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)

Condensed Interim Consolidated Financial Report as of and for nine months ended

September 30, 2023

CONTENTS

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 the persistence of de-stocking trends 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 nine months ended September 30, 2023 have been prepared in accordance with ESMA guidelines issued in May 2022 and, as a result, differ from the statement of cash flows presented in prior periods. For comparative purposes, statement of cash flows for the nine months ended September 30, 2022 have been reclassified.

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 Condensed Interim Consolidated Financial Statements as of and for nine months ended September 30, 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

	Nine months ended Sep 30,	
(€ million except percentages)	**2023**	**2022**
Adjusted EBITDA	82.1	128.7
Adjusted EBITDA Margin	15.8%	18.8%

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 items. 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.

	Nine months ended Sep 30,	
(€ million)	**2023**	**2022**
Profit/(Loss) after tax	**(34.9)**	**74.0**
Income tax expense	11.5	13.3
Finance income	(16.4)	(59.5)
Finance costs	70.0	52.6
Impairment losses on financial assets	0.8	0.6
Operating profit/(loss)	**31.0**	**81.0**
Depreciation and amortization and impairment losses on goodwill	41.2	41.8
Management adjustments and non-recurring items	9.9	5.9
Adjusted EBITDA	**82.1**	**128.7**

RISK FACTORS AND UNCERTAINTY

The Group is exposed to risks arising from the uncertainty of the macroeconomic environment, the instability of financial markets, the complexity of management processes as well as continuous regulatory changes. Below is a description of the main risks to which the Group is exposed.

EXTERNAL CONTEXT RISKS

- Risks related to the global macroeconomic *outlook*

The Group has a global presence (Europe, North America and Asia mainly) in terms of end markets for sales, operations and sourcing. Business cycles and general economic conditions in the countries in which the Group operates could affect results to the extent that they impact demand in the relevant '*end markets*' where the Group's customers operate.
The Group adopts a 'local for local' strategy, creating production presences in countries to meet local demand with competitive industrial and logistical costs.

Elements of uncertainty persist linked 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.

The Group also monitors the development of the conflict in Russia-Ukraine and Middle East. The business projects didn't have any damage or slowdowns, they are progressing according to fixed schedule.

- COVID-19 virus health emergency

In May 2023 the head of the UN World Health Organization (WHO) has declared an end to COVID-19 as a public health emergency.

- 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). Italmatch Chemicals operates globally in specialty chemicals and is focused on continuous product innovation and technological development as an integral part of its offering of 'solutions' to its customers, rather than products, sometimes developed in partnership with its customer base.

- Risks related to commodity prices and energy sources

For the main raw materials purchased by the Group a multi-sourcing strategy is adopted, based on strong, long-term supply relationships, including collaborations in certain start-up plants with suppliers.

The Group constantly monitors raw material prices, also in perspective, identifying appropriate sales price strategies and/or various internal cost efficiency actions aimed at preserving unit margin levels as much as possible. The risk of rising/volatile commodity prices could affect the Group's financial position and results of operations and is therefore systematically identified and monitored in order to detect potential negative effects in advance and take the necessary mitigating actions. In fact, the Group was historically able to implement pass-through strategies for higher raw material, logistics and energy costs thanks to Italmatch Chemicals' ability to guarantee continuity and security of supply to its customers, even in a compromised context of global supply-chain crisis.

With regard to energy and gas, the recent drop in prices as well as the respective futures has benefited Group's margins in 2023. However, the energy environment is still uncertain and there is persistent vulnerability to supply interruptions in Europe. Furthermore, the project to build a cogeneration plant in Arese (Milan) to reduce energy costs and emissions has also been initiated, even delayed by prolonged authorization process; some other initiatives to build renewable energy plants in Italy and Spain are also being under evaluation.

BUSINESS AND OPERATIONAL RISKS

- <u>Regulatory and regulatory risks</u>

The Group operates in an industry that is subject to numerous laws and regulations concerning the *testing*, production, branding and safety of products sold and purchased from suppliers. In manufacturing, production plants operate in compliance with safety and environmental regulations that are applicable on a local basis. The risks related to non-compliance with the aforementioned regulations may vary from time to time, from the application of sanctions to the suspension of activities. In the face of these risk factors, the Group adopts a policy of monitoring and managing regulatory risk in order to mitigate, as far as possible, its effects through a multi-level control, which primarily involves collaborative dialogue with institutions.

- <u>Human Resources Risks</u>

Risks in human resources refer to the Group's ability to retain people in key roles within the Group, ensuring continuity of know-how.

- <u>Risks related to environmental and operational aspects associated with the management of production facilities</u>

The environmental risks generated by the Group's activities are diversified and relate to the production, transport, storage and management phases of raw materials, as well as the production, transport, storage of products, and waste management and disposal.

In the event of extraordinary events, contingency plans are foreseen 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 vulnerability to catastrophic natural events at the Group's production sites and mitigates business interruption and business continuity risks by adopting plans that include procedures for managing emergencies and catastrophic natural events. The geographic diversification of production capacity (especially in certain end-markets such as AWS 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.

- <u>Risks related to innovation, product development and intellectual property</u>

Protecting the intellectual property of the Group's products is an important aspect of competitive advantage; the Group currently has an extensive portfolio of registered trademarks and patents.

FINANCIAL RISKS

- <u>Credit risk</u>

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.

- 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 derivative contracts, typically IRS (interest rate swaps), for hedge accounting purposes if the conditions of IFRS 9 are met.

The Group has adopted a risk-mitigation policy to hedge – almost partially - the exposure related to medium- to long-term debt. IRS-type derivative instruments are used to manage this risk.

Against the guaranteed, non-convertible bond (Floating rate notes -FRN) – issued in February 2023 - for a total amount of €400,000 thousand (nominal value) and having quarterly coupons and maturity on 30 September 2024, the subsidiary company (Italmatch Chemicals S.p.A.) is the holder of 1 IRS contract with a bank of primary standing and creditworthiness, maturing on 30 September 2024, for a notional value of €305,000 thousand signed to hedge cash flows and protect against interest rate fluctuation risk. As of 30 September 2023, 76% of the nominal floating rate exposure was hedged. The Fair Value as at 30 September 2023 was positive by €6,529 thousand; this contract meets the effectiveness criteria and is therefore confirmed as a hedge.

It should be noted that in February 2023, Italmatch Chemicals S.p.A also issued a guaranteed, non convertible, fixed rate bond for €400 million.

- 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 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, the FX hedging contract on intragroup loans for nominal amount of $19.6 million has been expired in April, leading to a realized exchange rate gain of €1.4 million.

- Liquidity risk

Liquidity risk relates to the Group's inability to meet its payment commitments under normal and extraordinary conditions. To guard against this risk, the Group monitors and preserves the maintenance of financial assets, 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 para-banking system, including factoring and confirming, adopts prudent interest rate risk management policies with regard to long-term funding sources.

As of 30 September 2023, the Group’s liquidity position, defined as ‘cash and available liquidity’ (i.e. Cash and Cash Equivalents + Undrawn amount of SsRevolving Credit Facility) is amounting to € 221 million.

The following is a discussion and analysis of our results of operations and financial conditions as of and for the nine months ended September 30, 2023 and the comparative information for the nine months ended September 30, 2022 as derived from the Issuer's Unaudited Condensed Consolidated Financial Statements for the nine months ended September 30, 2023.

Results of Operations

The following table provides an overview of our results of operation for the nine months ended September 30, 2023 and September 30, 2022.

	Nine months ended Sep 30,			
(€ million)	**2023**	**2022**	**Change**	**Change %**
Revenue	**519.0**	**686.0**	**(167.0)**	*-24.3%*
Other income	11.4	2.8	8.6	*309.5%*
Raw materials, consumables and production utilities	(332.1)	(414.8)	82.8	*-19.9%*
Third-party production and maintenance	(25.0)	(27.2)	2.2	*-8.0%*
Transportation costs	(10.3)	(45.6)	35.3	*-77.4%*
Employee benefits expense	(57.5)	(55.3)	(2.2)	*3.9%*
Other operating expenses	(33.5)	(23.1)	(10.4)	*44.8%*
Depreciation and amortization	(41.2)	(41.8)	0.5	*-1.3%*
Impairment losses on goodwill	0.1	0.0	0.1	*0.0%*
Operating profit/(loss)	**31.0**	**81.0**	**(50.0)**	***-62%***
Impairment losses on financial assets	(0.8)	(0.6)	(0.2)	*26.7%*
Finance income	16.4	59.5	(43.2)	*-72.5%*
Finance costs	(70.0)	(52.6)	(17.4)	*33.1%*
Net finance income/(costs)	**(53.6)**	**6.9**	**(60.6)**	*-874%*
Profit/(loss) before taxes	**(23.4)**	**87.3**	**(110.7)**	*-127%*
Income tax expense	(11.5)	(13.3)	1.8	*-13.5%*
Profit/(Loss) after tax	**(34.9)**	**74.0**	**(108.9)**	*-147%*

Revenue

Revenue decreased by €167.0 million to €519.0 million for the nine months ended September 30, 2023 from €686.0 million for the nine months ended September 30, 2022. In a weak macro and uncertain business environment, with a still continuing de-stocking trend by customers, even close to the end, the decrease in Group's revenue in the reference period is primarily due to reduced volumes, affecting all end-markets. Against the background of a weaker business environment, the Group's strategy is still focusing on high value specialty chemicals/solutions, avoiding to bid against the aggressive pricing, especially from China competition.

The increase of €8.6 million to €11.4 million in other income is attributable to various items, including among others IPCEI's first tranche of public grants in relation to the participation in the European Battery Innovation Project, which focuses on the development of the first sustainable value chain for the production and eco-friendly recovery of lithium-ion batteries in Europe. Indeed, Italmatch Chemicals is actively participating in three out of four distinct workstreams.

In addition to that, other grants have been received, such as those in relation to EU-funded project FlashPhos for the recovery at a large scale of high-quality white phosphorus and other raw materials using sewage sludge as input material. Furthermore other operating income, such as proceeds from insurance claims and gains from suppliers invoices, mostly transportation, are included in.

The tables below set forth revenue and volume by end market, respectively, for the nine months ended September 30, 2023 and 2022.

	Nine months ended Sep 30,	
(€ million)	**2023**	**2022**
AWS	249.5	335.7
LPA	155.0	190.5
FPA	57.8	80.5
PPA	56.8	79.3
Total Sales Revenues	**519.0**	**686.0**

(*) Other revenues and rebates non directly allocated to a specific segment

	Nine months ended Sep 30,	
	2023	**2022**
Volume sold (Ktons)		
AWS	107.0	133.8
LPA	39.7	45.9
FPA	16.3	19.6
PPA	20.8	27.7
Total Volume sold	**183.7**	**227.1**

Overall, macro environment remains challenging and burdened by weak global demand, even after destocking normalization, paired with higher interest rates and persistent core inflation. Here below a brief overview of end markets:

- Advanced Water Solutions or AWS: demand reduction in volumes is driven by continuing customer destocking especially in Europe. In a deflationary environment, the Group's commercial strategy is aimed at supporting high value products and avoiding low-cost competition, benefiting average unit contribution margin ("Unit CM").
- Lubricant Performance Additives or LPA: still proven resiliency segment within the current macro environment (Unit CM +5.8%), with improved performance of the industrial part of the business.
- Flame Retardants and Plastic Additives or FPA: sluggish demand is mostly associated with the construction industry but also weak E&E (i.e. electrical and electronics) applications, driving performance deterioration. Strong growth expectations in HFFR (i.e. Halogen Free Flame Retardant) for alternative energies (especially FV).

- Performance Products and Personal Care or PPA: soft environment and continuing destocking and consequent lower internal consumption.

Raw materials, consumables and production utilities

Raw materials, consumables and production utilities decreased by €82.8 million, or 19.9%, to €332.1 million for the nine months ended September 30, 2023 (representing 64.0% of revenues) from €414.8 million for the nine months ended September 30, 2022 (representing 60.5% of revenues), mainly due to lower purchases as well as lower prices of raw materials and production utilities in the current period. The following table sets forth a breakdown of costs to purchase raw materials, consumables and production utilities for the periods presented.

	Nine months ended Sep 30,			
	2023	**2022**	**Variation**	**Variation %**
(€ million)				
Raw materials	314.3	384.2	-69.9	-18.2%
Production utilities	17.2	30.3	-13.1	-43.1%
Consumables and others	0.6	0.4	0.2	50.0%
Total	**332.1**	**414.8**	**-82.8**	**-19.9%**

Third-party production and maintenance, transportation costs

Third-party production and maintenance decreased by €2.2 million, or 8.0%, to €25.0 million for the nine months ended September 30, 2023, from €27.2 million for the nine months ended September 30, 2022. Transportation costs decreased by €35.32 million, or 77.4%, to €10.3 million for the nine months ended September 30, 2023, from €45.6 million for the nine months ended September 30, 2022. Please take note that the reported transportation costs are net of the IFRS 15 impact.

Personnel expenses

Personnel expenses increased by €2.2 million, or +3.9% YoY, to €57.5 million for the nine months ended September 30, 2023 from €55.3 million for the nine months ended September 30, 2022. The increase is mainly due to more exceptional expenses related personnel-related optimization actions. Headcount has been streamlined over the period, partially offsetting the inflationary change in salaries in some countries and the strengthening of Group's organization through the completion of the C-level platform and a new ESG department. The re-organization at global level aims at a more efficient and effective balance between central and local management, with an extraordinary effect in the profit and loss and cash flow.

Other operating expenses

Other operating expenses increased by €10.4 million, or 44.8%, to €33.5 million for the nine months ended September 30, 2023 from €23.1 million for the nine months ended September 30, 2022. The increase is mainly due to an increase in sundry expenses, which include travel costs, IT costs, other restructuring costs and various additional costs, including other non-recurring costs and professional fees.

Depreciation and Amortization and Impairment Losses on Goodwill

Depreciation and amortization, and impairment losses on goodwill remained substantially in line with those of the previous comparable period at €41.2 million for the nine months ended September 30, 2023 compared to €41.8 million for the nine months ended September 30, 2022.

Macro environment remains influenced by uncertain conditions, burdened by weak global demand, even after de-stocking normalization, paired with higher interest rates and persistent core inflation. In light of the above, with specific reference to the strong increase in interest rates over the last quarters, together with a potential further deterioration of global macro environment, the management continues to monitor business developments and prospects, especially of CGU3, and the recoverable value of the relevant assets.

At the time of issuing the financial statements, considering all the above risks and opportunities the management has reasonable expectations that the Group has adequate resources to continue operations in the near future. Therefore, the going concern principle is confirmed as the basis of accounting in the preparation of the financial statements.

Impairment Losses on Financial Assets

Impairment Losses on Financial Assets increased by €0.2 million, or 26.7% to -€0.8 million for the nine months ended September 30, 2023 from -€0.6 million for the nine months ended September 30, 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 € (53.6) million for the nine months ended September 30, 2023 compared to net finance income of €6.9 million for the nine months ended September 30, 2022. The increase of € (60.6) million is mainly due to unrealized exchange rate effect amounting to € (40.6) million, higher interests on Bonds for € (22.8) million and the change of amortized costs for € (7.5) 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 nine months ended September 30,2023 the unrealized exchange rate effect decreased by € (40.6) million, from €44.2 million for the nine months ended September 30, 2022 to €3.6 million for the nine months ended September 30, 2023. This change is mainly due to the re-translation of USD and GBP denominated intra-group loans.

Income Tax expense

Income tax expenses amounted to €11.5 million for the nine months ended September 30, 2023 compared to income tax expense of €13.3 million for the nine months ended September 30, 2022.

Cash Flows

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

	As of Sep 30,		
(€ million)	**2023**	**2022**	**Change**
Cash Flow from operating activities	85.9	(8.5)	94.4
Cash Flow (used in) investing activities	(19.7)	(23.8)	4.1
Cash Flow (used in) financing activities	21.1	26.6	(5.5)
Increase/(decrease) in cash and cash equivalent	**87.3**	**(5.7)**	**93.0**
Cash and cash equivalent at the beginning of period	26.9	36.4	91.5
Cash and cash equivalent at the end of period	114.1	30.7	179.0

For further details refer to the Cash Flow Statements in the Consolidated Financial Statements in the condesed interim consolidated financial statements. The above summarized Cash Flow Statements for the nine months ended September 30, 2023 and 2022, is prepared under the indirect method.

Cash Flows (used in)/from Operating Activities

Cash flows from operating activities is €85.9 million for the nine months ended September 30, 2023 compared to cash flow from operating activities of €(8.5) million for the nine months ended September 30, 2022. The increase in operating cash flows was sustained by the improved working capital trajectory, primarily associated to inventories.

Cash Flows (Used In) Investing Activities

Cash flows from in investing activities increased by €4.1 million to €(19.7) million for the nine months ended September 30, 2023 from €(23.8) million for the nine months ended September 30, 2022. Refer to "Cash flows used in investing activities" below for further information.

Cash Flows (used In)/from Financing Activities

Cash flows from financing activities is €21.1 million for the nine months ended September 30, 2023, compared to cash flows used in financing activities of €26.6 million during the nine months ended September 30, 2022. The change is mainly driven by the combined effects of cash proceeds from Dussur's capital increase, partially counterbalanced by the full repayment of the drawn amount of the Super Senior Revolving Credit Facility.

Net Working Capital

The Group continues to 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 and trade receivables as a result of increased production and sales volumes, 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, the effect of selling prices, 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:

	As of Sep 30,	As of December 31,	
(€ million)	**2023**	**2022**	**Change**
Inventories	142.5	218.6	(76.1)
Trade receivables	73.1	79.3	(6.2)
Trade payables	(66.4)	(100.3)	34.0
Trade Net Working Capital	**149.2**	**197.6**	**(48.3)**

Trade net working capital decreased by €48.3 million to €149.3 million as of September 30, 2023, from €197.6 million as of December 31, 2022. The decrease is driven by inventories for €76.1 million, partially offset by reduced trade payables by €34.0 million.

Inventories unwind have been sequentially down every quarter since ending last year, mostly driven by volume effect both on finished products and raw materials.

Trade receivables decreased by €6.2 million, compared to December 31 2022 due to lower sale volumes combined with a good credit performance of customers' portfolio.

Trade payables, decreased by €34.0 million for the first nine months ended September 30, 2023, primarily impacted by reduced supply volumes and destocking actions paired with change in average trade terms following the global supply disruption experienced last year.

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 based on cash flows for the periods indicated.

	As of Sep 30,

(€ million)	2023	2022
Investments in property, plant and equipment (a)	(16.1)	(18.5)
Investments in other intangible assets (b)	(3.6)	(3.2)
(Acquisition of subsidiary, net of cash acquired) (c)	0.0	(2.1)
Cash flows used in investing activities (B)	**(19.7)**	**(23.8)**

(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.

In order to further align the Group's management reporting to the statutory cash flow presentation (updated in accordance with the ESMA guidelines) the representation of cash flows used in investing activities replaced the capital expenditure breakdown as presented for prior periods and included until the first 6 months 2022 presentation to the investor quarterly meetings.

RECENT DEVELOPMENT – NEW ORGANIZATION

We have adopted a new organizational model designed to support the continuing growth in the performance and governance of our international businesses. In particular, this new model simplifies and strengthen our corporate structure, reinforcing the global coordination and harmonization through the appointment of (a) a general manager (Adriano Costantini) focusing on the development of the Group's global business across the Group's entire offering portfolio, (b) a general manager (Elisabetta Cigna) focusing on the development of the Group's global operations, joined the Group in April 2023 (c) a general manager (Maurizio Turci) for Corporate and our Group Chief Financial Officer (Enrica Mambelli).

Italmatch Chemicals S.p.A

Condensed interim consolidated financial statements

as of and for the nine months ended

September 30, 2023

Consolidated Statement of Comprehensive Income

	01.01.2023 30.09.2023 €'000s	01.01.2022 30.09.2022 €'000s
Revenue	**519,045**	**685,999**
Other income	11,365	2,775
Raw materials, consumables and production utilities	(332,086)	(414,842)
Third-party production and maintenance	(24,984)	(27,168)
Employee benefits expense	(57,486)	(55,331)
Transportation costs	(10,275)	(45,559)
Other operating expenses	(33,464)	(23,111)
Depreciation and amortisation	(41,244)	(41,767)
Impairment losses on goodwill	137	0
Operating profit	**31,008**	**80,996**
Impairment losses on financial assets	(764)	(603)
Finance income	16,382	59,544
Finance costs	(70,018)	(52,618)
Profit/(Loss) before tax	**(23,392)**	**87,318**
Income Tax expense	(11,507)	(13,305)
Profit/(Loss) after tax	**(34,899)**	**74,014**
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Items that are or may be reclassified subsequently to profit or loss		
Cash flow hedges - effective portion of the fair value change	(2,177)	9,682
Related tax	639	(2,841)
Total Cash flow hedges - effective portion of the fair value change	**(1,538)**	**6,841**
Total Foreign operations - foreign currency translation differences	**(4,971)**	**17,943**
Other comprehensive income (expense) net of the tax effect	**(6,509)**	**24,784**
Comprehensive income for the year	**(41,408)**	**98,798**
Profit/(Loss) of the period attributable to:		
Owners of the company	(35,801)	73,481
Non-controlling interest	902	533
Profit/(Loss) after tax	**(34,899)**	**74,014**
Total Comprehensive income attributable to:		
Owners of the company	(42,320)	98,424
Non-controlling interest	912	374
Comprehensive income for the year	**(41,408)**	**98,798**

Consolidated balance sheet

	30.09.2023 €'000s	31.12.2022 €'000s
Non-current assets		
Goodwill	534,199	533,825
Other intangible assets	182,458	197,448
Property, plant and equipment	187,484	192,975
Right of use assets	5,733	5,652
Investments in financial assets	90	90
Deferred tax assets	10,060	10,104
Other receivables	3,547	3,767
Total non-current assets	**923,571**	**943,861**
Current assets		
Inventory	142,482	218,573
Trade receivables	73,120	79,348
Other receivables	15,549	19,150
Trade and other receivables ICO	72	77
Current tax assets	13,087	21,331
Derivative financial instruments	7,638	10,933
Cash and cash equivalents	114,053	26,873
Total current assets	**366,001**	**376,285**
Total assets	**1,289,572**	**1,320,146**
Current liabilities		
Trade payables	66,446	100,309
Other payables	21,650	22,005
Trade and other payables ICO	2,380	294
Current tax liability	21,427	21,908
Short term borrowings	16,725	21,238
Lease liability	3,054	2,282
Total current liabilities	**131,682**	**168,036**
Non-current liabilities		
Borrowings	658,070	709,951
Borrowings ICO	1,047	220
Derivative financial instruments	0	0
Employee benefit obligations	3,949	3,837
Deferred tax liabilities	22,298	23,215
Lease liability	2,635	3,237
Provisions	5,756	6,103
Total non-current liabilities	**693,755**	**746,563**
Total liabilities	**825,437**	**914,599**
Equity		
Share capital	10,420	9,421
Share premium	472,530	373,535
Other reserves	43,926	45,464
Retained earnings	(29,075)	(52,120)
Profit /(loss) for the year	(35,800)	28,025
Total equity attributable to equity holders of the parent	**462,001**	**404,325**
Retained earnings	1,230	741
Profit /(loss) for the year	902	479
Total equity attributable to non-controlling interest	**2,132**	**1,220**
Total equity	**464,133**	**405,545**

Consolidated statement of changes in equity

	Share capital	Share premium	Hedging Reserve	Other reserves	Retained earnings*	Non-controlling	Total equity
	€000's	€000's	€000's	€000's	€000's	€000's	€000's
Balance at 31 December 2021	**9,421**	**373,535**	**(656)**	**36,949**	**(53,736)**	**897**	**366,409**
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	-	-	7,591	-	-	-	7,592
Transfer				1,579	(1,579)		-
Total other comprehensive income	**-**	**-**	**7,591**	**1,579**	**1,618**	**(156)**	**10,633**
Total comprehensive income	**-**	**-**	**7,591**	**1,579**	**29,643**	**323**	**39,137**
Balance at 31 December 2022	**9,421**	**373,535**	**6,935**	**38,528**	**(24,093)**	**1,220**	**405,546**
Comprensive income							
Profit (Loss) for the year	-	-	-	-	(35,800)	902	(34,898)
Other comprensive income							-
Share-based payments	999	98,995	-	-		-	99,994
Exchange differences	-	-	-	-	(4,981)	10	(4,971)
Cash flow hedges - effective portion of the fair value change	-	-	(1,538)	-	-	-	(1,538)
Transfer	-	-	-		-		-
Total other comprehensive income	**999**	**98,995**	**(1,538)**	**-**	**(4,981)**	**10**	**93,485**
Total comprehensive income	**999**	**98,995**	**(1,538)**	**-**	**(40,781)**	**912**	**58,587**
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 30 September 2023	**10,420**	**472,530**	**5,397**	**38,528**	**(64,874)**	**2,132**	**464,133**

Consolidated statement of cash flows

	01.01.2023 30.09.2023 €000's	01.01.2022 30.09.2022 €000's
A) Cash flows from operating activities		
Net profit/(loss) for the year	**(34,898)**	**74,014**
Income taxes	11,507	13,305
Finance expense/(finance income)	53,636	(6,926)
Non-monetary adjustments with no effect on net working capital		
Accruals to provisions	(254)	1,848
Amortisation and depreciation	41,244	41,767
Write-downs for impairment losses	764	603
Cash flows before changes in net working capital	**71,999**	**124,611**
Changes in net working capital		
Decrease/(Increase) in trade receivables	6,196	(27,313)
(Decrease)/increase in trade payables	(33,343)	17,996
Decrease/(increase) in inventory	76,541	(93,230)
Change in receviables/payables to controlling companies	2,918	80
(Decrease)/increase in tax assets and tax liabilities, current and deferred	(8)	0
Other changes in working capital	4,728	3,028
Cash flows after changes in net working capital	**129,031**	**25,172**
Other adjustments		
Interest (paid)/collected	(39,091)	(30,120)
(Taxes paid)	(3,978)	(2,367)
(Utilisation of provisions)	0	(1,144)
Cash flows from operating activities (A)	**85,962**	**(8,459)**
B) Cash flows used in investing activities		
Investments in property,plant and equipment	(16,111)	(18,484)
Investments in other intangible assets	(3,623)	(3,226)
(Acquisition of subsidiary, net of cash acquired)	0	(2,093)
Cash flows used in investing activities (B)	**(19,734)**	**(23,803)**
Third-party funds		
(Decrease)/Increase in short term borrowings	(11,638)	1,439
Lease liabilities	(3,663)	(3,852)
Issue of Bond	652,856	0
Repayment of Bond	(650,000)	0
(Decrease)/Increase in Revolving Credit Facility	(66,500)	29,000
Capital increases	99,994	0
Cash flows from (used in) financing activities (C)	**21,049**	**26,587**
Increase (decrease) in cash and cash equivalents (A+B+C)	**87,277**	**(5,675)**
Opening cash and cash equivalents	26,873	36,355
Exchange difference on cash	(96)	
Closing cash and cash equivalents	114,053	30,680

General information

Italmatch is a global, diversified specialty chemicals group, focused on the manufacturing and marketing of a broad range of chemical products. The Group's products are used as additives or intermediates for additives to enhance 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) and administrative headquarter in Via Magazzini del Cotone 17 - Modulo 4, Genova 16128, Italia). Pursuant to article 2427.22-quinquies of the Italian Civil Code, it is noted that the Parent directly controlled by the UK-based company Fire (BC) Holdco Limited and indirectly controlled by Luxembourg-based company Fire (BC) S.à.r.l., which prepare the consolidated financial statements of the largest group of companies to which the parent belongs as a subsidiary.

These condensed interim consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union.

THE GROUP STRUCTURE AND CONSOLIDATION SCOPE

Information about the composition of the Group at the reporting date is as follows:

Company Name Registered office	Share Capital €'000	% held direct	% held indirect	Consolidated %
1) Italmatch International Trading (Shanghai) Co. Ltd. *Room 16, 4 / F, Building 3, No.39, Jiatai Road, Free Trade Pilot Zone, Shanghai, China*	47,074	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*	1,728	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*	534	100%	0%	100%
7) Italmatch Belgium Sprl *Boulevard Auguste Reyers 80 - 1030 Schaerbeek - Belgium*	6	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*	104	100%	0%	100%
11) Italmatch Investment Jiangsu Co. Ltd *58 Guanqu Middle Road, Changzhou - China*	48,063	100%	0%	100%
12) Nantong Italmatch Chemicals Co. *58 Binhe Road, Rugaogang Economic Development Zone, Nantong City, Jiangsu Province, China*	6,945	100%	0%	100%
13) Italmatch Chemicals India Plc *Shed-19 Plot No. 81, IDA Cherlapally, Medchal Malkajgiri Hyderabad – 500051, Telangana, India*	2,272	100%	0%	100%
14) Italmatch Chemicals GB Ltd *Ashburton Road West, Trafford Park, Manchester M17 -GB*	4,106	100%	0%	100%
15) Italmatch Middle East Limited *Riyadh 11576, P.O Box 11512, Kingdom of Saudi Arabia*	525	100%	0%	100%
16) Italmatch Quimica do Brasil Ltda *Av.Prof. Alceu Maynard Araujo 153, 04726-160 San Paulo*	1,013	0%	100%	100%
17) Compass Chemicals International Holding LLC *5544 Oakdale Rd SE - Smyrna, GA 30082*	17,889	0%	100%	100%
18) Fangchenggang Yueyang Chemicals Co., Ltd. *No.11, Qingcaoping Road, Gangkou District, Fangchenggang City, Guangxi, China 538001*	46,211	0%	100%	100%
19) Detrex Corporation *1000 Belt Line St, Cleveland, Ohio -44109*	23,694	0%	100%	100%
20) Elco Corporation *1000 Belt Line St, Cleveland, Ohio -44109*	271	0%	100%	100%
21) Union Derivan SA *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*	2,926	0%	100%	100%
24) Changzhou Italmatch Chemical Co ltd *Weicun Industrial Park of Chunjiang Village, China*	41,078	0%	100%	100%
25) Changzhou Italmatch Trading Co ltd *58 Guanqu Middle Road, Changzhou - China*	259	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*	694	0%	100%	100%
28) BWA Water Additives FZE *National Industries Park -Jebal Ali, Dubai, United Arab Emirates*	256	0%	100%	100%
29) BWA Water Additives DMCC *Unit 1802, Jumeirah Bay Tower X3, Jumeirah Lakes Towers, Dubai, UAE*	13	0%	100%	100%
30) Water Science Technologies, LLC *1701 Vanderbilt Road Birmingham, AL - 35234 - USA*	48,370	0%	100%	100%
31) Saudi Phosphorus Industrial Company LLC *3909 Prince Mamdooh Bin Abdulaziz, Sulaymaniyah, Riyadh 12242-7574, Saudi Arabia.*	252	0%	51%	100%
32) Italmatch DW *5544Oakdale Rd. SE - Smyrna - GA 30082*	3,229	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*	26	0%	100%	100%
35) Aubin INC *Three Sugar Creek, Ste.100 Houston TX 77478*	94	0%	100%	100%
36) Italmatch Biolab Industrial Co *Cooperation Council road, Al Khozama District, Al Aziziyah - Alkhobar, 34718 -8331, Saudi Arabia*	126	0%	60%	100%

On August 21st was concluded the sale of associated companies Kunming Italphos Chemicals Co. Ltd and Yunnan Xundian Italphos YP whose registration of new owners and directors, with publicity effect, was made in October 2023.

Additional details on the measurement of investments in associates are given in the section on the accounting policies.

1. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of accounting

This condensed consolidated financial statement has been prepared in accordance with International Financial Reporting Standards (IFRS Standards) adopted by the European Union and are presented in Euros rounded to the nearest thousand. Foreign operations are included in accordance with the policies set out below in the present Note. For the purpose of this interim report the present financial statement was not prepared in accordance to the IAS34.

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period. 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 another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

The principal accounting policies adopted are set out below.

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 trends and events in the financial markets - the resilience, the economic and financial sustainability of the Group to continuously operate in the foreseeable future.

In the first semester of 2023, in the wake of the consolidated track record of the Group's economic-financial performance and in conjunction with the recent completion of medium- to long-term debt refinancing and the entry of the minority shareholder also through a capital increase, the rating placement improved by 1 notch by the current rating agencies, Moody's and S&P Global Ratings, to B3 with stable outlook and B with stable outlook, respectively. In addition, the Group further strengthened its rating coverage with the addition of Fitch Ratings; the latter announced the start of monitoring of Italmatch Chemicals with a rating placement of B with stable outlook.

Again with reference to the going concern, the recent health emergency and the still ongoing Ukrainian crisis require further consideration of how this principle should be interpreted in an economic context that is uncertain due to exogenous factors of unpredictable duration.

At the time of approval of the financial statements, considering all the above 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 fiscal year. Therefore, the going concern principle is confirmed as the basis of accounting in the preparation of the financial statements.

c. Use of judgements and estimates

In applying the Group's accounting policies, which are described in note 1, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised 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 to be relevant. Actual results may differ from these estimates.

The estimates and 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

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Provision for expected credit losses of trade receivables

As explained at letter "r" of the present note, the Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic are expected to deteriorate, which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

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

Assumptions and estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Recoverability of deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that sufficient taxable profit will be available against which the benefits of temporary differences that are expected to reverse in the foreseeable future can be utilized.

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 all or part of the asset to be recovered.

Deferred tax assets are measured at the tax rates that are expected to apply in the period when the asset is realised based on tax laws and tax rates that have been enacted or substantively enacted by the reporting date.

The measurement 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 the end of the reporting period.

Measurement of expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate, which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual 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 that 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, taking into account the risks and uncertainties related to the obligation. Where a provision is measured using the cash flows estimated 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 reimbursement will be received and the amount of the receivable can be measured reliably.

Fair value measurements and valuation processes

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments, If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the Standards, including the level in the fair value hierarchy in which the valuations should be classified.

When measuring the fair value of an asset or a 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 follows.

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

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

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

d. Basis of consolidation

The interim consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up for the same period. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Group.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 and IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see below); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those 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 as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

f. Goodwill

Goodwill is initially recognised and measured as set out in the note "e. Business combinations" above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill resulting from a business combination, is allocated from the acquisition date, to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and, only then, to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

g. Revenue recognition

The Group earns revenue from the sale of specialty chemicals products. Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer 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 individual customer relationship, when the product has been transferred to a freight carrier, when the customer has received the product or, for consignment stock held at customers' premises, when usage reports for the relevant period have been compiled.

The Group's payment terms offered to customers are within a certain number of days of receipt of invoice and standard contracts do not include a significant financing 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. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

The Group has elected to use the transition exemptions in IFRS 1:D34 to:

- Not restate contracts that were completed before 1 January 2019 (the Date of Transition); and
- Not restate contracts that start and end within the same annual reporting period (note: Italmatch's contracts are solely in relation to selling goods to customers and the majority of their contracts will start and end within the same annual reporting period).

The Group applies the IFRS 15 using a five-step model as described below

1) identify the contract(s) with a customer (step 1).

The Group accounts for a contract with a customer that is within the scope of this standard when the contract creates enforceable rights and obligations and when all of the following criteria are met:

- the parties to the contract have approved the contract and are committed to perform their respective obligations;
- the Group can identify each party's rights regarding the goods or services to be transferred and the related payment terms;
- the contract has commercial substance;
- it is probable that the Group will collect the consideration to which it will be entitled.

The Group assesses these criteria by considering all facts and circumstances, including:

- a contract is an agreement between two or more parties that creates enforceable rights and obligations;

- enforceability of the rights and obligations in a contract is a matter of law;
- contracts can be written, oral or implied by the Group's customary business practices;
- the practices and processes for establishing contracts with customers vary across legal jurisdictions, industries and entities. In addition, they may vary within an entity (for example, they may depend on the class of customer or the nature of the promised goods or services);
- the Group shall consider those practices and processes in determining whether and when an agreement with a customer creates enforceable rights and obligations. If these criteria are not met, any consideration received from customers shall be recognised as an advance payment.

2) identify the performance obligations in the contract (step 2).

The Group assesses all the goods or services that have been promised to the customer, identifying as a performance obligation those that are distinct. As an exception, the Group recognises as a single performance obligation a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer. In assessing the existence and nature of the performance obligations, the Group considers all the contract elements listed in step 1.
The Group determines whether it is a principal or an agent for each specified good or service promised to the customer. The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.
Indicators that the Group is a principal include (a) being primarily responsible for fulfilling the promise to provide the specified good or service, (b) having the inventory risk and (c) having discretion in establishing the price for the specified good or service.
When the Group is an agent, revenue is recognised on a net basis, being the net fee or commission to which it expects to be entitled;

3) determine the transaction price (step 3).

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, some sales taxes). It is determined at contract inception (using the applicable contract terms and without considering the possibility that the contract may be cancelled, renewed or modified) and is adjusted each year to reflect any changes in circumstances.
When determining the transaction price, the Group considers whether it includes variable consideration. The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.
Consideration payable to a customer is recognized as a reduction of the transaction price, unless the payment to the customer is in exchange for a distinct good or service. Significant financing component in the contract may exist when the payment date does not coincide with the moment the goods or services are transferred to the customer. The Group does not consider the effects of a significant financing component if, at contract inception, it expects that the length of time between when it transfers the promised goods or services to the customer and when the customer pays for those goods or services will exceed one year.

4) allocate the transaction price to the performance obligations (step 4).

At contract inception, the Group allocates the transaction price to the performance obligations in the contract in an amount that depicts the amount of consideration to which it expects to be entitled in exchange for transferring the promised goods or services to the customer. When the contract includes an option to purchase additional goods or services with a material right (the option provides a material right to the customer that it would not receive without entering into that contract and enables the customer to acquire an additional good or service at below the stand-alone selling price), the Group allocates the transaction price to this performance obligation (i.e., the option) and recognises revenue when those future goods or services are transferred or when the option expires.
Usually, the Group allocates the transaction price on a relative stand-along selling price basis (i.e., the price at which it would sell that good or service separately to a customer).

5) recognise revenue (step 5).

The Group recognises revenue when (or as) it satisfies each performance obligation by transferring a promised good or service to a customer, i.e., when the customer obtains control of that asset (i.e., the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset and the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset).
The Group determines if one of the following criteria underlying the satisfaction of a performance obligation over time is met:
- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

For each performance obligation satisfied over time, the Group recognises revenue over time by measuring the progress towards complete satisfaction of that performance obligation.

If a performance obligation is not satisfied over time, the Group determines the point in time at which a customer obtains control of the promised asset, also considering the following:

- the present right to payment for the asset;
- the physical possession of the asset;
- the legal title to the asset;
- the risks and rewards of ownership; and
- the acceptance of the asset.

If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the Group presents the contract as a contract asset, i.e., the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer. If a customer pays consideration before the Group transfers a good or service to the customer, the Group presents the contract as a contract liability when the payment is made or the payment is due. The Group derecognises the contract liability and recognises revenue when it satisfies its performance obligation.

h. Leases

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

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

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

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

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

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

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, 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 costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and 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. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

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

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other expenses" in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has used this practical expedient.

i. Foreign currencies

Currency	Medio jan_SEP 23 *	30/9/23	31/12/22	Medio jan_SEP 22 *	30/9/22	31/12/21
PLN	4.5820	4.6283	4.6808	4.6724	4.857	4.5960
CNY	7.6235	7.7352	7.3582	7.0193	6.9223	7.2230
BRL	5.4245	5.3065	5.6386	5.4631	5.2521	6.3734
USD	1.0833	1.0594	1.06660	1.0638	0.9706	1.13340
JPY	149.6515	158.1000	140.66	135.9679	140.46	130.44
GBP	0.8707	0.8646	0.88693	0.84716	0.89485	0.83930
INR	89.2314	88.0165	88.1710	82.2983	79.314	84.2575
SAR	4.0624	3.9728	3.9998	3.9894	3.6555	4.2473

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments arising on 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.

j. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

k. Grants for research and development

Grants for research and development are recognised when it is certain that the grant will be received, which coincides with its formal approval by the granting body or the group's statement that it will comply with any restrictions or limitations in order to receive the grant, if later.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

l. Future employment benefits

The group has several employee benefit schemes within the regions in which it operates. Generally, payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit plans are accounted for as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurements comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on plan assets (excluding interest) are recognised immediately in the statement of financial position with a charge or credit to other comprehensive income in the period in which they occur. Remeasurements recognised in other comprehensive income are not reclassified. Past service cost is recognised in profit or loss when the plan amendment or curtailment occurs, or when the Group recognises related restructuring costs or termination benefits, if earlier.

Gains or losses on settlement of a defined benefit plan are recognised when the settlement occurs. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs are split into categories:

- service costs, which includes current service cost, past service cost and gains and losses on curtailments and settlements;
- net interest expense or income; and
- remeasurements.

The Group recognises service costs within profit or loss as cost of sales and administrative expenses.

Net interest expense or income is recognised within finance costs.

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

m. Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

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

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is 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 (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. 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 on investments in subsidiaries and associates, and interests 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 and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to 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 all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period 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 measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The directors reviewed the Group's investment property portfolios and concluded that none of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the 'sale' presumption set out in the amendments to IAS 12 is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where 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 stated at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

Depreciation rates:	
Industrial buildings	3.0%-7.0%
Light constructions	10.0%
Generic plant	7.0%-12.5%
Marginally corrosive plant	15.5%
Highly corrosive plant	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 carrying amount of a building also includes the underlying land, it is separated, including based on estimates, for depreciation purposes.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Right-of-use assets are depreciated over the shorter period 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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

o. Intangible assets

Assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives which are shown below. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Internally-developed intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

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

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the relevant IAS 38 recognition criteria. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are recorded at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. They are amortised over their estimated useful economic life of between 2 and 5 years.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are recognised initially at their fair value at the acquisition date (which is regarded as their cost). The Group has recognised intangible assets in relation to customer relationships arising from its business combination.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

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

Amortisation rate of 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 property, plant and equipment and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from 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 also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

q. Inventories

Inventory consists of raw materials, consumables and supplies, semi-finished products and finished goods.

Inventory is initially recognised at purchase or production cost and subsequently measured at the lower of cost and estimated net realisable value.

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

Production cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition including the reasonably attributable portion of indirect costs incurred from production up to when the asset is available for use, based on normal production capacity calculated using the weighted average cost method. Production cost excludes general and administrative costs, distribution costs and research and development costs.

The Group has adopted the weighted average cost model.

Net realisable value represents the estimated selling price less all costs of completion and costs to be incurred in marketing, selling and distribution. Obsolescence and turnover are also taken into account in calculating the estimated realisable value based on market trends.

Raw materials and supplies used in manufacturing finished goods are not written down if the realisable value of such goods is expected to be equal to or higher than their production cost. Moreover, should the price of raw materials and supplies decrease and the cost of finished goods exceed their realisable value, the raw materials and supplies are written down to their net realisable value, assumed to be the best estimate of their market price.

r. Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

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

Financial assets and financial liabilities

Financial assets primarily include trade receivables, derivative financial instruments, cash and cash equivalents.

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

Classification and measurement

The classification of a financial asset is dependent on the Group's business model for managing such financial assets and their contractual cash flows. The Group considers whether the contractual cash flows represent solely payments of principal and interest that are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial assets are classified and measured at fair value through profit or loss ("FVTPL").

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	Amortized 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	FVTPL

[1]A trade receivable without a significant financing component, as defined by IFRS 15, is initially measured at the transaction price

[2]On initial recognition, the Group may irrevocably designate a financial asset at FVTPL that otherwise meets the requirements to be measured at amortized cost or at FVOCI if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

- past experience on how the cash flows for these assets were collected;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and future sales activity expectations; and
- how the asset's performance is evaluated and reported to key management personnel;

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

Cash and cash equivalents include cash at banks and money on hand. Cash and cash equivalents are subject to an insignificant risk of changes in value and are measured at amortized 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 mostly exposed to the direct risk of counterparty default. These risks are mitigated by the fact that collection exposure is spread across a large number of counterparties.

The IFRS 9 impairment requirements are based on a forward-looking expected credit loss ("ECL") model. ECL is a probability-weighted estimate of the present value of cash shortfalls. The calculation of the amount of ECL is based on the risk of default by the counterparty, which is determined by taking into account the information available at the end of each reporting period as to the counterparty's solvency, the fair value of any guarantees and the Group's historical experience. The Group considers a financial asset to be in default when: (i) the borrower is unlikely to pay its obligations in full and without consideration of compensating guarantees or collateral (if any exist); or (ii) the financial asset is more than 90 days past due.

The Group applies the simplified impairment model to its trade receivables as set out in IFRS 9. Impairment losses on financial assets are recognized in profit and loss.

In order to test for impairment, individually significant receivables and receivables for which collectability is at risk are assessed individually, while all other receivables are grouped into homogeneous risk categories based on shared risk characteristics such as instrument type, industry or geographical location of the counterparty.

The simplified approach for determining the lifetime ECL allowance is performed in two steps:

- All trade receivables that are in default, as defined above, are individually assessed for impairment; and
- A general reserve is recognized 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 in order to reduce currency and interest rate risks. In accordance with IFRS 9, derivative financial instruments are recognized on the basis of the settlement date and, upon initial recognition, are measured at fair value less transaction costs that are directly attributable to the acquisition of the financial assets. Subsequent to initial recognition, all derivative financial instruments are measured at fair value. Furthermore, derivative financial instruments qualify for hedge accounting when (i) there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge at inception of the hedge and (ii) the hedge is expected to be effective.

When derivative financial instruments qualify for hedge accounting, the following accounting treatments apply:

- Fair value hedges - where a derivative financial instrument is designated as a hedge of the exposure to changes in fair value of a recognized asset or liability attributable to a particular risk that could affect the Consolidated Income Statement, the gain or loss from remeasuring the hedging instrument at fair value is recognized in the Consolidated Income Statement. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognized in the Consolidated Income Statement
- Cash flow hedges - where a derivative financial instrument is designated as a hedge of the exposure to variability in future cash flows of a recognized asset or liability or a highly probable forecasted transaction and could affect the Consolidated Income Statement, the effective portion of any gain or loss on the derivative financial instrument is recognized directly in Other comprehensive income/(loss). When the hedged forecasted transaction results in the recognition of a non-financial asset, the gains and losses previously deferred in Other comprehensive income/(loss) are reclassified and included in the initial measurement of the cost of the non-financial asset. The effective portion of any gain or loss is recognized in the Consolidated Income Statement at the same time as the economic effect arising from the hedged item that affects the Consolidated Income Statement. The gain or loss associated with a hedge or part of a hedge that has become ineffective is recognized in the Consolidated Income Statement immediately.

  When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss realized to the point of termination remains and is recognized in the Consolidated Income Statement at the same time as the underlying transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealized gain or loss held in Other comprehensive income/(loss) is recognized in the Consolidated Income Statement immediately.

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

If hedge accounting cannot be applied, the gains or losses from the fair value measurement of derivative financial instruments are recognized immediately in the Consolidated Income Statement.

Transfers of financial assets

The Group derecognizes financial assets when the contractual rights to the cash flows arising from the asset are no longer held or if it transfers substantially all the risks and rewards of ownership of the financial asset. On derecognition of financial assets, the difference between the carrying amount of the asset and the consideration received or receivable for the transfer of the asset is recognized in the Consolidated Income Statement.

The Group transfers certain of its financial, trade and tax receivables, mainly through factoring transactions. Factoring transactions may be either with recourse or without recourse. Certain transfers do not meet the requirements of IFRS 9 for the derecognition of the assets since the risks and rewards connected with ownership of the financial asset are not substantially transferred, and accordingly the Group continues to recognize these receivables within the Consolidated Statement of Financial Position and recognizes a financial liability for the same amount. These types of receivables are classified as held-to-collect, since the business model is consistent with the Group's continuing recognition of the receivables.

Derecognition of financial liabilities

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

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such 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 substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

Supplier financing arrangements and factoring of receivables

An entity may enter into arrangements under which a 'factor' (typically, a financial institution) pays a supplier on its behalf, with the entity (i.e. the purchaser) then reimbursing the factor. Such arrangements may be referred to as, for example, 'supplier financing', 'reverse factoring' or 'structured payable arrangements'. When such arrangements are material, clear disclosure should be provided of the following:

- the approach to the presentation of significant supplier financing arrangements and, in accordance with IAS 1:122, the judgements made in applying that policy;
- how supplier financing transactions have been reflected in the statement of cash flows;
- the carrying amount of the liabilities in question and the line item(s) in which they are presented; and
- when supplier financing arrangements have been used as a tool to manage liquidity risk, the disclosures required by IFRS 7:39(c).

When an entity enters into arrangements for factoring of receivables where they are not fully derecognised, it is important that the policy adopted for the treatment of cash flows arising 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 inflows with associated financing outflows that are deemed to repay the financing liability that was recognised when the receivables were transferred. Balances that will give rise to financing cash flows should also be included in the disclosure of changes in such 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 as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an 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 of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

s. 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 that 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, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated 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 some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Restoration provisions

Provisions for the costs to restore leased plant assets to their original condition, as required by the terms and conditions of the lease, are recognised when the obligation is incurred, either at the commencement date or as a consequence of having used the underlying asset during a particular period of the lease, at the directors' best estimate of the expenditure that would be required to restore the assets. Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with IAS 37 and the amount recognised initially less cumulative amount of income recognised in accordance with the principles of IFRS 15.

Greenhouse gas emissions

The Group receives free emission rights in certain European countries as a result of the European Emission Trading Schemes. The rights are received on an annual basis and, in return, the Group is required to remit rights equal to its actual emissions. The Group has adopted the net liability approach to the emission rights granted. Therefore, a provision is recognised only when actual emissions exceed the emission rights granted and still held. The emission costs are recognised as other operating costs. Where emission rights are purchased from other parties, they are recorded at cost, and treated as a reimbursement right, whereby they are matched to the emission liabilities and remeasured to fair value. The changes in fair value are recognised in the statement of profit or loss.

Italmatch Chemicals Group historically acquired several companies. September 2022 acquired Aubin Group, a key strategic developer and supplier of innovative chemical solutions for the Oil and Gas industries and renewable energies. With office and warehouses across the UK and Middle East, Aubin is internationally recognized as a key player for specialty chemical products in the Oilfield. This acquisition is strategic for our Group and represents a great opportunity to strengthen our presence in oil & gas industry in key regions, including the Middle East. We also add a deeper know-how on sustainable chemical solutions to strengthen our ESG portfolio and R&D projects, including products for renewable energy market as well as "decommissioning" activities.

---

3. Notes to main condensed interim consolidated financial statements captions

The following tables show the main variations between the two periods. Main changes in balance sheet caption as of September 30, 2023 compared to December 31, 2022 are summarized below.

- Non-current Assets

	30/09/2023	31/12/2022	Change
	(in millions of €)		
Goodwill	534.2	533.8	0.4
Other intangible assets	182.5	197.4	(15.0)
Property, plant and equipment	187.5	193.0	(5.5)
Right of use assets	5.7	5.7	0.1
Investments in financial assets	0.1	0.1	0.0
Deferred tax assets	10.1	10.1	(0.0)
Other receivables	3.5	3.8	(0.2)
Total non-current assets	**923.6**	**943.9**	**(20.3)**

- Net Working capital

	30/09/2023	31/12/2022	Change
	(in millions of €)		
Inventory	142.5	218.6	(76.1)
Trade receivables	73.1	79.3	(6.2)
Other receivables	15.6	19.2	(3.6)
Trade payables	(66.4)	(100.3)	33.9
Other payables	(24.0)	(22.3)	(1.7)
Total Net working capital	**140.7**	**194.5**	**(53.8)**

The Net Working capital decreased by €53.8 million during the nine months ended September 30, 2023. The decrease is mainly due to changes in inventories for €76.1 million partially offset by changes in trade payables for €33.9 million.

The DSO (Days Sales Outstanding). The following table provides a breakdown of the related calculation.

	30/09/2023	31/12/2022	30/09/2022	31/12/2021
Trade receivables	73.1	79.3	108.6	78.0
Revenue	519.0	861.9	686.0	602.7
days	270	360	270	360
DSO	**38**	**33**	**43**	**47**

The DPO (Days Payable Outstanding). The following table provides a breakdown of the related calculation.

	30/09/2023	31/12/2022	30/09/2022	31/12/2021
Trade payables	66.4	100.3	126.0	104.0
Operating costs excluding personnel, D&A and impairment losses	400.8	683.0	520.1	456.4
days	270	360	270	360
DPO	**45**	**53**	**65**	**82**

- Net financial debt

Net financial debt - 30 September 2023 & 31 December 2022

€'m	30/09/2023	31/12/2022
A. Cash	114.1	26.9
B. Cash equivalents	-	-
C. Other financial assets	1.3	3.0
D. Liquidity (A+B+C)	**115.3**	**29.9**
E. Current financial debt	(16.7)	(21.2)
F. Current part of non-current financial debt - current lease liability	(3.1)	(2.3)
G. Current financial debt (E+F)	**(19.8)**	**(23.5)**
H. Net current financial debt (G+D)	**95.6**	**6.4**
J. Senior Secured Bonds and RCF *	(656.6)	(710.0)
I. Non-current financial debt - lease liability	(2.6)	(3.2)
L. Non-current financial debt (I+J+K)	**(659.3)**	**(713.2)**
M. Net financial debt **	**(563.7)**	**(706.8)**

	30/09/2023	31/12/2022
Net financial debt	**(563.7)**	**(706.8)**
Bond and RCF Amortized Cost	(33.6)	(6.6)
Other liabilities	(1.0)	(0.2)
Other financial assets	(1.3)	(3.0)
Net financial debt contractually defined ***	**(599.6)**	**(716.7)**

* **Senior Secured Bonds and RCF:** the value is considered net of RCF amortized cost classified in other receivables (NC) and interests

** **Net Financial Debt** as of 30 September 2023 in the statutory accounts equal to 563.7M€, including accounting items mainly referring to amortized costs and short-term financial assets

*** **Net financial debt contractually defined:** Pursuant to the Offering Memorandum relating to bonds issued by the Group, the sum of the aggregate nominal amount of outstanding bonds, cash and cash equivalents, utilisations of the SsRCF *committed* line, other financial debt, recourse factoring and lease liabilities.

On 6 February 2023, Italmatch Chemicals S.p.A. successfully issued (settlement date) Senior Secured Fixed Rate Notes for €300 M and Senior Secured Floating Rate Notes for €390 M, maturing in 2028 ("bond Issue"). The bonds, with a total nominal value of €690 M, are listed on the Luxembourg Stock Exchange and traded on the Euro MTF segment thereof. The bond issue extended the maturity profile of the medium- and long-term debt,

refinancing the €650 million nominal value of the Senior Secured Floating Rate Notes outstanding at 31 December 2022 and maturing in September 2024.
In terms of the economic conditions of the transaction, the coupon of the 5-year Senior Secured Fixed Rate Notes is equal to 10% (par issue), while the coupon of the 5-year Senior Secured Floating Rate Notes is equal to Euribor + 5.50%.

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

Finally, at the beginning of the year, the Amendment & Extension of €107 million committed Super Senior Revolving Credit Facility (so-called SsRCF) was also completed with primary standing banks participating in the pool. The maturity date of the committed line was extended to October 2027. As of September 30, 2022, the SsRCF line is fully available (€ 107 million, as nominal amount), as the utilised amount at the end of December 2022, equal to €66.5 million, has been repaid following the proceeds from Dussur's capital injection.

Comparison of results of operations for the nine months ended September 30, 2023 and 2022

The following tables show the main variations between the two periods.

-Production costs

This caption is analyzed as follows:

	Six months ended Sep 30,		
	2023	**2022**	**Change**
	(in millions of €)		
Raw materials, consumables and production utilities	332.1	414.8	(82.8)
Third-party production and maintenance	25.0	27.2	(2.2)
Employee benefits expense	57.5	55.3	2.2
Transportation costs	10.3	45.6	(35.3)
Other operating expenses	33.5	23.1	10.4
Depreciation and amortisation	41.2	41.8	(0.5)
Impairment losses on goodwill	(0.1)	0.0	(0.1)
Total operating costs	**499.4**	**607.8**	**(108.4)**

Operating costs decreased by €108.4 million to €499.4 million for the nine months ending September 30, 2023, from €607.8 million for nine months ended September 30, 2022. The change is mainly related to transportation costs, decreasing by €35.3 million, mainly due to volume effect, and to raw materials, consumables, and production utilities costs, decreased by €82.2 million, partially offset by the other operating expense increase by €10.4 million.
Please take note that the reported transportation costs are net of the IFRS 15 impact.

-Financial charges

This caption is analyzed as follows:

	Six months ended Sep 30, 2023	2022	Change
	(in millions of €)		
Other financial income	0.0	0.0	0.0
Interests on Bond	(45.9)	(23.1)	(22.8)
Interests on RCF	(1.5)	(1.7)	0.2
Amortized cost on Loans	(10.2)	(2.7)	(7.5)
Realized Exchange rate gain and losses	0.5	(2.2)	2.7
Not realized Exchange rate gain and losses	3.6	44.2	(40.6)
Bank costs	(0.7)	(1.7)	1.0
Write downs/backs derivatives	0.0	(4.0)	4.0
Other financial costs	0.5	(1.9)	2.4
Total net financial costs	**(53.6)**	**6.9**	**(60.6)**

Financial charges increased by €60.6 million to € (53.6) million for nine months ended 30 September 2023 from €6.9 million for nine months ended September 30, 2022. The decrease is almost entirely due to net exchange rate losses.

During the year ended December 31, 2019, the Group set intercompany loans in order to fund business acquisitions. Italmatch USA Corporation was provided by USD 198.7 (of which USD 166.6 million related to BWA acquisition and USD 32.0 to WST business acquisition) and Italmatch Chemical GB was provided by GBP 40.9 million to for the BWA business acquisition.

Not realized exchange rate gains for nine months of 2023 decreased by € 40.6 million to € 3.6 million for nine months ended 30 September 2023 from € 44.2 million for nine months ended September 30, 2022. The nine months ended September 30, 2023 for € 3.6 million, included € 2.8 million of unrealized exchange rate gains arising from the period-end exchange rate of the USD and GBP intragroup loans provided to the subsidiaries Italmatch USA Corporation and Italmatch Chemicals GB. Translation of all USD loans into Euros using the closing rate on September 30, 2023 of EUR/USD 1.0594 compared to the rate of EUR/USD 1.0666 as at 31 December 2022 generated unrealized gains for € 1.8 million during the nine months of 2023, meanwhile translation of the GBP loan into Euro generated during the period unrealized gains for €1.0 million.

Realized exchange rate losses in the two periods considered were due to trade transactions (purchases and sales) and were mainly generated by the translation of amounts in USD arising from purchases of a large part of raw materials and sales to third parties by the US subsidiary.

During 2023, the FX hedging contract on intragroup loan for nominal amount of $19.6 million has been expired in April, leading to a Realized Exchange rate gain of €1.4 million. It refers to derivatives agreed to hedge commercial transactions mainly in US dollars. They are not eligible for hedge accounting and, accordingly, changes in their fair value are recognized in the profit and loss account.

Post balance-sheet events

No significant post balance-sheet events have been occurred.