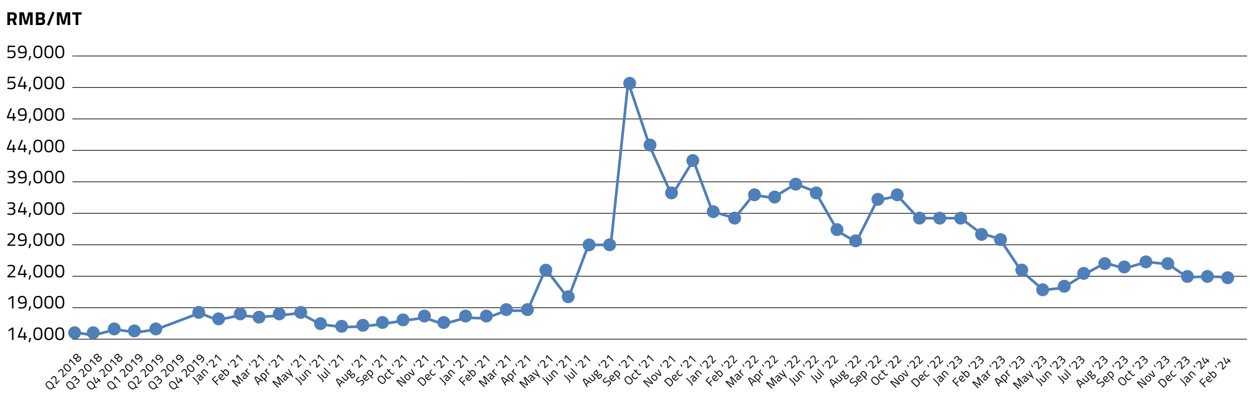
Italmatch Group remains mainly exposed to its main raw material, yellow *phosphorus* (known as *Yellow Phosphorus -YP*): the price is partially influenced by the price trend of downstream by-products and fertilisers (known as MAP/DAP/ superphosphates and natural phosphates) as well as upstream raw materials' prices functional to its production (e.g. coke, phosphorites and energy); in particular, the relevance of energy and especially logistics costs is noted as conditioning factors for the price.

Industry schain structure of Phosphorus chemical industry



With reference to some available indicators in China, the price of yellow phosphorus (so-called 'P4') has been declining since its peak in the last quarter of FY21. However, prices are expected to stabilise in the short term, as they are strongly correlated to the increase of the industrial demand, but also to the availability of raw materials and the level of energy prices.

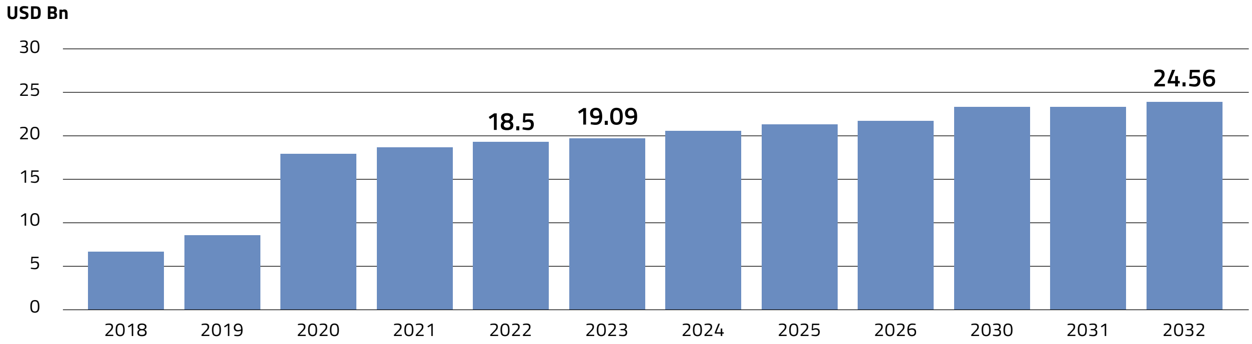
CZP4 Price Index



Sources: Powered by SCI99.com

Upstream, *phosphate rock* supplies remain stable. It is reported that the phosphate rock market size was estimated at $18.5 billion in 2022. The phosphate rock market is expected to grow from about $19 billion in 2023 to over $24 billion by 2032, exhibiting a compound annual growth rate (CAGR) of 3.2% estimated over the forecast period 2023-2032.

Phosphate Rocks Market



Within the complex context described above, Italmatch Chemicals has shown over the years and also in 2023 'resilience' and the ability to react to ever-new global challenges.

The company is ready to face 2024 in the same way, referring to its core business model based on the following cornerstones:

1. **Commercial**: 'Customer and ESG centricity' and product innovation, supporting competitive positioning and margins through customer trust and the growing ESG-driven applications (e.g. renewables, electrification);
2. **Organisational**: refer to the chapter 'Our People', which mentions the strengthening of management and improved governance and operations at all levels;
3. **Operational efficiency**: flexibility and a constant focus on containing and streamlining the cost base, thanks also to the increased contribution of technology and digitisation;
4. **Sustainability**: significant and ongoing commitment from management and the Group to a defined roadmap for decarbonisation and all ESG-related topics;
5. **Production**: 19 plants, production flexibility and diversified global presence — recently with new development projects in Saudi Arabia (KSA) — in a context of increasing 'regionalisation' and increasingly tailored-made productions;
6. **Financial**: financial discipline, with reference to the efficient management of working capital and capital allocation, in observance of a prudent financial policy aimed at sustainable leverage and in pursuit of a prudent policy of maintaining stocks with appropriate levels of security (so-called supply security) in contexts of uncertainty;
7. **Growth** (organic and by external lines): the M&A policy will continue, identifying small/medium-sized companies with an 'accretive' impact on group value and in financial terms (such as the acquisition of Alcolina Quimica & Derivados in Brazil).

In this context (i.e. end of de-destocking, moderate GDP growth, stabilisation of geopolitical crises and decreasing interest rates, etc.), the Group estimates an increase in volumes sold in 2024 compared to 2023, approximately 5%-7%, albeit with moderately declining unit margins. The Group intends to maintain a strong and constant focus on the operating cost base, also by extending the efficiency measures adopted in the second half of 2023 (at least for the entire first half of 2024) as well as by adopting structural efficiency actions and digitisation of operating processes. In this way, Italmatch Chemicals aims to ensure flexibility and contain operating leverage in a macro-economic and sectoral context that is still uncertain, while at the same time laying the foundations for structural growth in the operating margin.

From a financial perspective, the Group assumes (i) on the one hand, a gradual re-stocking to face potential and growing risks in the supply chain or for opportunistic reasons and a use of working capital in line with the growth estimated for the year in volumes, (ii) on the other hand, certain development investments in China and the US for medium-long term agreements with certain strategic customers as well as to support the KSA project in the medium term. Overall, the Group confirms its objective of maintaining or gradually improving its financial leverage (net leverage ratio) compared to the levels recorded in 2023. Italmatch Chemicals also confirms its commitment to pursuing the ESG roadmap defined as an integral part of its medium-long term strategic development.

10. Significant events after the end of the financial year

Improved and strengthened rating positioning

The actions taken during 2023 and the resilience of the unit contribution margin as well as the financial discipline and cash generation in the year, with a liquidity position at the end of December 2023 of approximately Euro 224 million, were recognised positively by the rating agencies.

In particular, in March 2024, the 3 rating agencies (Moody's, S&P Global and Fitch Ratings) confirmed both the rating positioning and the stability of the outlook.

Acquisitions

In early March 2024, Italmatch completed the acquisition of a majority stake in Alcolina - Quimica & Derivados ("Alcolina"), a leading Brazilian chemical company in water treatment for bioethanol, sugar production and other industrial applications, including paints and paper industry.

The transaction is part of Groups' growth strategy in Latin America and strengthens the Italmatch Group's product portfolio for water treatment, with complementary applications and end markets. The project foresees commercial synergies thanks also to the promotion of sales of the new SugarMaxx® technology (for which the Italmatch Group has signed a collaboration and licence agreement for the use of chemical solutions in the cane sugar colour stabilisation process). Following the acquisition of Alcolina by Italmatch Chemicals, the current General Manager and shareholder of Alcolina confirmed his commitment to the group's growth project.

Russia-Ukraine military conflict and Middle East update

24 February 2022 saw the outbreak of the Russia-Ukraine military conflict. Although the company's exposure to the conflict zone is limited to sales activities and not relevant, it closely monitors the evolution of the conflict also with reference to the sanctions mechanism and escalation prepared by the annexed countries and constantly evolving against Russia and Belarus. Among the economic/financial sanctions of particular concern to the company are those related to the technological sectors involved in commercial exchanges and the banking system subjected to sanctions.

Similarly, the company closely monitors the risks of conflict *escalation* in the Middle East. The main effect, which is already being reflected at the beginning of 2024, is the search for alternative routes to the blockade of the Suez Canal and Red Sea, mainly from the Cape of Good Hope and along the Arctic route, with the lengthening of logistics flows and supply chains from Asia; delays in deliveries and increases in freight rates and insurance costs are being experienced. In this context, the Group has taken several countermeasures in a timely manner, guaranteeing the *supply security* service that has characterised Italmatch over time, even in view of global shocks.

Sustainability - ESG

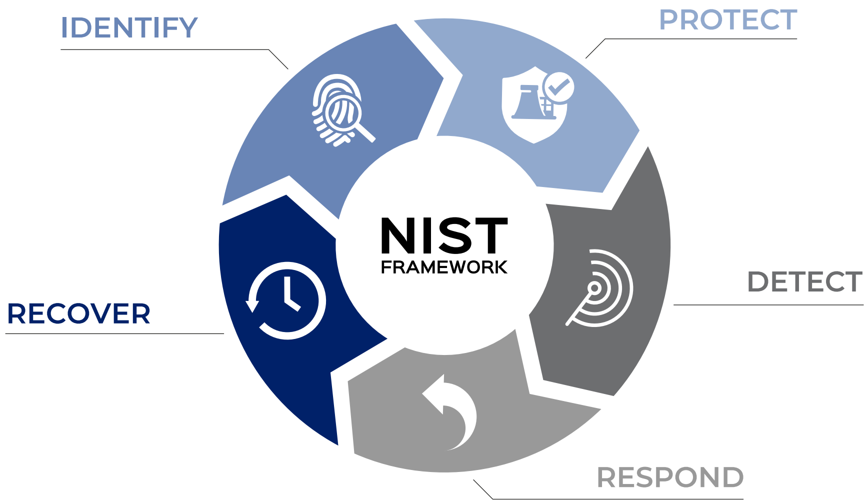
The Group continues decisively on its sustainability path and in February 2024 CDP-Climate Change announced that it had been awarded a B- rating. See the following section "Italmatch and Sustainability".

Digitalisation and Cyber security projects

The Group supports IT investments, as the operational focus of corporate data management and the integration process of companies acquired over time, adopting an information- and data-centric view. In the first months of 2024, the go-live of the migration to SAP S/4 HANA of the subsidiary company Union Derivan, SA (Undesa) was completed.

In addition, significant '*digital transformation*' projects/processes were initiated, involving various strategic and functional areas of the organisation. The primary *focus* is on the purchasing area, benefitting from the network made available by SAP Ariba and leveraging cooperation with the supply chain. The pursued objectives include the streamlining of the purchasing process from an end-to-end perspective (including the automation and simplification of routine activities relating to accounts payable) and the improvement of the effectiveness of relations with suppliers. Additional advancements were initiated for the development and enhancement of the CRM system as well as in the People/HR area for the management and development of human capital.

Regarding Cybersecurity, the roadmap for continuous updating and improvement of security systems and policies is being pursued, inspired by the NIST Framework. All improvement steps are aimed at increasing the level of security in one of the five key areas described by the following framework:



11. Risk factors and uncertainty

The Group, in view of its operations, adopts a risk classification that encompasses four categories: Strategic and External Context risks, Financial risks, Operational and Compliance risks.

Strategic and external context risks

▪ Risks related to the Group's competitive positioning and industry dynamics

Changes in the global competitive environment, especially in a constantly evolving macro-economic, geopolitical and industry framework, could impact the Group's leadership position in certain markets and/or products (e.g. commodity products).

However, a mitigating factor is that Italmatch Chemicals operates globally in specialty chemicals and is focused on continuous product innovation and technological development as an integral part of offering 'solutions' to its customers, rather than products, sometimes developed in partnership with its customer base. In addition, the increasing focus on high value-added solutions and 'sustainable' products is another factor mitigating risk from some competitors less sensitive to HSE, safety and sustainability aspects.

The Group's customer portfolio is mostly made up of blue-chip multinational companies and long-established business relationships, which have been strengthened over time with the continuity of supplies ensured despite the shocks that have occurred in recent years.

▪ Regulatory and regulatory risks

The Group operates in an industry that is subject to numerous laws and regulations concerning the testing, production, branding and product safety for both sales and the products purchased from suppliers. In manufacturing, production plants operate in compliance with safety and environmental regulations that are applicable on a local basis.

The presence of ISO 14001-compliant management systems in the environmental area, ISO 45001 and Seveso for the health and safety part, facilitates constant regulatory monitoring, the updating of operating procedures in accordance with best practices, a periodic management review process of performance and KPIs, and a related 'continuous improvement' plan.

In the regulatory area, the Group operates in compliance with the European Reach regulation (Regulation EC No.1907/2006) on the registration of chemicals and/or equivalent for other geographical areas (e.g. UK, USA, Canada). In particular, products and raw materials produced, exported or imported into the European Union are subject to extensive environmental and hygiene controls for safety purposes. However, in certain geographical areas, such as Europe and the United States, controls and restrictions are constantly evolving and increasing, but are constantly monitored by the relevant departments.

The risks related to non-compliance with the aforementioned regulations may vary from the application of sanctions to the suspension of activities. In response to these risk factors, the Group adopts a policy of regulatory and compliance risk monitoring and management to mitigate their effects as much as possible though a multi-level approach, primarily involving collaborative dialogue with institutions.

▪ Risk of climate change

In 2023, Italmatch started an analysis of the impacts that Climate Change may have on its business. The analysis was conducted in accordance with the TCFD (Task Force on Climate-related Financial Disclosure) guidelines for the identification of risks and their monitoring.

Regarding the opportunities identified, it is noted that the range of innovative products on offer (e.g. those for desalination and electrification) cover market sectors functional to combating climate risks.

▪ Risks related to the global macroeconomic outlook

The Group operates globally (Europe, North America and Asia mainly) in terms of end markets for sales, operations and *sourcing*. Economic cycles and general economic conditions in the countries in which the Group operates could influence results to the extent that they affect demand in the relevant '*end markets'* where the Group's customers operate.

Mitigating factors include:
- diversification of the product portfolio (end-market) and geography of markets, with limited concentration on individual customers;
- the geographical distribution of plants with limited interdependence (19 plants);
- diversification of supply sources;
- innovation and development of *speciality,* value-added and increasingly *sustainable chemistry* products (e.g. *biodegradable antiscalants for the desalination* industry*, electrolytes* for lithium batteries, *antiscalants for* geothermal plants).

The new challenges related to geopolitical uncertainty, arising from the conflict between Russia and Ukraine and the Middle East, negatively impact global economy, creating volatility and uncertainty, along with potential inflationary pressures and critical issues on global logistic chains, all within a context of expected decreasing interest rates but still at relatively high levels for the year.

As regards to the conflict between Russia and Ukraine, the Group paid particular attention to the sanctions concerning technological sectors involved in trade and the sanctioned banking system. In this regard, the company's overall exposure to Russia and Belarus is about Euro 1 million in sales and Euro 0.5 million in receivables. The Group has activated all compliance, management, and risk mitigation actions to protect business and people by following the regulations as they arise.

With reference to country risk, the Group adopts, where appropriate, a 'local for local' strategy, establishing production presence in countries to meet local demand with competitive industrial and logistical costs. This strategy aims at increasing the Group's competitiveness, as well as enabling it to overcome potential protectionist measures (customs barriers or other measures such as technical prerequisites, product certification, administrative costs associated with import procedures, etc.).

Elements of uncertainty persist in relation to future relations between China and the United States and, more generally, on the medium-long term balance of current international trade agreements, which could lead to an alteration of normal market dynamics. The Group constantly monitors the evolution of risks (political, economic/financial and security) for the countries in which it operates, in order to continue to promptly (and where possible preventively) adopt measures to mitigate the possible impacts of changes in the local context. It should be noted that in situations of underutilisation of production capacity in some factories, production may be reallocated between Group factories.

▪ Risks Related to the Rating of the Parent Company Italmatch S.p.A.

Any credit rating downgrades by rating agencies could constitute a limitation to the possibility of accessing the capital market and increase the cost of funding with consequent negative effects on the Group’s economic, financial and balance sheet position. The Group implements a risk mitigation strategy that is developed on various levels and envisages the pursuit of: (i) a balanced financial structure in terms of duration and debt composition, (ii) the continuous monitoring of actual and expected results and financial metrics, (ii) the stabilisation of cash flow generation by its business activities, also through geographic diversification and actions to optimise working capital.

The company’s rating was confirmed in March 2024, with B/’Stable’ outlook by S&P and Fitch Ratings and B3/’Stable’ outlook by Moody’s.

▪ Risks relating to the prices of raw materials and energy sources

This risk refers to the possibility that fluctuations in the purchase and sale price of raw materials may generate changes in economic results such as to compromise the achievement of the objectives and guidance communicated to its stakeholders as well as the maintenance of financial equilibrium. The risk of raw material price increases/volatility could in fact affect the Group’s financial position.

The Group constantly monitors the level of raw material prices, also in perspective, identifying appropriate mitigation strategies and actions as well as opportunities, activating cost efficiency levers aimed at preserving unit margin levels as much as possible.

Italmatch also adopts a multi-sourcing strategy, based on solid, long-term supply relationships.

It should be noted that in the past, the Group has demonstrated its ability to implement pass-through strategies for higher raw material, logistics and energy costs in 2021-2022 in the context of inflationary spikes and supply chain shocks. In fact, Italmatch Chemicals has adopted the strategy of guaranteeing its customers continuity and security of supply, even in the compromised context of a global supply-chain crisis.

With reference to energy and gas, it should be noted that the Group has adopted strategies of partial and dynamic hedging of the energy cost in 2023, with partial coverage of the needs expected in 2024. In addition, with a view to energy efficiency, it should be noted that the project to build a cogeneration plant in Arese (Milan-Italy) to reduce energy costs and emissions has also been started, although the authorisation process has been slowed down; in addition, some initiatives to build renewable energy production plants in Italy and Spain are being assessed.

▪ New investment risk

This risk refers to uncertain events originating from various factors, for example: scenario (micro/macroeconomic, political, regulatory, business), technical, operational, financial, organisational, etc. that may impact the success and profitability of a new investment initiative. Risks are mainly related to the inability of developing certain economic-financial forecasts over the plan period or project life (in the case of a specific initiative, especially a development one), with consequent potential economic or equity losses, or the deterioration of the Group’s image. In this regard, in 2023, the Group defined more structured processes for selecting and evaluating investments that envisage a series of subsequent levels of review and approval at an inter-functional level, also based on financial evaluation/planning models.

Financial risks

▪ Credit risk

Credit risk arises from the loss the Group may incur as a result of the inability of a contractual counterparty to fulfil its obligations, in particular to meet its payment obligations. The Group manages credit risk with the aim of optimising the risk profile in the pursuit of commercial and business objectives through structured processes and by adopting the necessary procedures for monitoring overdue receivables and implementing the necessary credit recovery procedures.

The Group assigns each counterparty a specific level of credit that cannot be exceeded or, alternatively, upon presentation of suitable collateral (e.g. *cash against documents*, *letter of credit*, *stand-by*).

The Group's credit policy is based on subjecting customers requesting deferred payment terms to creditworthiness verification procedures with the support of international databases, as well as on the observation of *delinquency* of newly acquired customers. In addition, the balance is constantly monitored during the year to ensure timely intervention and to reduce the risk of losses.

The amount of the risk is equal to the bad debt provision established in the respective financial statements, considered adequate in relation to the credit risk (also depending on the type of receivables). Considerations include:

- sales to "high-risk" countries are made exclusively by advance payment or letter of credit;
- In the other countries sales are primarily made to large multinational companies, with which strategic partnership agreements for the development of new products are also in place.

▪ Market risk (interest rate and exchange rate)

Market risk is the risk of a change in the price of a financial instrument (interest rate and exchange rate) caused by a change in one or more market conditions. The use of derivative instruments is only permitted against an underlying, commercial or financial instrument to reduce the economic impact of interest and exchange rate volatility. Transactions with derivative instruments for speculative purposes are not permitted. The Group actively employs derivative and/or traditional instruments to manage risk. In particular:

▫ Interest rate risk

Interest rate risk is the exposure to the volatility of the *fair value* or future cash flows of financial assets or liabilities due to changes in market interest rates. The Group assesses whether to enter into derivative contracts, typically IRS (*interest rate swaps*), for *hedge accounting purposes* if the conditions of IFRS 9 are met.

In order to mitigate the financial effect of changes in interest rates, it is Group policy to hedge, predominantly, the exposure related to medium- to long-term debt. Hedge derivates such as "plain vanilla" — as to IRS or collar — are used to manage this risk.

In February 2023, the company refinanced its long-term debt and issued senior secured notes, maturing in February 2028, for a total of Euro 690 million divided as follows: Euro 300 million at a fixed rate and Euro 390 million at a floating rate (Floating rate notes - FRN).

The company is currently the holder of one IRS contract with a bank of primary standing and creditworthiness, maturing on 30 September 2024, for a notional value of Euro 305 million, signed to hedge cash flows and protect against interest rate fluctuation risk. The Fair Value as at 31 December 2023 was positive by Euro 5 million.

As of 31 December 2023, medium/long-term debt with fixed or hedged interest rates, including derivatives, amounts to 88% of the total nominal medium/long-term exposure.

With regard only to the variable-rate portion of the notes, amounting to Euro 390 million, with quarterly coupons, the coverage level is 78% of the nominal exposure; the IRS contract meets the hedge accounting criteria under IFRS.

Exchange rate risk

The diversified geographical distribution of Italmatch Chemicals' production and commercial activities entails exposure to exchange rate risk, both transactional and translational.

The transactional exchange rate risk is generated by transactions of a commercial and financial nature carried out in individual companies in currencies other than the functional currency (Euro), because of fluctuations in exchange rates between the time the commercial/financial relationship originates and the time the transaction is finalised (collection/payment). The Group sells and buys in USD and to a lesser extent in GBP and YEN and is therefore subject to transactional exchange rate risk, mainly with reference to receivables and payables in foreign currencies. During 2023 as part of the Group's operational treasury activities, Italmatch Chemicals evaluated specific hedging contracts. Some forward contracts were entered into for the forward purchase of sterling and forward sale of US dollars. Currently, there are no forward sale contracts for USD/EUR.

The Group holds controlling interests in companies that prepare their financial statements in currencies other than the euro used for the preparation of the consolidated financial statements. This exposes the Group to translational exchange rate risk due to the conversion into euros of the assets and liabilities of subsidiaries that operate in currencies other than the euro. The main exposures to translation exchange rate risk are constantly monitored and, up to date, it has been decided not to adopt specific hedging policies against these exposures.

Liquidity risk

Liquidity risk relates to the Group's inability to meet its payment commitments under normal and extraordinary conditions. In order to address this risk, the Group:

- monitors and preserves the maintenance of financial assets (i.e. cash and cash equivalents, readily liquid assets and undrawn *committed* credit lines) as well as an operational '*liquidity*' buffer;
- makes use of the capital market to raise medium- to long-term funds;
- proactively manages the maturity profile of the various funding sources;
- diversifies and complements, at competitive costs, various instruments of the banking and parabanking system, including *factoring and confirming* instruments;
- adopts prudent interest rate risk management policies regarding long-term funding sources.

As of 31 December 2023, the Group had cash and cash equivalents totalling Euro 224 million, undrawn *committed* credit lines of Euro 107 million.

The Group's objective is also to ensure a sustainable financial structure, in terms of *leverage* and fixed-rate-variable-rate mix, consistent with the Group's commitments and financial requirements, including prospective ones, while preserving a certain financial flexibility to seize available opportunities on a case-by-case basis.

It should also be noted that the Group in the first quarter of FY23 successfully concluded:

- the refinancing of the Euro 650 million bond issue, expiring in 2024, by issuing new bonds totalling Euro 690 million (of which Euro 300 million at a fixed rate and Euro 390 million at a floating rate, notes listed on the Luxembourg Stock Exchange), expiring in February 2028;

- the Amendment & Extension of the *committed* bank line (so-called Super Senior Revolving Credit Facility- SsRCF) of Euro 107 million expiring in October 2027;
- the completion of the entry into the capital of Fire (BC) Midco (the holding company that, through Fire (BC) Holdco, holds the capital of Italmatch Chemicals S.p.A.), also through a capital increase of approximately Euro 100 million. In March 2023, the funds were provided to Italmatch Chemicals S.p.A through a capital increase and reserves.

Business and operational risks

▪ Health, Safety and Environment (HSE)

The environmental risks arising from the Group's activities are diversified and relate to transportation, storage and management stages of raw materials, as well as the production, transportation, storage of products, and waste management. The diversified geographical presence of plants means that the Group needs to monitor numerous regulations which, if within the European Union they are substantially aligned, are not necessarily reflected in the same principles in regulations on other continents.

In general, a distinction must be made between the management of (i) risks related to the ordinary phase of plant operations and (ii) those generated by the management of extraordinary events/emergencies.

Ordinary operations are managed according to the usual operating procedures and comply with all the requirements set forth in the authorisation decrees issued by the territorially competent authorities. The presence of management systems certified according to ISO 14001 ensures constant regulatory monitoring, updating of operating procedures in accordance with *best practices* and new regulations, a periodic review process of performance and KPIs by management, and a related *continuous improvement* plan.

The raw material procurement process (transport) is managed in relation to the type of product, in compliance with the product safety data sheets and related regulatory requirements. Their storage and management takes place on the basis of internal management procedures while complying with the requirements imposed by the authorising bodies.

The main environmental releases from production processes consist of emissions and discharges: technological systems for emission abatement (where present) and effluent treatment systems (or the transfer of the latter to external treatment plants) continuously or periodically monitored according to local regulations, guarantee the minimisation of impacts and in any case compliance with the environmental regulations in force. Periodic environmental monitoring includes environmental sampling subject to analysis by certified third-party laboratories.

In case of extraordinary events, contingency plans are provided within the management systems, which, depending on the severity of the event, provide for internal management, communication to the authorities or even the involvement of external bodies in the management of the emergency for monitoring and intervention plans.

The Group monitors the vulnerability to catastrophic natural events at its production sites and mitigates *business interruption* and *business continuity* risks by adopting plans that include procedures for managing emergencies and catastrophic natural events. The geographical diversification of production capacity (especially in certain *end-markets* such as ASW and LPA) and the underwriting of insurance policies to cover (at least partial) *property* damage and *business interruption* that the Group's production sites may suffer represent at least partial risk mitigation factors. The supply chain is also assessed for potential *business interruption* risks.

▪ Human Capital

Risks in human resources refer to the Group's ability to retain people in key roles within the Group, ensuring continuity of know-how. The Group adopts long-term incentive plans and *retention plans* sized, among others, on the risk profiles of business-related activities. Finally, specific management policies are adopted to motivate and retain talent.

The Group employs its own personnel in countries whose laws implement advisory powers and provide for economic protections on matters concerning reorganisations and production reconversions. These powers and protections could therefore affect flexibility in drawing strategic lines of business and entail extraordinary charges with an impact on the results for the year. However, the management of relations with personnel is ensured by the HR functions at the '*Region*' level, in coordination with the equivalent central functions all in order to ensure a dialogue with institutions and design appropriate organisational strategies.

▪ Risks related to innovation, product development and intellectual property

Protecting the intellectual property of the Group's products is a crucial aspect of competitive advantage; the Group currently has an extensive portfolio of registered trademarks and patents. However, actions to protect these rights may not be sufficient to prevent the development of similar products. In particular, laws in some foreign countries do not provide the same level of protection as in Italy, the European Union and the United States.

At the same time, the Group refers to the development of non-proprietary know-how, subject to continuous technological innovation, in order to maintain and defend its competitive position. Mitigating factors also include the application of restrictive confidentiality *policies* to employees and third parties.

▪ ICT and Cyber Security

In the ICT environment, the main risks concern attacks on systems with data theft (data breach), security breaches, or the interruption of IT services due to cybersecurity attacks. Essentially, anything that compromises the availability, confidentiality or integrity of data, through its ICT systems, adopts a risk-based approach in order to define security measures of both a preventive and reactive nature, and specific continuous improvement programmes aimed at increasing the company's resilience against cyber security risks. The Cybersecurity Roadmap, adopted in 2019, is inspired by the US-based international framework of the National Institute of Standards and Technology (NIST). Every year Italmatch undergoes external monitoring and vulnerability assessments are carried out to identify risks and gaps and plan remediation actions. All improvement steps contribute to increasing the level of security in one of the five key areas described by NIST:

- Increased network integration (DETECT/RESPOND areas)
- Cyber Threat Intelligence to enable vulnerability analysis and to allow appropriate action to counter attacks (PROTECT/DETECT areas)
- Simulation of attacks, to enable the security team to analyse network vulnerabilities, improve responses and decrease recovery times (PROTECT/DETECT/RESPOND/RECOVER areas)
- control of incoming e-mails, which undergo machine learning and data analytics to detect phishing and fraudulent e-mails (PROTECT area)
- Cybersecurity rating and Vulnerability Assessment via BitSight — to improve protection from our external perimeter (IDENTIFY/PROTECT areas)

The protection of sensitive data is a priority: policies and procedures have been implemented to ensure system access control and secure access to data, especially if relevant or confidential. Disaster Recovery plans have been implemented for business continuity and data recovery, based on in-depth risk assessments specific to each business and each plant.

Compliance risks

The Italmatch Group recognises the fundamental principle of compliance with laws and regulations in all the countries where it operates. All Group personnel are required to operate with fairness and transparency in carrying out their business activities.

The Group condemns the use of any corrupt practice with the utmost rigour and without exception, and has put in place a system of rules and controls for the purpose of preventing and/or managing any criticalities including:

- Globally: the recognition of the principles of integrity and transparency as an integral part of the Italmatch Group's corporate culture and policy and the continuous commitment to their observance. These principles are identified and included in the Group's Code of Ethics and in the main Global Policies, such as the *Anticorruption Global Policy*, *Gifts, Hospitality, Sponsorship and Donation Global Policies,* which condemn/prohibit all forms of corruption, active or passive. The recognition of a business model based on the principles of integrity and transparency is also required by the Italmatch Group from its suppliers, through adherence to the Supplier Code of Conduct. The Whistleblowing reporting procedure is also in place on a global basis, allowing people to report suspected violations of the Code of Ethics, procedures and Group Policy while guaranteeing the protection of confidentiality.
- Locally: the parent company Italmatch Chemicals S.p.A. has adopted the Organisational Model 231, supplemented by ad hoc anti-corruption procedures in the main countries where the Group also operates through its subsidiaries. Operational measures are identified for each legal entity, with Directors and Officers designated as authorised individuals to interact with third parties. Specific authorisation and signature powers are also defined and assigned, with single and/or joint signature in consideration of the areas of interest and the spending limits assigned, to circumscribe the management of processes in complete autonomy.

The accurate and detailed book-keeping and accounting control system monitors that all transactions are authorised, recorded and justified.

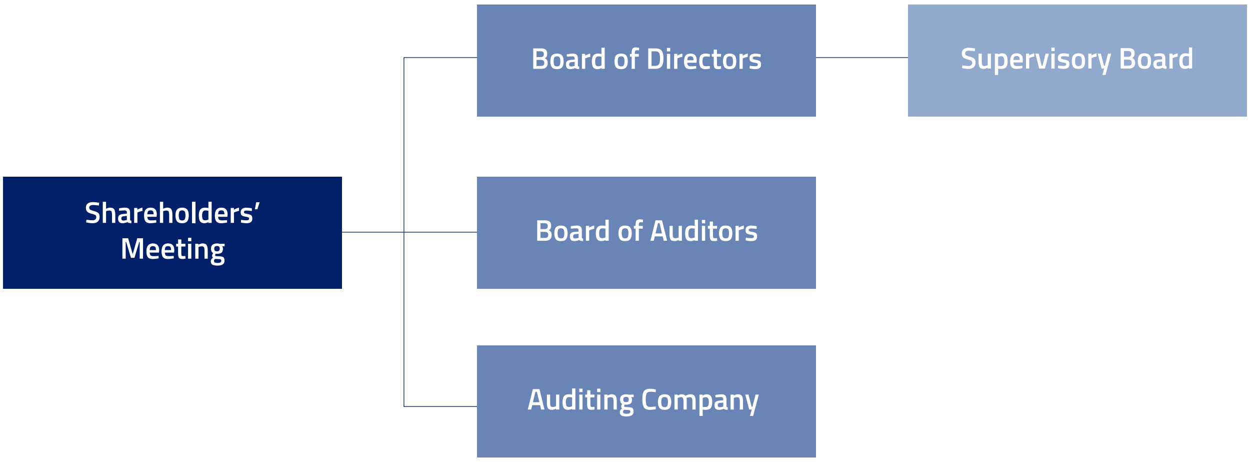
In conclusion, as an integral part of the safeguards in place, specific e-Learning training courses are provided to all Group personnel aimed at (i) increasing awareness of the main areas of compliance subject to greater risks, with a specific focus on Anti-Bribery and Anti-Corruption and the conduct to be adopted, and (ii) promoting good behavioural practices adopted at Group level.

12. Corporate Governance information

Italmatch Chemicals S.p.A. adopts a traditional administration and control system, which includes, as statutory bodies in accordance with the Articles of Association, in addition to the shareholders' meeting:

i) the Board of Directors, appointed by the Shareholders, as the strategic management and general policy-making body;
ii) the Board of Statutory Auditors, appointed by the Shareholders, as a supervisory body with the task of supervising the adequacy and functioning of the company's organisational and risk management structure;
iii) the Auditing Company, appointed by the Shareholders' Meeting as the auditing body.

The Supervisory Board, appointed by the Board of Directors pursuant to Legislative Decree No. 231/2001, has the task of supervising compliance with the Organisational Model 231; the Supervisory Board monitors the compliance of the structures, with reference to the protocols in place in the Organisational Model 231, reports to the Board of Directors and is endowed with autonomous powers of initiative and control.



In addition to the above-mentioned functions, the various operational departments and the Compliance function also form an integral part of the Italmatch control model.

Operating within a dynamically evolving control process, management operates within the framework of delegations received from the Board of Directors, has the task of ensuring that the main risks affecting Italmatch and its subsidiaries are promptly identified, assessed, and mitigated.

The operational lines, known as Operational Management, are assigned the controls inherent in the operational processes prepared and implemented by the Company to identify and mitigate risks, actively contributing to the definition, updating and integration of the internal procedures that ensure the conduct of operational activities in line with established corporate objectives.

The Compliance function supports and monitors first-level control activities with particular reference to compliance with laws and regulations in the main areas covered by the Code of Ethics and the so-called Global Policies (as listed below).

In Italmatch Group's legal entities, the governance system is historically based on a model that sees the Board of Directors as the main body of strategic administration, supported in ordinary management activities by one or more directors and/or executives delegated with specific powers and/or mandates reporting to the Board of Directors itself.

In the ordinary course of business, the uniformity of governance and control principles at Group level is based on the so-called four-eye rule, which defines common rules of action in each legal entity, based on a single and/or joint signature mechanism and policy, depending on the specific areas of intervention and materiality thresholds.

The presence of directors in all the Group's legal entities ensures local compliance and proper interactions with headquarters.

In addition to internal protocols, the activities of each legal entity are also guided by the reference principles that guide the Italmatch Group in carrying out its business activities and that are included in the Group Code of Ethics: legality, honesty, fairness, equality, confidentiality, fairness, integrity, transparency, responsibility, independence, protection of health, safety and the environment, sustainability, balancing and diversity in skills and gender. In addition to the Code of Ethics, the Group has adopted Group Policies that outline, on a global basis, approaches to specific issues, dictating their guiding principles and management methods, including, the main ones, Human Rights Policy; Diversity & Inclusion Policy; Anticorruption policy; Gifts, Hospitality, Sponsorships and Donations Policy; Antitrust Policy; International Trade Control Policy; Conflict of Interest Policy; Whistleblowing policy; Sustainability Policy; Suppliers Code of Conduct.

13. Italmatch and Sustainability

The Italmatch Group not only focuses its attention on the industrial aspects of its business, with a focus on the so-called *green transition* through dedicated research and development activities on circular products and applications, but also, on the integration into its business model of the requests coming from its stakeholders and local communities, in the context of an active and constant dialogue on sustainability aspects (or ESG).

In particular, Italmatch Group's sustainable development modelinvolves conducting business according to the values of fairness and moral integrity, protection of people and their health and safety, as well as protection of the environment and respect for biodiversity, establishing relationships of trust with the various stakeholders; embracing the values of sustainability is also a commitment that the Italmatch Group requires of its suppliers.

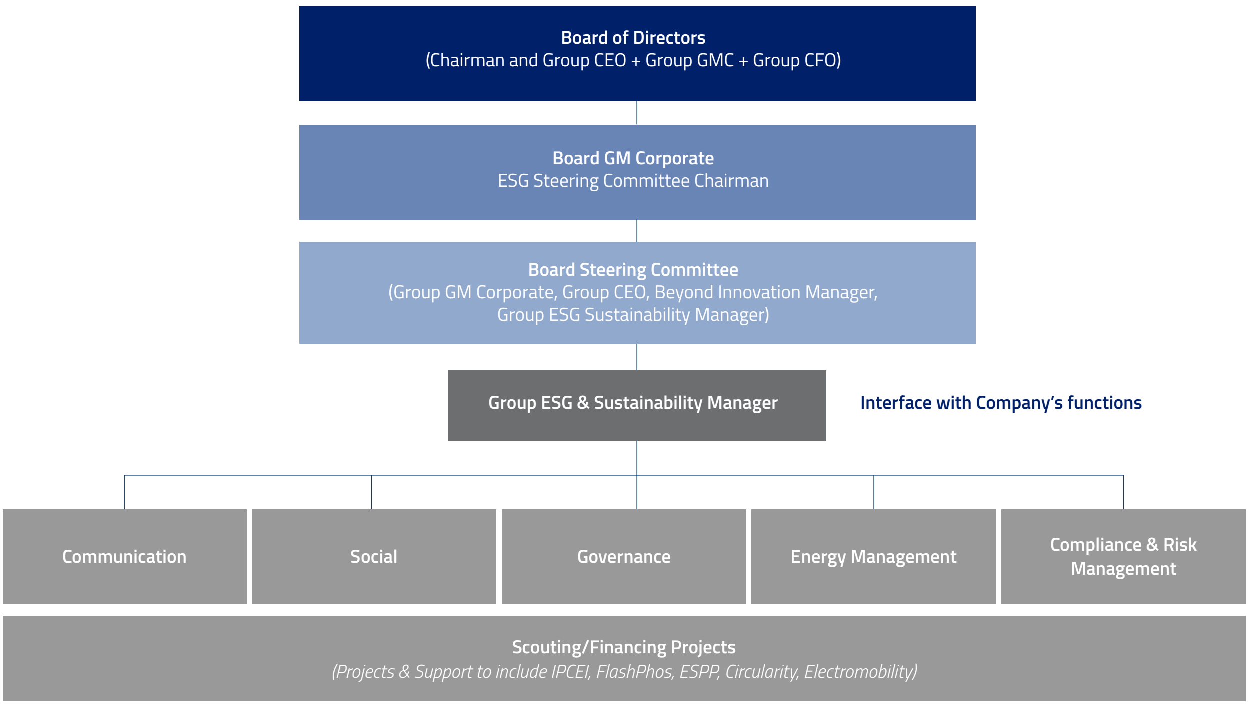
The integration of the industrial strategy and ESG strategy into a single business model led during the year to the reinforcement and definition of the so-called ESG Governance and related guidelines, as well as the grounding of the most important actions: the foundations in the corporate organisation and the implementation of the main processes supporting the roadmap outlined.

ESG Governance

Sustainability governance is led by the Board of Directors of Italmatch Chemicals S.p.A., which defines the strategic guidelines and ESG objectives and approves the Annual ESG Report.

According to the delegation received from the Board of Directors, the Group General Manager Corporate is in charge of the implementation of the corporate ESG strategic guidelines also with the propositional and advisory support of the ESG Committee as well as the corporate departments for the consequent operations.

In the process of strengthening the ESG department, the governance model has established an internal ESG Management Committee composed of Board members and the ESG & Sustainability Manager; this composition allows for adequate coordination and transfer of information both from the Board to the Committee for the setting of ESG strategic guidelines, and from the Committee to the Board for the implementation and effectiveness of projects as well as for the monitoring of key ESG indicators.



The ESG Committee is entrusted with: (i) designing, overseeing, monitoring and reporting to the Board of Directors on ESG strategic directions and approaches; (ii) monitoring the performance and results of ESG objectives; (iii) periodically reviewing ESG reporting prior to its submission to the Board of Directors for approval; iv) proposing ESG initiatives to the Board of Directors and/or the Group General Manager Corporate; v) supporting and advising the Board of Directors and the Group General Manager Corporate on key ESG areas and actions; vi) supervising and monitoring ESG Special Projects; vii) coordinating between the strategic guidelines given by the Board of Directors and the operational/sustainability activities of the business in the medium/long term.

The ESG & Sustainability Manager, who is member of the ESG Steering Committee, is responsible for

- interface with the corporate functions involved in the implementation of ESG strategies to monitor the progress/achievement of the defined objectives and provide for their periodic reporting;
- gather information from corporate functions for the construction of the ESG Report;
- act as a focal point with ESG rating agencies.

The ESG Work Plan

Following the governance definition, the principles were also defined: inspired by the international principles (e.g. the ten principles of the Global Compact) and recalled in the Group's Code of Ethics, the new Sustainability Policy and additional Group Policies were published or updated (please refer to the governance section for details).

Along with the Sustainability Report published in March 2024, the most significant aspects for the ESG strategy (material issues) were identified: for each of these, the guidelines to be implemented in the coming years were defined.

MAIN AREA	MATERIAL TOPIC	ESG GUIDELINES (on 3/5 years time)
RESPONSIBLE PRODUCT	Product Safety and Stewardship	Strong commitment to develop innovative products supporting our customers in the transition to a decarbonised economy thanks to specialties for renewable (lubricants), to improve circularity processes (recover of materials from sludges), requalification of O&G (well closure), improve electrification (electrolytes) etc.
	Green Chemistry Innovation	
	Customer Relationship	Improve our customer centricity approach
ENVIRONMENT	Climate impacts and strategy	Define emission reduction actions to reach future SBTs targets
	Approach to Circularity	Develop project to reduce/reuse resources Develo new products aiming to support the decarbonisation transition

MAIN AREA	MATERIAL TOPIC	ESG GUIDELINES (on 3/5 years time)
OUR PEOPLE AND COMMUNITIES	Culture of Diversity, Equity & Inclusion	Internal training and engagement on D&I with support of Valore D External engagement promoting our culture
	Nurture talents and their well-being	Employee engagement survey, implement the performance management / leadership model
	Occupational Health and Safety	Decrease the injury rate Extend the HSMS certifications
	Community Engagement	Continuous community engagement according to the defined corporate guidelines
GOVERNANCE AND BUSINESS ETHICS	Corporate Governance & ESG reporting	Improve reporting practices and ESG ratings
	Ethical Business Model	Worldwide employee training on compliance laws, policies and procedures 100% coverage of new hired employee
	Responsible Supply Chain Management	Increase number of suppliers rated by third parties according to ESG criteria, increase rating of low - rated suppliers
	Digitalization and Cybersecurity	Improve external testing framework

The Work Plan for the year 2023 focused on four main strands: governance, reporting, environmental and social.

The first point regarding **Governance** was the definition of the structure, which was realised according to the model described above: this allows an adequate design of ESG strategies, their monitoring as well as reporting to the company's Board.

The second point that was developed in the area of governance was the support for the **Sustainable Procurement** process: achieving the Group's ESG objectives entails coordination work with its supply chain. The Group suppliers have been asked to adopt an ESG rating and to share the specific emissions contained in the products purchased (product carbon footprint - PCF): this facilitated GHG inventory and initiated a process that will lead the Group to monitor, in compliance with regulations that will come into force in the next few years, the so-called supply chain 'due diligence' related to the management of supply chain operations. In support of the strategic directions, a new procurement solution/ P2P model will support the strategic — competitive design.

A third strand as regards to governance was raising **awareness** within the Group working on disseminating the principles underlying our way of doing business. The topics of Anti-Bribery, Whistleblowing, Antitrust, Data Protection, D&I were the subject of training/information to various employee targets.

Significant steps were also taken to improve the area of **reporting**: a structured, board-approved database of data and information is useful for communicating one's approach to sustainability to stakeholders, as well as for submitting to ESG ratings. At the beginning of 2024, Italmatch published its Sustainability Report (available on Italmatch's corporate website) where its GHG (green house gas) inventory was reported, certified by a third party (Bureau Veritas). This allowed and allows investors and the market to have at their disposal the quantitative information, approved by the Board, representing the Group's approach to various issues.

The reporting thus constructed led to the strengthening and improvement of the two ESG ratings, Ecovadis and CDP-climate change, with appreciable results:

- **Ecovadis' rating** improved from Bronze to Silver with a widespread increase on all reporting pillars;
- the **CDP-climate change** rating significantly improved from D to B-.

This significant upgrade recognises the strengthening of the Group's ESG strategy and underlines the company's progress in its decarbonisation roadmap.

The rating improvement was based on the commitment developed during the year as a result of: the certified GHG inventory, detailed and structured climate governance, good risk assessment and supplier involvement.

In conclusion, during the year we wanted to identify through a special internal model how, and to what extent, our products can support the achievement of the Sustainable Development Goals defined by the United Nations in 2015 (so-called SDGs).

For each product family, we analysed their prevailing target market and then associated the related SDG.

The management of **environmental** aspects derives from the legislation in force in each country: each plant is authorised according to local regulations and must comply with their requirements.

The guarantee of correct management, of compliance and updating with standards, of the application of BAT (best available techniques — best practices) in operational processes, of the existence of a path of 'continuous improvement' is also entrusted to the presence of environmental management systems certified according to the international standard ISO 14001: these are present in most of the plants.

The Group carried out an analysis to the impact on the environment or biodiversity. The results were comforting: most of production plants are located within industrial parks and none are near protected areas or high biodiversity.

In the **social** sphere, continuing the path and dialogue started with communities, support continued to be given to local activities through donations or sponsorships. Activities were channelled into a number of priority thematic areas: dissemination of corporate culture in schools, support for sports activities (particularly those involving youth and favouring inclusion), and support for local community development.

During the year, the renewed focus on the school-work alternation and care-giving needs of its personnel led to the continuation and extension of the company agreement on smart-working, with particular attention to parenting and family care issues.

From the perspective of paying more attention to training and school-to-work alternation, an annual competition has been set up for six scholarships for the children of employees who have completed their studies (secondary school, Bachelor’s degree, Master’s degree) with top marks.

The Group’s adherence to 'Un Fiocco in Azienda' guarantees new mothers more favourable treatment than provided for by law in terms of remuneration and involvement: these allow a quicker return to work and a lower economic impact on the family unit.

We also continued the training activities provided thanks to Valore D (the first Italian association of companies active in the promotion of initiatives for gender equality and a more inclusive corporate culture) to which Italmatch has belonged since 2022. Among these, the initiatives aimed at strengthening a corporate culture increasingly based on the value of inclusiveness in the various aspects in which it is declined have been significant, given the Group’s multicultural characteristics.

For issues more closely related to personnel management, please refer to the specific section.

14. Other information

Information on Main Operating Consolidated Companies

EUROPE, UNITED KINGDOM AND MIDDLE EAST

- GRS Chemicals Technologies

Acquired in 2014, the company's core business was the production of polymers for the chemical paper, petrochemical, water treatment and combustion sectors.

In 2016, the operating businesses were concentrated in the parent company, leaving the role of toll manufacturer to the subsidiary.

From 2020, the goal of expanding GRS's production range by adding more AWS products and realising significant industrial synergies continued.

- Union Derivan

A company under Spanish law mainly active in the oleochemicals sector and outlet markets in plastics, rubber, construction, detergents, cosmetics, paints, and pharmaceuticals. It has administrative and commercial headquarters in Barcelona and a production plant in Zuera (Zaragoza). The company was acquired in 2012 through a special purpose vehicle called Trigosa Spain, now Italmatch Spain.

- Italmatch Belgium

The company acquired in 2013 carries out sales support activities as well as technical customer support, and more generally global coordination for AWS products.

- Italmatch Polska

The company, located in Chorzow and acquired in 2013, carries out storage and transloading of yellow phosphorus instrumental to the Chlorides business and the Frankfurt site. Since 2018, it has started investments aimed at expanding its operational area.

- Italmatch Deutschland

The company, which was acquired in 2013, is responsible for the production cycle of chlorides made in the Frankfurt plant (Hochst Industrial Park), through fully dedicated equipment and facilities.

- Italmatch UK

The company, acquired in 2013, is responsible for the production cycle of Dequest products manufactured at the Newport plant. In particular, Italmatch UK owns equipment and facilities that are operated by Eastman on behalf of Italmatch UK.

- Italmatch Chemicals GB

The vehicle company that acquired Afton Chemical's UK activities in 2018, including the metalworking fluid additives business (previously Polartech), also encompasses a manufacturing site in Manchester, UK.

The current configuration of the company is the result of the integration of the business activities of:

- BWA Water Additives UK, acquired in 2019 (then no longer operational) and engaged in the business of marketing chemicals offering solutions for the oil & gas, industrial water treatment and desalination sectors.
- Aubin ltd, acquired in 2022 (then no longer operational) based in the UK and active in the development and commercialisation of innovative chemical and ESG solutions for the oil & gas and renewable energy industries.

- BWA FZE

UAE-based company acquired in 2019 that markets AWS-type products.

- AUBIN Energy DMCC

UAE-based company acquired in 2022 that markets AWS-type products for the oil & gas industry and the renewable energy sector.

- Italmatch Middle East

The holding company established in 2018 in order to develop an industrial chemical project in Saudi Arabia through subsequently established Joint Ventures (Saudi Phosphorus Industrial Company and Italmatch Biolab Industrial Company).

Italmatch Middle East was also structured to offer certain services to Italmatch Biolab Industrial Company.

- Saudi Phosphorus

The company, established as a JV in 2019, based in Saudi Arabia has previously only carried out some preliminary design activities for two industrial sites and then started the specific design phase from 2023.

- Italmatch Biolab

A company, established as a JV in 2021, headquartered in Saudi Arabia and operational as of 2021, acts with the objective of importing, manufacturing (via tolling) and marketing chemicals from the AWS division in Saudi Arabia.

NORTH AND SOUTH AMERICA

- Companies in the USA

The US Sub-consolidated includes: Italmatch USA, Compass Chemical International, Detrex Corporation, The Elco,Corporation, Italmatch SC, Italmatch DW, Water Science Technologies and BWA Water Additives US all based in the United States of America.

- **Italmatch USA** Corporation, acquired in 2013, is primarily engaged in the production and marketing of phosphonates and additives for the water treatment and oil & gas markets.
  The current configuration of the Company is the result of the integration of the business activities of Compass Chemical International, which was acquired in 2016, and BWA Water Additives USA, which was acquired in 2019 and has since ceased operations.

- **Compass Chemical International** serves as *toll manufacturer* for Italmatch USA.

- **Detrex and Elco**, acquired in 2017, own the Cleveland and Ashtabula manufacturing sites respectively. Elco owns the business and operations and is one of the leading specialised manufacturers of high-performance lubricant additives and additives for MWF, industrial oils and greases and high purity hydrochloric acid for pharmaceutical applications.

- **Italmatch SC** is the holding company that, in June 2018 acquired from Afton Chemical the US activities related to metalworking fluid additives business (formerly Polartech), including a production site in Bedford Park (IL).

- **Water Science Technologies**, acquired in 2019, is a leading manufacturer engaged in blending and supplying chemical solutions for the oil & gas and industrial water treatment sectors in North America.

- **Italmatch DW** is a company established in the USA in 2019 as a vehicle for investment in FRX Polymers Inc.

- Italmatch Quimica Do Brasil

Formerly known as Sudamfos Comércio De Prod. Quimicos Do Brasil, acquired in 2017 through the holding company Italmatch Do Brasil Participações LTDA, Italmatch Quimica Do Brasil's mainactivity is the marketing of phosphonates, phosphates, and other speciality chemicals.

ASIA PACIFIC

- Italmatch Japan

Acquired in 2013, Italmatch Japan merged with BWA Water Additives Japan in 2020, which then ceased to exist.

ITC Japan Ltd. mainly markets phosphonates and chemicals for industrial water treatment and desalination.

- Nantong Italmatch Chemicals

Established in 2003, it is a Chinese manufacturing company active in the Asian market with products such as hypophosphite calcium, melamine, hypophosphite aluminium, red phosphorus, Rednic and other phosphorus products.

- Italmatch International Trading

Chinese company formerly part of the group, but since 2013, it has been distributing products from the AWS business. Since 2018, it has expanded its market spectrum by acquiring the Chinese metalworking fluid additives business from Afton.

- Fangchenggang Yueyang Chemicals

Controlled since 2016 it is a Chinese manufacturing company active in the Asian market with Phosphorus Pentasulphide and since 2023 also producing flame retardants.

- Italmatch Investment Jiangsu / Changzhou Italmatch Chemical / Changzhou Italmatch Trading

Chinese companies in Changzhou acquired in 2018, of which the first acts as holding company, the second is the manufacturing company of- phosphonates, and the third primarily handles the export of products from the second company.

- Italmatch Singapore

Acquired in 2013, Italmatch Singapore markets Pentasulphide, AWS products and other mainly group chemicals in South-Eastern Asia.

- Italmatch Chemicals India

A holding company established in 2018, which acquired the Indian metalworking fluid additives business from Afton Chemical in the same year.

Revenues by company are shown below:

Geographic Area	Company	Revenues (Euro/000s)
EMEA	Italmatch Chemicals S.p.A.	297,479
	GRS Chemicals Technologies	8,266
	Union Derivan	68,162
	Italmatch Belgium	1,779
	Italmatch Polska	1,354
	Italmatch Deutschland	9,039
	Italmatch UK	14,368
	Italmatch Chemicals GB	53,559
	BWA FZE	3,831
	Aubin Energy	4,308
	Italmatch Middle East	1,292
	Saudi Phosphorus	-
	Italmatch Biolab	25,955
Americhe	Italmatch USA	109,722
	Compass Chemical International	12,092
	Detrex-Elco	58,729
	Italmatch SC	12,607
	Water Science Technologies	47,674
	Italmatch DW	-
	Italmatch Quimica do Brasil	6,957
ASIAPAC	Italmatch Japan	11,591
	Nantong Italmatch Chemicals	20,684
	Italmatch International Trading	21,282
	Fangchenggang Yueyang Chemicals	13,112
	Italmatch Investment Jangsu	865
	Changzhou Italmatch Chemical	16,966
	Changzhou Italmatch Trading	17,716
	Italmatch Singapore	16,918
	Italmatch Chemicals India	10,255
Consolidation adjustments		(195,370)
Consolidated		**671,195**

Transactions with Associated, Controlling and Controlled Companies

During the financial year, there were relations with companies, associates, parent companies and companies under their control relating to normal commercial and financial transactions undertaken at market conditions.

Final Considerations

To complete this report, we would like to point out that the Group does not own and did not hold, either directly or through fiduciary companies, any of its own shares or those of its parent companies, nor did it purchase or sell any during the year.

These consolidated financial statements comply with the law.

Genoa, 22 March 2024

For the Board of Directors
Chairman
Ing. Sergio Iorio

Consolidated Financial Statements at 31 December 2023

3 The notes on the accompanying pages are an integral part of these consolidated financial statements.

Consolidated Statement of Profit and Loss and Other Comprehensive Income

(Euro/000s)	Note	01.01.2023 31.12.2023	01.01.2022 31.12.2022
Revenue	**4-5**	**671,195**	**861,885**
Other income		17,152	5,458
Raw materials, consumables and production utilities	6	(430,114)	(545,958)
Third-party production and maintenance		(33,141)	(37,314)
Employee benefits expense		(73,525)	(74,347)
Transportation costs		(22,660)	(47,933)
Other operating expenses	7	(32,946)	(28,934)
Depreciation and amortisation	12-13-14	(56,081)	(56,829)
Impairment losses on goodwill	11	(34,077)	0
Operating profit		**5,803**	**76,030**
Impairment losses on financial assets		(764)	(1,598)
Finance income	8	18,812	34,265
Finance costs	9	(101,636)	(67,416)
Profit/(Loss) before tax		**(77,785)**	**41,282**
Income Tax expense	10	(4,724)	(12,778)
Profit/(Loss) after tax		**(82,509)**	**28,504**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial Change in Employee Benefit Liabilities		55	0
Income Taxes: Actuarial Change in Employee Benefit Liabilities		(14)	0
Total		**40**	**0**
Items that are or may be reclassified subsequently to profit or loss			
Cash flow hedges - effective portion of the fair value change		(4,964)	10,744
Related tax		1,456	(3,152)
Total Cash flow hedges - effective portion of the fair value change		**(3,508)**	**7,592**
Total Foreign operations - foreign currency translation differences		(7,482)	3,041
Other comprehensive income (expense) net of the tax effect		**(10,949)**	**10,633**
Comprehensive income for the year		**(93,458)**	**39,136**
Profit/(Loss) of the period attributable to:			
Owners of the company		(84,129)	28,025
Non-controlling interest		1,620	479
Profit/(Loss) after tax		**(82,509)**	**28,504**
Total Comprehensive income attributable to:			
Owners of the company		(96,041)	38,813
Non-controlling interest		2,583	323
Comprehensive income for the year		**(93,458)**	**39,136**

Consolidated Balance Sheets

(Euro/000s)	Note	31.12.2023	31.12.2022
Non-current Assets			
Goodwill	11	495,675	533,825
Other intangible assets	12	172,720	197,448
Property, plant and equipment	13	187,474	192,975
Right of use assets	14	5,912	5,652
Investments in financial assets		90	90
Deferred tax assets		7,216	10,104
Other receivables		3,318	3,767
Total non-current assets		**872,405**	**943,861**
Current Assets			
Inventories	15	131,474	218,573
Trade receivables	16	59,870	79,348
Other receivables	16	17,832	19,149
Trade and other receivables ICO	16	173	77
Current tax assets	22	17,015	21,331
Derivative financial instruments	19	4,851	10,933
Cash and cash equivalents	17	116,903	26,873
Total current assets		**348,118**	**376,284**
Total assets		**1,220,523**	**1,320,145**
Current liabilities			
Trade payables	21	71,259	100,309
Other payables	21	21,993	22,004
Trade and other payables ICO	21	-	294
Current tax liability	22	14,587	21,908
Short-term borrowings	18	8,411	21,238
Lease liability	20	2,942	2,282
Total current liabilities		**119,192**	**168,035**
Non-current liabilities			
Borrowings	18	658,943	709,951
Borrowings ICO		27	220
Derivative financial instruments	19	-	-
Employee benefit obligations	24	3,128	3,838
Deferred tax liabilities		18,068	23,215
Lease liability	20	2,958	3,237
Provisions	23	5,104	6,103
Total non-current liabilities		**688,228**	**746,564**
Total liabilities		**807,420**	**914,599**
Net assets			
Share Capital	25	10,420	9,421
Share Premium	25	472,530	373,535
Other reserves	25	42,000	45,464
Retained earnings	25	(31,521)	(52,119)
Profit/(loss) for the year	25	(84,129)	28,025
'Total equity attributable to equity holders of the parent		**409,300**	**404,326**
Retained earnings		2,183	741
Profit/(loss) for the year		1,620	479
Total equity attributable to non-controlling interest		**3,803**	**1,220**
Total equity		**413,103**	**405,546**
Total equity and liabilities		**1,220,523**	**1,320,145**

Consolidated Statements of Changes in Equity

(Euro/000s)	Share capital	Share premium	Hedging Reserve	Other reserves	Retained earnings	Non-controlling	Total equity
Balance at 1 January 2021	**9,421**	**373,535**	**(1,347)**	**34,773**	**(70,821)**	**357**	**345,918**
Comprensive income							
Profit (Loss) for the year	-	-	-	-	360	531	891
Other comprensive income							
Exchange differences	-	-	-	2,176	16,725	9	18,910
Cash flow hedges — effective portion of the fair value change	-	-	691	-	-	-	691
Total other comprehensive income	**-**	**-**	**691**	**2,176**	**16,725**	**9**	**19,601**
Total comprehensive income	**-**	**-**	**691**	**2,176**	**17,085**	**540**	**20,492**
Balance at 31 December 2021	**9,421**	**373,535**	**(656)**	**36,949**	**(53,736)**	**897**	**366,408**
Transfer	-	-	-	1,579	(1,579)		-
Profit (Loss) for the year	-	-	-	-	28,025	479	28,504
Other comprensive income							
Exchange differences	-	-	-		3,197	(156)	3,041
Cash flow hedges — effective portion of the fair value change	-	-	7,592	-	-	-	7,592
Total other comprehensive income	**-**	**-**	**7,592**	**-**	**3,197**	**(156)**	**10,633**
Total comprehensive income	**-**	**-**	**7,592**	**-**	**31,222**	**323**	**39,137**
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 31 December 2022	**9,421**	**373,535**	**6,935**	**38,528**	**(24,093)**	**1,220**	**405,546**
Share capital increase	999	98,995	-	-	-	1,017	101,011
Profit (Loss) for the year	-	-	-	-	(84,129)	1,620	(82,509)
Other comprensive income							
Exchange differences	-	-	-	-	(7,428)	(54)	(7,482)
IAS 19	-	-	-	40	-	-	40
Cash flow hedges — effective portion of the fair value change	-	-	(3,508)	-	-	-	(3,508)
Total other comprehensive income	**-**	**-**	**(3,508)**	**40**	**(7,428)**	**(54)**	**(10,949)**
Total comprehensive income	**-**	**-**	**(3,508)**	**40**	**(91,557)**	**1,566**	**(93,458)**
Total transactions with owners	**999**	**98,995**	**-**	**-**	**-**	**-**	**99,994**
Balance at 31 December 2023	**10,420**	**472,530**	**3,429**	**38,571**	**(115,650)**	**3,803**	**413,103**

Consolidated Statements of Cash Flows

(Euro/000s)	Notes	31.12.2023	31.12.2022
A) Cash flow from operating activities			
Profit (Loss) for the Year		**(82,509)**	**28,504**
Income Taxes	10	4,724	12,778
Finance expenses/(finance income)	8-9	82,824	33,150
Non-monetary adjustments with no effect on net working capital			
Accruals to provisions	23-24	1,016	4,559
Amortisation and Depreciation	12-13-14	56,081	56,829
Write-downs for Impairment losses		34,841	1,598
Cash flow before changes in net working capital		**96,977**	**137,394**
Changes in net working capital			
Decrease (increase) in trade receivables	16	17,972	129
Increase (decrease) in trade payables	21	(27,405)	(4,837)
Decrease (increase) in inventory	15	83,446	(73,671)
Changes in receivables/payables to controlling companies		(583)	235
(Decrease)/Increase in tax assets and tax liabilities, current and deferred	22	(18)	278
Other changes in net working capital		5,871	(12,547)
Cash flow after changes in net working capital		**176,260**	**47,003**
Other adjustments			
Interest (paid)/collected	8-9	(62,941)	(39,459)
(Taxes paid)	10	(8,531)	(7,258)
(Utilisation of provisions)	23-24	(2,695)	(252)
Cash flow from operating activities (A)		**102,093**	**34**
B) Cash flow from investing activities			
Investments in property, plant and equipment	13	(24,809)	(24,564)
Investments in other intangible assets	12	(5,376)	(4,884)
Acquisition of subsidiary, net of cash acquired	26	-	(2,094)
Cash flows used in investing activities (B)		**(30,185)**	**(31,542)**
C) Cash flow from (used in) financing activities			
Third-party funds			
Decrease in short term borrowings	18	(12,336)	(1,584)
Lease Liabilities	20	(5,175)	(5,808)
Increase in short term borrowings		-	-
Bond issue		652,796	-
Repayment of Bond	18	(650,000)	-
Decrease in Revolving Credit Facility	18	(66,500)	-
Increase in Revolving Credit Facility	18	-	29,000
Capital Increase	25	99,994	-
Cash flow from (used in) financing activities (C)		**18,779**	**21,608**
Increase (decrease) in cash and cash equivalents (A + B + C)		**90,687**	**(9,900)**
Opening cash and cash equivalents		**26,873**	**36,331**
Exchange difference on cash		*(657)*	*440*
Closing cash and cash equivalents		116,903	26,873

Notes to the Consolidated Financial Statements

1. General Information

Italmatch is a diversified global chemical group, focused on the production and marketing of a wide range of special chemical products (so-called speciality chemicals), The Group's products are used as additives, or intermediates for additives, to improve the performance of certain end products such as water or oil solutions for industrial processes, industrial lubricants and electrical equipment.

Italmatch Chemicals S,p.A. is a company limited by shares incorporated and registered in Italy, Via E.Vismara 114, 20020 Arese (MI) (the administrative office is located at Via Magazzini del Cotone 17 - Modulo 4, Genova 16128, Italy). Pursuant to Article 2427-22-*quinquies* of the Italian Civil Code, it is noted that Italmatch Chemicals S.p.A. (the "Parent Company") is directly controlled by Fire (BC) Holdco Limited and indirectly by Fire (BC) Midco Limited both with registered office in the United Kingdom and controlledby Fire (BC) S.à.r.l. with registered office in Luxembourg, which prepares the consolidated financial statements of the larger group of companies to which the Company belongs as a subsidiary.

These consolidated financial statements are prepared on a going concern basis in accordance with International Financial Reporting Standards (hereinafter referred to as 'IFRS' or 'International Financial Reporting Standards') as adopted by the European Union.

The financial statements used for consolidation purposes are prepared by the boards of directors of Italmatch Chemicals S.p.A..

On 22 March 2024, the Board of Directors authorised the publication of these Consolidated Financial Statements.

2. Adoption of new and revised standards

IFRS accounting standards, amendments and interpretations applied from 1 January 2023

As of 1 January 2023, the following standards, interpretations, and amendments to existing standards became applicable, in relation to which there are no significant effects on the Consolidated Financial Statements:

- Amendments to IAS 1 — Disclosure of Accounting Policies (IASB publication date February 2021[4]);
- Amendment to IAS 8 — Definition of Accounting Estimates (IASB publication date February 2021);
- Amendments to IAS 12 — Deferred Taxes Relating to Assets and Liabilities Arising from a Single Transaction (IASB publication date May 2021);
- IFRS 17 — Insurance Contracts, including amendments issued in June 2020 (IASB publication date May 2017 and June 2020). IFRS 17 is a new accounting standard for the recognition, measurement, presentation and disclosure

4 The document published by the IASB includes amendments to the document "IFRS Practice Statements 2 — Making Materiality Judgements" that have not been endorsed by the European Union as they do not relate to an accounting standard or interpretation.

of insurance contracts issued by an entity and/or reinsurance contracts held by an entity. Based on the accounting analyses performed by the Group's management, the contracts issued by ERG do not represent transactions that may fall within the definition of an insurance contract;

- Amendments to IFRS 17 — First-time application of IFRS 17 and IFRS 9 — Comparative information (IASB publication date December 2021);
- Amendments to IAS 12[5] — International Tax Reform — Model Rules (Pillar 2) (IASB publication date May 2023). Please refer to Note 10 - Income Taxes for details.

IFRS and IFRIC accounting standards, amendments and interpretations published but not yet early adopted by the group as at 31 December 2023

Below are the new standards or amendments to standards, applicable, if endorsed by the European Union, for financial years beginning after 1 January 2023, whose early application is permitted. However, the Group has decided not to adopt them early for the preparation of these Consolidated Financial Statements.

Entry into force	Description	Date of issue	Homologated
1 January 2024	Amendments to IFRS 16 'Leases' Lease Liabilities in a Sale and leaseback transaction	22 September 2022	20 novembre 2023
	Amendments to IAS 1 'Presentation of financial statements' on the classification of non-current assets and liabilities with *covenants*	23 January 2020 15 July 2020 31 October 2022	19 December 2023
	Amendments to IAS 7 'Statement of Cash Flows' and IFRS 7 'Financial Instruments: Disclosures' on supplier finance arrangements	25 May 2023	No
1 January 2025	Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates' on Non-Exchangeability	15 August 2023	No

The assessment of the possible impacts of the above-mentioned Principles is ongoing.

3. Significant Accounting Policies

a. Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS Standards) adopted by the European Union and presented in Euros rounded to the nearest thousand. Foreign operations are included in accordance with the policies set out below in the present Note.

The financial statements have been prepared using the historical cost basis except for the revaluation of certain financial instruments, that are measured or fair value at the end of each financial year. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using a valuation technique. In estimating the fair value of an asset or a liability, the Group considers the characteristics of the asset or liability taken into account by market participants in determining its price at the measurement date. Fair value for measurement and/or disclosure purposes used in these consolidated financial statements is determined on this basis, except for leases that are within the scope of IFRS 16, and measurements that have some similarities to fair value but do not correspond to it, such as net realisable value in IAS 2 or value in use in IAS 36.

The main *accounting policies* adopted by the Group are outlined below.

5 Amendment to apply immediately upon publication on 23 May 2023, retroactively from 1 January 2023.

b. Going concern

Going concern basis is a general principle underlying the preparation of the financial statements, which therefore requires verifying — in a context of high volatility and uncertainty, including prospective macroeconomic uncertainty and in relation to financial market trends and events — the resilience, the economic and financial sustainability of the Group to continuously operate in the foreseeable future. The recalculation of the contractually defined EBITDA[6] for FY23 and FY22 is summarised below:

Contractually — defined EBITDA — Italmatch Chemicals S.p.A. Group (Euro/m)	**31.12.2023**	**31.12.2022**
Profit/(loss)	**(83)**	**29**
Income Taxes	5	13
(Finance income)	(19)	(34)
Finance costs	102	67
Operating profit	**5**	**74**
D&A and impairment of fixed assets and goodwill	91	58
Managerial adjustments, non-recurring items and synergies	14	11
Contractually-defined EBITDA	**110**	**144**

Below are the main financial metrics monitored by the Group:

	31.12.2023		**31.12.2021**	
Key Financial Metrics - 31 December 2023 & 2022 (Euro/m)	**Amount Outstanding**	**Net debt/ Contractually defined EBITDA**	**Amount Outstanding**	**Net debt/ Contractually defined EBITDA**
Cash and cash equivalents	(117)		(27)	
Super Senior RCF drawn amount (Euro 107m)	0		67	
Senior Secured Notes	690		650	
Net Senior Secured Debt	**573**	**~ 5.2x**	**690**	**~ 4.8x**
Other financial short term debt	9		22	
Lease liabilities (IFRS 16)	6		6	
Net Debt	**588**	**~ 5.3x**	**717**	**~ 5.0x**
Contractually-defined EBITDA	**110**		**144**	
Liquidity				
Cash and cash equivalents	117		27	
Super Senior RCF (Euro 107m)	107		107	
(-) Amount drawn	-		(67)	
Undrawn committed short term lines	107		8	
Total liquidity	**224**		**75**	

The Senior Secured Net Debt was successfully refinanced in the first quarter of FY23 and will be due in 2028. In particular, on 6 February 2023, the Group issued Senior Secured Floating Rate notes for Euro 390.000 thousand and Fixed Rate Notes in the amount of Euro 300.000 thousand due in 2028 (5 years) with the aim of refinancing the aforementioned outstanding Euro 650.000 thousand bonds expiring in 2024. The maturity date of the Revolving Credit Facility (RCF) was determined in October 2027.

The RCF Agreement and the Indenture in relation to issued notes contain certain covenants known as *Incurrence*. Under the agreements signed, the company will not default solely because its financial condition deteriorates, but only if it will put in place actions to cause such *default*, e.g. incur debt, make investments and complete a merger, etc., in violation of the mentioned financial agreements.

6 The contractually defined EBITDA as per the Offering Memorandum in relation to the bonds issued by the company is defined as Further Adjusted EBITDA. Further information is provided in Section 6 of the Management Report.

In addition, the company and some of its subsidiaries must comply with additional covenants, both positive and negative, subject to certain exceptions and grace periods, including covenants relating to (i) licensing, (ii) compliance with laws, (iii) provision of guarantees and security and further assurance, (iv) compliance with sanctions, anti-money laundering and anti-corruption laws, and (v) centre of main interests.

In terms of financial covenants under the RCF agreement, if on the last day of each financial quarter, all RCF drawn amounts (excluding, among other things, utilisations by way of letters of credit, bank guarantees or ancillary facilities), net of cash, cash equivalents and temporary cash investments held by the Group, exceeded 35% of the total commitments under RCF, the drawn super senior RCF leverage ratio should not exceed 1.50x (so called "Drawn Super Senior Leverage Ratio"). The Drawn Super Senior Leverage Ratio is calculated as the ratio of the aggregate principal amount of all outstanding drawn loans under the RCF, less the aggregate amount of cash, cash equivalents and temporary cash investments held by the Group to the contractually defined EBITDA for the twelve-month period preceding the quarterly testing date. Whenever this test is not passed, a 'draw stop' to new drawings under the available RCF residual line is triggered and, if breached, will not trigger a default or event of *default under* the RCF. If required, in such scenario, certain so-called *equity cure* rights are available to the company. It should be noted that as of December 31, 2023 the RCF line is fully unused, which is therefore fully available up to date.

As regards to the issued notes, the company and its restricted subsidiaries will be subject to, inter alia, to an *incurrence* test which allows them to incur additional debt (in addition to other debt that the company and its restricted subsidiaries are permitted to incur pursuant to other provisions of the Indenture) if certain ratios are met on a pro forma basis for the incurrence of such debt, namely:

1. "Interest coverage ratio" (so — called FCCR — Fixed Charge Coverage Ratio), defined as a Contractually defined EBITDA to financial interests, must be at least equal to 2.0x;
2. to the extent the debt is *senior secured*, the "Consolidated Senior Secured Net Leverage Ratio ", defined as the ratio of net senior secured debt (i.e. secured debt on the bonds net of cash and cash equivalents) to contractually defined EBITDA, must not be greater than a certain threshold defined in the documentation related to the bond outstanding on the date.

All these ratio tests and certain other provisions in the Indenture and the RCF are designed to ensure that the company and its restricted subsidiaries do not incur additional debt — compared to what is already contractually possible (so-called Permitted Debt), unless certain parameters are met. As of 31 December 2023, the available liquidity position is approximately Euro 224 million, of which Euro 117 million as cash and cash equivalents, which gives the Group a considerable financial flexibility.

It is worth mentioning that the RCF bears interests at a rate per annum equal to, for loans denominated in euro, EURIBOR, or for loans denominated in U.S. dollar, Term SOFR, plus an applicable margin. The level of the Senior Secured Net Leverage Ratio impacts the margin applicable to the RCF; the highest margin applicable being equal to 3.5% should the Senior Secured Net Leverage Ratio exceeds 5.5x.

At the beginning of 2023, Italmatch Group refinanced the medium/long-term debt, changing its composition (inserting a fixed-rate portion) and nominal amount (now equal to Euro 690,000 thousand, of which Euro 390,000 thousand at floating rate and Euro 300,000 thousand at fixed rate) as well as maturity (from September 2024 to February 2028). Together with the refinancing, the capital structure also changed as a result of the capital contribution that took place in early 2023 with the entry of the minority shareholder Dussur (Saudi Arabian Industrial Investment Company) with a stake of less than 20% in the capital of Italmatch's holding company, Fire (BC) MidCo Ltd., also through a capital increase of approximately Euro 99,994 thousand (which was also reflected in Italmatch Chemicals S.p.A.). In a context where the chemical sector experienced a generalised weakness throughout 2023, the Italmatch Group thus focused its efforts on strengthening its equity and cash generation, with significant results obtained from the optimisation of working capital and the reduction of inventories in particular.

The actions taken were recognised by the rating agencies, which confirmed rating and outlook on the company by March 2024.

At the date of approval of the financial statements, considering all the above information and based on the information currently available, the directors have a reasonable expectation that the Group has adequate resources to continue operations in the near future for a period of not less than 12 months from the end of the financial year. Therefore, the going concern principle is confirmed as the accounting basis for the preparation of the financial statements.

c. Use of judgements and estimates

In applying the Group's accounting policies, which are described in Note 3, the directors are required to make judgements (other than those involving estimates) that have a significant impact on the recognised amounts and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements

Below are the critical judgments, in addition to those related to estimates (which are presented separately below), that the directors made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Provision for expected losses on trade receivables
As explained in point 'r' of this note, the Group uses a provisioning matrix to calculate ECLs for trade receivables and contract assets.

Assumptions and uncertainties in estimates

The following are the main assumptions concerning the future and other major sources of estimation uncertainty that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Recoverability of Deferred Tax Assets
Deferred tax assets are recognised to the extent that it is probable that there will be sufficient taxable income against which the benefits of temporary differences can be utilised, and these assets are expected to reverse in the foreseeable future.

The Group reviews the carrying amount of deferred tax assets at each reporting date and, if necessary, reduces it to the extent that it is no longer probable that sufficient taxable profit will be available to allow for full or partial recovery of the asset.

Deferred tax assets are calculated at the tax rates that are expected to apply in the year the asset is realised, based on the tax laws and rates enacted or substantively enacted at the reporting date.

The valuation of deferred tax assets reflects the tax consequences that would result from the manner in which the Group expects to recover the carrying amount of its assets at year-end.

Measurement of expected losses on trade receivables
The Group uses a provisioning matrix to calculate ECLs for trade receivables and contract assets. The impairment percentages are determined based on days past due and by grouping receivables from customers that are characterised

by similar causes of impairment (geographic area, product type, customer type, rating, presence of guarantees or other insurance).

The provisioning matrix is initially based on the Group's observed historical default rates. The Group will calibrate the matrix to correlate historical credit loss experience with forecast information. For example, if macroeconomic conditions are expected to worsen, which may lead to more defaults, the impairment rates based on historical data are adjusted. At each reporting date, the impairment percentages are updated and estimates of prospective economic conditions are analysed.

The assessment of the correlation between observed historical default rates, expected economic conditions and ECLs is a meaningful estimate. The amount of ECLs is sensitive to changes in circumstances and expected economic conditions. The Group's historical credit loss experience and forecasts of future economic conditions may also not be representative of actual customer default in the future.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties related to the obligation. When a provision is measured using the estimated cash flows to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When it is expected that some or all of the economic benefits required to settle a provision will be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that repayment will be received, and the amount of the receivable can be measured reliably.

Impairment test

The impairment test requires that assumptions be made to determine the recoverable amounts of the goodwill allocated to CGUs. These assumptions are the input for the determination of:

- Cash flows projections;
- Terminal value;
- iscount rate.

Fair Value Measurement

Accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

When third party information, such as broker quotes or pricing services, is used to determine fair value, the Group evaluates and documents evidence obtained from third parties to support the conclusion that such valuations meet the requirements of Standards, including the level of the fair value hierarchy in which the valuations should be classified.

In measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques, as illustrated below:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices).
- Level 3: input data relating to the asset or liability that are not based on observable market data.

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is placed in the same level of the hierarchy as the lowest level input that is significant to the entire valuation.

The Group recognises transfers between levels of the fair value hierarchy at the end of the financial year in which the transfer took place. Please refer to Note 27 for more details on *fair value* assumptions.

d. Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and the entities controlled by the Company, prepared as at 31st December of each year. Control is achieved when the Company:
- has power over the entity being invested in;
- is exposed to, or has rights to, variable returns from its relationship with the entity being invested in;
- has the ability to exert its power over the invested entity to affect the amount of its returns.

The Group reconsiders whether it has control over an investee if facts and circumstances indicate that there have been changes in one or more of the three elements relevant to the definition of control.

When the Company holds less than a majority of the voting power of an investee entity, the Company considers that it has control over that entity if the voting power is sufficient to give it the practical ability to unilaterally direct the significant activities of that investee. The Company considers all relevant facts and circumstances in determining whether it controls the investee entity, including:
- The size of the Company's shareholding in the voting rights in relation to the size and dispersion of the shareholdings of the other holders of voting rights;
- Potential Voting Rights Held by the Company, Other Voting Holders or Other Parties;
- Rights under other contractual agreements;
- Any additional facts and circumstances indicating that the Company has, or does not have, the current ability to direct the relevant activities at the time when decisions are to be made.

Consolidation of an entity begins when the Company obtains control of that investment object and ceases when the Company loses control of the entity. In particular, the assets, liabilities, revenues and expenses of the subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date on which the Group obtains control until the date on which the Group no longer exercises control over the company.

Minority interests are initially measured in proportion to the relative share of the acquiree's identifiable net assets at the acquisition date.

Where necessary, adjustments are made to the financial statements of subsidiaries to align the accounting principles used with the Group's accounting principles.

All assets and liabilities, equity, revenues, expenses, and intra-group cash flows related to transactions between group entities are eliminated completely upon consolidation.

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

Changes in interests in subsidiaries that do not result in a loss of control are recognised in equity. The value of the Group's equity and the equity attributable to non-controlling interests are adjusted to reflect changes in interests in subsidiaries. Any difference between the change in equity attributable to minority shareholders and the fair value of the consideration paid or received is recognised directly in equity and allocated to the shareholders of the Company.

If the Group loses control of a subsidiary, it must derecognise the related assets (including goodwill), liabilities, minority interests and other components of equity, while any gain or loss is recognised in profit or loss. Any investment retained must be recognised at fair value. The fair value of any investment retained in the former subsidiary at the date control is lost is deemed to be the fair value at initial recognition in accordance with IFRS 9, where applicable, or the cost of initial recognition of an investment in an associate or joint venture.

A complete list of the Group's subsidiaries can be found in Note 26.

e. Business combination

Acquisitions of businesses are accounted for using the 'acquisition method'. The cost of an acquisition is determined as the sum of the consideration transferred, measured at fair value at the acquisition date, and the amount of the non-controlling interest in the acquiree. For each business combination, the Group determines whether to measure the non-controlling interest in the acquiree at fair value or in proportion to the non-controlling interest's share of the acquiree's identifiable net assets. Acquisition costs are expensed in the period.

At the acquisition date, the identifiable assets acquired, and liabilities assumed are recognised at fair value at the acquisition date, with the exception of:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefits, which are recognised and measured in accordance with IAS 12 and IAS 19, respectively;
- Liabilities or equity instruments related to the acquiree's share-based payment arrangements or Group share-based payment arrangements entered to replace the acquiree's share-based payment arrangements, which are measured in accordance with IFRS 2 at the acquisition date; and
- Assets (or disposal groups) classified as held for sale in accordance with IFRS 5 are measured in accordance with this standard.

Goodwill is initially recognised at cost represented by the excess of the aggregate of the consideration paid and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed by the Group. If the fair value of the net assets acquired exceeds the aggregate of the consideration paid, the Group reassesses whether it has correctly identified all assets acquired and all liabilities assumed and revises the procedures used to determine the amounts to be recognised at the acquisition date. If the reassessment still results in the fair value of the net assets acquired exceeding the consideration paid, the difference (gain) is recognised in profit or loss.

Any contingent consideration to be recognised is recognised by the acquirer at fair value at the acquisition date. Contingent consideration classified as an asset is not remeasured and its subsequent payment is recognised in equity. The change in fair value of contingent consideration classified as an asset or liability as a financial instrument that is within the scope of IFRS 9 Financial Instruments shall be recognised in profit or loss in accordance with IFRS 9. Contingent consideration that is not within the scope of IFRS 9 is measured at fair value at the reporting date and changes in fair value are recognised in profit or loss.

Changes in the fair value of contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments to goodwill. Measurement period adjustments are adjustments that result from additional information obtained during the 'measurement period' (which may not exceed one year from the acquisition date) about the facts and circumstances existing at the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. These provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised from that date.

f. Goodwill

Goodwill is initially recognised and measured as indicated in Note "e. Business Combination" above.

Goodwill is not amortised, but its recoverability is tested at least annually. In order to test for impairment, goodwill arising from a business combination is allocated, from the date it is acquired, to each cash-generating unit ('CGU') of the Group that is expected to benefit from the synergies of the combination. The cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication of potential impairment of the unit. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the unit, and only then to the other assets of the CGU, in proportion to their carrying amount. A recognised impairment loss related to goodwill cannot be reversed in subsequent years.

If goodwill has been allocated to a cash-generating unit and the entity disposes of part of the assets of that unit, the goodwill associated with the disposed asset is included in the carrying amount of the asset when determining the gain or loss on disposal.

g. Revenue Recognition

The Group generates revenue from the sale of chemical products. Revenue from contracts with customers is recognised when control of goods and services is transferred to the customer in an amount that reflects the consideration the Group expects to receive in exchange for those goods or services and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. This may occur, depending on the relationship with the individual customer, when the product has been transferred to a freight carrier, when the customer has received the product or, for *consignment* stock held at the customer's premises, when utilisation reports for the period in question have been compiled.

The payment terms offered by the Group to customers are within a certain number of days from receipt of the invoice and standard contracts do not include a significant financial component. The Group does not expect to have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. Accordingly, the Group does not adjust any transaction prices for the time value of money.

The Group applies this core principle using a five-step model:

1) Identification of the customer contract (step 1).

   The Group applies IFRS 15 to contracts with customers within the scope of the standard when the contract creates enforceable rights and obligations and meets all of the following criteria:
   - the parties have approved the contract and have undertaken to fulfil their respective obligations;
   - rights to goods or services and payment terms are identifiable.
   - the contract has commercial substance;
   - the Group is likely to receive the consideration to which it expects to be entitled.

   In order to assess these criteria, the Group considers all facts and circumstances, including the following:
   - a contract is an agreement between two or more parties that creates enforceable rights and obligations;
   - the enforceability of rights and obligations in the contract is governed by law;
   - the contract may be written, oral, or implicitly derived from the Group's customary business practices;
   - practices and procedures for concluding contracts with customers vary from one jurisdiction to another, from one sector to another and from one entity to another. They may also vary within the Group itself (e.g. depending on the category of customers or the nature of the goods or services promised);

The Group takes these practices and procedures into account in determining whether and when the arrangement with the customer creates enforceable rights and obligations. If these criteria are not met, any payments received from customers should be recognised as advances;

2) identification of obligations to do (step 2).

The Group identifies all the goods or services promised in the contract as separate obligations to do if they are by their nature capable of being distinguished and if they are distinct within the scope of the contract. As an exception, the Group accounts as a single obligation to do a series of separate goods or services that are substantially the same and have the same manner of transfer to the customer over time. In assessing the existence and nature of the obligations to make, the Group considers all elements of the contract referred to in step 1.

For each separate good or service, the Group determines whether it acts as "principal" or "agent", depending on whether it controls the promised good or service before control is transferred to the customer. Indicators of control include (a) having primary responsibility for providing the goods or services to the customer, (b) assuming the inventory risk and (c) having discretion in setting prices for the goods or services. When the Group acts as an agent, revenue is recognised on a net basis, corresponding to the fees or commissions to which it expects to be entitled;

3) determination of the transaction price (step 3).

The transaction price represents the amount of consideration to which the Group expects to be entitled in exchange for the transfer of the promised goods or services to the customer, excluding amounts collected on behalf of third parties (e.g. certain sales taxes and value added tax). The Group determines the transaction price at the inception of the contract (using the legally applicable contractual terms and without regard to whether the contract is cancelled, renewed or amended) and adjusts it in each financial year to reflect any changes in circumstances.

In determining the transaction price, the Group considers whether the transaction price includes:

- variable consideration. The amount of estimated variable consideration included in the transaction price is limited to the amount for which it is highly probable that, when the uncertainty associated with the variable consideration is subsequently resolved, there will be no significant downward adjustment to the amount of cumulative revenue recognised;
- non-cash consideration received from a customer, measured at fair value;
- a consideration payable to the customer that represents a reduction in the price of the transaction, unless it is a payment for separate goods or services received from that customer;
- a significant financing component may exist if the time of payment does not correspond to the time of transfer of the goods or services to the customer. The Group does not take into account the effects of a significant financing component if at the inception of the contract it expects that the time interval between when it will transfer the promised goods or services to the customer and when the customer will make the related payment will not exceed one year;

4) allocation of the transaction price (step 4).

At the inception of the contract, the Group allocates the transaction price among the various identified obligations to do, to reflect the amount of consideration to which it expects to be entitled in exchange for the transfer of the promised goods or services. When the contract includes an option to purchase additional goods or services that represents a significant right (a significant right exists if the customer is only able to obtain the option by entering into the contract and the option provides the customer with the ability to obtain the additional goods or services at a lower price than their stand-alone selling prices), the Group allocates the transaction price to that obligation to do (i.e., the option) and defers the related revenue when the transfer of those future goods or services takes place or the option expires.

The Group generally allocates the transaction price on the basis of the stand-alone selling price of each good or service promised in the contract (i.e., the price at which the Group would sell that good or service separately to the customer);

5) revenue recognition (step 5).

The Group recognises revenue when (or as and when) each obligation to do is fulfilled by the transfer of the promised good or service to the customer, or when the customer acquires control (i.e., the ability to decide on the use of the goods or services and to derive substantially all of the remaining benefits or to prevent others from doing likewise).

As a first step, the Group determines whether one of the criteria for fulfilling the obligation over time is met:
- the client simultaneously receives and utilises the benefits of the service as it performs it;
- the group's performance creates or improves an activity that the client controls as the activity is created or improved; or
- the Group's performance does not create an asset with an alternative use for the Group and the Group has the enforceable right to payment for the completed performance up to the relevant date.

If the obligation to do is not fulfilled in the course of time, the Group determines the point in time when the customer acquires control of the good or service, also considering the following indicators:
- a present obligation to pay;
- material possession;
- property rights;
- risks and benefits of ownership; and
- acceptance of the activity.

If the Group performs an obligation to do so by transferring goods or services to the customer before the customer pays the consideration or before payment is due, the Group recognises an asset arising from contracts with customers in respect of the right to obtain the consideration in exchange for the goods or services transferred to the customer. If the customer pays the consideration before the transfer of the goods or services to the customer occurs, the Group recognises a liability arising from contracts with customers at the time payment is made (or payment is due); this liability will be recognised as revenue when the Group performs its obligation under the contract.

h. Leases

The Group as lessee

The Group assesses when entering into a contract whether it is, or contains, a lease. The Group adopts a single recognition and measurement model for all leases. The Group recognises a right-of-use asset and a corresponding lease liability in respect of all leases in which it is a lessee.

The lease liability is initially measured at the present value of the lease payments not yet paid at that date, discounted using the rate implicit in the lease. If this rate cannot be easily determined, the Group uses the incremental borrowing rate.

Lease payments included in the valuation of the lease liability include:
- fixed lease payments (including fixed payments in substance), net of any lease incentives payable;
- variable fees depending on an index or rate;
- the amounts expected to be paid by way of residual value guarantees;

- the exercise price of the call options, if the lessee is reasonably certain to exercise them;
- penalty payments for lease termination if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate item in the consolidated balance sheet.

The lease liability is subsequently measured by increasing its carrying amount to reflect interest (using the effective interest method) and reducing its carrying amount to reflect payments made.

The Group recalculates the lease liability (and makes a corresponding adjustment to the related right-of-use asset) each time:

- the lease term is changed or there is a significant event or change in circumstances that results in a change in the measurement of the exercise of a purchase option, in which case the lease liability is recalculated by discounting the revised lease payments using a revised discount rate;
- lease payments change due to changes in an index or rate or in the estimated amounts expected to be payable as security for the residual value, in which cases the lease liability is recalculated by discounting the revised lease payments using an unchanged discount rate (unless the change in lease payments is due to a change in the variable interest rate, in which case a revised discount rate is used);
- a lease is amended and the amendment to the lease is not accounted for as a new separate lease, in which case the lease liability is recalculated over the term of the amended lease by discounting the payments using a revised discount rate at the effective date of the amendment.

The Group made no such adjustments during the periods presented.

Lease assets include the initial measurement of the corresponding lease liability, lease payments made on or before the commencement date, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for the costs of decommissioning and removing a leased asset, restoring the site where it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, a provision is measured and recognised in accordance with IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related asset, unless such costs are incurred in the production of inventories.

Right-of-use assets are depreciated from the lease inception date over the shorter of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

Right-of-use assets are presented as a separate item in the consolidated balance sheet.

The Group applies IAS 36 to determine whether a right-of-use asset is *impaired* and accounts for any impairment loss identified as described in the section on 'Property, Plant and Equipment'.

Variable rents that are not index- or rate-dependent are not included in the valuation of lease liabilities and right-of-use assets. The related payments are recognised as an expense in the financial year in which they are incurred and are included in "other expenses" in the income statement.

As a practical expedient, IFRS 16 permits a lessee not to separate the non-lease components of an agreement, but to treat them as part of a single agreement. The group has used this practical expedient.

i. Foreign currencies

In preparing the financial statements of Group entities, transactions in currencies other than the functional currency of the entity (foreign currencies) are recognised at the exchange rates prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the rates in effect on that date. Non-monetary items reported at fair value denominated in foreign currencies are translated at the rates in effect on the date the fair value was determined. Non-monetary items measured in terms of historical cost in a foreign currency are not translated back. Exchange differences are recognised as a gain or loss in the period in which they arise.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at the exchange rates in effect on the reporting date. Income and expense items are translated at average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the date of the transactions are used. Any exchange rate differences are recognised in other comprehensive income and recognised in a translation reserve in equity (allocated to non-controlling interests, if applicable).

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income and recognised in the translation reserve in equity.

j. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily require a substantial period of time to be ready for their intended use or sale, are included in the cost of those assets until they are substantially ready for their intended use or sale.

To the extent that variable rate loans are used to fund an asset that qualifies for capitalisation of borrowing costs and are hedged as part of an effective cash flow hedge of interest rate risk, then the effective portion of the derivative is recognised in other comprehensive income and reclassified to profit or loss when the asset that qualifies for capitalisation of borrowing costs has an impact on profit or loss. To the extent that fixed rate loans are used to fund an asset that qualifies for capitalisation and are hedged as part of an effective cash fair value hedge of interest rate risk, capitalised borrowing costs reflect the hedged interest rate.

Income derived from the temporary investment of specific loans, pending their use in connection with assets that qualify for capitalisation of borrowing costs, is deducted from the amount of borrowing costs eligible for capitalisation.

All other financial expenses are recognised in the income statement in the year in which they are incurred.

k. Grants for research and development

Contributions for research and development are recognised when it is certain that the contribution will be received, which coincides with its formal approval by the granting body or with the group's declaration that there is reasonable certainty that it will be received and that all the conditions attached to it have been met.

Grants related to cost components are recognised as revenue but are systematically allocated between periods to match the costs they are intended to offset. Government grants whose primary function is to support the Group in the acquisition, construction or other means of obtaining non-current assets (including property, plant and equipment) are recognised as deferred income in the balance sheet and transferred to the income statement on a systematic and rational basis, in a manner related to the useful life of the assets against which they are granted.

Government grants that are receivables as compensation for expenses or losses already incurred by the Group or for the purpose of providing immediate financial support to the Group, without future related costs, are recognised in the income statement in the year in which they become receivable.

l. Future -employment benefits

The group has various employee benefit schemes within the regions in which it operates. In general, payments to defined contribution pension plans are recognised as an expense when employees have rendered services that entitle them to contributions. Payments made to state-managed pension plans are accounted for as payments to defined contribution plans when the Group's obligations under the plans are equivalent to those under a defined contribution plan.

For defined benefit pension plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations performed at the end of each annual reporting period. Revaluations, which include actuarial gains and losses, changes in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability, and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position by debiting or crediting retained earnings through other comprehensive income in the period in which they arise. Revaluations are not reclassified to profit or loss in subsequent years. *Service cost* components are recognised in profit or loss when plan changes occur, or when the Group recognises restructuring costs or termination benefits, whichever is earlier.

Gains or losses on the settlement of a defined benefit plan are recognised when the settlement occurs. Net interest is calculated by applying a discount rate to the net liability or asset. Defined benefit costs are divided into three categories:
- service *costs, which* comprise current service costs, past service costs, and gains and losses in the event of plan changes;
- net interest or income gand;
- revaluation.

The Group recognises service costs in the income statement.

Interest expense or net income is recognised under financial expenses.

The pension benefit obligation recognised in the consolidated financial statements represents the deficit or surplus of the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of all economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

m. Taxation

The tax burden represents the sum of currently payable taxes and deferred taxes.

Current tax

Current taxes are based on taxable income for the year. Taxable income differs from net income as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and further excludes items that are never taxable or deductible. The Group's liability for current taxes is calculated using tax rates enacted or substantively enacted at the end of the reporting period.

A provision is recognised in connection with uncertainties in income tax treatments if, based on the expectations of the resolution of the uncertainty, it is probable that there will be a future charge. Provisions are commensurate with the best estimate of the amount expected to be paid. The valuation is based on the judgement of the Group's in-house tax professionals, supported by previous experience in such activities and, in some cases, based on specialised independent tax advice.

Deferred tax

Deferred taxes are taxes that are expected to be payable or deductible based on differences between the carrying amounts of assets and liabilities recognised in the financial statements and the corresponding tax bases used in calculating taxable income, and are accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (in respect of transactions other than business combinations) of assets and liabilities in transactions that affect neither taxable profit nor profit for the period. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising from investments in subsidiaries and associates, and for investments in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are recognised only to the extent that it is probable that there will be sufficient taxable profits to utilise those benefits and it is expected that they will reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow for their full or partial recovery.

Deferred taxes are calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised, based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The valuation of deferred tax liabilities and assets reflects the tax consequences that would result from the way the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The Group offsets deferred tax assets and deferred tax liabilities if there is a legal right to offset current tax assets and current tax liabilities and the deferred tax assets and liabilities relate to income taxes owed to the same taxation authority by the same or different tax payers who intend to settle the current tax assets and liabilities on a net basis or realise the asset and settle the liability simultaneously, with respect to each future period in which the deferred tax assets and liabilities are expected to be settled or recovered.

Current and deferred taxes for the year

Current and deferred taxes are recognised in the income statement, except for those relating to items recognised outside the income statement, which are also recognised outside the income statement and, therefore, in equity or in the statement of comprehensive income, consistently with the item to which they relate. When current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

n. Property, Plant and Equipment

Property, plant and equipment are recognised at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset, based on the following rates:

Depreciation rates

Industrial buildings	3.0%-7.0%
Lightweight construction	10.0%
Generic installations	7.0%-12.5%
Poorly corrosive installations	15.5%
Highly corrosive installations	22.5%-33.0%
Laboratory equipment	10.0%-40.0%
Internal means of transport	20.0%
Office furniture and equipment	10.0%-12.0%
Electronic equipment	18.0%-33.0%

Land is not depreciated. If the book value of a building also includes the underlying land, it is separated, even on the basis of estimates, for depreciation purposes.

The residual values, useful lives and depreciation methods of property, plant and equipment are reviewed at each financial year-end and, where appropriate, adjusted prospectively.

Right-of-use assets are amortised over the shorter of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise an option to purchase, the related right-of-use asset is depreciated over the useful life of the asset underlying the lease.

The carrying amount of an item of property, plant and equipment is derecognised when it is disposed of (i.e. when the acquirer obtains control) or when no future economic benefit is expected from its use or disposal.

o. Intangible Assets

Separately Acquired Assets

Separately acquired intangible assets are initially recognised at cost. After initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. The useful life of intangible assets is assessed as finite or indefinite. Intangible assets with finite useful lives that are acquired separately are subsequently recognised at historical cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over the estimated useful life. The amortisation period and amortisation method for an intangible asset with a finite useful life is reconsidered at least at each financial year-end, with the effect of any changes in estimates recognised on a prospective basis. Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually.

Internally Developed Intangible Assets

Expenses related to research activities are recognised as expenses in the year in which they are incurred.

An internally generated intangible asset arising from development (or the development phase of an internal project) is recognised if it can be attributed to a newly developed product or process that has demonstrable technological and economic feasibility for the Group.

The amount initially recognised for internally generated intangible assets is the sum of expenditure incurred by the Group from the date the intangible asset first meets the recognition criteria of IAS 38. If the requirements for the recognition of internally generated intangible assets are not met, development costs are recognised in profit or loss in the period in which they are incurred.

After initial recognition, internally generated intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses, similar to separately acquired intangible assets. Development costs are amortised over their estimated useful economic life of between two and five years.

Intangible assets acquired in a business combination

Intangible assets acquired through business combinations are recognised at fair value at the acquisition date. The Group has recognised intangible assets in connection with customer relationships arising from its business combination transactions.

After initial recognition, they are measured at cost less accumulated amortisation and accumulated impairment losses, similar to separately acquired intangible assets.

Derecognition of Intangible Assets

An intangible asset is derecognised on disposal (i.e., on the date the acquirer obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the disposal of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss.

Patents and trademarks are measured initially at acquisition cost and are amortised on a straight-line basis over their estimated useful life.

Amortisation rates for intangible assets

Amortisation rates	
Concessions, licenses and intellectual property rights	6%-20%
Trademark	2%-10%
Customer relationship	9%-11%
Other	6%-20%

p. Impairment of non-financial assets with a finite useful life (property, plant and equipment and intangible assets, excluding goodwill).

At each financial statements date, the Group assesses whether there are any indicators of impairment of its non-financial assets. If so, the Group estimates the recoverable amount to determine the extent of the impairment loss (if any). If the asset does not generate cash flows independent of other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, *corporate assets are allocated* to individual cash-generating units, or otherwise are allocated to the smallest group of cash-generating units for which a reasonable and consistent basis of allocation can be identified.

The recoverable amount is the higher of the fair value of the asset or cash-generating unit, less costs to sell, and its value in use. In determining value in use, the Group discounts estimated future cash flows to present value using a discount rate, which reflects market assessments of the present value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

The value of an asset that was previously written down may only be reinstated if there have been changes in the assumptions on which the calculation of the determined recoverable amount was based, after the recognition of the last impairment loss. The reversal may not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in prior years. Such reversal is recognised in profit or loss.

q. Inventories

Inventories consist of raw materials, consumables, and supplies, semi-finished and finished products.

Inventories are initially recognised at purchase or production cost and subsequently at the lower of cost and estimated net realisable value.

Purchase cost is the consideration paid at the time of purchase, including related ancillary costs. The purchase cost of materials includes their price, transport costs, customs duties and other directly attributable charges. Returns, trade discounts, rebates and bonuses are deducted from costs.

Cost of production includes direct materials and, where applicable, direct labour and overhead costs incurred in bringing the inventories to their present location and condition, including the reasonably attributable portion of indirect costs incurred during production until the asset is available for use. Cost is determined considering normal production capacity. Production costs do not include general and administrative costs, distribution costs and research and development costs.

The Group has adopted the weighted average cost model.

The estimated net realisable value is the estimated normal selling price in the normal course of business, less estimated completion costs and estimated costs to realise the sale. Obsolescence and turnover are also taken into account in the calculation of the estimated realisable value based on market trends.

Raw materials and supplies used in the manufacture of finished goods are not impaired if the realisable value of such finished goods is expected to be equal to or exceed their cost of production. In addition, if the price of raw materials and supplies decreases and the cost of finished goods exceeds their realisable value, the raw materials and supplies are written down to their net realisable value, which is their best estimate of their market price.

r. Financial Instruments

Financial assets and liabilities are recognised in the Group's balance sheet when the Group becomes the counterparty to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss, 'FVTPL') are added to or deducted from the fair value of those financial assets or financial liabilities, as appropriate, upon initial recognition. Transaction costs directly attributable to the acquisition of FVTPL financial assets or liabilities are recognised immediately in profit or loss.

Financial Assets and Liabilities

Financial assets mainly comprise trade receivables, derivative financial instruments, cash and cash equivalents.

Financial liabilities consist mainly of debt securities, derivative financial instruments, trade payables and other liabilities.

Classification and measurement

The classification of financial assets at initial recognition depends on the contractual cash flow characteristics of the financial assets and the business model the Group uses to manage them. The Group assesses whether the cash flows of a financial asset represent only principal and interest payments consistent with a financing arrangement. When the contractual terms introduce exposure to risks or volatility that are inconsistent with a basic financing arrangement, the related financial assets are classified and measured at fair value through profit or loss.

Financial asset cash flow business model	Initial measurement (1)	Measurement category (2)
Solely to collect the contractual cash flows (Held to Collect)	Fair value, including transaction costs	Amortised cost
Collect both the contractual cash flows and generate cash flows arising from the sale of assets (Held to Collect and Sell)	Fair value, including transaction costs	Fair value through other comprehensive income ("FVOCI")
Generate cash flows primarily from the sale of assets (Held to Sell)	Fair value	Fair value with change recognised in profit or loss ("FVTPL")

(1) A trade receivable without a significant financing component, as defined by IFRS 15, is initially measured at the transaction price.
(2) Upon initial recognition, the Group may irrevocably designate a financial asset, which would otherwise qualify for measurement at amortised cost or FVOCI, as FVTPL if doing so eliminates or significantly reduces an 'accounting mismatch' that would otherwise arise.

Factors considered by the Group in determining the business model of a group of financial assets include:

- past experiences on how the flows from these activities were collected;
- the frequency, volume and timing of sales of financial assets in previous years, the reasons for such sales and expectations of future sales activity; and
- how the performance of financial activities is evaluated and how it is communicated to key management personnel.

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

Cash and cash equivalents include sight deposits and cash on hand. Cash and cash equivalents are subject to an insignificant risk of changes in value and are measured at amortised cost.

Impairment of Financial Assets

The Group's credit risk is related to trade receivables arising from the sale of products, for which the Group is most exposed to the direct risk of counterparty default. These risks are mitigated by the fact that the risk exposure is spread across many counterparties.

IFRS 9 impairment requirements are based on an Expected Credit Losses (ECL) model. ECLs are based on the difference between the contractual cash flows due under the contract and all cash flows the Group expects to receive, discounted at an approximation of the original effective interest rate. The calculation of ECLs is based on the default risk of the counterparty, which is determined by considering the information available at the end of each reporting period regarding the solvency of the counterparty, the fair value of any collateral and the Group's historical experience. The Group considers a financial asset to be in a state of default when: (i) the borrower is unlikely to pay its obligations in full and without compensating guarantees or collateral (if any); or (ii) the financial asset is more than 90 days past due.

For trade receivables and contract assets, the Group applies a simplified approach in calculating expected losses. Therefore, the Group does not monitor changes in credit risk, but recognises the expected loss in full at each reporting date.

For the purpose of impairment testing, individually significant receivables and trade receivables whose recoverability is at risk are assessed individually, while all other receivables are grouped into homogeneous risk categories based on characteristics such as the type of instrument, sector or geographical location of the counterparty.

The simplified approach for the determination of ECLs is performed in two steps:

- all trade receivables whose recoverability is at risk are individually assessed for impairment;
- a general impairment provision is recognised for all other trade receivables (including those not past due), based on historical loss rates.

Derivative financial instruments

Derivative financial instruments are used for economic hedging purposes to reduce currency and interest rate risks. In accordance with IFRS 9, derivative financial instruments are recognised on a settlement date basis and, upon initial recognition, are measured at fair value less directly attributable transaction costs. After initial recognition, all derivative financial instruments are measured at fair value. In addition, derivative financial instruments qualify for hedge accounting when (i) there is a formal and documented designation of the hedging relationship and the Group's risk management objective and strategy related to the implementation of the hedge and (ii) the hedge is expected to be effective.

When derivative financial instruments meet the requirements for hedge accounting, the following accounting treatments are applied:

- Fair value hedges — when a derivative financial instrument is designated as a hedge of exposure to changes in the fair value of a recognised asset or liability attributable to particular risks that could affect the consolidated income statement, the change in fair value of the hedging derivatives is recognised in the income statement. The change in fair value of the hedged item attributable to the hedged risk is recognised as part of the carrying amount of the hedged item and is also recognised in profit or loss.
- Cash flow hedges — where a derivative financial instrument is designated as a hedge of the exposure to variability in future cash flows of a recognised asset or liability or a highly probable forecasted transaction and could affect consolidated profit or loss, the portion of the gain or loss on the hedged instrument relating to the effective portion of the hedge is recognised in other comprehensive income in the 'cash flow hedge' reserve If the hedged transaction subsequently results in the recognition of a non-financial component, the amount accumulated in equity is removed from the separate component of equity and included in the cost or other carrying amount of the hedged asset or liability. For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss. The gain or loss associated with a hedge or portion of a hedge that has become ineffective is recognised immediately in the consolidated income statement.

If cash flow hedge accounting is discontinued, the amount accumulated in OCI must remain there if the hedged future cash flows are expected to occur. Otherwise, the amount must be immediately reclassified to profit/(loss) for the year as a reclassification adjustment. After the suspension, once the hedged cash flows occur, any accumulated amount remaining in OCI must be accounted for depending on the nature of the underlying transaction as described above.

Hedge effectiveness is determined at the inception of the hedging relationship and through periodic prospective effectiveness assessments to ensure that hedging relationships meet effectiveness requirements (including the existence of an economic relationship between the hedged item and the hedging instrument). The Group enters into hedging relationships where the critical terms of the hedging instrument closely or exactly match the terms of the hedged item, and therefore a qualitative assessment of effectiveness is performed.

If *hedge* accounting cannot be applied, gains or losses arising from the fair value measurement of derivative financial instruments are recognised immediately in the consolidated income statement.

Write-off of financial assets

The Group derecognises financial assets when the contractual rights to the cash flows from the asset are extinguished or if it transfers substantially all the risks and rewards of ownership of the financial asset. When financial assets are derecognised, the difference between the carrying amount of the asset and the consideration received or receivable for its transfer is recognised in the consolidated income statement.

The Group transfers certain financial, commercial and tax receivables, mainly through factoring transactions. Factoring transactions may be with or without recourse. Some transfers do not meet the requirements of IFRS 9 for derecognition of assets, as the risks and rewards of ownership of the financial asset are not substantially transferred; consequently, the Group continues to recognise these receivables within the consolidated financial statements and recognises a financial liability for the consideration received. These types of receivables are classified as held-to-collect, as the business model is consistent with the Group's continued recognition of receivables.

Derecognition of financial liabilities

The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the derecognised financial liability and the consideration paid is recognised in profit or loss.

When the Group exchanges one debt instrument with an existing lender for another with substantially different terms, that exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for a substantial change of the terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. The terms are presumed to be substantially different if the discounted present value of the cash flows under the new terms, including any fees paid and net of any fees received, discounted using the original effective interest rate, is at least 10% different from the current value of the remaining cash flows of the original liability. If the change is not material, the difference between: (1) the carrying amount of the liability before the change; and (2) the present value of the cash flows after the change is recognised as a gain or loss in profit or loss.

Supplier financing agreements and receivables factoring

The Group may enter into arrangements under which a 'factor' (usually a financial institution) pays a supplier on its behalf, while the Group (i.e. the buyer) reimburses the factor. Such arrangements may be called, for example, 'supplier financing', 'reverse factoring' or 'structured payable arrangements'. When such arrangements are material, information on:

- the Group's approach to the presentation of significant *supplier financing* arrangements and, in accordance with IAS 1:122, the assessments made in applying this guidance;
- how *supplier financing* transactions have been reflected in the cash flow statement;
- the book value of the liabilities in question and the item(s) under which they are presented; and
- When *supplier financing* arrangements have been used as an instrument to manage liquidity risk, the disclosures required by IFRS 7:39(c).

When a Group's company enters into agreements to sell receivables when they are not fully derecognised, it is important that the policy adopted for the treatment of the resulting cash flows is clearly explained and that any non-cash financing transactions are disclosed in accordance with IAS 7: 43. In particular, an explanation of whether the cash flows received on the receivables are treated as operating cash inflows with associated cash outflows that are expected to repay the financial liability recognised when the receivables are sold. Balances that will give rise to cash flows should also be included in the disclosure of changes in those balances required by IAS:7.44A-44E

Financial liabilities and equity

i. Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or equity based on the substance of the contractual arrangements and the definitions of financial liability and equity instrument.

ii. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Equity instruments issued by the Group are recognised at the consideration received less direct issue costs.

The repurchase of the Group's equity instruments is recognised as a direct reduction of shareholders' equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's equity instruments.

s. Share Capital

i. Ordinary shares
Incremental costs directly attributable to the issue of ordinary shares are recognised as a decrease in equity.

Income taxes on the transaction costs of an equity transaction are recognised in accordance with IAS 12.

ii. Preference shares
Redeemable preference shares are classified as financial liabilities, as dividend payments are non-discretionary, and the shares are redeemable at the discretion of the holders. The related non-discretionary dividends are recognised in profit/(loss) for the year on an accrual basis.

Preference shares are classified as equity when they are not redeemable, or when they are redeemable but only at the Company's option, and any dividends are discretionary. Discretionary dividends on preference shares are recognised as distributions in equity when they are approved by the shareholders' meeting.

iii. Repurchase and re-issue of ordinary shares (treasury shares)
In the event of the repurchase of shares recognised in equity, the consideration paid, including costs directly attributable to the transaction, is recognised as a reduction of equity. Shares repurchased in this manner are classified as treasury shares and recognised in the reserve for treasury shares. The consideration received from the subsequent sale or re-issue of treasury shares is recognised as an increase in shareholders' equity. Any positive or negative difference arising from the transaction is recognised in the share premium reserve.

t. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle this obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, considering the risks and uncertainties inherent in the obligation. If the effect of the time value of money is material, provisions are discounted using a pre-tax discount rate that reflects, where appropriate, the risks specific to the liability. When the liability is discounted, the increase in the provision due to the passage of time is recognised as a finance cost.

When the Group believes that a provision will be partly or fully reimbursed, for example in the case of risks covered by insurance policies, the indemnity is recognised separately as an asset if it is practically certain and its value can be reliably estimated.

Provision for restoration costs
Provisions for the costs of restoring leased assets to their original condition, as required by the terms and conditions of the lease agreements, are recognised when the obligation is incurred, which may occur at the commencement date of the lease or as a result of the use of the underlying asset, based on management's best estimate of the expenditure required to restore the assets. Estimates are regularly reviewed and adjusted to reflect new circumstances.

Contingent liabilities acquired in a business combination

A contingent liability recognised in a business combination is initially measured at its fair value. It is subsequently measured at the higher of the amount that should be recognised in accordance with contingent liability recognition requirements (see above) and the amount initially recognised less, where applicable, cumulative amortisation recognised in accordance with revenue recognition requirements.

Greenhouse gas emissions

The Group benefits from free emission rights in some European countries through European emissions trading systems. The rights are received on an annual basis and, in return, the Group is required to exercise rights equal to its actual emissions. The Group has adopted the net liability approach with respect to emission rights granted. Therefore, a provision is recognised only when actual emissions exceed the emission rights granted and still held. Issuance costs are recognised as other operating expenses. When emission rights are purchased from third parties, they are recognised at cost and treated as redemption rights, therefore they are combined with liabilities for emission rights and measured at fair value. Changes in fair value are recognised in the income statement.

4. Revenues

Revenues from contracts with customers amounted to Euro 671,195 thousand (Euro 861,885 thousand in 2022) and were entirely generated by the Italmatch Group.

Detailed below, turnover from sales is analysed by geographical segment referring to the Italmatch Group.

(Euro/000s)	01.01.2023 31.12.2023	01.01.2022 31.12.2022
Italy	70,677	78,556
Rest of Europe (*)	222,582	297,179
U.S.A.	203,517	253,853
Rest of North America	13,766	18,499
Asia Pacific	96,512	132,118
Middle East & Africa	45,765	55,466
Latin America	18,375	26,213
Total	**671,195**	**861,885**

(*) Of which UK.

Breakdown of revenues from contracts with customers

In the table below, revenue from contracts with customers is disaggregated by geographic market and main products and services. The table also includes a reconciliation of the disaggregated revenues with the Group's reportable segments (see Note 5):

The breakdown of revenues by product type is detailed below:

Disaggregation of revenue from contracts with customers	01.01.2023-31.12.2023				
	PPA	FPA	AWS	LPA	Total
Primary geographical markets					
Italy	3,824	8,190	21,120	37,543	**70,677**
Rest of Europe	39,145	48,348	90,232	44,857	**222,582**
U.S.A.	19,417	887	130,444	52,769	**203,517**
Rest of North America	587	217	8,718	4,245	**13,766**
Asia Pacific	5,238	13,420	26,418	51,435	**96,512**
Middle East & Africa	268	1,219	41,800	2,478	**45,765**
Latin America	2,499	78	7,730	8,068	**18,375**
Other		-	-	-	**-**
Total	**70,979**	**72,360**	**326,462**	**201,395**	**671,195**
Major products/service line					
Water solution polymers & phosphonates prod.	4,160	-	300,725	-	**304,884**
Chlorides	53,607	-	-	-	**53,607**
Lube oil performance additives	8,622	-	-	200,915	**209,537**
Flame retardants	-	32,103	-	-	**32,103**
Fatty Acid Derivatives	1,948	40,256	25,737	480	**68,421**
Other	2,642	-	-	-	**2,642**
Total	**70,979**	**72,360**	**326,462**	**201,395**	**671,195**

Disaggregation of revenue from contracts with customers	01.01.2022-31.12.2022				
	PPA	FPA	AWS	LPA	Total
Primary geographical markets					
Italy	7,625	12,085	19,654	39,191	**78,556**
Rest of Europe	59,737	66,180	118,695	52,568	**297,179**
U.S.A.	18,950	1,702	178,269	54,933	**253,853**
Rest of North America	1,252	202	10,087	6,958	**18,499**
Asia Pacific	10,017	13,419	32,811	75,872	**132,118**
Middle East & Africa	570	2,356	49,617	2,924	**55,466**
Latin America	3,247	226	14,763	7,977	**26,213**
Other		-	-	-	**-**
Total	**101,397**	**96,169**	**423,896**	**240,423**	**861,885**
Major products/service line					
Water solution polymers & phosphonates prod.	4,274	-	392,338	-	**396,611**
Chlorides	76,945	-	-	-	**76,945**
Lube oil performance additives	9,611	-	-	238,444	**248,054**
Flame retardants	-	42,551	-	-	**42,551**
Fatty Acid Derivatives	6,035	53,619	31,558	1,980	**93,191**
Other	4,533	-	-	-	**4,533**
Total	**101,397**	**96,169**	**423,896**	**240,423**	**861,885**

Please refer to the note below for more details.

5. Operating segments

Criteria for identifying the segments

The Group has the following four reportable operating segments, as detailed below, which correspond to the end markets of its products ('*End-markets*'). These segments provide different products and services and are managed separately as they refer to end-markets with different logics and dynamics.

AWS (Advance Water Solutions), i.e. additives for water treatment and mainly related to cleaning, detergent, industrial water and desalination, accounts for 49% of total Group revenues. The second most important division (about 30% of total Group revenues) and economic contribution is LPA (Lubricant Performance Additives), which supplies additives for engine and industrial lubricants. In conclusion, Italmatch historic business, FPA (Flame Retardants and Plastic Additives), which also includes flame retardants and accounts for about 11% of Group revenues.

The activities of each of the Group's reportable segments are summarised below:

End Market	Operating segments
PPA	Speciality intermediate chemicals for agriculture, water treatment products, personal care, plastic additives, EV batteries, pharmaceuticals.
FPA	Flame Retardants ('FRs') for electronics and electrical compounds in nylon with >70% market share in FRs based on red phosphorous in Europe. Major European player in PVC additives.
AWS	A global leader in water additives including phosphonates, water-soluble polymers and biocides, covering a wide range of applications (e.g. cleaning, detergents and industrial water, O&G and desalination) and ready-to-use solutions.
LPA	European leader in P2S5 for engine lubricant additives (e.g. ZDDP, a key anti-wear ad-ditive). Broad portfolio of additives for industrial lubricants, focusing on extreme pres-sure and light sulphur content, greases and metalworking fluids. Leader in polymer es-ters (synthetic functional base oils) for high-performance premium oils.

AWS (Advanced Water Solutions): FY23 was characterised by a drop in sales volumes in the context of a weak and uncertain global demand, with a prolonged effect of *de-stocking*.

Sales revenues decreased by 23% year-on-year, in an environment also characterised by progressive deflation and falling commodity prices, although not yet at pre-pandemic levels.

LPA (Lubricant Performance Additives): represents the Group's second largest end-market and the most resilient historically in terms of economic performance, accounting for about 30% of total revenues.

In FY23, a decrease of revenues by 16% was recorded compared to the previous year, although the latter showed a growth *trend* compared to FY21 (+10% CAGR). The segment that contributed most to sustaining revenues and margins was the industrial segment.

FPA (Flame Retardants and Plastic Additives): represents the third largest *end-market* with 11% of total revenues. In FY23, the drop in volumes was the most significant compared to the Group's other *end-markets; in* particular, weak demand from the construction industry and more recently from *Electrical & Electronics* applications. Sales revenues fell by 25% due to commercial policies on sales prices, which, however, had a more mitigated impact on margins.

PPA (Performance Products and Personal Care): represents about 10% of total revenues and in FY2023 recorded a 30% decrease in revenues compared to the previous year, driven by the prolonged effect of de-stocking and weak demand, especially in Europe, as well as competitive pricing pressures that impacted the segment's margins. The general weakness in demand (due to the aforementioned causes) also had a direct effect on domestic consumption.

6. Raw materials, consumables and production utilities

The costs of raw materials, consumables and production utilities are detailed below:

(Euro/000s)	01.01.2023 31.12.2023	01.01.2022 31.12.2022
Raw materials	407,202	506,287
Production utilities	22,509	38,894
Consumables and other	403	777
Total	**430,114**	**545,958**

Purchases costs incurred in FY23 amounted to Euro 430,114 thousand, decreasing by Euro 115,844 thousand, corresponding to -21% compared to FY22 (Euro 545,958 thousand). The decrease is mainly due to the volume effect (around 70%).

7. Other operating expenses

(Euro/000s)	01.01.2023 31.12.2023	01.01.2022 31.12.2022
Legal, fiscal and other professional fees	10,467	10,892
Insurance costs	4,208	3,435
Marketing, intermediation and travel costs	3,788	3,948
IT costs	1,979	1,260
General manufacturing, safety, environmental and regulatory costs	1,500	1,027
Utilities and postal expenses	828	742
Additional costs related to rents	463	554
Membership costs	234	205
Sundry expenses	9,478	6,872
Total other operating expenses	**32,946**	**28,934**

Other operating expenses amount to Euro 32,946 thousand in FY23 and Euro 28,934 thousand in financial year 2022. Sundry expenses mainly include items relating to cost recharges to the parent company, travel expenses, other taxes other than income taxes, licenses, environment, quality and safety, advertising and other licences, environment quality and safety, advertising, exceptional items and others.

8. Finance income

(Euro/000s)	01.01.2023 31.12.2023	01.01.2022 31.12.2022
Other financial income	6,850	532
Positive variation in fair value of derivative instruments	-	1,118
Exchange rate gains	11,962	32,616
Total Finance Income	**18,812**	**34,265**

Finance income in FY23 amounted to Euro 18,812 thousand. The increase in "other financial income" is mainly attributable to IRS-related and realised gains, partially covering the variable interests relating to the Senior Secured Floating Rate Notes. Foreign exchange gains of Euro 11,962 thousand mainly include realised foreign exchange gains (Euro 8,757 thousand) from foreign currency transactions, primarily denominated in USD, and unrealised foreign exchange gains (Euro 3,205 thousand), mainly arising from the translation at year-end rates of foreign currency loans granted to subsidiaries.

9. Finance costs

(Euro/000s)	01.01.2023 31.12.2023	01.01.2022 31.12.2022
Interest and other financial charges	(79,843)	(41,554)
Exchange rate losses	(20,243)	(23,547)
Other financial costs	(967)	(1,852)
Interest on IFRS16	(584)	(462)
Total Finance Costs	**(101,636)**	**(67,416)**

Finance costs amount to Euro 101,636 thousand in FY23, recording an increase compared to FY22 of Euro 34,221 thousand, mainly due to an increase in interests on the Senior Secured Floating and Fixed Rate Notes of Euro 29,853 thousand. It should be noted that the increase is mainly due to the increase in base interest rates that occurred on the financial markets over the last two years as well as the higher nominal value of the Notes.

Interests and other financial charges include (i) interests on Senior Secured and Fixed Floating Rate Notes as well as interests and commissions relating to the Super Senior Revolving Credit Facility for a total of Euro 64,587 thousand (Euro 35,302 thousand in FY22), (ii) the portion of ancillary costs related to the above loans and Notes posted using the amortised cost method and for Euro 4,546 thousand and (iii) the remaining portion of amortised cost for Euro 6,644 thousand related to the medium-long term debt repaid and refinanced at the beginning of FY23.

Exchange losses of Euro 20,243 thousand include unrealized exchange losses of Euro 11,282 thousand deriving from the conversion at the year-end rate.

10. Taxation

(Euro/000s)	01.01.2023 31.12.2023	01.01.2022 31.12.2022
Income Tax	(4,820)	(11,105)
Deferred taxes	95	(1,673)
Total	**(4,724)**	**(12,778)**

The standard rate applied to the result for the period in the parent company is 29.34% of which 24% IRES and 5.34% IRAP (same percentage in FY22). Taxation in other jurisdictions is calculated according to the rates prevailing in the respective jurisdictions.

The tax charge for the year can be reconciled to the profit before tax as follows:

(Euro/000s)	01.01.2023-31.12.2023		01.01.2022-31.12.2022	
Pre-tax consolidated profit/(loss)		(77,785)		41,282
Tax using the Company's domestic tax rate (IRES)	(24.00%)	18,668	(24.00%)	(9,908)
Effect of tax rates in foreign jurisdictions	(9.71%)	(7,551)	(1.06%)	(437)
Current year losses for which no deferred tax asset is recognised	0.50%	390	8.13%	3,355
Non-deductible costs	(20.87%)	(16,232)	(11.21%)	(4,626)
Corporate tax	(6.07%)	(4,724)	(28.14%)	(11,616)
IRAP tax charges (only Italian companies)	-	-	(2.81%)	(1,162)
Total income tax	**(6.07%)**	**(4,724)**	**(30.95%)**	**(12,778)**

11. Goodwill

(Euro/000s)

Carrying amount at 31 December 2021	**526,722**
Exchange differences	5,952
Recognised on acquisition of subsidiaries	1,151
Impairment losses for the year	-
Carrying amount at 31 December 2022	**533,825**
Exchange differences	(4,073)
Recognised on acquisition of subsidiaries	-
Impairment losses for the year	(34,077)
Carrying amount at 31 December 2023	**495,675**

The change of the period is mainly due to the impairment losses amounting to Euro 34,077 thousand registered on CGU1 and CGU5 for Euro 21,120 thousand and Euro 12,957 thousand, respectively.

Impairment test - 31 December 2023

To perform the impairment test, the group identified its cash-generating units ('CGUs') to which allocate Groups' assets. Unallocated assets were tested at a higher level (second-level impairment). Consistently, unlocatable cash flows (i.e. central overhead costs and central administrative costs) were not included in the determination of the recoverable amount of the CGUs, but were included in the second-level impairment test.

The list of CGUs and unallocated assets is shown below:

CGU	Operations Activities
CGU 0	Corporate assets and unallocated central costs.
CGU 1 – Phosphorus Chlorides ("PCL")	Processing of phosphorous chloride, mainly used to treat water and in chlorination processes. The main production sites is in Frankfurt, DE.
CGU 2 – Inorganic Performance Products ("IPP")	Processing of phosphorous and manufacturing of lubrificant and fire resistant additives. Production is based at the Spoleto site, where the group has operate since 1997.
CGU 3 – Advanced Water Solutions ("AWS")	Manufacturing of a wide range of chemical products used in industrial processing, particularly to treat water and oils. The main production sites are in Newport (UK), Smyrna (USA) and Qualiano (IT).
CGU 4 – Lube Perf, Additives. Perf, Products and SPEC ("LOPA")	Manufacturing of additives and lubrificant oils, historically based at the Arese sites and Cleveland/Ashtabula (USA) purchased in 2007.
CGU 5 – Fatty Acid Derivatives ("FAD")	Manufacturing of chemicals deriving from processing of fatty acids based at the Spanish site in Saragozza.

The CGUs have therefore been identified, in line with the Group's organisational and business structure, as the smallest groups of assets that generate independent cash flows from their continuous use.

For the purpose of the impairment test, the value of goodwill was allocated to the different CGUs as shown below:

(Euro/000s)	CGU 1	CGU 2	CGU 3	CGU 4	CGU 5
Carrying amount at 31 December 2021	**21,582**	**75,752**	**236,656**	**130,249**	**62,483**
Exchange differences	-	560	5,371	21	-
Recognised on acquisition of subsidiaries	-	-	1,151	-	-
Impairment losses for the year	-	-	-	-	-
Carrying amount at 31 December 2022	**21,582**	**76,312**	**243,178**	**130,270**	**62,483**
Exchange differences	1	(654)	(3,311)	(111)	2
Recognised on acquisition of subsidiaries	-	-	-	-	-
Impairment losses for the year	(21,120)	-	-	-	(12,957)
Carrying amount at 31 December 2023	**463**	**75,658**	**239,867**	**130,159**	**49,528**

The recoverable value of each CGU corresponds to its value in use determined through the discounted cash flows.

The main assumptions used to calculate the recoverable amount are indicated below. The values assigned to the main hypotheses reflect management's assessment of the future trends of the CGUs and are based on both internal and external sources (historical data FY23):

- for the determination of the value in use, the present value of the expected operating cash flows associated with the CGUs was estimated for an explicit period of 5 years, starting from 2023 and excluding hypotheses of innovative and non-ordinary development and/or significant expansions of production capacity;
- a terminal value was considered based on the last cash flow of the explicit period and increased by a constant growth rate. This growth rate was determined specifically for each CGU;
- a discount rate equal to the WACC (post-tax) was used to discount cash flows, which was determined analytically for each CGU. The WACC (post-tax) rate for the Group, weighted on average in relation to the net book value of the CGUs, is estimated to be approximately 9.9%, increased from the discount rate used in the previous year of 9.6%, mainly due to the increase in interest rates over the last year.

The Group adopted a post-tax discount rate that reflects current market assessments of the cost of money and the specific risk associated with CGUs. In determining the discount rate (or discount rate), financial parameters Beta and Debt/Equity ratio taken from panels of comparable companies were considered in order to take into account both the market risk of companies operating in the same sector and a market financial structure. Regarding the cost of equity (Ke) it includes the rate of return of risk-free assets and is identified as the yield on 10-year Italian government bonds.

The growth rates adopted are based on growth forecasts of the Group's industry sector. Changes in selling prices and direct costs are determined on the basis of past experience and future market expectations. Projected cash flows were also estimated considering historical experience.

Here below the Impairment result by CGU with the value of goodwill prior to the impairment test in the CGUs:

(Euro/000s)	CGU1	CGU2	CGU3	CGU4	CGU5	Total including corporate assets
WACC (post-tax)	9.6%	9.6%	10.2%	10.0%	9.9%	
g-rate	2.0%	2.0%	2.3%	2.2%	2.2%	
Test impairment first level						
Goodwill allocated	21,583	75,658	239,867	130,159	62,485	
Identifiable intangible assets	464	2,648	110,300	13,665	111	
Fixed assets	14,475	53,152	63,347	43,609	13,219	
Rights of Use asset	2,277	186	2,559	582	308	
Inventories	10,739	29,583	62,631	24,233	4,288	
Trade payables	(3,074)	(11,482)	(28,488)	(18,135)	(10,076)	
Trade receivables	1,778	6,100	36,159	10,063	5,769	
Net Book value of assets	**48,243**	**155,845**	**486,373**	**204,175**	**76,105**	
Calculated value in use	27,123	169,673	593,161	337,956	63,148	
Headroom (impairment)	**(21,120)**	**13,828**	**106,788**	**133,781**	**(12,957)**	
Test Impairment second level						
Post-impairment book value	27,123	155,845	486,373	204,175	63,148	**936,664**
Corporate assets						**45,532**
Net Book value						**982,196**
Value in use including corporate assets	27,123	169,673	593,161	337,956	63,148	**1,191,060**
Headroom (impairment)						**208,864**

The first-level impairment test performed based on the above assumptions showed an impairment loss allocated to CGU1 of Euro -21,120 thousand and CGU5 of Euro -12,957 thousand.

Sensitivity analysis

The result of the impairment test was derived from the estimates made by the Group's *management based on* the information available to date and the assumptions illustrated in the previous paragraph.

The Group took into account the aforementioned uncertainties when developing and defining the basic assumptions used to determine the recoverable amount of the CGUs and therefore prepared a sensitivity analysis on the recoverable amount of the CGUs.

The group performed the following sensitivity analyses in order to verify for which variables the *headroom of* an additional CGU would go to zero, among the 5 CGUs present. The following simulations were performed:

- G rate decreased by 43%;
- WACC increased by 6.92% was used for discounting cash;
- cash flow decreased by 8.15%.

With these variables, 3 CGUs would have headroom equal to zero or negative, while the remaining CGUs would maintain positive headroom between Euro 148,729 thousand and Euro 157,336 thousand.

Management will continue to monitor business developments and prospects as well as the macroeconomic environment and financial market conditions should any deterioration of the latter affect the recoverable value of the relevant assets.

12. Other intangible assets

(Euro/000s)	Customer relations	Internally Developed Intangible Assets	Industrial patents	Concessions, licences, trade marks and similar rights	Assets under construction and advances	Other	Total
Carrying amount at 31 December 2021	**111,395**	**7,732**	**34,864**	**46,040**	**3,296**	**3,409**	**206,736**
Additions	-	1,261	-	-	3,035	586	**4,882**
Additions from PPA	3,920	-	-	-	-	-	**3,920**
Additions from M&A	-	-	-	-	-	169	**169**
Reclassification	-	1,007	-	43	(1,837)	787	**-**
Exchange differences	6,703	80	442	59	73	1,287	**8,644**
Amortisation	(15,772)	(2,233)	(3,309)	(1,925)	-	(3,665)	**(26,905)**
Carrying amount at 31 December 2022	**106,246**	**7,847**	**31,997**	**44,217**	**4,567**	**2,573**	**197,448**
Exchange differences	(2,727)	(15)	(246)	(289)	(35)	(552)	**(3,864)**
Additions	0	1,070	0	13	3,640	604	**5,327**
Reclassification		1,860			(3,329)	1,410	**(59)**
Amortisation	(15,114)	(2,192)	(3,021)	(1,830)	-	(3,975)	**(26,132)**
Carrying amount at 31 December 2023	**88,404**	**8,570**	**28,730**	**42,111**	**4,844**	**60**	**172,720**

The amortisation periods for each class of intangible assets disclosed on chapter 3, letter o.

During the year, the Group capitalised development costs of Euro 2,912 million, of which Euro 1,070 million was classified as 'internally developed intangible assets' and Euro 1,842 million as 'assets under construction and advances'. The other capitalisations mainly refer to IT investments concerning global personnel reporting with a view to global data quality and with a focus on sustainability issues, and these are the SAP s4HANA and SAP SuccessFactors tools also used to map and monitor the organisation. The Group companies where the main investments were made were Italmatch S.p.A. for Euro 3,102 thousand, Italmatch GB for Euro 979 thousand and the US Group for Euro 924 thousand.

The reclassification for the year amounting to Euro 3,329 million refers to capitalisations in progress in previous years completed in the current year, of which Euro 1,860 million was allocated to 'internally developed intangible fixed assets' and Euro 1,410 million to other fixed assets.

In FY23, the following reclassifications were made between the categories of tangible and intangible assets.

Classification 31.12.2023	Classification 31.12.2022	Euro/000s
Tangible assets in progress	Other intangible assets	30
Intangible assets in progress	Other tangible assets	(89)

13. Property, Plant and Equipment

(Euro/000s)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and advances	Total
Carrying amount at 31 December 2021	**56,833**	**110,454**	**795**	**3,712**	**20,392**	**192,185**
Additions	(182)	13,850	303	1,384	9,208	**24,563**
Reclassifications	781	8,291	225	88	(9,385)	**-**
Additions from M&A	1,071	109	6	-	-	**1,186**
Exchange rate differences	345	389	39	29	(111)	**691**
Depreciation	(3,956)	(20,216)	(400)	(1,080)	-	**(25,651)**
Carrying amount at 31 December 2022	**54,892**	**112,877**	**968**	**4,133**	**20,104**	**192,975**
Additions	721	12,077	29	377	11,558	**24,762**
Reclassifications	1,635	9,250	28	337	(11,193)	**59**
Exchange rate differences	(1,514)	(3,039)	(13)	(53)	(239)	**(4,858)**
Depreciation	(3,666)	(20,303)	(315)	(1,137)	(43)	**(25,464)**
Carrying amount at 31 December 2023	**52,069**	**110,863**	**697**	**3,658**	**20,187**	**187,474**

The depreciation periods for each class of tangible assets disclosed on chapter 3, letter n.

In more detail, the Group's investments in property, plant and equipment in 2023 amounted to Euro 24,762 thousand (Euro 24,563 thousand as of 31 December 2022); investments for brown/greenfield and extraordinary developments amounted to Euro 5,382 thousand, mainly due to the new Flame retardant line in China for about Euro 1,600 thousand and the completion of the warehouse expansion in Naples (Qualiano) for about Euro 1,577 thousand, as well as for the IPCEI and Industry 4.0 projects.

14. Right of use assets

The Group's leases, as defined by IFRS 16, relate to containers, tanks, buildings, vehicles, industrial and office equipment.

The Group makes subjective assessments when determining whether a contract contains a lease. The Group has analysed all contracts, defining for each of them the duration, given by the 'non-cancellable' period.

The increases for the period are mainly attributable to the renewal of the container and tanker rental contract.

(Euro/000s)	
Carrying amount at 31 December 2021	**6,851**
Additions	3,880
Disposal	(802)
Exchange differences	(28)
Depreciation	(4,249)
Carrying amount at 31 December 2022	**5,652**
Additions	5,029
Disposal	(334)
Exchange differences	(58)
Depreciation	(4,376)
Carrying amount at 31 December 2023	**5,912**

The maturity analysis of lease liabilities is presented in note 20.

Amounts recognised in the profit and loss (Euro/000s)	01.01.2023 31.12.2023	01.01.2022 31.12.2022	01,01,2021 31.12.2021
Depreciation expense on right-of-use assets	4,376	4,249	4,373
Interest expense on lease liabilities	467	462	394

15. Inventories

(Euro/000s)	31.12.2023	31.12.2022
Raw materials, consumables and supplies	49,511	114,911
Finished goods	84,656	122,261
Sub-total inventory, gross	**134,168**	**237,173**
Inventory provision	(2,694)	(18,600)
Total Inventory, net	**131,474**	**218,573**

Inventories on 31 December 2023 amounted to Euro 131,474 thousand. Inventories on 31 December 2022 amounted to Euro 218,573 thousand. There was a decrease from the previous year of Euro 87,099 thousand, as a de-stocking policy was implemented.

On 31 December 2023, the provision for inventory write-down amounted to Euro 2,694 thousand; the inventory provision decreased in order to align finished products to their presumed realisable value and raw materials and semi-finished goods to their value in use determined according to their use in the related finished products.

The table below shows the movements.

(Euro/000s)

At 31 December 2021	**1,130**
Accruals	17,470
Utilisation	-
At 31 December 2022	**18,600**
Accruals	-
Utilisation	(15,905)
At 31 December 2023	**2,694**

16. Trade and other receivables

(Euro/000s)	31.12.2023	31.12.2022
Trade receivables	59,870	79,348
Receivables from affiliated companies	173	77
Total trade receivables and from affiliated companies	**60,043**	**79,425**

The average credit period on sales of goods is 32 days. No interest is charged on outstanding trade receivables.

The Group measures the allowance for doubtful trade receivables in an amount equal to the estimated ECLs. Expected credit losses on trade receivables are estimated using an allowance matrix, based on historical experience of customer default and an analysis of the debtor's current financial position, adjusted to take into account customer-specific factors; the general economic conditions of the industry in which the customers operate; and an assessment of both current and expected conditions at the reporting date. The Group recognised a 100% write-down on all receivables past due by more than 120 days, as historical experience has indicated that such receivables are generally not recoverable.

The Group has not changed the impairment rates for trade receivables at the previous year's level based on its assessment of the impact of current economic conditions and expected trends at the reporting date. No changes were made to the estimation techniques during the current reporting period.

The Group writes off a trade receivable when there is information indicating that the customer is in serious financial difficulty and there is no realistic prospect of recovery, e.g. when the customer has been placed in liquidation or has entered bankruptcy proceedings; or when the trade receivables are more than two years past due, whichever comes first.

The table below details the risk profile of trade receivables based on the Group's provisioning matrix. Since the Group's historical experience does not show significantly different loss patterns for different customer segments, provisioning based on past due status is not further distinguished between the Group's different customer segments.

	31.12.2023			31.12.2022		
	Current - less than 90 days past due	**90 days or more past due**	**Total**	**Current - less than 90 days past due**	**90 days or more past due**	**Total**
Gross Amount	59,776	1,452	61,212	78,396	2,716	**80,929**
ECL allowance	(617)	(725)	(1,342)	(1,432)	(149)	**(1,581)**
Carrying amount	**59,159**	**727**	**59,870**	**76,964**	**2,567**	**79,348**

The value of receivables past due over 90 days as at 31 December 2023 amounted to Euro 1,452 thousand, while the Group wrote down receivables in the amount of Euro 725 thousand. The write-down made is sufficient on the amount of receivables as at 31 December 2023. The Group constantly monitors the receivables situation.

Movement of allowance of impairment of Trade Receivables of the year are shown below:

Movements of allowance of impairment of Trade receivables (Euro/000s)

Balance at 31 December 2021	**1,589**
Accruals	-
Utilisation	(8)
Balance at 31 December 2022	**1,581**
Accruals	-
Utilisation	(239)
Balance at 31 December 2023	**1,342**

As of 31 December 2023, the Group had trade receivables from Russian, Belarusian and Ukrainian customers for a total of Euro 451 thousand.

The table below provides a detailed breakdown of other receivables:

(Euro/000s)	31.12.2023	31.12.2022
Short term deposits	2,968	2,435
Advances	2,179	1,796
Other prepayments	2,647	2,071
Prepayments	6,158	6,612
Insurance	847	868
GSE	545	485
Other trade receivables	2,488	4,881
Total Other receivables	**17,832**	**19,149**

17. Cash and cash equivalents

(Euro/000s)	31.12.2023	31.12.2022
Bank and postal deposits	116,892	26,871
Cash on hand	11	2
Total Cash and cash equivalents	**116,903**	**26,873**

Cash and cash equivalents as of 31 December 2023 amounted to Euro 116,903 thousand while at the end of FY22 they amounted to Euro 26,873 thousand. The increase is attributable to the cash flow generation for the year, which was positively supported by the reduction in working capital (especially inventory) and the capital increase by the parent company.

18. Borrowings

(Euro/000s)	31.12.2023	31.12.2022
Unsecured borrowing		
Bank loans	7,652	20,198
Loans from third parties	759	1,040
	8,411	**21,238**
Secured borrowing at amortised cost		
Secured non-convertible bonds	658,695	644,324
Bank loans	249	65,627
Total borrowings	**658,943**	**709,951**
Non-current	658,943	709,951
Current	8,411	21,238

Bonds

Tranches	Currency	Coupon %	Maturity	31.12.2023	31.12.2022
Secured non-convertible bonds	Euro/000s	Euribor +4.75%	30,09,2024	-	644,324
Secured non-convertible bonds	Euro/000s	Euribor +5.5%	30,09,2028	658,695	-

On 6 February 2023, Italmatch Chemicals S.p.A. successfully issued (settlement date) Senior Secured Fixed Rate Notes in the amount of Euro 300.000 thousand and Senior Secured Floating Rate Notes in the amount of Euro 390.000 thousand, expiring in 2028. Bonds, with a total principal value of Euro 690.000 thousand, are listed on the Luxembourg Stock Exchange and traded on the Euro MTF segment of the Luxembourg Stock Exchange. The bond issuance redefined the maturity profile of the medium-and-long-term debt, through the refinancing of the nominal value of the Euro 650.000 thousand Senior Secured Floating Rate Notes as at 31 December 2022 due in September 2024.

The coupon of the 5-year Senior Secured Fixed Rate Notes is equal to 10% (at par issue), while the coupon of the 5-year Senior Secured Floating Rate Notes is equal to 3-month Euribor + 5.50%.

It should be noted that the company has around Euro 305,000 thousand IRS contract in place to hedge interest rate volatility that, due to its characteristics, has been designated as a cash flow hedge for the new underlying Senior Secured Floating Rate instrument.

Bonds are secured by a pledge on the shares of the parent company, on certain bank accounts of the parent company and on receivables arising from intra-group loan agreements, as well as a pledge on the shares and certain bank accounts of certain subsidiaries.

Bonds were recognised at amortised cost, net of all direct transaction costs, and amounted to Euro 31,306 thousand at year-end. Fair value, calculated on the basis of prices at the end of December 2023, amounted to Euro 700,145 thousand.

Medium-/long-term bank loans and borrowings

On 22 October 2018, the Parent Company Fire (BC) entered into a new medium/long-term loan agreement, which provided for a bullet line of Euro 70,000 thousand on which floating interest accrues at the Euribor plus a spread of 3.5%, spread on a quarterly basis and maturing on 4 April 2024. In addition, on 13 February 2020, an extension of Euro 30,000 thousand was granted to the bullet line for the acquisition of BWA by the Italmatch Group, bringing the total amount of the bullet line to Euro 100,000 thousand. This amount was further increased in May 2020 to Euro 107,000 thousand at year-end.

The loan is secured by a pledge on the shares of the Company, on certain current accounts of the parent company and on receivables from intra-group loan agreements, as well as on the shares and current accounts of certain subsidiaries.

As of 31 December 2022, the line had only been drawn in part, amounting to Euro 66,500 thousand (Euro 37,500 thousand as at 31 December 2021).

At the beginning of 2023, the Amendment & Extension of the Euro 107.000 thousand Super Senior Revolving Credit Facility (known as SsRCF) was also completed, with joining to the pool of leading banks. The maturity date of the Committed Facility was October 2027. As of 31 December 2023, the SsRCF line was fully available (Euro 107,000 thousand, in principal value), as the amount drawn at the end of December 2022, amounting to Euro 66,500 thousand, was repaid following the proceeds of the capital contribution of Dussur.

"Payables to others" amounted to Euro 759 thousand as of 31 December 2023 and Euro 1,040 thousand as of 31 December 2022. The amounts as of 31 December 2023 and 31 December 2022 are in line and correspond to the amount of the recourse factoring (amounts exceeding the transferable plafond with non-recourse).

19. Derivative financial instruments

Derivatives as of 31 December 2023 amounted to Euro 4,851 thousand (Euro 10,933 thousand as at 31 December 2022). They are detailed as follows:

(Euro/000s)	31.12.2023	31.12.2022
Fair value of foreign currency commercial transactions	-	1,118
Fair value of IRSs	4,851	9,815
Total derivative financial instruments assets	**4,851**	**10,933**
Fair value of IRSs	-	-
Fair value of foreign currency commercial transactions	-	-
Total derivative financial instruments liabilities	**-**	**-**

Interest rate swaps are used as hedging instruments in a *cash flow hedge* relationship to hedge the interest rate risk of issued bonds. The fair value amounted to Euro 4,851thousand as at 31 December 2023, and Euro 9,815thousand at 31 December 2022. They are measured at fair value through other comprehensive income ('FVOCI'), see Significant Accounting Policies, letter 'r', for more information.

On 28 April 2023, financial instruments on foreign currencies not formally designated as hedging instruments were closed out. The fair value amounted to Euro 1,118 thousand as at 31 December 2022 and Euro 1,442 thousand at the time of closing, resulting in a financial gain. These instruments were measured at Fair Value through Profit and Loss ("FVTPL"), see Significant Accounting Policies, letter "r", for more information.

20. Lease Liabilities

(Euro/000s)	31.12.2023	31.12.2022
Maturity analysis		
Within 1 year	2,942	2,282
Within 1 to 5 years	2,826	3,082
Over 5 years	132	155
	5,900	**5,519**
Analysed as		
Non-current	2,958	3,237
Current	2,942	2,282
	5,900	**5,519**

Liabilities for leased assets arising from the application of IFRS 16 amounted to Euro 5,900 thousand as of 31 December 2023 (Euro 5,519 thousand as of 31 December 2022), of which Euro 2,942 thousand was current (Euro 2,282 thousand as of 31 December 2022) and Euro 2,958 thousand non-current (Euro 3,237 thousand as of 31 December 2022).

Liabilities refer to the present value of payments due and unpaid at the effective date of the lease agreement increased by implicit interest accrued and decreased by payments made during the period.

The Group assesses, on a case-by-case basis, the likelihood of exercising contractual purchase options, if any. Cash flows related to purchase options are included in the measurement of the lease liability if there is a reasonable certainty of exercising that option.

Group management has estimated the additional costs to be incurred to return the assets to the physical condition required and specified in the terms and conditions of the lease. The most significant impact relates to the containers that must be decontaminated and cleaned at the date of their return; the estimate is included in the provisions for liabilities and charges.

The Group is not exposed to a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored as part of the Group's treasury function.

21. Trade and other payables

(Euro/000s)	31.12.2023	31.12.2022
Other payables	1,988	5,421
Employees payable	7,148	6,737
Deferred income	6,413	6,050
Aubin Earn Out	1,823	2,110
Accrued expenses	1,622	425
Social security charges payable	1,241	1,201
Payables for tax repayments	1,082	0
Payments on account	354	60
Other Accounts Payable for royalty	324	0
Total Other payables	**21,993**	**22,004**
Trade payables	**71,259**	**100,309**
Accounts payables to affiliated companies	**0**	**294**
Total trade and other payables	**93,252**	**122,605**

Trade payables and accruals mainly comprise outstanding amounts for trade purchases and current costs. The average credit period used for trade purchases is 49 days.

The increase in deferred income is mainly related to tax credits accrued in FY23 based on investments in property, plant and equipment that are released to the income statement over several years according to the depreciation schedule of the assets to which they relate. The deferred amount represents the portion pertaining to subsequent years.

The directors believe that the carrying value of trade payables approximates their fair value.

22. Deferred tax assets and liabilities

The tax rate applied is calculated according to the prevailing rates in the respective jurisdictions.

Deferred tax assets

The total amount of deferred tax assets is broken down as follows:

(Euro/000s)	31.12.2023	31.12.2022
Italmatch Chemicals S.p.A.	6,094	8,987
Changzhou Italmatch Chemical Co. Ltd.	846	902
GRS Chemical Technologies S.r.l.	124	77
ITC Middle East Ltd.	114	115
Changzhou Italmatch Trading Co. Ltd.	21	22
IBIC	16	-
Total	**7,216**	**10,104**

Italmatch UK's deferred tax assets relate to the UK tax regime for tangible fixed assets.

Below is the calculation for Italmatch Chemicals Spa and GRS Chemical Technologies S.r.l. under Italian law and CIC, which accounted for 98% of the total deferred tax assets for the year.

	31.12.2022					31.12.2023				
Deferred tax assets (Euro/000s)	**Opening balance**	**IRES 24%**	**IRAP 5.34%**	**Income tax 25%**	**Deferred Tax assets**	**Opening balance**	**IRES 24%**	**IRAP 5.34%**	**Income tax 25%**	**Deferred Tax assets**
Italmatch Chemicals S.p.A.										
Limited tax losses	15,475	3,714	-		3,714	15,475	3,714	-		3,714
Interests	3,141	754	168		922	3,718	892	199		1,091
Amortisation of goodwill	367	88	-		88	367	88	-		88
Non-taxable provision for bad debts	610	146	33		179	610	146	33		179
Provision for disposal costs	755	181	40		221	-	-	-		-
Provision for pending disputes	9,778	2,347	522		2,869	900	216	48		264
Inventory obsolescence provision	21	5	1		6	-	-	-		-
Agent's termination indemnity	590	142	-		142	395	95	-		95
LIFE capital grants	308	74	-		74	143	34	-		34
Incomplete services	200	48	-		48	1,757	422	-		422
MBO and other incentive plans	312	75	17		91	-	-	-		-
Consultancy expenses at amortised cost	2,613	627	-		627	846	203	-		203
Unrealised exchange rate gains and losses	4	1			1	2	1	-		1
Start-up and capital costs (no P&L)	15	4	1		4	15	4	1		4
Sub-total	**34,189**	**8,205**	**781**		**8,987**	**24,227**	**5,815**	**280**		**6,094**
GRS Chemical Technologies S.r.l.										
Statutory exceding Tax Amortization	193	46	9		55	171	41	8		49
MBO and other incentives plan	20	5	-		5	154	37	-		37
Maintenance costs deductable in future period	9	2	-		2	4	1	-		1
Provision for disposal costs	50	12	2		14	50	12	2		14
Research grant ex. L.46/82	4	1	-		1	8	2	-		2
Other	-	-	-		-	88	21	-		21
Sub-total	**275**	**66**	**11**		**77**	**475**	**114**	**10**		**124**
Changzhou Italmatch Chemical Co. Ltd.										
Deductible loss	2,472			618	618	2,317			579	579
Impairment reserve of assets	1,080			270	270	1,013			253	253
Special reserve	57			14	14	53			13	13
Sub-total	**3,609**	**-**	**-**	**902**	**902**	**3,382**	**-**	**-**	**846**	**846**
Other										
Changzhou Italmatch Trading Co. Ltd.					22					21
ITC Middle East Ltd.					115					114
Italmatch Biolab					-					16
Sub-total					**137**					**151**
Total					**10,104**					**7,216**

Deferred tax liabilities

The total amount of deferred tax liabilities is broken down as follows:

(Euro/000s)	31.12.2023	31.12.2022
Italmatch Chemicals S.p.A.	12,446	17,607
Italmatch Chemicals Conso GB	3,351	3,889
Italmatch UK Ltd.	893	887
Changzhou Italmatch Chemical Co. Ltd.	637	536
Italmatch Chemicals GB Ltd.	258	55
IBIC	245	-
Italmatch Spain S.l.	127	127
GRS Chemical Technologies S.r.l.	114	2
Italmatch JP Ltd.	2	2
Italmatch Chemicas India Priv. Ltd.	-	106
ITC Middle East Ltd.	-	3
Total	**18,068**	**23,215**

Italmatch UK's deferred tax liabilities relate to the UK tax regime for property, plant and equipment. Italmatch Spain deferred tax liabilities relate to the allocation of the consolidation difference ITC Spain - Undesa. Below is the calculation, according to Italian regulations, for Italmatch Chemicals S.p.A., Fire (BC) Spa Consolidated and, according to English regulations, Italmatch Chemicals GB Ltd. Consolidated, which represent 93% of the total deferred tax liabilities for the year.

Deferred tax liabilities (Euro/000s)	31.12.2022 Opening balance	IRES 24%	IRAP 5.34%	Corporate tax 19%	Corporate tax 36.2%	Other 25%	Deferred tax liabilities	31.12.2023 Opening balance	IRES 24%	IRAP 5.34%	Corporate tax 19%	Corporate tax 36.2%	Other 25%	Deferred tax liabilities
Italmatch Chemicals S.p.A.														
2011 Merger difference Allocation on ITC PPE	797	191	43				234	797	191	43				234
2014 Pentachimica Merger difference Allocation	1,523	366	-				366	1,523	366	-				366
2020 Fire (BC) Merger difference Allocation on patents (no P&L)	28,467	7,776	1,264				9,039	28,467	6,832	1,110				7,942
2020 Fire (BC) Merger difference Allocation on patents	(2,860)	(385)	(823)				(1,208)	(5,223)	(1,254)	(204)				(1,457)
2020 Fire (BC) Merger difference Allocation on trademarks (no P&L)	6,379	1,478	240				1,719	6,379	1,531	249				1,780
2020 Fire (BC) Merger difference Allocation on trademarks	(1,383)	(443)	(242)				(685)	(1,844)	(443)	(72)				(515)
Non taxable Goodwill	125	30	7				37	263	63	14				77
Life capital grants	133	32	-				32	66	16	-				16
Unrealized exchange rate gains	16,668	4,000	-				4,000	6,498	1,559	-				1,559
Fair value IRS (no P&L)	9,815	2,356	524				2,880	4,851	1,164	259				1,423
First IFRS transition adjustments (no P&L)	1,294	311	69				380	897	215	48				263
Allocation of goodwill to ITM IP in Spain	2,953	-	-			738	738	-	-	-			670	670
Goodwill amortisation (no P&L)	260	62	14				76	260	62	14				76
TFR IAS	-	-	-					40	10	2				12
Sub-total	**64,171**	**15,774**	**1,095**			**738**	**17,607**	**42,973**	**10,314**	**1,463**			**670**	**12,446**
Italmatch Chemicals Conso GB														
Consolidation difference allocation UK - TM	3,004	-	-	465	-		465	1,937	-	-	368	-	-	368
Consolidation difference allocation UK - IP	3,047	-	-	471	-		471	1,963	-	-	373	-	-	373
Consolidation difference allocation UK - CR	10,789	-	-	1,669	-		1,669	6,953	-	-	1,321	-	-	1,321
Consolidation difference allocation JP -TM	243	-	-	-	72		72	199	-	-	-	72	-	72
Consolidation difference allocation JP -CR	1,561	-	-	-	460		460	1,285	-	-	-	465	-	465
Consolidation difference allocation Aubin - CR	-	-	-	-	-		753	-	-	-	-	-		752
Sub-total	**18,643**	**-**	**-**	**2,605**	**532**		**3,889**	**12,336**	**-**	**-**	**2,062**	**537**		**3,351**
Other														
Italmatch UK Ltd.							887							893
Italmatch Spain S.l.							127							127
Italmatch Chemicals GB Ltd							55							258
Italmatch Chemicas India Priv. Ltd							106							(4)
Italmatch JP Ltd.							2							2
ITC Middle East Ltd.							3							-
Changzhou Italmatch Chemical Co. Ltd.							536							637
Italmatch Biolab							-							245
GRS Chemical Technologies S.r.l							2							114
Sub-total	**-**	**-**	**-**	**-**	**-**	**-**	**1,719**	**-**	**-**	**-**	**-**	**-**	**-**	**2,271**
Total	**82,814**	**15,774**	**1,095**	**2,605**	**532**	**738**	**23,215**	**55,309**	**10,314**	**1,463**	**2,062**	**537**	**670**	**18,068**

The Group offsets deferred tax assets and deferred tax liabilities are offset when there is a legal right to offset current tax assets against current tax liabilities relate to income taxes owed to the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis. As at 31 December 2023, there are no unrecognised deferred tax assets or liabilities.

	2023			2022		
(Euro/000s)	Before tax	Benefit (tax burden)	After tax	Before taxes	Benefit (tax burden)	After tax
Items that will not be reclassified to profit or loss						
Actuarial Change in Employee Benefit Liabilities	**55**	**(14)**	**40**	**-**	**-**	**-**
Items that are or may be reclassified subsequently to prof-it/(loss) for the year						
Cash flow hedge - effective portion of change in fair value	(4,964)	1,456	(3,508)	10,744	(3,152)	7,592
Total Foreign Operations - Foreign Currency translation differences	(7,482)	-	(7,482)	3,041	-	3,041
Total impact of other components of the comprehensive income statement	**(12,391)**	**1,442**	**(10,949)**	**13,785**	**(3,152)**	**10,633**

23. Provisions and contingent liabilities

(Euro/000s)	Other funds	Provisions for risks	Total
At 31 December 2022	**5,993**	**109**	**6,103**
Charged/(credited) to the income statement	-	59	59
Utilisation of provision	(338)	-	(338)
Release of provisions	(675)	(45)	(719)
At 31 December 2023	**4,981**	**124**	**5,104**
Due within one year	**-**	**-**	**-**
Due after one year	**4,981**	**124**	**5,104**

The provision for environmental costs of Elco Corp. (Euro 1,119 thousand and Euro 1,132 thousand as at 31 December 2023 and 31 December 2022, respectively) is included in the subconsolidated financial statements of Italmatch USA Corporation. It reflects the costs expected to be incurred to clean, monitor and regularly maintain the various properties that the subsidiary currently owns. The amount accrued at year-end is the best estimate of the total costs incurred by the group. Based on current conditions and current available information, management believes that this amount is sufficient to meet the requirements for the clean-up of contaminated sites.

Other provisions include the accumulated provision for restoration costs pursuant to IFRS 16 amounting to Euro 1,287 thousand (Euro 1,293 thousand in FY22), the accumulated provision for disposal costs amounting to Euro 610 thousand (Euro 610 thousand in FY22).

24. Employee benefit obligations

Employee benefits include the estimated liability for Employee's leaving entitlement (TFR) to be pay to employees upon termination of employment.

(Euro/000s)

Value as at 31 December 2022	**3,838**
Addition	978
IAS 19	51
other movements	(1,637)
Value as at 31 December 2023	**3,229**

The main assumptions for determining the present value of liabilities are explained below:

	31.12.2023	31.12.2022
Discount rate	3.15%	3.70%
Inflation rate	2.25%	2.60%
Nominal rate of wage growth	2.25%	2.60%
Labour turnover rate	2.80%	2.80%
Probability of requesting TFR advances	1.60%	1.60%
Percentage required in case of advance	70.00%	70.00%
Life table - males	SIM2019	SIM2019
Life table - females	SIF2019	SIF2019

Reasonably possible changes in actuarial assumptions at the reporting date would have influenced the defined benefit obligation equal to the amounts shown in the table.

(Euro/000s)	Increase	Decrease
Discount rate (5% change)	860	953
Growth rate of payment flows (5% change)	906	903
Inflation rate (5% change)	935	875
Salary growth rate (5% change)	907	902
Retirement age (1 year change)	903	907
Longevity (1 year change)	905	905

Although the analysis does not consider the entire distribution of the expected cash flows from the plan, it reflects an approximation of the sensitivity of the assumptions used.

The group has the following employee breakdown:

	31.12.2023		31.12.2022	
	At year-end	Average	At year-end	Average
Top Managers	6	6	7	5
Managers	159	175	191	185
White collars	341	344	347	345
Blue collars	503	523	543	503
Total	**1,009**	**1,048**	**1,088**	**1,038**

Defined contribution plans

The Group operates defined contribution retirement benefit plans for employees of different subsidiaries. Usually, subsidiaries are required to pay a specified percentage of their personnel costs periodically. The Group's only obligation in respect of pension plans is to pay the specified contributions.

Investment risk	The present value of the defined benefit plan's liability is calculated using a discount rate determined by the yields on high-quality corporate bonds; if the return on the plan's assets is lower than this rate, it will create a deficit in the plan. Currently, the plan has a relatively balanced investment in equities, and funds.
Interest risk	A decrease in the bond interest rate would lead to an increase in the plan's liability, but this would be partially offset by an increase in the return on the plan's debt in-vestments.
Longevity risk	The present value of the defined benefit plan liability is calculated based on the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of plan participants would increase the liability for the plan.
Salary risk	The present value of the liability for defined benefit plans is calculated based on the future salaries of plan participants. As such, an increase in the salary of plan partic-ipants would increase the liability of the plans.

The most recent actuarial valuations of plan assets and the present value of the defined benefit liability were performed as at 31 December 2023. The current value of the defined benefit liability, the related current service cost and past service cost were measured using the Projected Unit Credit Method.

25. Share capital and reserves

Share Capital

On March 7, 2023, the entry of the minority shareholder Dussur (The Saudi Arabian Investments Company) — also through the purchase of shares and a capital increase — into the holding company Fire (BC) Midco (which indirectly holds 100% of Italmatch Chemicals S.p.A.) with a resulting minority stake of less than 20% successfully took place. The signing of the transaction was announced on 8 December 2022. The capital increase, about Euro 99,994 thousand, also took place at the level of Italmatch Chemicals SpA already in March 2023. The capital structure of the Group following the minority shareholder transaction includes BAIN Capital as majority shareholder. The shareholders are entitled to dividends declared from time to time and are entitled to one vote per share at the Company's general meetings. All rights attached to the Company's shares held by the Group are suspended until such shares are reissued.

	%	Number of shares	Nominal value (Euro)	31.12.2023 (Euro/000s)	31.12.2022 (Euro/000s)	31.12.2021 (Euro/000s)
Ordinary share capital	100%	10,420,540	1	10,420	9,421	9,421
Share premium				472,530	373,535	373,535
Total Share Capital				**482,950**	**382,956**	**382,956**

Other Reserves are detailed below:

Other Reserves - Details (Euro/000s)	31.12.2023	31.12.2022	31.12.2021
Legal Reserve	3,146	3,146	1,566
Hedging Reserve	3,428	6,935	(656)
Extraordinary Reserve	25,352	25,353	25,353
Reserve for Future Capital Increase	10,030	10,030	10,030
IAS 19	40	-	-
Total Other Reserves	**41,996**	**45,464**	**36,293**

26. Subsidiaries

Information about the composition of the Group at the reporting date is provided in the table below.

Company name Registepred office	Share capital (Euro/000s)	% held		Consolidated %
		Direct	Indirect	
1) Italmatch International Trading (Shanghai) Co. Ltd. *Room 16, 4/F, Building 3, No.39, Jiatai Road, Free Trade Pilot Zone, Shanghai, China*	46,380	100%	0%	100%
2) Italmatch Spain S.l. *Comte d'Urgell 240, 4th D, 08036 Barcelona - Spain*	500	99%	0%	100%
3) Italmatch Polska *Narutowicza 15, PL-41503 Chorzow*	1,844	100%	0%	100%
4) Italmatch UK Ltd. *One Glass Wharf, BS2 0ZX, Bristol, Great Britain*	0	100%	0%	100%
5) Italmatch USA Corp. *5544 Oakdale Rd SE - Smyrna, GA 30082*	9	100%	0%	100%
6) Italmatch Singapore *101 Thomson Road #9-01 United Square, Singapore 307591*	512	100%	0%	100%
7) Italmatch Belgium S.p.r.l. *Boulevard Auguste Reyers 80 - 1030 Schaerbeek - Belgium*	8	99%	1%	100%
8) Italmatch Deutschland GmbH *Brüningstraße 50, 65926 Frankfurt am Main*	825	100%	0%	100%
9) GRS Chemical Technologies S.r.l. *Area Industriale Consorzio ASI - Qualiano (NA)*	600	100%	0%	100%
10) Italmatch Do Brasil Partecipacao Ltda *Av. Mario Lopes Leao - 1350 Sao Paulo - Brazil*	103	100%	0%	100%
11) Italmatch Investment Jiangsu Co. Ltd. *58 Guanqu Middle Road, Changzhou - China*	47,355	100%	0%	100%
12) Nantong Italmatch Chemicals Co. *58 Binhe Road, Rugaogang Economic Development Zone, Nantong City, Jiangsu Province, China*	6,842	100%	0%	100%
13) Italmatch Chemicals India Plc *Shed-19 Plot No. 81, IDA Cherlapally, Medchal Malkajgiri Hyderabad - 500051, Telangana, India*	2,176	100%	0%	100%
14) Italmatch Chemicals GB Ltd. *Ashburton Road West, Trafford Park, Manchester M17 - GB*	4,085	100%	0%	100%
15) Italmatch Middle East Limited *Riyadh 11576, P.O. Box 11512, Kingdom of Saudi Arabia*	504	100%	0%	100%
16) Italmatch Quimica do Brasil Ltda *Av. Prof. Alceu Maynard Araujo 153, 04726-160 San Paulo*	1,002	0%	100%	100%
17) Compass Chemicals International Holding LLC *5544 Oakdale Rd SE - Smyrna, GA 30082*	17,150	0%	100%	100%
18) Fangchenggang Yueyang Chemicals Co., Ltd. *No.11, Qingcaoping Road, Gangkou District, Fangchenggang City, Guangxi, China 538001*	45,530	0%	100%	100%
19) Detrex Corporation *1000 Belt Line St, Cleveland, Ohio - 44109*	22,717	0%	100%	100%
20) Elco Corporation *1000 Belt Line St, Cleveland, Ohio - 44109*	260	0%	100%	100%
21) Union Derivan S.A. *Comte d'Urgell 240, 4th D, 08036 Barcelona - Spain*	4,647	0%	100%	100%
22) Italmatch Japan Ltd. *Burex Kojimachi 2F, 3-5-2 Kojimachi, Chiyoda-ku Tokyo, 102-0083 Japan*	19	0%	100%	100%
23) Italmatch SC LLC *5544 Oakdale Rd SE - Smyrna, GA 30082*	2,805	0%	100%	100%
24) Changzhou Italmatch Chemical Co ltd *Weicun Industrial Park of Chunjiang Village, China*	40,472	0%	100%	100%
25) Changzhou Italmatch Trading Co ltd *58 Guanqu Middle Road, Changzhou - China*	255	0%	100%	100%
26) BWA Water Additives US LCC *5544 Oakdale Rd SE - Smyrna, GA 30082*	-	0%	100%	100%
27) BWA Water Additives UK Limited *Ashburton Road West, Trafford Park, Manchester, United Kingdom, M17 1SX*	690	0%	100%	100%
28) BWA Water Additives FZE *National Industries Park -Jebal Ali, Dubai, United Arab Emirates*	245	0%	100%	100%

Company name Registepred office	Share capital (Euro/000s)	% held		Consolidated %
		Direct	Indirect	
29) BWA Water Additives DMCC *Unit 1802, Jumeirah Bay Tower X3, Jumeirah Lakes Towers, Dubai, UAE*	12	0%	100%	100%
30) Water Science Technologies, LLC *1701 Vanderbilt Road Birmingham, AL - 35234 - USA*	46,374	0%	100%	100%
31) Saudi Phosphorus Industrial Company LLC *3909 Prince Mamdooh Bin Abdulaziz, Sulaymaniyah, Riyadh 12242-7574, Saudi Arabia.*	2,235	0%	51%	100%
32) Italmatch DW *5544 Oakdale Rd. SE - Smyrna - GA 30082*	3,096	0%	100%	100%
33) Aubin Ltd. *13 Queens Road Aberdeen AB15 1YL*	8	0%	100%	100%
34) Aubin Energy DMCC *Unit No: OneJLT-05-114 One JLT Plot No: DMCC-EZ1-1AB Jumeirah Lakes Towers Dubai United Arab Emirates*	25	0%	100%	100%
35) Aubin INC *Three Sugar Creek, Ste.100 Houston TX 77478*	91	0%	100%	100%
36) Italmatch Biolab Industrial Co *Cooperation Council road, Al Khozama District, Al Aziziyah - Alkhobar, 34718 - 8331, Saudi Arabia*	121	0%	60%	100%

27. Equity-accounted investees

The Italmatch Group does not own any equity-accounted companies.

28. Fair value measurements

Assets and liabilities measured at fair value on a recurring basis

The fair value of derivative financial assets and liabilities is measured by considering market parameters at the reporting date and using valuation techniques widely accepted in the context of financial assets, as described below:

- The fair value of foreign currency derivatives is determined using valuation techniques common in financial markets and taking market parameters at the reporting date (in particular, exchange rates, interest rates and volatility rates);
- The fair value of interest rate swaps and forward rate agreements is determined by taking interest rates prevailing at the reporting date and using the discounted expected cash flow method.

The following table shows the fair value hierarchy based on observable inputs for financial assets and liabilities measured at fair value on a recurring basis.

	31.12.2023				31.12.2022			
(Euro/000s)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Fair value of foreign currency commercial trans-actions	-	-	-	-	-	1,118	-	1,118
Fair value of IRSs	-	4,851	-	4,851	-	9,815	-	9,815
Total assets	**-**	**4,851**	**-**	**4,851**	**-**	**10,933**	**-**	**10,933**
Fair value of IRSs	-	-	-	-	-	-	-	-
Fair value of foreign currency commercial trans-actions	-	-	-	-	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Assets and liabilities not measured at fair value on a recurring basis

The carrying value of current receivables and payables is a reasonable approximation of fair value because the present value of future cash flows does not differ significantly from the carrying value.

The book value of cash and cash equivalents is usually close to fair value due to their short maturity.

The following table shows the carrying amount and fair value of financial assets and liabilities not measured at fair value on a recurring basis:

	31.12.2023		31.12.2022	
(Euro/000s)	Carrying amount	Fair value	Carrying amount	Fair value
Trade and other receivables	77,877	77,877	95,638	95,638
Bonds	658,695	700,145	644,324	622,629
Loans	8,659	8,659	86,866	86,866
Leasing liabilities	5,900	5,900	5,519	5,519
Trade and other payables	93,252	93,252	122,239	122,239

Debt securities traded in active markets for which a sale price is available are classified as level 1 in the fair value hierarchy. Assets for which such prices are not available are valued at the last available price or based on prices received from dealers trading in such securities and are classified as level 2.

The fair value of lease liabilities classified in level 3 of the fair value hierarchy was estimated using models based on discounting future cash flows, which require significant adjustments based on unobservable inputs.

29. Financial Instruments

The Group is exposed to the following financial risks associated with its operations:

- Credit risk, which highlights the possibility of default of a counterparty or the possible deterioration of the assigned creditworthiness;
- Market risk, arising from exposure to fluctuations in interest rates, exchange rates, and changes in the prices of products sold and commodity purchases (commodity price volatility risk);
- Liquidity risk, which expresses the risk that available financial resources will be insufficient to meet payment commitments.

These risks could have a significant impact on the Company's financial position and results and, for this reason, the Group systematically identifies and monitors these risks in order to identify potential negative effects in advance and to take the necessary actions to mitigate them, mainly through operational and financial activities and, if necessary, through the use of derivative financial instruments according to established risk management policies.

The following section provides qualitative and quantitative disclosures on the effect these risks may have on the Group. The quantitative data provided below has no predictive value, and in particular the sensitivity analysis on financial market risks does not reflect the complexity of the market or the reaction that may result from any changes that are expected to take place.

Credit risk

The maximum credit risk to which the Group is potentially exposed as at 31 December 2023 is represented by the carrying amounts of financial assets in these financial statements. The Group's exposure to credit risk is mainly due to the individual characteristics of each counterparty. For further information regarding the credit risk exposure and ECLs of trade and other receivables as of 31 December 2023 and 2022, please refer to Note 16.

Exposure to credit risk, inherent in the probability that a given counterparty fails to meet its contractual obligations, is managed through appropriate analysis and evaluation. Concentration risk, both by customer and by sector, is also monitored on an ongoing basis without ever having presented alert situations.

As at 31 December 2023 and 31 December 2022, the maximum exposure to credit risk on trade receivables, broken down by geographic region, is as follows:

Countries (Euro/000s)	**31.12.2023 Carrying amount**	**31.12.2022 Carrying amount**
US	16,645	13,876
CN	3,984	4,701
QA	3,793	3,850
JP	3,577	3,297
SG	3,131	2,994
GB	2,713	3,295
CY	2,595	1,148
DE	2,369	3,939
BR	1,852	1,315
IN	1,772	1,530
EN	1,755	4,270
AE	1,650	2,133
FR	1,649	1,819
CA	1,553	754
PL	1,394	880
CH	1,168	851
BE	880	674
NL	784	1,650
MX	773	800
ES	716	2,625
SA	654	13,009
EG	461	954
LU	262	581
KW	145	584
RO	0	509
Other	3,594	7,309
Total	**59,870**	**79,348**

The caption “Other” does not include amounts exceeding 10%.

Credit risk arises from the loss that the Group may incur due to the inability of a contractual counterparty to fulfil its obligations, to meet its payment obligations. The Group manages credit risk with the aim of optimising the risk profile in the pursuit of commercial and business objectives by means of structured processes and by adopting the necessary procedures for monitoring receivables as they fall due, implementing the necessary credit recovery procedures.

The Group assigns each counterparty a specific level of credit that cannot be exceeded or, alternatively, upon presentation of suitable collateral (e.g. cash against documents, letter of credit, stand-by).

The Group’s credit policy is based on subjecting customers requesting deferred payment terms to creditworthiness verification procedures with the support of international databases, as well as on the observation of delinquency of newly acquired customers. In addition, the balance is constantly monitored during the financial year to ensure timely intervention and to reduce the risk of losses.

The amount of the risk is equal to the allowance for doubtful debts allocated in the respective balance sheets, which is considered adequate in relation to the credit risk (also depending on the type of receivables). In particular, the following are considered:

- sales in 'at risk' countries are made exclusively by advance payment or credit letter;
- In the other countries, sales mainly have large multinationals as counterparts with whom strategic partnership agreements are also in place for the development of new products.

Cash and cash equivalents

As of 31 December 2023, the Group held cash and cash equivalents in the amount of Euro 116,903 (Euro 26,873 as of 31 December 2022). Cash and cash equivalents are held with banking counterparties and financial institutions, which are rated B- to AA+, based on Moody's or S&P ratings.

The impairment of cash and cash equivalents was assessed on the basis of expected losses at 12 months and reflects the short maturities of the exposures. The Group considers its cash and cash equivalents to have a low credit risk based on the external ratings of the counterparties.

Derivatives

Derivatives are entered into with banking counterparties and financial institutions that have an Investment Grade rating of A+ to AA+, based on Moody's or S&P ratings.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to obtain the resources necessary to carry out its operations and related investments to meet its obligations.

The conditions of the macroeconomic environment as well as the uncertainties that characterise the financial markets require particular attention to liquidity risk management.

The Group manages liquidity risk by constantly monitoring cash flows and maintaining an adequate level of resources and availability (i.e., liquidity). The Group believes that the Group's total available liquidity, in addition to the cash flows that will be generated by its operating and financial activities, as well as its ability to access the banking and financial markets, will allow the Company to meet the needs of its investment activities and working capital, as well as meet its debt repayment obligations at natural maturities and ensure an adequate level of operational and strategic flexibility.

It should also be noted that:

- the company's increasing focus on '*de-leveraging*' and thus on financial leverage is reflected in the progressive reduction of the ratio between the level of net financial debt and contractually defined EBITDA,
- the Senior Secured Net Debt was successfully refinanced in the first quarter of 2023 and the maturity date of the senior secured debt is currently February 2028. Specifically, on 6 February 2023, the Group issued Senior Secured Floating Rate and Fixed Rate Notes in the amount of Euro 300.000 thousand maturing in 2028 (5 years) with the aim of refinancing the aforementioned outstanding bonds amounting to Euro 650.000 thousand maturing in September 2024. The maturity date of the Super Senior Revolving Credit Facility (SsRCF) is currently October 2027.

The bonds in place contain certain covenants known as Incurrence, that according to which default can only occur if — as financial and equity conditions deteriorate — the Group takes actions that cause certain conditions to be breached in violation of the aforementioned financial covenants. In addition, the company and some of its subsidiaries must comply with additional covenants, both positive and negative, subject to certain exceptions and so-called 'grace periods'.

The parent company and some of its subsidiaries are therefore only subject to the incurrence test if they intend to incur further debt (in addition to that which the parent company and its subsidiaries may incur under other provisions of the Indenture of Bonds), in which case certain 'ratios' on a contractual basis must be satisfied for the incurrence of such debt, i.e:

1. Interest coverage ratio', defined as the ratio of contractually defined EBITDA to financial interest on debt (at least 2x), and
2. to the extent that the debt is senior secured, the "Consolidated Net Senior Secured Leverage Ratio", defined as the ratio of net senior secured debt to contractually defined EBITDA, not exceeding a certain threshold defined in the bond indenture.

The SsRCF agreement also requires that it is monitored — with reference to the last day of each financial quarter — whether the sum of drawings (albeit with certain exclusions), net of cash and cash equivalents as well as temporary cash investments held by the Group, exceeds 35% of the total SsRCF; if so, the super senior RCF drawn leverage ratio must not exceed 1.50x. Whenever this test is not passed, a "freeze" on further use of the available residual RCF line is triggered and, if breached, will not in itself trigger a default or event of default under the SsRCF. If necessary, the company also has certain rights of so-called equity cure in such cases.

All of these tests and certain other provisions of the Indenture and the SsRCF contract are designed to ensure that the company and certain of its subsidiaries do not incur additional debt unless certain parameters are met.

To conclude, it should be noted that the SsRCF accrues interest at an annual rate equal to EURIBOR, for the portion denominated in Euros, and for the portion denominated in US dollars, Term SOFR, plus a margin. The level of the Senior Secured Net Leverage Ratio affects the margin payable under the SsRCF; the highest margin applicable being 3.5% if the Senior Secured Net Leverage Ratio exceeds 5.5x. The remaining contractual maturities of the financial liabilities at the reporting date are shown below:

(Euro/000s)	Within one year	Within 5 years	More than 5 years	Total
31 December 2022				
Unsecured borrowing	-	65,627	-	65,627
Secured non-convertible bonds	-	644,324	-	644,324
Bank loans	21,238	-	-	21,238
Total	**21,238**	**709,951**	**-**	**731,190**
Interest Rate Swaps - positive	9,815	-	-	9,815
MTM exchange rate derivatives - positive	-	1,118	-	1,118
MTM exchange rate derivatives - negative	-	-	-	-
Total	**9,815**	**1,118**	**-**	**10,933**
31 December 2023				
Unsecured borrowing at amortised cost	-	249	-	249
Secured non-convertible bonds	-	658,695	-	658,695
Bank loans	8,411	-	-	8,411
Total	**8,411**	**658,943**	**-**	**667,354**
Interest Rate Swaps - positive	4,851	-	-	4,851
MTM exchange rate derivatives - positive	-	-	-	-
MTM exchange rate derivatives - negative	-	-	-	-
Total	**4,851**	**-**	**-**	**4,851**

For more information on credit lines, please refer to Note 18.

Financial market risks

Due to the nature of its business, the Group is exposed to several market risks, including foreign currency exchange risk, interest rate risk and commodity price risk. The Company's exposure to foreign currency exchange risk arises both in relation to the geographical distribution of the Company's industrial activities with respect to the markets in which it sells its products, and in relation to the use of external borrowings denominated in foreign currencies.

The Group's exposure to interest rate risk arises from the need to finance industrial and financial operating activities and the need to deploy surplus funds. Changes in market interest rates can have the effect of increasing or decreasing the Group's net income, indirectly affecting the costs and returns of financing and investment transactions.

The Group's exposure to commodity price risk arises from the risk of price changes, which could have a significant effect on the Group's results, indirectly affecting product costs and margins.

These risks could have a significant impact on the Group's financial position and results and are therefore systematically detected and monitored, in order to identify potential negative effects in advance and take the necessary actions to mitigate them, mainly through operating and financing activities and, if necessary, through the use of derivative financial instruments according to its risk management policies.

Quantitative information on foreign currency exchange risk

The Group is exposed to risk from changes in foreign currency exchange rates, which may affect its earnings and equity. In particular:

- if a company of the Group incurs costs in a currency different from that of its revenues, any change in exchange rates may affect the operating results of that company;
- the main exchange rates to which the Group is exposed are:
  - EUR/USD, relating to USD sales and purchases made, and to intercompany loans granted in foreign currency.

At year-end, Italmatch Group held receivables and payables in currencies other than the Group currency. The table shows the most significant Group values:

	31.12.2023									
(Euro/000s)	CAD	CNY	EUR	GBP	JPY	QAR	PLN	SAR	SGD	USD
Trade receivables	2	-	4,025	306	-	42	60	219	39	6,168
Trade payables	-	-	(622)	(983)	-	(4)	-	-	-	(1,793)
Net statement of financial position exposure	**2**	**-**	**3,403**	**(676)**	**-**	**38**	**60**	**219**	**39**	**4,375**
2 months sales - actual	-	-	4,365	604	-	-	-	-	-	6,442
2 months purchase - actual	-	-	(8)	(905)	-	-	-	-	-	(9,773)
Net actual transaction exposure 2 months actual	**-**	**-**	**4,357**	**(301)**	**-**	**-**	**-**	**-**	**-**	**(3,331)**
Net exposure	**2**	**-**	**7,760**	**(978)**	**-**	**38**	**60**	**219**	**39**	**1,044**

	31.12.2022									
(Euro/000s)	CAD	CNY	EUR	GBP	JPY	QAR	PLN	SAR	SGD	USD
Trade receivables	-	-	3,429	596	-	4,073	21	240	-	15,799
Trade payables	-	(74)	(698)	(2,005)	(2,529)	(24)	-	(3,987)	(26)	(5,271)
Net statement of financial position exposure	**-**	**(74)**	**2,731**	**(1,409)**	**(2,529)**	**4,049**	**21**	**(3,747)**	**(27)**	**10,528**
2 months sales - actual	68	-	6,241	566	-	42	-	1,307	-	11,469
2 months purchases - actual	-	(166)	(1,628)	(1,507)	-	-	-	0	-	(7,469)
Net actual transaction exposure 2 months actual	**68**	**(166)**	**4,613**	**(941)**	**-**	**42**	**-**	**1,307**	**-**	**4,001**
Net exposure	**68**	**(240)**	**7,345**	**(2,350)**	**(2,529)**	**4,091**	**21**	**(2,439)**	**(27)**	**14,528**

The following table shows the main exchange rates applied by the Group:

Currency	Average ex. rate FY 23	Average ex. rate FY 22	31.12.2023	31.12.2022
PLN	4.54	4.69	4.34	4.68
CNY	7.66	7.08	7.85	7.36
BRL	5.40	5.44	5.36	5.64
USD	1.08	1.05	1.11	1.07
JPY	151.99	138.03	156.33	140.66
GBP	0.87	0.85	0.87	0.89
INR	89.30	82.69	91.90	88.17
SAR	4.05	3.95	4.14	4.00

The Group may have trade receivables or payables denominated in a currency other than the respective functional currency. Changes in exchange rates may result in exchange rate gains or losses arising from these situations.

Some of the Group's companies are located in countries outside the Euro zone, notably the US, China and the UK. Since the Group's currency is the Euro, the income statements of entities with a currency other than the Euro are translated into Euro using the average exchange rate for the year. In addition, the assets and liabilities of these consolidated companies are translated into Euro at the period-end exchange rate. The effects of these changes in exchange rates are recognised directly in the translation reserve included in other comprehensive income. Changes in exchange rates may affect the translated balances of revenues, expenses and assets and liabilities reported in euros, even when the corresponding items are unchanged in the respective local currencies of these companies.

In 2023, there were no material changes in the nature or structure of the Group's foreign currency risk exposure or hedging policies.

The Group reports realised losses/gains directly to the Profit and Loss Account as it has no hedge accounting instruments.

A sensitivity analysis was performed for the main foreign currency items outstanding at 31 December 2023 for which there were no entries in the Income Statement at the time of the creation of the Financial Statements. This analysis assumes that all other variables, in particular interest rates, are unchanged and does not consider the effects of expected sales and purchases.

	Exchange rate Profit or loss		Equity (result net of tax)	
(Euro/000s)	Strengthening	Weakening	Strengthening	Weakening
31 December 2023				
GBP (5% movement)	14	(14)	(10)	10
QAR (5% movement)	-	-	-	-
SAR (5% movement)	(3)	3	2	(2)
USD (5% movement)	(183)	183	131	(131)
31 December 2022				
GBP (5% movement)	3	(3)	(2)	2
QAR (5% movement)	(47)	47	34	(34)
SAR (5% movement)	45	(45)	(32)	32
USD (5% movement)	(252)	252	181	(181)

Quantitative information on interest rate risk

The companies of the Group make use of external borrowings. In addition, Group companies sell receivables resulting from their trading activities on a continuing basis. Changes in market interest rates can affect the cost of the various forms of financing, including the sale of receivables, or the return on investments and the employment of funds, thus negatively impacting the net financial expenses incurred by the Group.

In order to manage interest rate risk on issued bonds, the Group uses interest rate swaps with the objective of mitigating the potential variability of interest rates on the Group's Net profit that is not affected by changes in interest rate.

If interest rates had changed by 100 bps at the end of the year, the net equity and loss for the year would have changed by the amounts shown in the table below. The analysis was performed assuming that the other variables, in particular exchange rates, remain constant.

	Loss for the period	
Effetto (Euro/000s)	**100 bps increase**	**100 bps decrease**
31 December 2023		
Variable-rate financial instruments	(4,121)	4,121
Interest rate swap	3,050	(3,050)
Sensitivity of cash flows (net)	**(1,071)**	**1,071**

30. Related Party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been deleted on consolidation and are not disclosed in this note.

31. Capital management

The Group's equity amounts to Euro 413,103 thousand.

The Group's policy is to maintain a strong capital base to maintain the confidence of investors, creditors and the market and support future business development. The Group monitors capital using a ratio of 'net financial position' to 'shareholders' equity', which as of 31 December 2023 was equivalent to 1.42.

32. Key management personnel remuneration

Pursuant to Article 2427.1.16 of the Civil Code, the remuneration of the directors and the Board of Statutory Auditors is set out below:

	31.12.2023
Board of Statutory Auditors	151,760
Auditors	618,880

In FY23 and FY22, the compensation of key management represents 4.1% and 2.96% respectively of the total employee benefit expense. The total employee expense was Euro 74,347 thousand in FY22 and Euro 73,525 thousand in FY23. Compensation of key management consists entirely of short-term employee benefits. There were no post-employment benefits, other long-term benefits, termination benefits or share-based payments of Group.

33. Commitments, guarantees and contingent liabilities

The group gave sureties to third parties to guarantee services and the procurement of goods for Euro 4,529 thousand.

34. Reconciliation of movements of liabilities to cash flows arising from financing activities

Here below the table of Reconciliation of movements of liabilities to cash flows arising financing activities for the year:

	Liabilities				Equity			Derivatives (assets)/liabilities	
(Euro/000s)	Short term borrowing	Lease liability	Borrowings	Borrowings ICO	Other reserves	Retained earnings (*)	NCI	Fair value of IRSs and Fair value of foreign currency commercial transac-tions – liabilities/ asset	Derivative financial instruments – assets
Balance at 1 January 2023	**21,238**	**5,519**	**709,951**	**220**	**45,463**	**(24,093)**	**1,220**	**10,933**	**-**
Changes from financing cash flows									
Payment of lease liabilities	-	(5,175)	-	-	-	-	-	-	-
Factor	(281)	-	-	-	-	-	-	-	-
New Loan			652,796	-					
Increase/(Decrease) in Revolving Credit Facility	-	-	(66,500)	-	-	-	-	-	-
Repayment loan	(13,038)	-	(650,000)	(193)					
Total changes from financing cash flows	**(13,319)**	**(5,175)**	**(63,704)**	**(193)**	**-**	**-**	**-**	**-**	**-**
The effect of changes in foreign exchange rates	**491**	**(39)**	**-**	**-**		**(7,428)**	**(54)**	**-**	**-**
Changes in fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(6,082)**	**-**
Other changes									
Liability-related									
New leases	-	5,102		-	-	-	-	-	-
Capitalised borrowing costs	-	-	12,541	-	-	-	-	-	-
Interest expense	967	493	64,587	-	-	-	-	-	-
Interest paid	(967)	-	(64,433)	-	-	-	-	-	-
Total liability-related other changes	**-**	**5,595**	**12,695**	**-**	**-**	**-**	**-**	**-**	**-**
Total equity-related other changes					**(3,467)**	**(84,129)**	**2,637**		
Balance at 31 December 2023	**8,411**	**5,900**	**658,942**	**27**	**41,966**	**(115,650)**	**3,803**	**4,851**	**-**

(*) Retained earning include profit/(loss) for the year.

35. Non-controlling interests

The following table summarises the information relating to each of the Group's subsidiaries that has material NCI:

	NCI Saudi Phosphorus	NCI Italmatch Spain S.l.	Italmatch Biolab Industrial Co	Other	Total
NCI percentage	**49%**	**1%**	**40%**		
Non-current Assets	2,466,470	13,573,513	18,579		
Current Assets	180,769	20,452,987	14,454,007		
Non-current liabilities	(27,002)	(387,805)	(297,172)		
Current liabilities	(437,844)	(13,493,357)	(12,621,366)		
Net assets	**2,182,393**	**20,145,338**	**1,554,048**		
Net assets attributable to NCI	1,077,609	1,229,153	(277,426)	153,338	2,182,674
Profit allocated to NCI	(9,013)	729,817	899,045		1,619,848

36. Ultimate controlling party

Italmatch Chemicals Group is controlled by Fire (BC) Holdco Limited which is the beneficial owner of the Italmatch Chemicals Group.

37. Subsequent Events

Improved and strengthened rating positioning:

The actions taken during 2023 and the resilience of the unit contribution margin as well as the financial discipline and cash generation during the year, with a liquidity position at the end of December 2023 of about Euro 223,654 thousand were recognised positively by the rating agencies.

In particular, in March all rating agencies (Moody's, S&P Global and FitchRatings) confirmed both the rating positioning and the stability of the 'Outlook'.

Acquisitions:

In early March 2024, Italmatch completed the acquisition of a majority stake in Alcolina- Quimica & Derivados ("Alcolina"), a leading Brazilian chemical company in water treatment for bioethanol, sugar production and other industrial applications, including paints and the paper industry.

The transaction is part of Italmatch Chemicals' growth strategy in Latin America and strengthens the Italmatch Group's product portfolio for water treatment, with complementary applications and end markets. The project foresees commercial synergies also due to the promotion of sales of the new SugarMaxx® technology (for which the Italmatch Group has signed a collaboration and licence agreement for the use of chemical solutions in the cane sugar colour stabilisation process). Following the acquisition of Alcolina by Italmatch Chemicals, the current CEO and shareholder of Alcolina confirmed his commitment to the group's growth project.

Russia-Ukraine military conflict and Middle East update:

24 February 2022 saw the outbreak of the Russia-Ukraine military conflict. Although the company's exposure to the conflict zone is limited to sales activities and not material, it follows and monitors the evolution of the conflict also with reference to the sanctions mechanism and escalation prepared by the annexed countries and constantly evolving against Russia and Belarus. Among the economic/financial sanctions that the company pays particular attention to are those relating to the technological sectors involved in trade and the system of sanctioned banks.

Similarly, the company closely monitors the risks of conflict escalation in the Middle East. The main effect, which is already being reflected at the beginning of 2024, is the search for alternative routes to the blockade of the Suez Canal and Red Sea, mainly from the Cape of Good Hope and along the Arctic route, with the lengthening of logistics flows and supply chains from Asia; delays in deliveries and increases in freight rates and insurance costs are being experienced. In this context, the Group has taken several countermeasures in a timely manner, guaranteeing the supply security service that has characterised Italmatch over time, even in view of global shocks.

38. Approval of financial statements

The financial statements were approved by the Board of Directors and authorised on March 22, 2024.

Independent Auditor's Report

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(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010

To the sole shareholder of
Italmatch Chemicals S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Italmatch Chemicals Group (the "group"), which comprise the consolidated balance sheets as at 31 December 2023, the consolidated statements of profit and loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the year then ended and notes thereto, which include material information on the accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Italmatch Chemicals Group as at 31 December 2023 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of Italmatch Chemicals S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' 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 group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;

Italmatch Chemicals Group
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- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10

The parent's directors are responsible for the preparation of the group's directors' report at 31 December 2023 and for the consistency of such report with the related consolidated financial statements and its compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report with the group's consolidated financial statements at 31 December 2023 and its compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report is consistent with the group's consolidated financial statements at 31 December 2023 and has been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Genoa, 9 April 2024

KPMG S.p.A.

(signed on the original)

Andrea Carlucci
Director of Audit