2023

FINANCIAL STATEMENTS
as at 31 December 2023

VINAVIL®

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VINAVIL S.p.A.
Registered office in Milan, Viale Jenner 4
Share capital Euro 6,000,000
Direction and coordination: Mapei S.p.A.
Tax code and Milan Company Register registration no. 11222570159 – EAI no. 1445835

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Financial Statements as at 31 December 2023

MANAGEMENT REPORT FINANCIAL STATEMENTS AS AT 31 DECEMBER 2023

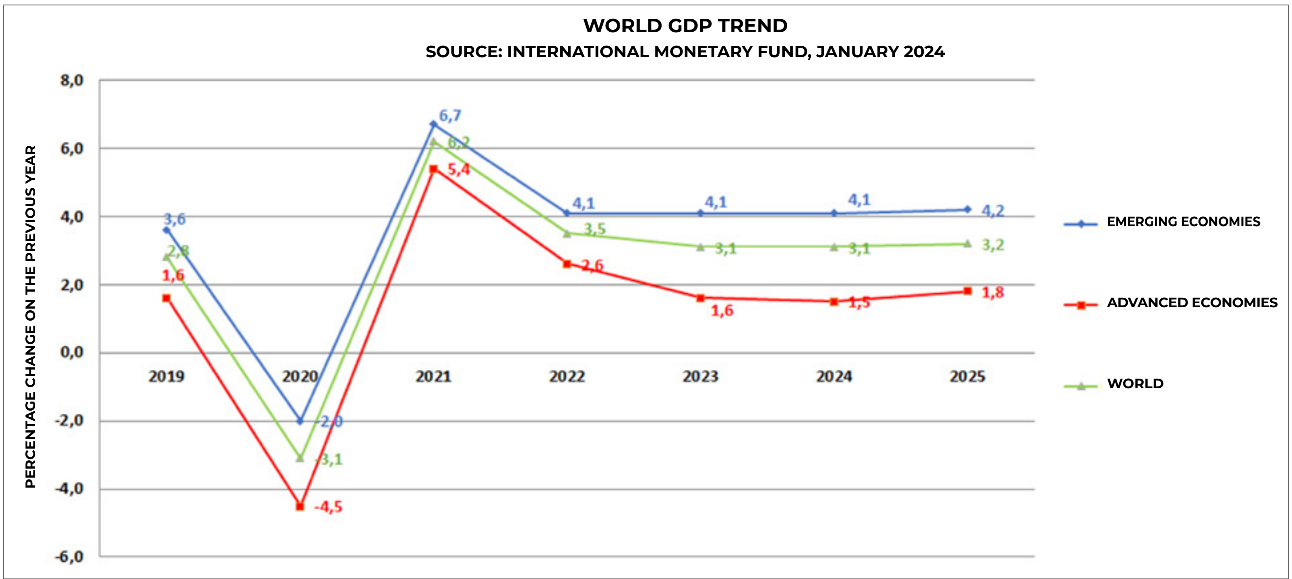
Dear Shareholder,

This report, which covers the Company's financial position and performance, has been prepared in accordance with article 2428 of the Italian Civil Code and accompanies the Financial Statements as at 31 December 2023.

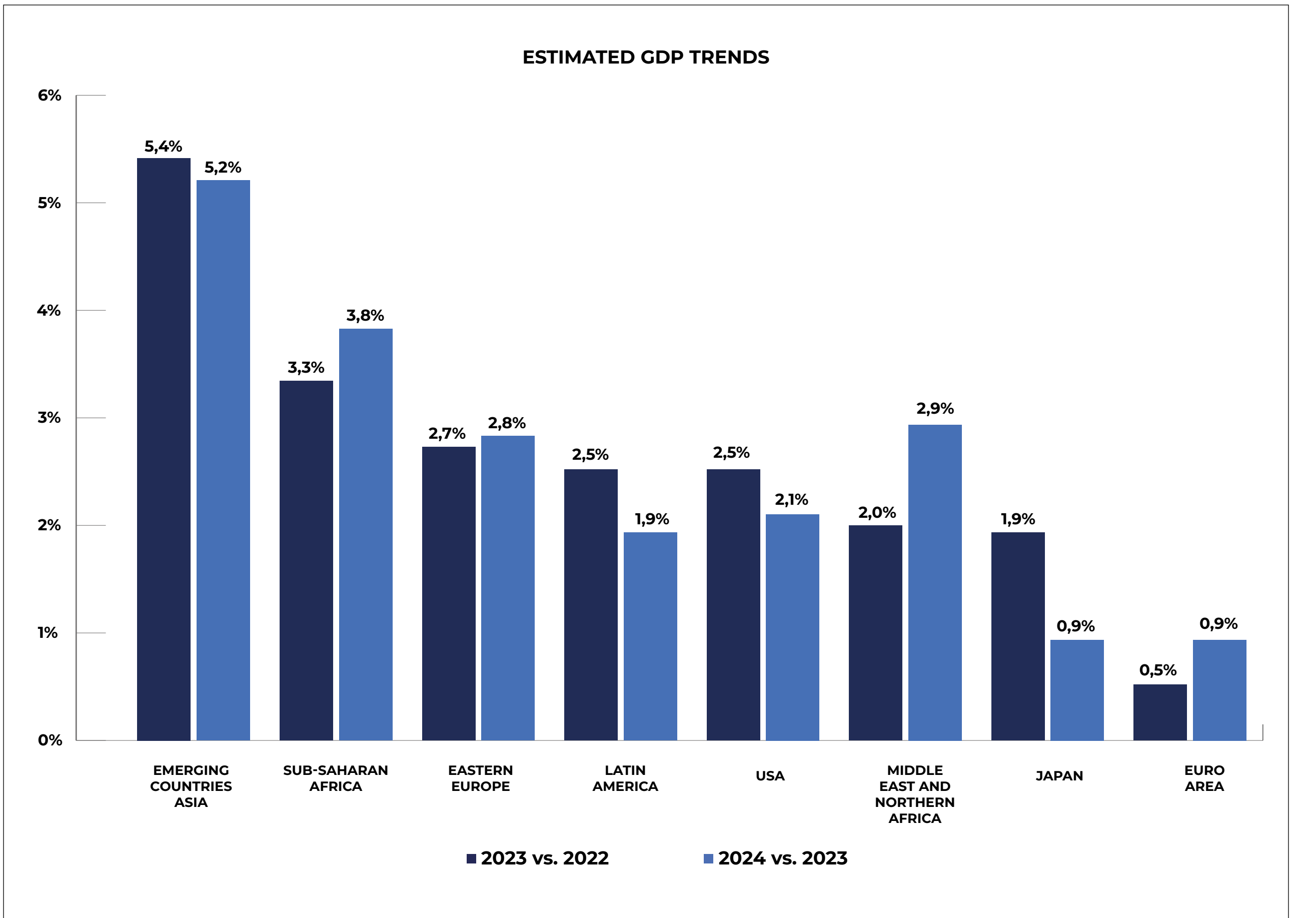
In 2023, the Company's profit for the year amounted to € 11,706,537, net of income taxes and amortisation/depreciation of € 3,755,415 and € 4,780,769, respectively.

The world economy

In 2023, the global economy grew 3.1%, slowing down compared to 2022, when world GDP rose 3.5%. Last year, emerging and advanced economies grew 4.1% and 1.6%, respectively. GDP is expected to increase in 2024 in line with last year's figures, with mature markets growing by 1.5% and emerging markets by 4.1%. A similar outlook is expected in 2025 as well.



The above graph shows GDP trends in the various geographical areas.



Last year, the countries of the European single currency grew by only 0.5%. In Germany, GDP shrank by 0.3%, while in France it rose 0.8%. In 2023, the Italian economy grew 0.7%, outperforming the Euro Area. With respect to the large European economies, Spain recorded the highest growth rate, with GDP up 2.4%. The Euro Area is expected to grow by 0.9 % in 2024. German GDP is estimated to grow by only 0.5%, while Italy and France could reach 0.7% and 1%, respectively. The Spanish economy is expected to continue its positive trend this year as well, growing by 1.5%.

In Eastern Europe, the economic growth rate stood at 2.7% in 2023, taking advantage of the good performance of Russia's GDP – up by 3% – despite sanctions. Also Turkey recorded a good economic performance last year, with a growth rate amounting to 4%. In contrast, Poland's economic development was modest, with GDP growth standing at 0.6%. In 2024, Eastern Europe's GDP could continue last year's positive trend: according to the International Monetary Fund, the region's economy is expected to grow by 2.8%.

In 2023, the Middle East and Northern Africa region recorded a relatively modest growth rate, i.e. +2%. Despite the positive performance recorded in Egypt and the United Arab Emirates, the region's overall development was held back by Saudi Arabia, where GDP contracted by 1% last year, due to lower oil production and a drop in crude prices. However, the economic growth rate is expected to strengthen in the major countries of the region in 2024. According to the International Monetary Fund's forecasts, the area's GDP could grow by around 3%.

In 2023 the economic performance in sub-Saharan Africa was moderately positive. The region's GDP grew by 3.3%, below the average rate of emerging markets. The good performance of the Nigerian economy was overshadowed by South Africa's modest GDP growth rate (+0.6%). The region's overall development is expected to strengthen in 2024, reaching approximately +4%.

Economic trend in Italy

The table below shows the main indicators for Italian economy (amounts in %).

Italy – Macroeconomic indicators – Year-on-year percentage change

	2022	2023	2024
GDP	3.7	0.7	0.7
Inflation	8.7	5.9	2.5
Household consumption	5.0	1.5	0.8
Imports	13.1	-0.1	1.2
Exports	10.7	0	2.2

After growing 3.7% in 2022, Italy's economy grew 0.7% in 2023, outperforming the Euro Area (0.5%). In 2023, the inflation rate was extremely high (5.9%). Household consumption increased by 1.5%, while imports and exports remained stable compared to the previous year.

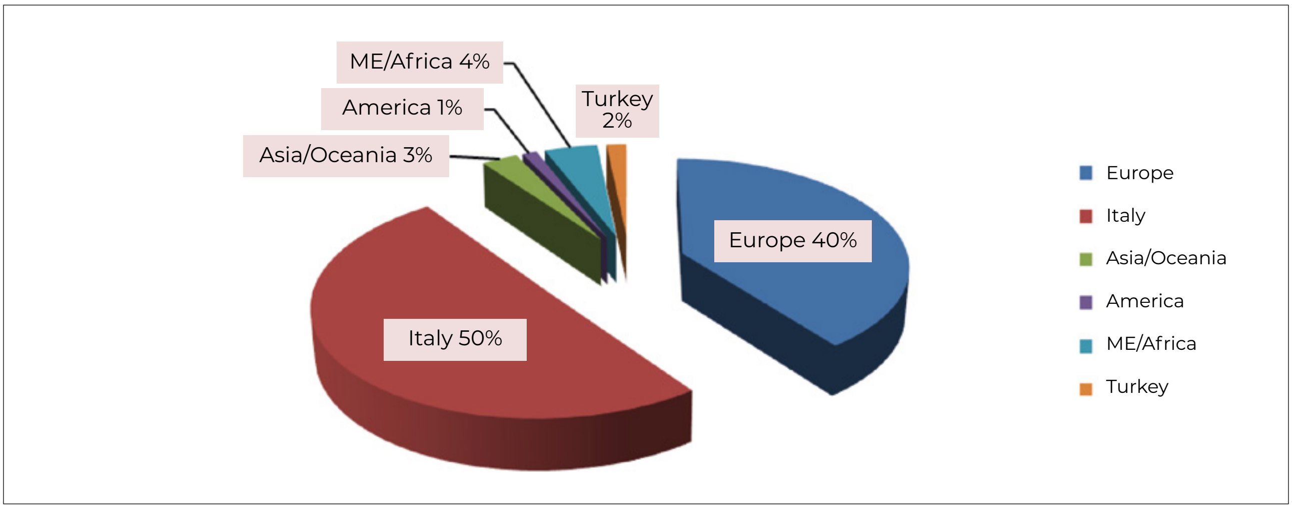
Company's performance

Compared to last year, revenues from sales fell 19%, and volumes decreased 1% in 2023.

In the following table, revenues are broken down by geographical area, showing the related trend (in € millions):

	2023	2022	DIFF.
Italy	110	118	-7%
Europe	87	129	-33%
Non-EU	22	23	-3%
Total	**219**	**270**	**-19%**

2023 revenues may be analysed by geographical area as follows:



The analysis shows that the fall in turnover is broadly distributed across all markets.

The decrease in revenues is mainly due to the adjustment of sales prices to the reduced cost of raw materials and energy. In fact, in contrast to the previous two years, in 2023 raw materials were available on the market as a result of a global economic slowdown. The prices of monomers, which are necessary for the production of Vinavil's finished products, dropped accordingly, thus favouring an adjustment of downstream prices.

The economic development recorded in 2023 is a direct consequence of the previous three turbulent years. As a matter of fact, after the disruption in trade during the pandemic, the subsequent rapid recovery in 2021 (stimulated by the fiscal measures enacted by various Governments) and the global inflationary increase in 2022, 2023 was characterised by the Central Banks' measures aimed at capping prices and protecting consumers' purchasing power.

Against this backdrop, the Company's sales significantly dropped at first (-16% of volumes from February to April) and subsequently recovered (particularly in the last quarter), thus closing in line with 2022, as already mentioned.

The Company ensured supply continuity to its customers and adjusted its prices to the underlying cost reduction, in the spirit of partnership and sustainable business cooperation.

EBITDA amounted to € 18.53 million (approximately 8.5% of revenues), compared to € 9.19 million in 2022 (about 3.4% of revenues).

In 2023 the Company distributed dividends of € 2 million and financed investments of approximately € 11.97 million through its operations, including € 3 million to increase the subsidiary Vinavil Egypt for Chemicals SAE's capital.

The performance of investments confirms the Company's focus on constantly increasing its competitiveness, safety and environmental sustainability; the increase of the year is due to the new tax incentives under the "Industria 4.0" national plan (in terms of tax receivables), which enabled the Company to accelerate the purchases of certain technologically-advanced products.

From a financial point of view, the net financial debt (essentially the cash pooling account with the Parent Company Mapei S.p.A.) amounted to € 11.7 million compared to € 19.5 million at 31 December 2022.

The change in the net financial debt is essentially attributable to the cash flows from operating activities (€ 6.1 million), net of the amount transferred to the Parent Company as part of the tax consolidation scheme (€ 0.8 million; corporate income tax (IRES) payable for 2022), absorbed by capital expenditure (€ 8.8 million), financial investments (€ 3.1 million) and dividends paid (€ 2 million).

It should also be noted that the Financial Statements include approximately € 5.2 million receivables arising from guarantee deposits paid to certain strategic suppliers of VAM (vinyl acetate monomer) used by the subsidiary Vinavil Egypt for Chemicals SAE.

This is due to the very difficult situation connected to the particular socio-political and economic environment of the country in which this subsidiary operates. In fact, this prevented the rapid conversion of the foreign currency (USD) required for the delivery of raw materials according to the timeframe set by relevant purchase contracts.

The country conditions improved in the first months of 2024, thus allowing these receivables to be fully recovered. For further details reference should be made to the section “Events after the reporting date” of the Notes to the Financial Statements.

The subsidiary Vinavil Egypt for Chemicals is meeting its expected growth and development targets. The profit for 2023 after taxes amounted to approximately EGP 236 million (€ 7.1 million), despite the heavy exchange rate losses caused by the depreciation of the local currency, which resulted in an increase in the balance of financial and trade payables in Egyptian pound originated in hard currency. However, the investment recognised as a financial asset was tested for impairment and the estimated recoverable value was found to be higher than the relevant carrying amount.

Disclosure pursuant to article 2428 of the Italian Civil Code

For a better presentation of the Company’s financial position and performance, equity, financial and performance highlights of the year are shown below, with prior year corresponding figures, by reclassifying the Balance Sheet by functional areas and the Income Statement on a management basis, as required by the Italian Civil Code (in € thousands).

Reclassified Balance Sheet as at 31 December

(amounts in € thousands)

	2023	2022
Net fixed assets		
Intangible	65	95
Tangible	52,372	48,284
Financial	22,303	19,170
Total	**74,740**	**67,549**
Net current assets		
Inventories	24,269	28,957
Receivables	56,690	61,354
Other assets	7,530	3,327
Payables	-24,833	-24,998
Other liabilities	-5,454	-5,184
Total	**58,202**	**63,456**
Provisions for risks and post-employment benefits		
Provisions for risks and charges	-2,689	-2,637
Post-employment benefits	-684	-708
Total	**-3,373**	**-3,345**
Net invested capital	***129,569***	***127,660***
Net financial position		
Cash and cash equivalents	-5	-3
Short-term financial payables		1
Cash pooling	11,729	19,523
Total	**11,724**	**19,521**
Equity	***117,845***	***108,139***
Total sources of funds	***129,569***	***127,660***

The main changes in cash flows that led to the improvement in the net financial debt are described below.

Cash flows used in operating activities

In 2023, operating activities generated € 21.8 million (for additional information, reference should be made to the Cash Flow Statement).

Cash flows from investing activities

This item showed a negative change of € 11.9 million, as a result of the work performed on tangible assets at the Company's production sites (as better described in the "Production/Investments" section of this report), and of the subsidiary Vinavil Egypt for Chemicals SAE's capital increase (as detailed in the "Financial assets" section of the Notes to the Financial Statements).

Cash flows used in financing activities
They amount to the € 2 million dividends paid to the Parent Company.

Reclassified Income Statement for the year ended 31 December

(amounts in € thousands)

Item	2023	2022
Revenues from sales	218,503	269,756
Internal works	-1,685	841
Value of production	***216,818***	***270,597***
External operating costs	170,994	234,517
Added value	***45,824***	***36,080***
Labour costs	27,285	26,882
EBITDA	***18,539***	***9,198***
Amortisation/depreciation and accruals	4,781	4,604
Operating profit	***13,758***	***4,594***
Profit from non-core business	1,826	2,247
Net financial income	117	47
Normalised EBIT	***15,701***	***6,888***
Profit from non-recurring activities	0	0
EBIT	***15,701***	***6,888***
Financial expenses	239	1,364
Profit before taxes	***15,462***	***5,524***
Income taxes	3,755	953
Profit for the year	***11,707***	***4,571***

Key performance indicators

Then Company's key performance indicators for the year are shown below. They are compared with those of the previous year.

		2023	2022
1 – Fixed asset indicators			
Own funds to fixed assets ratio	Own funds / Fixed assets	1.58	1.60
Own funds plus non-current liabilities to fixed assets ratio	(Own funds + non-current liabilities) / Fixed assets	1.62	1.65
2 – Financing indicators			
Leverage ratio	(Non-current liabilities + current liabilities) / Own funds	0.39	0.49
Financial debt ratio	Net financial position (debt) / Own funds	0.10	0.18
3 – Profitability indicators			
Gross ROE	Profit (loss) before taxes / Own funds	13.1%	5.1%
ROI	Operating profit (loss) / Core business (*)	9.74%	3.23%
ROS	Operating profit (loss) / Revenues from sales	6.3%	1.7%
4 – Solvency indicators			
Current ratio	Current assets / Current liabilities	2.09	1.88
Quick ratio	(Trade and other short-term receivables + Cash and cash equivalents) / Current liabilities	1.52	1.30
(*) Core business: total assets – financial assets – cash and cash equivalents			

Specifically, the "Own funds to fixed assets ratio", which shows the degree of self-coverage of fixed assets, is 1.58, i.e. it is above the generally-recommended benchmark (between 0.7 and 1), confirming a good equity standing (indeed, the Company's own funds can independently finance fixed assets).
The "Own funds plus non-current liabilities to fixed assets ratio", which compares own funds and non-current liabilities, contributed by both shareholders and third-party lenders, to fixed assets, is also satisfactory, confirming an adequate capital structure. Indeed, it exceeds the generally-recommended minimum threshold of 1. Therefore, the funds can satisfy not only fixed asset requirements, but also those of current assets.

The "Leverage Ratio" decreased slightly compared to the previous year mainly due to the decrease in current liabilities.

Total liabilities amounted to approximately € 46.13 million (roughly € 53.37 million in the previous year), against equity of € 117.84 million.

The "Current ratio" is 2.09 (2022: 1.88); it shows the Company's satisfactory ability to meet its short-term commitments with its own available funds.

The “Quick ratio” is positive at 1.52 (2022: 1.3).

On the whole, the figures used to calculate the current and quick ratios show the Company’s ability to meet its short-term commitments using its liquidity.

The analysis based on ratios shows a positive return on equity of 13.1%; this positive trend is driven by the increase in the profit for the year.

The ROE summarises the Company’s profitability. The ROI shows the profitability of operations and measures the Company’s ability to generate profits. The ROS is the most widely used indicator to analyse profitability with respect to turnover.

The return on invested capital and on sales is positive in both cases.

Risk management

Pursuant to article 2428 of the Italian Civil Code, this section of the report covers risks, i.e. those events that may have negative effects on the pursuit of the Company’s objectives, and which may represent an obstacle to the creation of value.

The Company implemented a mechanism that constantly monitors such risks in order to prevent any potential negative effects and take the necessary actions to mitigate them.

The main risks are as follows:

Risks associated with credit management

The Company’s commercial policy is based on safeguarding credit through constant and, where necessary, preventive control and monitoring of its customers’ financial capacity.

As it operates with a large number of customers, there are no significant credit positions resulting in an excessive concentration of credit.

Price risk

The sales price policy is based on foreseeable changes in the costs of purchased raw materials; the aim is to adjust them as early as possible in order to reflect the rise in costs.

In order to mitigate the risk associated with fluctuations in commodity prices, the Company carries out specific market analyses, seeking to exploit market fluctuations.

Furthermore, the Company does not usually undertake medium- to long-term contractual commitments with customers and suppliers.

Currency risks

The Company essentially operates in Euro. Its financial exposure in currencies other than the Euro is limited and does not give rise to specific risks.

However, it has a foreign currency current account (USD) with the Group’s central treasury (cash pooling account) for the ordinary management of procurement and collections in US dollars.

The Company also owns a controlling interest in Vinavil Egypt for Chemicals SAE, which operates mainly in the Egyptian market. The particular socio-political and economic environment of the country in which the aforementioned subsidiary operates and the related complex currency trends indirectly expose the Company to the risk of currency fluctuations. To cope with this risk, on the one hand, the Company constantly monitors its financial exposure, on the other, the subsidiary takes all possible actions aimed at reducing this risk.

Risks associated with financial requirements and liquidity management

The Company manages its financial requirements and excess liquidity through the cash pooling arrangement in place with the Parent Company Mapei S.p.A., which guarantees the Group's liquidity.

Risks related to the environment, health and safety

The Company pays particular attention to the protection of the environment and occupational health and safety. It complies with all environmental and safety regulations. It has specific units that manage these issues. At Group level, the HSE (Health, Safety and Environment) Corporate function coordinates the operations of the individual companies.

Risks associated with tax and legal disputes

The Company avails itself of specialised lawyers in order to address and manage these risks. At present, it is not involved in any significant disputes for which a possible or probable risk of losing the case is expected.

Transactions with subsidiaries, associates, Parent Company, companies controlled by parent companies and related parties

Parent Company

Vinavil S.p.A. is wholly owned by Mapei S.p.A. with registered office in Milan, Italy, via Cafiero 22.

The transactions carried out between Vinavil S.p.A. and the Parent Company Mapei S.p.A. mainly related to:

- trade transactions entailing the purchase and sale of products;
- centralised services (of an IT, technical, organisational, general nature) provided by the Parent Company;
- tax transactions based on the subsidiary's participation in the Parent Company's tax consolidation scheme;
- financial transactions due to the Group's cash pooling arrangements.

All transactions are governed by contract and were carried out at arm's length.

Subsidiary

The transactions carried out with the subsidiary Vinavil Egypt for Chemicals SAE are of a trade nature and refer to goods sold and/or purchased at arm's length.

Other companies controlled by parent companies

The transactions carried out with other Group companies are mainly of a trade nature and relate to the purchase and sale of products.

They were carried out at arm's length.

For information about the financial transactions carried out between the Company and the other Group companies, including the Parent Company, the subsidiary and the Companies controlled by parent companies, reference should be made to Annex 1 and Annex 2 to this report. No significant transactions were carried out with other related parties.

Treasury shares or shares of parent companies

During the year, the Company did not hold, purchase or sell treasury shares or shares of the Parent Company Mapei S.p.A., with which it carried out trade and financial transactions at arm's length.

Other information – Domestic tax consolidation scheme

The Company opted to participate in the Group tax scheme for IRES purposes (tax consolidation scheme) together with the Parent Company Mapei S.p.A. and the other companies controlled by the latter.

Research & development

Vinavil's research & development activities are increasingly focused on identifying technological solutions that promote environmentally-friendly development in order to overcome the major global challenges posed by climate change and the limited availability of resources and raw materials.

For Vinavil, the transition to a circular economy and the reduction in the carbon footprint, which is necessary to protect the environment and the well-being of future generations, is now a major challenge as well as a great development opportunity. For this reason, in 2023, its research laboratories continued to work on the design of innovative sustainable products, also in collaboration with some major independent Italian and foreign research institutes, such as the University of Bologna, the POLYMAT Institute of the University of the Basque Country and the National Research Council.

In 2023, together with the University of Bologna, the University of Pavia and other companies, the Company continued the development of the LIFE-2021-SAP-ENV (Circular Economy and Quality of Life - Standard Action Projects) project funded by the European Union. The LIFE programme was developed to support the achievement of the objectives of the EU's environmental legislation and policies (nature, biodiversity, climate action and energy transition/efficiency) by funding projects that confirm the technical and economic feasibility of solutions to different and complex environmental and climate issues. Vinavil is involved in a programme to develop a technology that uses biological sludge from water purification in order to obtain an acrylic monomer to be re-used into its production cycle; this is a clear example of circular economy, which entails the synthesis of a raw material from waste. The first laboratory-scale prototypes of the acrylic monomer were tested in Vinavil's laboratories; the process scale-up on the pilot plant is scheduled.

As part of the Industrial Liaison Program in Polymerisation in Dispersed Media, funded by Vinavil together with other companies operating in the polymer dispersion segment at the Polymat Institute (Basque Country), research also continued on the emulsion polymerisation of bio-based monomers (i.e. polymers in which at least a portion of the polymer consists of material produced from renewable sources, e.g. corn or sugar cane), and on the reduction of VOCs (volatile organic compounds, i.e. chemical compounds harmful to health, including formaldehyde) in acrylic systems.

In the wood products sector, the Company continued to cooperate with the National Research Council to develop and promote (formaldehyde-free) alternative solutions to Urea-Formaldehyde resin binders to produce plywood, reclaimed wood panels and veneer sheets. Furthermore, two new solutions in the water-resistant wood adhesives (category D3) were definitively developed: a formaldehyde-free product with improved performance, and a formulation containing up to 10% bio-based carbon in line with the latest market demands.

In the coating segment, important formulation changes are worth mentioning, including the elimination of benzophenone, recently subjected to a classification deterioration, from two new elastomeric paint and coating binders. In addition, a new high-performance vinyl binder for painting is being researched in order to replace an expensive and difficult-to-source component.

In 2023, as expected, the research, assessment and introduction of environmentally-friendly raw materials available on the market – monomers or polymers of vegetable origin suitable for use in the Company's formulations – became more important.

The Research Department continued its efforts to assist Production; at the end of the year, the elimination of acetaldehyde, previously used as a raw material in the production of suspending agents at the Ravenna site, was completed.

Vinavil's R&D strategy for the future focuses on supporting the Company's growth through product development and improvement in order to consolidate its presence in sectors and markets which are close to its traditional ones. At the same time, the Company is actively seeking solutions to increase safety and reduce the environmental impact of business processes and products.

Production/investments

In 2023, investments amounted to approximately € 8.8 million.

At the Ravenna site, work was carried out to increase production capacity both in the Suspending Agents line (PVC production) and in the Dynamon production line used in the Construction sector. In addition, safety upgrade and improvement measures were implemented at the site level.

At the Villadossola site, major investments were made in the construction of two new production lines (acrylic and vinyl). A new facility for the treatment of industrial sludge was implemented, and an automatic packaging and palletising line was expanded.

Safety, quality and environmental sustainability

Surveillance activities were carried out for all Management system certifications for occupational health and safety (ISO 45001), the environment (ISO 14001) and quality (ISO 9001), covering both the Milan headquarters and the Villadossola and Ravenna sites.

At the Ravenna site, compliance of the food safety management system was also successfully confirmed through an audit based on the ISO/FSSC 22000 standard applied to the Raviflex BLS production line, a chewing gum base component. Based on the certification surveillance audits carried out in 2023, the certification body did not identify any nonconformities.

Work continued on updating and aligning Company processes, with the aim of progressively integrating the systems applied in the organisation and building a business management system that includes all areas of the organisation, starting with the BMS Corporate Policy.

During the year, there were no injuries at the Ravenna and Milan sites and two minor injuries occurred at the Villadossola site. During 2023, the first important phase of a project aimed at increasing the Corporate Culture for Safety and involving all VINAVIL employees was launched and implemented, thus integrating the numerous activities on the protection of employees' health and safety.

Vinavil S.p.A. confirmed its involvement in the "Responsible Care" international project, promoted in Italy by Federchimica (the Italian federation of the chemical industry). Furthermore, it collaborates in the preparation of Mapei's Sustainability Report, participates in some eco-sustainability assessments required by the market and in 2023 it launched its own Sustainability project.

In 2023, the following main Quality, Environment and Safety improvement measures were implemented at the Villadossola site:

- continuous and systematic support with respect to the "Surveillance of supervisors" in the various production departments and in-depth study of specific prevention issues affecting the site;
- pursuant to Italian Legislative Decree no. 105/15 (Seveso-III Directive on the control of major accident hazards), completion of the preliminary activities relating to the 2016 Safety Report by the Regional Technical Committee, resulting in a number of improvements that are currently being managed;
- update of Management System procedures, department operating instructions and of the Internal Emergency Plan;
- update of the Environmental Analysis;
- update of the Risk Assessment Document (Roles, Noise, Vibrations, Machinery, Electromagnetic Fields, Optical Radiation, Biological Hazards and Legionella) and preparation of the Risk Assessment Document for the new 3400-3700 production lines which started operations in 2023;

- implementation of the monitoring campaign on airborne pollutants in the workplace;
- launch of the "Safe-Start" safety project for all site personnel, aimed at improving employees' risk awareness and approach.

Important strategic investment projects were launched in 2023 and will continue in 2024-2025 at the Ravenna production site, too; some of them are aimed at combating the energy emergency that has impacted in recent years.

The Company's strengths are confirmed as follows:

- constant investment in health, safety and environmental-related training which, after the public health emergency, has gradually returned to pre-pandemic levels. It should be noted that the "Safe-Start" project was also implemented at the Ravenna site, thus improving the Company's safety culture;
- focus on near misses, i.e. the analysis of work-related events that may have caused injuries. Indeed, management of these events is one of the pillars of the site's safety management as it enables the identification of lines of action to prevent or reduce injuries;
- surveillance activity carried out by the supervisors in order to maintain a high level of attention on environmental and occupational health and safety issues.

Implementation of Italian Legislative Decree no. 231/2001

In 2023, Vinavil's Supervisory Body's activities focused, in particular, on the following aspects:

- analysing and, where necessary, investigating the information flows received from the various functions;
- periodically meeting with the Company's Management and Heads of functions;
- updating the Organisational Model following any legislative and internal organisational changes;
- monitoring training activities concerning the updates to the Organisational Model;
- preparing and sending periodic reports to the Board of Directors and the Board of Statutory Auditors;
- implementing the 2023 supervisory activities (audit of the "Surveillance of supervisors" process and monitoring of the actions taken) and planning for 2024;
- following up on the recommendations suggested after the audit of the "goods and services procurement" process carried out at the Ravenna and Villadossola sites in 2020/2021.

Internal Whistleblowing System

Within the scope of the corruption prevention measures provided for by Italian Law 190/2012 and in compliance with the provisions of Italian Legislative Decree no. 24/2023 "Implementation of Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law", Vinavil S.p.A. has implemented a whistleblowing framework for reporting breaches, offences and irregularities that become known within the work environment.

In accordance with the Whistleblowing regulations, the Company has established the relevant internal reporting systems.

Human resources

As at 31 December 2023, the Company had 361 employees, broken down as follows:

- Executives 11
- Managers 45
- White collars 123
- Blue collars 182

During the year, 17 people left the Company and 11 people were hired.

We would like to thank all the employees who, during the year, worked with seriousness, dedication and competence. We are confident that we can still count on their collaboration in order to continue developing and strengthening the Company.

Secondary offices and business sites

Pursuant to article 2428, paragraph 5, of the Italian Civil Code, it is noted that the Company does not currently have secondary offices, but it also operates at the following sites:

Milan (MI) – Via Valtellina 63

Ravenna (RA) – Via Baiona 107

Villadossola (VB) – Via Toce 7

Financial instruments

Pursuant to article 2428, paragraph 3, point 6 bis, of the Italian Civil Code, it is noted that the Company did not enter into any derivative contracts.

Dividends paid

In 2023, a € 2 million dividend was approved and concurrently paid out.

Direction and coordination

Pursuant to article 2497 bis, point 4, of the Italian Civil Code, it is noted that the Company is subject to the direction and coordination of the Parent Company Mapei S.p.A. Reference should be made to the Notes to the Financial Statements for the highlights of Mapei S.p.A.'s most recently approved financial statements.

Outlook for 2024

The Company's expectations for 2024 are moderately positive.

Uncertainties remain about the development of geopolitical crises in the Middle East and Eastern Europe.

Despite remaining above the levels seen in the years prior to 2022, energy prices decreased, providing more opportunities to the manufacturing industry.

The downstream market shows no signs of a strong recovery, it rather appears uncertain and the cost of raw materials is likely to rise.

According to the Directors, the Company can cope with the current market situation.

Milan, 28 March 2024

THE CHAIRMAN OF THE BOARD OF DIRECTORS

Marco Squinzi

Annex 1 to the Management Report for FY 2023

Intra-group transactions as at 31.12.2023 – Balance Sheet

(amounts in €)

	Trade receivables	Cash pooling receivables	Payables to Tax Authorities	Trade payables	Cash pooling payables
Parent Company	10,696,150	748,667	(3,159,939)	(1,192,925)	(12,477,922)
Other Group companies	16,070,430			(133,537)	
Total	***26,766,580***	***748,667***	***(3,159,939)***	***(1,326,462)***	***(12,477,922)***

Annex 2 to the Management Report for FY 2023

Intra-group transactions as at 31.12.2023 – Income Statement

(amounts in €)

	A) 1	A) 5	B) 6	B) 7	B) 14	C) 16	C) 17
	Revenues from sales and services	Other income and revenues	Costs for raw, ancillary and consumable materials, and goods for resale	Costs for services	Other operating costs	Interest and other financial income	Interest and other financial expenses
Parent Company	37,692,772	381,998	(120,516)	(1,386,283)	(59,058)	79,920	(133,874)
Other Group companies	46,840,736	1,031,115	(468,014)	(295,030)	(10,441)	36,580	
TOTAL	**84,533,508**	**1,413,113**	**(588,530)**	**(1,681,313)**	**(69,499)**	**116,500**	**(133,874)**

Assets – Equity and Liabilities – Income Statement

Balance Sheet as at 31.12.2023

Assets

		31.12.2023	31.12.2022	Changes
B) Fixed assets				
I	**Intangible assets**			
	3) Industrial patent rights and right to use intellectual property of third parties	2,639.68	4,240.93	(1,601.25)
	4) Concessions, licences, trademarks and similar rights	62,882	91,134	(28,252)
	Total	**65,521.68**	**95,374.93**	**(29,853.25)**
II	**Tangible assets**			
	1) Land and buildings	10,828,796.40	11,034,031.46	(205,235.06)
	2) Plant and machinery	28,370,163.45	29,890,582.84	(1,520,419.39)
	3) Industrial and commercial equipment	252,609.34	114,301.28	138,308.06
	4) Other assets	167,071.38	167,986.81	(915.43)
	5) Assets under construction and advances	12,753,434.43	7,076,767.84	5,676,666.59
	Total	**52,372,075**	**48,283,670.23**	**4,088,404.77**
III	**Financial assets**			
	1) Investments in			
	a) Subsidiaries	21,992,903.43	18,974,390.42	3,018,513.01
	d) Other companies	310,094.87	195,994.87	114,100
	Total	**22,302,998.30**	**19,170,385.29**	**3,132,613.01**
Total fixed assets		***74,740,594.98***	***67,549,430.45***	***7,191,164.53***
C) Current assets				
I	**Inventories**			
	1) Raw, ancillary and consumable materials	15,489,692.35	17,993,992.59	(2,504,300.24)
	4) Finished products and goods for resale	8,779,428.12	10,962,757.09	(2,183,328.97)
	Total	**24,269,120.47**	**28,956,749.68**	**(4,687,629.21)**
II	**Receivables**			
	1) Trade receivables	29,923,474.54	35,319,434.24	(5,395,959.70)
	2) From subsidiaries	6,422,732.23	34,948.20	6,387,784.03
	4) From Parent Company, short-term	10,696,150.46	11,571,986.54	(875,836.08)
	5) From companies controlled by parent companies	9,647,697.75	14,428,119.33	(4,780,421.58)
	5) bis Tax receivables			
	a) Amounts due within one year	927,293.78	1,945,312.41	(1,018,018.63)
	b) Amounts due after more than one year	846,104.41	380,014.65	466,089.76
	5) ter Deferred tax assets	452,877	453,406	(529)
	5) quater From others	5,139,143.45	315,380.49	4,823,762.96
	Total	**64,055,473.62**	**64,448,601.86**	**(393,128.24)**
III	**Financial assets not held as fixed assets**			
	Cash pooling assets	**748,667.36**	**339,883.80**	**408,783.56**
IV	**Cash and cash equivalents**			
	1) Bank and postal deposits	0	0	0
	3) Cash on hand	4,854.81	3,176.84	1,677.97
	Total	**4,854.81**	**3,176.84**	**1,677.97**
Total current assets		***89,078,116.26***	***93,748,412.18***	***(4,670,295.92)***
D) Accruals and prepayments		***164,789.42***	***232,940.95***	***(68,151.53)***
TOTAL ASSETS		***163,983,500.66***	***161,530,783.58***	***2,452,717.08***

Balance Sheet as at 31.12.2023

Equity and Liabilities

		31.12.2023	31.12.2022	Changes
A) Equity				
I	Share capital	6,000,000	6,000,000	0
III	Revaluation reserves	64,849,156.05	64,849,156.05	0
IV	Legal reserve	1,200,000	1,200,000	0
VI	Other reserves, separately indicated	4,832,464.81	4,864,199.32	(31,734.51)
VIII	Retained earnings (Accumulated losses)	29,257,065.66	26,654,282.04	2,602,783.62
	Total	**106,138,686.52**	**103,567,637.41**	**2,571,049.11**
IX	Profit (Loss) for the year	11,706,537.75	4,571,049.11	7,135,488.64
	Total	**117,845,224.27**	**108,138,686.52**	**9,706,537.75**
B) Provisions for risks and charges				
1)	Pensions and similar obligations	2,245,554.67	2,202,846.61	42,708.06
2)	Taxes, including deferred tax liabilities	9,983	0	9,983
4)	Other provisions	433,925.76	433,925.76	0
	Total	**2,689,463.43**	**2,636,772.37**	**52,691.06**
C) Post-employment benefits		***683,777.63***	***708,087.34***	***(24,309.71)***
D) Payables				
4)	To banks	0	1,048.92	(1,048.92)
7)	To suppliers	20,347,056.55	22,556,142.78	(2,209,086.23)
9)	To subsidiaries	19,371.50	0	19,371.50
11)	To Parent Company, short-term	16,830,786.41	22,266,287.21	(5,435,500.80)
11 bis)	To companies controlled by parent companies	114,165.71	39,056.70	75,109.01
12)	Tax payables			
	a) Amounts due within one year	940,482.33	871,690.51	68,791.82
	b) Amounts due after more than one year	0	0	0
13)	Due to welfare and social security institutions	738,711.47	702,836.62	35,874.85
14)	Other payables	2,871,106.59	3,169,929.32	(298,822.73)
	Total	**41,861,680.56**	**49,606,992.06**	**(7,745,311.50)**
E) Accruals and prepayments		***903,354.77***	***440,245.29***	***463,109.48***
TOTAL EQUITY AND LIABILITIES		***163,983,500.66***	***161,530,783.58***	***2,452,717.08***

Income Statement for the year ended 31 December 2023

		31.12.2023	31.12.2022	Changes
A) Value of production				
1)	Revenues from sales and services	218,503,320.60	269,756,679.52	(51,253,358.92)
2)	Change in inventories of WIP, semi-finished and finished products	(2,183,328.97)	841,358.83	(3,024,687.80)
4)	Increase in internally produced fixed assets	498,474.11	0	498,474.11
5)	Other income and revenues	2,447,368.21	2,969,088.07	(521,719.86)
	Total	**219,265,833.95**	**273,567,126.42**	**(54,301,292.47)**
B) Costs of production				
6)	Raw, ancillary and consumable materials, and goods for resale	(133,163,781.75)	(187,979,750.33)	54,815,968.58
7)	Services	(34,562,550.63)	(42,785,337.68)	8,222,787.05
8)	Rentals and leases	(1,074,724.93)	(1,021,220.65)	(53,504.28)
9)	Labour costs			
	a) Salaries and wages	(18,981,796.64)	(18,725,624.62)	(256,172.02)
	b) Social security contributions	(6,429,708.09)	(6,364,784.22)	(64,923.87)
	c) Post-employment benefits	(1,195,886.34)	(1,226,147.55)	30,261.21
	d) Pensions and similar obligations	(254,931.60)	(192,486.77)	(62,444.83)
	e) Other costs	(111,478.33)	(104,383.26)	(7,095.07)
	Total	**(26,973,801)**	**(26,613,426.42)**	**(360,374.58)**
10)	Amortisation, depreciation and write-downs			
	a) Amortisation of intangible assets	(29,853.25)	(38,722.55)	8,869.30
	b) Depreciation of tangible assets	(4,750,916.45)	(4,564,824.99)	(186,091.46)
	Total	**(4,780,769.70)**	**(4,603,547.54)**	**(177,222.16)**
11)	Change in inventories of raw, ancillary and consumable materials, and goods for resale	(2,504,300.24)	(3,000,367.24)	496,067
14)	Other operating costs	(621,115.06)	(721,827.82)	100,712.76
	Total	**(203,681,043.31)**	**(266,725,477.68)**	**63,044,434.37**
Difference between value and costs of production		***15,584,790.64***	***6,841,648.74***	***8,743,141.90***
C) Financial income and expenses				
15)	b) Income from investments in associates	0	0	0
16)	Other financial income			
	d) Financial income			
	From Parent Company	79,920.09	46,963.23	32,956.86
	From subsidiaries	36,580.24	0	36,580.24
	Total	**116,500.33**	**46,963.23**	**69,537.10**
17)	Interest and other financial expenses			
	a) To Parent Company	(133,874.27)	(78,010.34)	(55,863.93)
	d) Other financial expenses	(89,053.84)	(128,261.22)	39,207.38
	Total	**(222,928.11)**	**(206,271.56)**	**(16,656.55)**
17) bis	Foreign exchange gains and losses	(16,410.11)	(1,158,135.16)	1,141,725.05
Total (15 + 16 - 17)		**(122,837.89)**	**(1,317,443.49)**	**1,194,605.60**
D) Adjustments to financial assets				
19)	Write-downs:			
	a) of investments	0	0	0
Total adjustments (18 - 19)		***0***	***0***	***0***
PROFIT (LOSS) BEFORE TAXES		***15,461,952.75***	***5,524,205.25***	***9,937,747.50***
20) a) Current income taxes		(3,740,226)	(1,075,379)	(2,664,847)
20) b) Income taxes related to previous years		(4,677)	(78.14)	(4,598.86)
20) c) Deferred tax assets and liabilities		(10,512)	122,301	(132,813)
	Total	**(3,755,415)**	**(953,156.14)**	**(2,802,258.86)**
PROFIT (LOSS) FOR THE YEAR		***11,706,537.75***	***4,571,049.11***	***7,135,488.64***

Cash Flow Statement

	2023	2022	Changes
A. Cash flows from operating activities (indirect method)			
Profit (Loss) for the year	**11,706,537.75**	**4,571,049.11**	**7,135,488.64**
Income taxes	3,755,415	953,156.14	2,802,258.86
Interest expense (interest income)	22,980	53,411	(30,431)
1. Profit (Loss) for the year before income taxes, interest, dividends, and capital gains (losses)	**15,484,932.75**	**5,577,616.25**	**9,907,316.50**
Adjustments to non-monetary items that were not recognised as a component of net working capital			
Accruals to provisions	258,495.25	583,857.19	(325,361.94)
Accruals to provisions for post-employment benefits	24,070.20	89,856.01	(65,785.81)
Amortisation and depreciation of fixed assets	4,780,769.70	4,603,547.54	177,222.16
2. Cash flows before changes in net working capital	**5,063,335.15**	**5,277,260.74**	**(213,925.59)**
Changes in net working capital			
Decrease (increase) in inventories	4,687,629.21	2,159,008.41	2,528,620.80
Decrease (increase) in trade receivables	5,395,959.70	745,958.42	4,650,001.28
Decrease (increase) in receivables from associate	0	0	0
Decrease (increase) in receivables from subsidiary	(6,387,784.03)	33,256.80	(6,421,040.83)
Decrease (increase) in receivables from Parent Company	(2,284,102.92)	(3,418,017.83)	1,133,914.91
Decrease (increase) in other receivables	508,587.49	(1,636,621.25)	2,145,208.74
Decrease (increase) in accrued income and prepaid expenses	68,151.53	(74,301.40)	142,452.93
Increase (decrease) in payables to suppliers	(2,209,086.23)	(2,665,760.02)	456,673.79
Increase (decrease) in payables to Parent Company	2,751,846.95	185,223.18	2,566,623.77
Increase (decrease) in payables to subsidiaries	19,371.50	(12,478)	31,849.50
Increase (decrease) in other payables	(704,011.06)	(484,293.71)	(219,717.35)
Increase (decrease) in accrued expenses and deferred income	463,109.48	367,571.87	95,537.61
3. Cash flows after changes in net working capital	**2,309,671.62**	**(4,800,453.53)**	**7,110,125.15**
Interest earned (paid)	(6,286.75)	11,683.33	(17,970.08)
Income taxes received – Parent Company	0	0	0
(Income taxes paid – Parent Company)	(818,546)	(2,868,349)	2,049,803
(Income taxes paid – IRAP, regional tax on productive activities)	0	(646,351)	646,351
Dividends collected	0	0	0
Use of post-employment benefits	(48,379.90)	(102,024.02)	53,644.12
Use of provisions	(215,787.19)	(121,151.95)	(94,635.24)
4. Cash flows after other adjustments	**(1,088,999.84)**	**(3,726,192.64)**	**2,637,192.80**
Cash flows from operating activities (A)	***21,768,939.68***	***2,328,230.82***	***19,440,708.86***
B. Cash flows from investing activities			
Tangible assets	**(8,839,321.22)**	**(7,675,432.12)**	**(1,163,889.10)**
(Investments)	(8,839,321.22)	(7,675,432.12)	(1,163,889.10)
Intangible assets	**0**	**(5,842.62)**	**5,842.62**
(Investments)	0	(5,842.62)	5,842.62
Financial assets	**(3,132,613.01)**	**0**	**(3,132,613.01)**
(Investments)	(3,132,613.01)	0	(3,132,613.01)
Cash flows from investing activities (B)	***(11,971,934.23)***	***(7,681,274.74)***	***(4,290,659.49)***
C. Cash flows from financing activities			
Third-party funds			
Increase (decrease) in short-term payables to banks	(1,048.92)	(112.68)	(936.24)
Increase (decrease) in cash pooling liabilities	(7,794,278.56)	7,349,249.22	(15,143,527.78)
Own funds			
Dividends (and dividend advances) paid	(2,000,000)	(2,000,000)	0
Cash flows from financing activities (C)	***(9,795,327.48)***	***5,349,136.54***	***(15,144,464.02)***
Increase (decrease) in cash and cash equivalents (A ± B ± C)	***1,677.97***	***(3,907.38)***	***5,585.35***
Cash and cash equivalents as at 1 January	***3,176.84***	***7,084.22***	***(3,907.38)***
Cash and cash equivalents as at 31 December	***4,854.81***	***3,176.84***	***1,677.97***

Notes to the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS — INTRODUCTION

The Financial Statements as at 31 December 2023 have been prepared in accordance with the provisions of the Italian Civil Code, as amended by Italian Legislative Decree no. 139/2015 (the “Decree”), interpreted in the context of and integrated by the reporting standards promulgated by the Italian Accounting Standard Setter (“OIC”).

Basis of presentation

The Financial Statements consist of a Balance Sheet (drawn up pursuant to articles 2424 and 2424-bis of the Italian Civil Code), an Income Statement (prepared in accordance with articles 2425 and 2425-bis of the Italian Civil Code), a Cash Flow Statement (drawn up pursuant to article 2425-ter of the Italian Civil Code and presented in accordance with OIC 10 issued by the Italian Accounting Standard Setter) and these Notes, which were prepared pursuant to articles 2427 and 2427-bis of the Italian Civil Code.

These Notes analyse and integrate the financial statements figures with the additional information deemed necessary for a true and fair view of the relevant figures. The Company does not hold treasury shares and shares of its Parent Company.

For information about the nature of the activities carried out by the Company and the Research & Development activities, reference should be made to the Management Report. The latter document also covers the transactions carried out with other related parties and the other disclosure required by article 2497-ter of the Italian Civil Code relevant to companies that carry out direction and coordination activities.

Direction and coordination

As described in the Management Report, the Company is subject to the direction and coordination of Mapei S.p.A., with registered office in via Cafiero 22 Milan, Italy, pursuant to articles 2497-sexies and 2497-septies of the Italian Civil Code. The highlights of the most recently approved financial statements of the above Company are provided at the end of these Notes.

For information about the transactions performed with the company that carries out direction and coordination activities and with the other companies subject to the latter company, as well as the effect of this activity on the Company’s business and its results, reference should be made to the Management Report. Said report also analyses in detail the Company’s decisions that were influenced by the party carrying out direction and coordination activities.

Basis of preparation

Pursuant to article 2423 of the Italian Civil Code, the Financial Statements were prepared in accordance with the general principles of clarity and true and fair view of the Company’s financial position, financial performance and cash flows.

The recognition, measurement, presentation and disclosure of financial statement items may differ from the provisions of the law governing the preparation of financial statements when failure to comply therewith has a negligible impact on the true and fair view of the Company’s financial position, financial performance and cash flows. To this end, information is deemed material, based on qualitative and/or quantitative aspects, when its omission or misstatement could reasonably influence the decisions made by users based on the Company's Financial Statements. The additional specific criteria adopted to define the concept of non-materiality are described together with the individual items of the Financial Statements, where necessary. The materiality of each item is considered in the context of other similar items.

Furthermore, the Company complied with the principles set out in article 2423-bis of the Italian Civil Code as described below.

The financial statements items have been measured in accordance with the general principle of prudence on a going-concern basis and in accordance with the substance over form principle. For each transaction or event and, in any case, for all business events, the related substance was identified, regardless of its origin, and its possible dependence on several contracts forming part of complex transactions was considered.

The Company recognises profits only if realised at the reporting date.

Revenues and expenses shown are those pertaining to the year, regardless of the date of collection or payment.

Risks and losses are recognised on an accruals basis, even when they become known after the reporting date.

Heterogeneous elements included in each item were measured and recognised separately.

Pursuant to article 2423-ter, paragraph 5, of the Italian Civil Code, each balance sheet and income statement item presents the corresponding figures of the previous year. Where necessary, the latter are adjusted for comparative purposes and the related effects are disclosed in the Notes.

Pursuant to article 2423-ter, paragraph 2, of the Italian Civil Code, items preceded by Arabic numerals may be further broken down, without eliminating the main item and the corresponding balance; they may be combined only when the combination, because of the related balance, does not affect the true and fair view of the Company's financial position, financial performance and cash flows or when it supports the clarity of the Financial Statements. In the latter case, the Notes include a breakdown of combined items.

Unless otherwise indicated, all amounts are expressed in thousands of Euro. The amounts shown in the annexes to these Notes are expressed in Euro.

The disclosure provided in these Notes covers balance sheet and income statement items and is presented in the same order in which these items are shown in the Balance Sheet and the Income Statement pursuant to article 2427, paragraph 2, of the Italian Civil Code.

Exceptional events pursuant to article 2423, paragraph 5, of the Italian Civil Code

No exceptional events took place during the year, which would have led the Company to depart from the relevant provisions as per article 2423 et seq. of the Italian Civil Code.

Changes in accounting policies

On 19 April 2023, the Management Board of the Italian Accounting Standard Setter ("OIC") approved accounting standard 34 on revenues, which integrates the changes made as a result of a consultation process. The standard is effective for annual periods beginning on or after 1 January 2024. The new standard not only integrates existing guidance provided by other standards (specifically, OIC 15 "Receivables" and OIC 12 "Structure and Presentation of Financial Statements"), but also provides guidance on issues that were not previously covered.

The scope of application of OIC 34 includes all transactions involving the recognition of revenues arising from the sale of goods and the provision of services, regardless of their classification in the income statement, while business transfers, rental income, reversals and contract work in progress (for which OIC 23 will continue to apply), as well as transactions other than purchase and sale transactions, are excluded.

The accounting model set by the new standard includes the following stages:

- determination of the total price of the contract;
- identification of the distinctly identifiable basic accounting units included in the contract;
- measurement of basic accounting units;
- recognition of revenues when the basic accounting unit criterion is fulfilled by the entity, taking into account the fact that services may be rendered not at a specific point in time, but over a period of time.

The impact of this new accounting standard on the Company's Financial Statements is currently under assessment.

Measurement bases

Financial statement measurement bases comply with those set out in article 2426 of the Italian Civil Code and the applicable reporting standards.

They have not changed compared to those applied in the previous year.

The most significant measurement bases and any first-time adoption rules used are described below, with a specific indication of the elections made among several accounting treatments, where allowed by the law.

Intangible assets

Intangible assets are recognised when they are individually identifiable and their cost can be estimated with sufficient reliability. They are recognised at acquisition or development cost, including the related transaction costs, net of accumulated amortisation and any impairment losses. Intangible assets are amortised on a straight-line basis over their estimated useful life.

At each reporting date, the Company checks if there are any indications of impairment. When such indications exist, the recoverable amount of the asset is estimated and a write-down is recognised pursuant to article 2426, paragraph 1, point 3, of the Italian Civil Code, when the recoverable amount is lower than the corresponding net carrying amount. For additional information, reference should be made to the section "Impairment losses on tangible and intangible assets".

Start-up and capital costs of a deferred nature are recognised with the prior consent of the Board of Statutory Auditors.

The amortisation period does not exceed the legal or contractual limits. If the Company expects to use the asset for a shorter period, the useful life reflects such shorter period for the purposes of calculating the amortisation charge.

Amortisation rates applied are as follows:

Right to use intellectual property of third parties	33%
Concessions, licences, trademarks and similar rights	10%

Tangible assets

Tangible assets are recognised at purchase or production cost when the risks and benefits are transferred, which normally coincides with the transfer of ownership. Their cost includes the purchase cost, the related transaction costs and all costs incurred to bring the asset to the place and in the conditions necessary for it to be used by the Company. The production cost includes all directly attributable charges (materials and direct labour costs, design costs, external supplies, etc.) and general production costs, for the portion reasonably attributable to the asset, incurred from production up to when the asset is available for use.

Tangible assets with a finite useful life are depreciated systematically every year over their residual useful life. Depreciation begins when the asset becomes available for use.

The depreciation charged each year reflects the allocation of the cost incurred over the asset's entire estimated useful life.

The initial amount to be depreciated, which is initially estimated at the time of preparation of the depreciation plan based on the prices available on the market through the sale of assets similar both in terms of technical characteristics and useful life, is reviewed periodically in order to check that the initial estimate is still valid. This amount is considered net of estimated removal costs. Should the removal cost exceed the realisable value, the excess amount is set aside over the useful life of the asset and a provision for recovery or restoration or similar provisions are recognised proportionately.

The realisable value is not taken into account when it is deemed negligible compared to the amount to be depreciated.

If the asset includes components, fixtures or accessories with different useful lives, these items are depreciated separately from the main asset, unless this is not significant or practicable.

The Company estimated the useful life of the various asset categories as follows:

	Years
Land	Indefinite useful life
Industrial buildings	20 – 30
Plant and machinery	5 – 19
Sundry small and laboratory equipment	3 – 5
Other assets	4 – 9

50% of the depreciation rate was applied to increases in the reporting period. Indeed, this percentage is deemed to reflect the average availability of the asset.

If, at the reporting date, the recoverable amount of an asset is lower than the corresponding carrying amount, the asset is written down. The write-down is not maintained in subsequent years if the reasons for impairment cease to exist. The write-down is reversed up to the amount the asset would have had if the write-down had never taken place, that is, net of the depreciation that would have been recognised in the absence of the write-down.

Ordinary maintenance costs are expensed when incurred; maintenance costs that increase production capacity or extend the useful life of an asset are capitalised and depreciated over the asset's useful life.

Tangible assets held for sale are reclassified to current assets and are measured at the lower of their net carrying amount and estimated realisable value based on market trends. They are no longer depreciated. This reclassification is made if the following requirements are met:

- the assets can be sold at their current conditions or do not require changes such as to defer their disposal;
- the sale is highly probable in light of the initiatives undertaken, the expected price and market conditions;
- the transaction is expected to be completed in the short term.

The same accounting treatment applies to obsolete assets and, in general, those that are no longer used or can no longer be used in production permanently.

Buildings were revalued pursuant to Italian Law no. 2 of 28 January 2009.

Impairment losses on tangible and intangible assets

Impairment losses on tangible and intangible assets are recognised in accordance with OIC 9.

At each reporting date, the Company checks if there are any indications of impairment. If such indications exist, the recoverable amount of the assets is estimated.

Specifically, if the recoverable amount of an asset, being the higher of value in use and fair value, is lower than the corresponding carrying amount, the asset is written down. The resulting difference is taken to the Income Statement under item B10) c).

An asset is impaired when at least the following indications exist:

- the market value of an asset decreased significantly during the year, exceeding expectations or the normal use of the asset;
- significant changes occurred or will occur in the near future with a negative impact for the Company in the technological, market, economic or regulatory environment in which it operates or in the target market of the asset;
- the market interest rates or other returns on investment increased during the year and it is likely that these increases will affect the discount rate used to calculate the value in use of an asset, significantly reducing its recoverable amount;

- the obsolescence or wear and tear of an asset is evident;
- significant changes occurred during the year with a negative impact on the Company (such as non-use of the asset, disposal or restructuring plans, redefinition of the useful life of the asset), or are expected to occur in the near future, to the extent or manner in which an asset is used or expected to be used.

When the recoverable amount of an asset cannot be estimated, the recoverable amount of the cash-generating unit ("CGU") to which it belongs is calculated. This is the case of individual assets that do not generate cash inflows that are largely independent of the cash inflows generated by other assets. In this case, if an impairment is identified for a CGU, it is firstly recognised as a decrease in goodwill allocated to that CGU and then in the other assets proportionally to their carrying amount, based on the carrying amount of each asset that forms part of the CGU.

The recoverable amount is not calculated when no indications of impairment are identified.

The write-down is not maintained in subsequent years if the reasons for impairment cease to exist. The write-down is reversed up to the amount the asset would have had if the write-down had never taken place, that is, net of the amortisation/depreciation that would have been recognised in the absence of the write-down.

Write-downs of goodwill and deferred charges cannot be reversed.

Investments

Investments which the company intends to hold in the long term are recognised under financial assets, otherwise, they are recognised under current assets.

Non-controlling investments

Investments in companies other than subsidiaries are recognised at acquisition or incorporation cost, including the related transaction costs. The acquisition cost of an investment is maintained in subsequent years, unless indications of impairment are identified. At each reporting date, the Company checks if there are indications of impairment. An impairment loss exists when the carrying amount of an investment decreases to below its recoverable amount, calculated based on the economic benefits the Company expects to receive from the investment. Investments are written back up to their original cost if the reasons for impairment cease to exist.

Inventories

Inventories are recognised at the lower of purchase or production cost and the estimated realisable value based on market trends, at the end of the reporting period, calculated using the weighted average cost method. In addition to the invoice price, the purchase cost includes transaction costs, such as transport costs, customs duties and other directly attributable costs. Returns, commercial discounts, rebates and bonuses are deducted from costs.

Obsolescence and turnover are also taken into account in calculating inventories value and relevant impairment.

Should the reasons for impairment cease to exist, the write-down is reversed to the extent of the originally incurred cost.

Receivables

Receivables arising from the sale of goods and supply of services are recognised under current assets on an accruals basis in accordance with the applicable recognition requirements.

Receivables arising for other reasons are recognised if they result in a right to a receivable, i.e. if they actually give rise to a third party obligation to the Company; those of a financial nature are classified under financial assets, indicating the amount due within one year.

Receivables are recognised at amortised cost, considering the time value of money and their estimated realisable value. Therefore, they are stated in the Balance Sheet, net of the provision for bad debts deemed adequate to reasonably cover the expected losses due to non-recoverability.

If the interest rate of the transaction does not differ significantly from the market rate and is due within one year, the receivable is initially recognised at its nominal amount, net of all premiums, discounts and allowances and including any costs directly attributable to the transaction which generated such receivable. These transaction costs, any commissions and any other difference between the initial carrying amount and the nominal amount at the due date are allocated over the term of the receivable using the effective interest method.

When the interest rate of the transaction based on the contractual terms significantly differs from the market rate, the receivable (and the corresponding revenue in case of trade transactions) is initially recognised by discounting future cash flows, in addition to any transaction costs. Future cash flows are discounted at the market rate.

With respect to trade receivables, the difference between the carrying amount at initial recognition and the terminal value is recognised in the Income Statement as interest income over the receivable life, using the effective interest method.

With respect to financial receivables, the Company recognises the difference between the cash disbursed and the present value of future cash flows calculated using the market interest rate as financial income or expenses upon initial recognition, except when the transaction or contract substance requires its allocation to another item. The interest income accruing on the transaction is calculated at the effective interest rate and taken to the Income Statement with the carrying amount of the receivable as a balancing entry.

The receivables are subsequently reduced by principal and interest collected and net of estimated write-downs and expected credit losses recognised to adjust their carrying amount to their estimated realisable value.

The Company assumes that the effects of the application of the amortised cost method and of discounting are irrelevant when receivables are due within one year, also based on all contractual and substantial considerations in place upon recognition. Consequently, the differential between the opening balance and the nominal amount at the due date is irrelevant.

The Company did not recognise significant receivables due after more than one year.

Receivables from Group companies

Items "C-II-2" and "C-II-4" include receivables from subsidiaries and the Parent Company, respectively, pursuant to article 2359 of the Italian Civil Code. These amounts are shown separately in the Balance Sheet.

Receivables from companies controlled by parent companies (sister companies), other than subsidiaries, associates or parent companies, are recognised in item "C-II-5".

Derecognition of receivables

Receivables are derecognised when:

- the contractual rights to the cash flows from the receivable are extinguished;
- or title thereto is transferred along with nearly all the related risks.

To verify transfer of the risks, the Company considers all the contractual clauses, such as repurchase obligations when certain events occur or the existence of commissions, excess clauses and penalties due to non-payment.

When a receivable is derecognised following a sale that implies the substantial transfer of all risks, the difference between the consideration and the carrying amount of the receivable at the time of sale is recognised as a loss on sales under item B14 of the Income Statement, unless the contract identifies other types of economic components, financial or otherwise.

Cash and cash equivalents

Bank and postal deposits and cheques (from a current account, banker's drafts and similar instruments) are measured at their estimated realisable value, which coincides with their nominal amount when their collection is not doubtful.

Cash and revenue stamps are measured at their nominal amount.

Cash pooling

Cash pooling, which refers to the centralised management of cash by a Group company, optimises the use of funds and is characterised by debit and credit positions with the cash pooler resulting from withdrawals from the joint current account and the liquidity paid into it, respectively. The Company recognises the resulting receivables under "Cash pooling assets", indicating the relevant counterparty – which can be the subsidiary or the Parent Company – under Financial assets not held as fixed assets. Receivables due after more than one year are classified under financial assets. Any write-downs and write-backs of such amounts are taken to the Income Statement, under "Write-downs of cash pooling assets" and "Write-backs of cash pooling assets", respectively, indicating the relevant counterparty. Any resulting debt position is classified pursuant to OIC 19 "Payables".

Accruals and prepayments

These items include the portion of costs and income, common to two or more years, on an accruals basis. Under this method, they are recognised when the following conditions are met:

- the contract starts in a year and ends in a subsequent year;
- the consideration for the services is contractually due in advance or afterwards for services common to two or more consecutive years;
- the amount of accruals and deferrals changes over time.

These items do not include income and expenses which entirely pertain to the year to which the Financial Statements refer or to subsequent years.

At each year end, the Company analyses the conditions underlying their initial recognition and makes any necessary adjustments. This assessment takes into account not only the passing of time but also the possible recoverability of the recognised amount.

Equity

This item includes all equity transactions carried out between the Company and the parties acting as shareholders.

Provisions for risks and charges

"Pensions and similar obligations": this item refers to agents' termination benefits in Italy and the EU (in Italy, it is based on the sales agents national contract and in the EU it complies with the provisions of the relevant EU Directive), in addition to the performance bonus scheme for the Company's Executives and Managers.

"Taxes": this item includes probable taxes for tax assessments still in progress. They were determined based on the evolution of the interpretation of both legal literature and case-law and also assessed based on suitable professional opinions, in addition to deferred tax liabilities calculated as described in section "Income taxes".

"Other provisions": this item mainly refers to accruals to provisions for risks and charges that cover specific liabilities that are certain or probable, but whose amount or due date is unknown at the reporting date.

Accruals are calculated on the basis of estimates that consider all available items, on an accruals basis and pursuant to the principle of prudence. These elements also include the time horizon when a certain obligation exists at the reporting date, pursuant to a contractual or legal requirement, and the amount required to settle it can be reliably estimated and the due date, reasonably determinable, is so far into the future that the obligation's present value and estimated liability will be considerably different at that settlement date.

No generic risk provisions were accrued without economic justification.

Liabilities, if any, are provided for only if they are deemed probable and the amount of the related charge can be reasonably estimated. Therefore, remote risks were not considered. However, possible, but not probable liabilities are disclosed in the Notes to the Financial Statements, describing the uncertainty, where significant, which may cause the loss, the estimated amount or the indication that it cannot be calculated and other possible effects, as well as a description of the opinion of the Company's Management and its legal counsels and other experts, where available.

Post-employment benefits

This provision covers the entire amount due to the Company's employees in compliance with current laws and the collective labour and additional corporate agreements. It is revalued pursuant to article 2120 of the Italian Civil Code.

It includes the total amount due to employees, including revaluations, net of advances, and considering the effects of the reform introduced by Italian Law no. 296 of 27 December 2006 (the 2007 Finance Law) on the allocation of post-employment benefits (*TFR, trattamento di fine rapporto* in Italian) to the treasury fund of INPS (Italy's social security institution) or other selected bodies.

As a result of this reform, the post-employment benefits accrued up to 31 December 2006 remain with the Company and form part of the recognised provision.

Starting from 1 January 2007, the post-employment benefits accrued during the year are taken to the Income Statement and the portion still to be paid to the INPS treasury fund or to other funds is recognised under current liabilities, item "D) 14".

Payables

Payables arising from the purchase of goods are recognised in the Balance Sheet when the substantial transfer of risks, charges and benefits has taken place. Payables relating to services are recognised once the services have been delivered, i.e. when they have been carried out.

Loans and borrowings, and payables unrelated to the procurement of goods and services are recognised when the Company has a legal or contractual obligation vis-a-vis the counterparty.

Advances include payments from customers for goods not yet sold or services not yet rendered. Payables are recognised at amortised cost, considering the time value of money.

If the interest rate of the transaction does not differ significantly from the market rate, the payable is initially recognised at its nominal amount, net of all transaction costs and all premiums, discounts and allowances directly attributable to the transaction which generated such payable. These transaction costs, including borrowing costs, commissions and any other difference between the initial carrying amount and the nominal amount at the due date are allocated over the term of the payable using the effective interest method.

When the interest rate of the transaction based on the contractual terms significantly differs from the market rate, the payable (and the corresponding expense in case of trade transactions) is initially recognised by discounting future cash flows, in addition to any transaction costs. Future cash flows are discounted at the market rate.

With respect to trade payables, the difference between the carrying amount at initial recognition and the terminal value is recognised in the Income Statement as interest expense over the payable life, using the effective interest method. With regard to loans and borrowings, the Company recognises the difference between the cash received and the present value of future cash flows calculated using the market interest rate as financial income or expenses upon initial recognition, except when the transaction or contract substance requires its allocation to another item. The interest expense accruing on the transaction is calculated at the effective interest rate and taken to the Income Statement with the carrying amount of the payable as a balancing entry. Payables are subsequently decreased to reflect both principal and interest paid.

The Company assumes that the effects of the application of the amortised cost method and of discounting are irrelevant when the payables are due within one year, also based on all contractual and substantial considerations in place upon recognition, and the transaction costs and all other differences between the initial and nominal amount at the due date are negligible. In this case, no discounting is made and interest is calculated at its nominal amount, and transaction costs are recognised as deferrals and amortised on a straight-line basis over the term of the payable to adjust the nominal interest expense.

There are no payables due after more than one year.

Payables to Group companies

Items “D) 9” and “D) 11” include, respectively, payables to subsidiaries and the Parent Company as per the definition set out in article 2359 of the Italian Civil Code. These amounts are shown separately in the Balance Sheet.

Payables to companies controlled by parent companies (sister companies), other than subsidiaries, associates and parent companies, are recognised in item “D) 11-bis”.

Revenues

Revenues from the sale of goods are recognised on an accruals basis when both of the following conditions are met:

- the production process of goods and services was completed;
- the transfer has already taken place, i.e. the substantial and not formal transfer of title occurred. For the sale of goods, this moment coincides with the shipping or delivery of the goods, whereas for goods requiring a public deed (real estate and movable property) it coincides with the signing date of the purchase and sale agreement. Revenues from the provision of services are recognised once the services have been provided, i.e. when they have been carried out.

Revenues from the provision of services are recognised on the date the services are completed or, for those covered by contracts with periodic fees, on the date on which the fees accrue.

Revenues from sales are stated net of returns, allowances, discounts and premiums, as well as taxes directly related to the sale of goods or provision of services, and revenue adjustments pertaining to the year are recognised directly against revenues.

"Other income and revenues” include positive non-financial income components, deriving only from non-core business.

Costs

Purchase costs are recognised on an accruals basis. Raw, ancillary and consumable materials, and goods for resale include the related transaction costs (transport, insurance, loading and unloading, etc.) if included by the supplier in the purchase price, otherwise they are recognised separately under services based on their nature.

Costs include certain amounts and amounts still to be documented, but for which the transfer of title or provision of service has already taken place.

Financial income and expenses

These items include all positive and negative components of the profit (loss) for the year related to the Company's financing operations and are recognised on an accruals basis.

Dividends

Dividends are recognised when, subsequent to the resolution of an investee's shareholders' meeting to distribute profits or reserves, the right to collection arises for the investor. Dividends are recognised as financial income, regardless of the nature of the reserves being distributed. The investor checks that, as a result of the distribution, the recoverable amount of the investment has not decreased to such an extent as to require the recognition of an impairment loss.

Income taxes, deferred tax assets and liabilities

Current income taxes are calculated on the basis of the taxable profit using a prudent interpretation of the relevant tax legislation.

As the Company participates in the tax consolidation scheme headed by the Parent Company Mapei S.p.A., the tax receivables and payables (for IRES purposes) of the year are reclassified to receivables from and payables to the Parent Company.

In the event of negative taxable income, the tax income is recognised against these losses only after checking the effective balance of the domestic tax consolidation scheme.

The income taxes of the year for IRAP purposes are provided for under "Tax payables", net of any advances paid.

In accordance with the Italian Civil Code and the Italian Accounting Standard Setter (OIC), as in previous years, the Company recognised deferred tax assets and liabilities.

Specifically, deferred tax assets are recognised when their realisation is reasonably certain. They are calculated at the tax rate that will be applicable in the year in which the temporary differences reverse.

The benefit connected with the carry forward of tax losses, not recognised as part of the domestic tax consolidation scheme, is recognised only when the following conditions are simultaneously met:

- the existence of future taxable income is reasonable certain against which these tax losses can be used, within the deductibility period set out by the tax legislation;
- these losses arise from well-identified circumstances which will not occur again with reasonable certainty.

Deferred tax assets and liabilities are not discounted.

Translation of foreign currency items

Pursuant to article 2426, paragraph 1, point 8-bis, of the Italian Civil Code, subsequent to initial recognition, assets and liabilities expressed in a currency other than the reporting currency are recognised at the spot closing rate. The resulting foreign exchange gains and losses are taken to the income statement item C17-bis) "Foreign exchange gains and losses" and any net gain, which forms part of the profit (loss) for the year, is allocated to a specific reserve that is unavailable until realisation.

Non-monetary assets and liabilities in currencies other than the reporting currency are translated using the acquisition-date exchange rate. If the closing rate is significantly different from that ruling on the acquisition date, the related difference is considered when measuring the carrying amount of individual non-monetary assets. Accordingly, any (positive or negative) foreign exchange differences contribute to determining the recoverable amount. The foreign currency financial statements of investments measured using the equity method are translated into the reporting currency in accordance with OIC 17 "Consolidated financial statements and equity method". The related investment is subsequently measured at equity.

Significant, unexpected exchange rate fluctuations that take place after the reporting date in the foreign currencies to which the Company is most exposed without hedges are not recognised as they pertain to the financial statements of the subsequent year. However, they are disclosed in the Notes to the Financial Statements under the section "Events after the reporting date".

Changes in accounting policies

Changes in accounting policies are recognised when adopted and the related events and transactions are treated in accordance with OIC 29 that is applied retrospectively. Consequently, the related effects are recognised on the opening balance of equity.

For comparative purposes only, the opening balance of the previous year's equity and the prior year corresponding figures are adjusted as if the new policy had always been applied. However, when the effects of the change are not significant, the Company may opt not to restate the corresponding figures.

Finally, when the previous effect cannot be calculated, the Company does not restate the corresponding figures and applies the new accounting policy prospectively.

Where significant, the effects of the adoption of the new policies on the Balance Sheet, Income Statement and Cash Flow Statement are shown and commented on in these Notes next to the relevant items.

Assets

FIXED ASSETS

Changes in intangible assets

The net carrying amounts as at 31 December 2023 and 31 December 2022 may be analysed as follows.

	Industrial patent rights and right to use intellectual property of third parties	Concessions, licences, trademarks and similar rights	Total
Opening balance			
Cost	30,229	295,205	325,434
Accumulated amortisation	25,988	204,071	230,059
Carrying amount	4,241	91,134	95,375
Changes in the year			
Amortisation in the year	1,601	28,252	29,853
Total changes	**(1,601)**	**(28,252)**	**(29,853)**
Closing balance			
Cost	30,229	295,205	325,434
Accumulated amortisation	27,589	232,323	259,912
Carrying amount	2,640	62,882	65,522

The item “Concessions, licences, trademarks and similar rights” mainly comprises the licenses acquired in 2017 by Mapei S.p.A. (€ 240 thousand) to use the new operating system (on 1 January 2017, the Company completed the transition of its operating system from the “AS400” platform to the Microsoft Dynamics architecture “AX”, already used by the Parent Company). These licenses are amortised over 8 years.

Changes in tangible assets

The net carrying amounts as at 31 December 2023 and 31 December 2022 may be analysed as follows.

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other tangible assets	Assets under construction and advances	Total tangible assets
Opening balance						
Cost	21,700,056	123,172,738	1,632,188	3,736,270	7,076,768	157,318,020
Revaluations	3,948,000	44,791,077	0	0	0	48,739,077
Accumulated depreciation	14,614,025	138,073,232	1,517,887	3,568,283	0	157,773,427
Carrying amount	11,034,031	29,890,583	114,301	167,987	7,076,768	48,283,670
Changes in the year						
Increases	0	71,786	11,345	54,366	8,701,824	8,839,321
Reclassifications (of the carrying amount)	516,417	2,234,023	261,579	13,138	(3,025,157)	0
Depreciation in the year	721,652	3,826,228	134,616	68,420	0	4,750,916
Total changes	**(205,235)**	**(1,520,419)**	**138,308**	**(916)**	**5,676,667**	**4,088,405**
Closing balance						
Cost	22,216,473	125,478,547	1,905,112	3,803,774	12,753,435	166,157,341
Revaluations	3,948,000	44,791,077	0	0	0	48,739,077
Accumulated depreciation	15,335,677	141,899,460	1,652,503	3,636,703	0	162,524,343
Carrying amount	10,828,796	28,370,164	252,609	167,071	12,753,435	52,372,075

The net increase of € 4,088 thousand is mainly due to capital expenditure of € 8,839 thousand, net of total depreciation of € 4,751 thousand.

Investments were made at both production sites and were aimed at upgrading both production equipment and infrastructure. Specifically:

Villadossola

- new vinyl production line (€ 3,379 thousand);
- new acrylic production line (€ 2,212 thousand);
- extraordinary maintenance of railway link to the site (€ 194 thousand);
- improvement of the seismic performance of the EVA plant (€ 152 thousand).

Ravenna

Work on the "Dynamon" production plant in order to manufacture new finished products by constructing new reactors and major adjustments to cope with the increased production capacity (€ 1,329 thousand).

Monetary revaluations

Pursuant to article 10 of Italian Law no. 72/83 and article 11 of Italian Law no. 342/2000, the Company’s assets as at 31 December 2023 which were subject to monetary revaluations in accordance with the law, are broken down below by category.

Item	Italian Law no. 266 of 23 December 2005	Italian Law no. 2 of 28 January 2009	Italian Law no. 126 of 13 October 2020	Total revaluations
Land and buildings	0	3,948,000	0	3,948,000
Plant and machinery	44,790,982	0	22,271,683	67,062,665
Industrial and commercial equipment	0	0	0	0
Other assets	0	0	0	0
Total	**44,790,982**	**3,948,000**	**22,271,683**	**71,010,665**

Financial assets

At the reporting date, financial assets amount to € 22,303 thousand (€ 19,170 thousand as at 31 December 2022).

They are entirely comprised of investments in subsidiaries and other companies. Investments are recognised at acquisition cost, net of write-downs.

Changes in investments, other securities and derivative financial instruments recognised as fixed assets

	Investments in subsidiaries	Investments in other companies	Total investments
Opening balance			
Cost	19,974,390	195,995	20,170,385
Write-downs	1,000,000	0	1,000,000
Carrying amount	18,974,390	195,995	19,170,385
Changes in the year			
Increases	3,018,513	114,100	3,132,613
Total changes	**3,018,513**	**114,100**	**3,132,613**
Closing balance			
Cost	22,992,903	310,095	23,302,998
Write-downs	1,000,000	0	1,000,000
Carrying amount	21,992,903	310,095	22,302,998

Pursuant to article 2426, paragraph 1, point 3, of the Italian Civil Code, it is noted that the carrying amount of the investment in Vinavil Egypt for Chemicals SAE exceeds the portion of equity held by Vinavil S.p.A. (74.98%), as per the 2023 financial statements of Vinavil Egypt for Chemicals which are currently being approved (based on the pre-closing figures as at 31 December 2023, the figures summarised in the table included in the section "Breakdown of investments in subsidiaries" are expected).

In any case, the Company tested the investment for impairment using the discounted cash flow method in order to check its carrying amount as at 31 December 2023. The test was carried out based on the estimated discounted cash flows related to the Business Plan (the "Plan") covering the 2024-2028 five-year period and their projections beyond the time horizon of the Plan.

The Plan envisages an increase in EBITDA due to the growth of the business, the higher production capacity resulting from the investments made, and the expected inflation rate for the country. The assumptions underlying the Plan and the measurement of the equity investment are based on reasonable and final estimates which reflect the information available to date.

The test did not identify the need to adjust the carrying amount of the investment.

"Investments in other companies" comprise:

- the nominal € 310,009 investment (3.5%) in Ravenna Servizi Industriali soc. cons. p. a. (or RSI, whose business purpose is the management of plants and infrastructures for the development and supply of plant services to companies located in the Ravenna Chemical Hub, where the Company's facilities are located), with a cost of € 310,009. The increase on the previous year is due to the € 114,100 increase in RSI's capital (in proportion to the Company's current investment) as part of new projects related to plant services;
- the acquisition of a 0.05% investment in Mapei Egypt for Construction Chemicals in 2017, equal to 10 shares, for a nominal amount of USD 100 or € 85.87.

Breakdown of investments in subsidiaries

The following table compares the carrying amount and the portion of equity pertaining to Vinavil S.p.A., in addition to the highlights of the subsidiary.

Name	Country	Share capital (in €)	Profit (Loss) for the year (in €)	Equity (in €)	Investment held (in €)	Investment held (%)	Carrying amount or corresponding receivable
Vinavil Egypt for Chemicals SAE	Egypt	7,466,917	7,125,260	10,394,422	7,793,738	74.98%	21,992,903
Total							***21,992,903***

Financial assets

Item	Carrying amount
Investments in other companies	310,095
Total	***310,095***

Breakdown of investments in other companies

Item	Carrying amount
Ravenna Servizi Industriali soc. cons. p.a.	310,009
Mapei Egypt for Construction Chemicals	86
Total	***310,095***

CURRENT ASSETS

Inventories

Inventories as at 31 December 2023 and 31 December 2022 are broken down as follows:

Item	31.12.2022	Changes	31.12.2023
Raw, ancillary and and consumable materials	17,993,993	(2,504,301)	15,489,692
Finished products and goods for resale	10,962,757	(2,183,329)	8,779,428
Total inventories	***28,956,750***	***(4,687,630)***	***24,269,120***

Inventories include the items in stock at the Company's sites and warehouses, those at third parties' sites and goods in transit for which the Company has already acquired title.

Raw and ancillary materials to be used in processing decreased by € 2,504 thousand on the previous year end; the decrease is due to the generalised reduction in the prices of the main monomers recorded in the year; specifically, the value of VAM (vinyl acetate monomer, i.e. the main material used in the Company's production cycles) constantly decreased over the year reaching -50% at December 2023 compared to December 2022.

The year-on-year decrease in finished products and goods for resale is not due to the reduction in the volume of finished products in stock—which are growing modestly—but rather to their measurement, which is based on raw material costs as described above being lower than in 2022.

Inventories are measured using the weighted average cost method.

The write-down provisions relate to obsolete items which were measured at the lower of cost and estimated realisable value.

Changes in the write-down provision are as follows (in thousands of €):

	31.12.2022	Accruals	Uses	31.12.2023
Packaging	61	0	-61	0
Raw materials	11	28	-11	28
Finished products	35	64	-35	64
Total	***107***	***92***	***-107***	***92***

Current receivables

Current receivables amount to € 64,055,474 (€ 64,448,601 as at 31 December 2022). The breakdown is as follows:

Item	Amounts due within one year	Amounts due after more than one year	Nominal amount	Bad debt provision	Net carrying amount
Trade receivables	29,923,475	0	31,108,015	-1,184,540	29,923,475
From subsidiaries	6,422,732	0	6,422,732	0	6,422,732
From Parent Company	10,696,150	0	10,696,150	0	10,696,150
From companies controlled by parent companies	9,647,698	0	9,647,698	0	9,647,698
Tax receivables	927,294	846,104	1,773,398	0	1,773,398
Deferred tax assets	452,877	0	452,877	0	452,877
From others	5,139,144	0	5,139,144	0	5,139,144
Total current receivables	***63,209,370***	***846,104***	***65,240,014***	***-1,184,540***	***64,055,474***

Changes in and due dates of current receivables

Receivables are broken down below by due date pursuant to article 2427, paragraph 1, point 6, of the Italian Civil Code.

Item	31.12.2022	Changes in the year	31.12.2023	Amounts due within one year	Amounts due after more than one year
Trade receivables	35,319,434	(5,395,959)	29,923,475	29,923,475	0
From subsidiaries	34,948	6,387,784	6,422,732	6,422,732	0
From Parent Company	11,571,987	(875,837)	10,696,150	10,696,150	0
From companies controlled by parent companies	14,428,119	(4,780,421)	9,647,698	9,647,698	0
Tax receivables	2,325,327	(551,929)	1,773,398	927,294	846,104
Deferred tax assets	453,406	(529)	452,877	0	0
From others	315,380	4,823,764	5,139,144	5,139,144	0
Total current receivables	***64,448,601***	***(393,127)***	***64,055,474***	***62,756,493***	***846,104***

Breakdown of current receivables by geographical area.

Geographical area	Italy	Abroad	Total
Trade receivables	21,459,996	8,463,479	29,923,475
From subsidiaries	0	6,422,732	6,422,732
From Parent Company	10,696,150	0	10,696,150
From companies controlled by parent companies	1,280,755	8,366,943	9,647,698
Tax receivables	1,773,398	0	1,773,398
Deferred tax assets	452,877	0	452,877
From others	62,983	5,076,161	5,139,144
Total current receivables	**35,726,159**	**28,329,315**	**64,055,474**

Trade receivables

"Trade receivables", which do not include any amounts due after more than one year, arise from normal sales transactions.

Foreign currency balances amount to € 401 thousand; the main foreign currencies are the USD and the GBP.

Unaccepted electronic bank receipts (*RIBA* in Italian) refer to amounts past due at the reporting date and credited by banks after such date.

The bad debt provision is adequate based on a prudent assessment of the risks of doubtful collection of trade receivables, and was unchanged compared to the previous year.

There are no amounts due after more than one year.

Receivables from subsidiaries

They amount to € 6,422 thousand (€ 35 thousand as at 31 December 2022) and are all of a trade nature.

Receivables from Parent Company

The "Receivables from Parent Company" Mapei S.p.A. are all due within one year and amount to € 10,696 thousand (€ 11,572 thousand as at 31 December 2022); they are entirely related to trade transactions carried out with the Parent Company at arm's-length.

Receivables from companies controlled by parent companies

These amounts are due from Mapei S.p.A.'s subsidiaries. They are related to trade transactions and are all due within one year. They amount to € 9,968 thousand (€ 14,428 thousand as at 31 December 2022).

Their breakdown by geographical area is as follows:

- Italy: 13.3%;
- EU: 18.3%;
- Non-EU: 68.4%.

Tax receivables

Tax receivables amount to € 1,773 thousand (€ 2,325 thousand as at 31 December 2022) and may be analysed as follows:

- € 900 thousand related to the tax credit for "Research & Development";
- € 757 thousand related to the tax credit for "Operating assets";
- € 47 thousand related to the "Art-bonus" tax credit. This is the residual tax credit granted following the disbursements made during the year and in 2021 and 2022 to support Italy's public cultural heritage;
- € 40 thousand related to VAT;
- € 21 thousand related to the "Training 4.0" tax credit;
- € 8 thousand related to the substitute tax on post-employment benefits (TFR).

Tax credit for "Operating assets"

Article 1, paragraphs 1051-1063, of the 2021 Italian Budget Law redrafted the rules governing tax credits for investments in new tangible and intangible assets to be used in production facilities located in Italy, in line with the original provisions of article 1, paragraphs 184-197, of Italian Law no. 160/2019.

Accordingly, a tax credit is granted based on the amount of the investments made in the period from 16 November 2020 to 31 December 2022 (or the longer term of 30 June 2023, provided that the purchase order has been accepted by the seller and a 20% down payment has been made by 31 December 2022).

The following residual amounts refer to the tax credits recognised in 2022:

- € 427 thousand related to the IRES tax credit for "investments in new operating assets – 4.0, tangible and intangible assets" (Italian Law no. 178/2020 – "2021 Budget Law"), which became operative in 2023, relevant appraisal was made in 2023 and notice was given in 2022;
- € 99 thousand related to the IRES tax credit for "investments in new operating assets – 4.0, tangible and intangible assets" (Italian Law no. 178/2020 – "2021 Budget Law"), which became operative in 2023, relevant appraisal was made in 2023 and notice was given in 2021;
- € 99 thousand related to the IRES tax credit for "investments in new operating assets – 4.0, tangible and intangible assets" (Italian Law no. 178/2020 – "2021 Budget Law"), which became operative in 2022, relevant appraisal was made in 2022 and notice was given in 2021;
- € 53 thousand related to the IRES tax credit for "investments in new operating assets – ordinary assets" (Italian Law no. 160/2019 – "2020 Budget Law") – 6% tax rate (assets acquired in 2020);

- € 25 thousand related to the IRES tax credit for "investments in new operating assets – ordinary assets" (Italian Law no. 178/2020 – "2021 Budget Law") – 6% tax rate (assets acquired in 2022, which became operative in 2023);
- € 24 thousand related to the IRES tax credit for "investments in new operating assets – ordinary assets" (Italian Law no. 178/2020 – "2021 Budget Law") – 6% tax rate (assets acquired in 2022, which became operative in 2022);
- € 17 thousand related to the IRES tax credit for "investments in new operating assets – ordinary assets" (Italian Law no. 178/2020 – "2021 Budget Law") – 10% tax rate (assets acquired in 2021, which became operative in 2023);
- € 11 thousand related to the IRES tax credit for "investments in new operating assets – ordinary assets" (Italian Law no. 178/2020 – "2021 Budget Law") – 10% tax rate (assets acquired in 2021, which became operative in 2022);
- € 2 thousand related to the IRES tax credit for "investments in new operating assets – 4.0, tangible and intangible assets" (Italian Law no. 160/2019 – "2020 Budget Law"), which were acquired in 2021, became operative in 2022, and relevant appraisal was made in 2022.

Tax credit for "Research & Development"

The residual tax credit for research, development, technological innovation and design activities carried out between 1 January 2021 and 31 December 2021 amounts to € 462 thousand.

The residual tax credit for research, development, technological innovation and design activities carried out between 1 January 2022 and 31 December 2022 amounts to € 438 thousand.

Deferred tax assets

This item comprises deferred tax assets of € 453 thousand. Additional information, including about the deferred tax liabilities recognised under item "B 2)" of the liability section and the related economic effect, is provided in the Income Statement section "Income taxes, current taxes, deferred tax assets and liabilities", to which reference should be made.

Depreciation on the revaluation of buildings (carried out in 2008) is not deductible for tax purposes, and therefore deferred tax assets mainly refer to the provision for sundry risks and charges, the provision for foreign agents' post-employment benefits and the provision for inventory write-downs.

Based on the Company's expected future profitability, the recoverability of deferred tax assets is reasonably certain.

Receivables from others

Receivables from others are all due within one year and amount to € 5,139 thousand (€ 315 thousand as at 31 December 2022).

The main change compared to the previous year is the € 5,076 thousand increase arising from the guarantee deposits paid to certain suppliers of the subsidiary Vinavil Egypt for Chemicals SAE. In fact, the particular socio-political and economic environment of the country in which the subsidiary operates has made it difficult in the short term to handle the conversion of the foreign currency (USD) required for the delivery of raw materials, according to the timeframe set by relevant purchase contracts.

Item	31.12.2022	Changes in the year	31.12.2023
Customs advances	251,643	-251,643	0
ENASARCO (agents' fund)	36,311	-7,157	29,154
Guarantee deposits	11,203	104	11,307
INAIL (Italy's institute for insurance against accidents at work)	12,002	4,584	16,586
Other	4,221	5,077,875	5,082,096
Total	***315,380***	***4,823,763***	***5,139,143***

Changes in and due dates of current receivables

Changes in financial assets not held as fixed assets

They consist of the funds necessary for ordinary cash management.

The Company has in place with the Parent Company Mapei S.p.A. a cash pooling arrangement to optimise the use of funds. The cash pooling technique used is the zero balance technique. According to this procedure, the pooler (Mapei S.p.A.) reports the daily balances of the transactions carried out by the companies participating in the arrangement, and the positive or negative balances of the Company's bank accounts are effectively transferred to the cash pooling account. Therefore, the balances of the Company's bank accounts are cleared daily as they are transferred to Mapei S.p.A.

For the purposes of a correct presentation in the Financial Statements, pursuant to OIC 14, this balance is not recognised under cash and cash equivalents. In fact, it is considered a receivable from the pooler that manages the cash pooling arrangement and is therefore recognised in the "Cash pooling assets" item under "Financial assets not held as fixed assets", indicating the relevant counterparty pursuant to article 2423-ter, paragraph 3. Should the balance recognised in this item be due after more than one year, it would be classified under financial assets.

The credit balance of the cash pooling account as at 31 December 2023 and included under the "Cash pooling assets" item amounts to € 749 thousand (€ 340 thousand as at 31 December 2022).

Item	31.12.2022	Changes in the year	31.12.2023
Cash pooling assets	339,884	408,783	748,667
Total financial assets not held as fixed assets	***339,884***	***408,783***	***748,667***

Cash and cash equivalents

They amount to € 5 thousand (€ 3 thousand as at 31 December 2022). They consist of the funds necessary for ordinary cash management.

Item	31.12.2022	Changes in the year	31.12.2023
Cash on hand	3,177	1,678	4,855
Total cash and cash equivalents	***3,177***	***1,678***	***4,855***

ACCRUED INCOME AND PREPAID EXPENSES

They amount to € 165 thousand (€ 233 thousand as at 31 December 2022) and consist of lease payments (€ 45 thousand), insurance premiums (€ 26 thousand), rental costs (€ 24 thousand) and sundry costs pertaining to subsequent years (€ 70 thousand).

Item	31.12.2022	Changes in the year	31.12.2023
Accrued income	0	0	0
Prepaid expenses	232,941	(68,152)	164,789
Total accrued income and prepaid expenses	***232,941***	***(68,152)***	***164,789***

Equity and Liabilities

Equity

The changes for the year refer to:

- the decision made by the shareholders in their meeting of 2 May 2023, to allocate the entire profit for 2022 (€ 4,571 thousand) to equity, under the item "Retained earnings (Accumulated losses)", and to release the "Reserve for net unrealised foreign exchange gains" (pursuant to article 2426, point 8-bis, of the Italian Civil Code) to the tune of € 32 thousand by reclassifying this amount to "Retained earnings (Accumulated losses)";
- the decision made by the shareholders in their meeting of 21 November 2023, to distribute a € 2,000 thousand dividend, to be drawn from "Retained earnings".

Changes in Equity

At the reporting date, equity is broken down as follows:

Share capital

As at 31 December 2023, the share capital amounted to € 6,000 thousand, fully paid-up, and consisted of 6,000,000 ordinary shares with a nominal value of € 1 each.

Revaluation reserves

The revaluation reserve pursuant to Italian Law no. 266/2005 consists of the revaluation amount of € 44,791 thousand net of the 12% substitute tax.

The revaluation reserve pursuant to Italian Law no. 2/2009 consists of the revaluation amount of € 3,948 thousand net of the 3% substitute tax.

The revaluation reserve pursuant to Italian Law no. 126/2020 consists of the revaluation amount of € 22,272 thousand net of the 3% substitute tax.

Legal reserve

The legal reserve, amounting to € 1,200 thousand and consisting of retained earnings, accounts for 20% of the share capital.

Other reserves

They refer to the Tax realignment reserve (Italian Law no. 266/2005) to the tune of € 4,832 thousand, equal to the amount of the tax provision on deferred amortisation/depreciation as at 31 December 2004 of € 5,491 thousand, net of the 12% substitute tax.

Item	Opening balance	Allocation of the profit for the previous year: Dividend distribution	Allocation of the profit for the previous year: Other allocations	Other changes: Increases	Other changes: Decreases	Profit (Loss) for the year	Closing balance
Share capital	6,000,000	0	0	0	0		6,000,000
Revaluation reserves	64,849,156	0	0	0	0		64,849,156
Legal reserve	1,200,000	0	0	0	0		1,200,000
Other reserves							
Reserve for unrealised foreign exchange gains	31,735	0	0	0	31,735		0
Sundry other reserves	4,832,465	0	0	0	0		4,832,465
Total other reserves	4,864,200	0	0	0	31,735		4,832,465
Retained earnings (Accumulated losses)	26,654,282	(2,000,000)	4,571,049	0	(31,735)		29,257,066
Profit (Loss) for the year	4,571,049	0	(4,571,049)	11,706,537	0	11,706,537	11,706,537
Total Equity	***108,138,687***	***(2,000,000)***	***0***	***11,706,537***	***0***	***11,706,537***	***117,845,224***

Breakdown of sundry other reserves

Item	Amount
Tax realignment reserve pursuant to Italian Law no. 266/2005	4,832,465
Total sundry other reserves	***4,832,465***

Availability and use of equity

Pursuant to article 2427, paragraph 1, point 7-bis, of the Italian Civil Code, equity is broken down below, indicating its origin, possible use and distribution as well as uses in previous years:

Nature/Item	Amount	Origin/Nature	Possible use (*)	Amount available	Uses in the past three years - other reasons
Share capital	6,000,000			0	0
Revaluation reserves	64,849,156	equity reserve	A – B – C	64,849,156	0
Legal reserve	1,200,000	income reserve	B	0	0
Other reserves					
Sundry other reserves	4,832,465	income reserve	A – B – C	4,832,465	0
Total other reserves	4,832,465			4,832,465	0
Retained earnings (Accumulated Losses)	29,257,066	income reserve	A – B – C	29,257,066	10,500,000
Total	***106,138,687***			***98,938,687***	***10,500,000***
Non-distributable amount				41,596	
Residual available amount				98,897,091	

(*) A: to increase share capital; B: to cover losses; C: distributions to shareholders; D: other by-laws requirements; E: other.

Origin, possible use and distribution of sundry other reserves

Item	Amount	Origin/Nature	Possible use (*)	Amount available
Tax realignment reserve pursuant to Italian Law no. 266/2005	4,832,465	income reserve	A – B – C	4,832,465
Total sundry other reserves	**4,832,465**			

(*) A: to increase share capital; B: to cover losses; C: distributions to shareholders; D: other by-laws requirements; E: other.

For the sake of greater disclosure, the equity transactions carried out in the past two years are shown below:

Changes	Share capital	Legal reserve	Other reserves	Retained earnings (Accumulated losses)	Profit (Loss) for the year	Total
Balance as per 2020 Financial Statements	**6,000,000**	**1,200,000**	**69,837,441**	**12,795,263**	**9,956,317**	**99,789,021**
Allocation of the profit (loss) for the year						
Net profit (loss) for 2020 allocated to retained earnings (accumulated losses)				9,956,317	-9,956,317	0
Other changes						0
Dividends distributed				-4,500,000		-4,500,000
Foreign exchange gains of previous years			-61,622	61,622		0
Profit for the year 2021					10,278,616	10,278,616
Balance as per 2021 Financial Statements	**6,000,000**	**1,200,000**	**69,775,819**	**18,313,202**	**10,278,616**	**105,567,637**
Allocation of the profit (loss) for the year						
Net profit (loss) for 2021 allocated to retained earnings (accumulated losses)				10,278,616	-10,278,616	0
Other changes						0
Dividends distributed				-2,000,000		-2,000,000
Foreign exchange gains of previous years			-62,463	62,463		0
Profit for the year 2022					4,571,049	4,571,049
Balance as per 2022 Financial Statements	**6,000,000**	**1,200,000**	**69,713,356**	**26,654,282**	**4,571,049**	**108,138,687**

Provisions for risks and charges

Breakdown and changes of the items are as follows:

Item	Pensions and similar obligations	Taxes, including deferred tax liabilities	Other provisions	Total provisions for risks and charges
Opening balance	2,202,846	0	433,926	2,636,772
Changes in the year				
Accruals in the year	258,495	9,983	0	268,478
Uses in the year	215,787	0	0	215,787
Total changes	42,708	9,983	0	52,691
Closing balance	**2,245,554**	**9,983**	**433,926**	**2,689,463**

"**Pensions and similar obligations**" refer to:

- "Agents' termination benefits" which comprise the total amount accrued pursuant to the collective agreement governing agency relationship in Italy;
- the "Severance indemnity" to be paid to foreign agents;
- the "Performance bonus scheme for Managers and Executives".

Changes in the year are as follows *(amounts in € thousands)*:

Item	Agents' termination benefits	Agents' severance indemnity	Performance bonus scheme for Managers and Executives	Total
31.12.2022	67	387	1,749	2,203
Uses	0	158	58	216
Accruals	4	0	255	259
31.12.2023	**71**	**229**	**1,946**	**2,246**

Changes of "**Taxes, including deferred tax liabilities**" are as follows *(amounts in € thousands)*:

Item	Deferred tax liabilities	Total
31.12.2022	0	0
Accruals	10	10
Uses	0	0
31.12.2023	**10**	**10**

Accruals refer to the effects of deferred taxes relating to “Expected foreign exchange gains”.

The “**Provision for sundry risks and charges**” was accrued in respect of expected costs, losses or payables that are certain or probable, but whose amount or due date is unknown at the reporting date. The accruals reflect the most accurate estimate possible on the basis of the available elements. The assessment of risks and charges whose actual occurrence depends on that of future events also considered the information that became available after the reporting date and up to the preparation date of these Financial Statements.

The reporting-date balance amounts to € 434 thousand and is unchanged from the previous year end; it refers to the risks associated with the possible return of income from trading of energy efficiency certificates.

These provisions were measured pursuant to the principle of prudence and on an accruals basis.

Post-employment benefits

At the reporting date, this provision amounts to € 684 thousand (€ 708 thousand as at 31 December 2022) and reflects the total post-employment benefits payable to the Company’s employees at the end of 2023, net of the advances granted pursuant to article 1 of Italian Law no. 297 of 29 May 1982. The balance was mainly used for transfers to pension funds (€ 1,172 thousand), to the INPS treasury fund (€ 10 thousand) and for indemnities paid and advanced during the year (€ 35 thousand).

Changes in the year are as follows:

Post-employment benefits	Amount
Opening balance	708,087
Changes in the year	
Accruals in the year	1,195,886
Uses in the year	1,220,195
Total changes	(24,309)
Closing balance	**683,778**

Payables

Payables are recognised under liabilities and total € 41,861,680 (€ 49,606,992 as at 31 December 2022).

Changes in and due date of payables

Item	31.12.2022	Changes	31.12.2023	Amounts due within one year
To banks	1,049	(1,049)	0	0
To suppliers	22,556,143	(2,209,086)	20,347,057	20,347,057
To subsidiaries	0	19,371	19,371	19,371
To Parent Company	22,266,287	(5,435,501)	16,830,786	16,830,786
To companies controlled by parent companies	39,057	75,109	114,166	114,166
Tax payables	871,690	68,792	940,482	940,482
To welfare and social security institutions	702,837	35,874	738,711	738,711
Other payables	3,169,929	(298,822)	2,871,107	2,871,107
Total	**49,606,992**	**(7,745,312)**	**41,861,680**	**41,861,680**

There are no payables due after more than one year.

There are no payables secured by collateral on Company assets.

Breakdown of payables by geographical area

Geographical area	Italy	Abroad	Total
To suppliers	11,263,063	9,083,994	20,347,057
To subsidiaries	0	19,371	19,371
To Parent Company	16,830,786	0	16,830,786
To companies controlled by parent companies	0	114,166	114,166
Tax payables	940,482	0	940,482
Payables to welfare and social security institutions	738,711	0	738,711
Other payables	2,871,107	0	2,871,107
Total payables by geographical area	***32,644,149***	***9,217,531***	***41,861,680***

Payables secured by collateral on Company assets

	Unsecured payables	Total
To suppliers	20,347,057	20,347,057
To subsidiaries	19,371	19,371
To Parent Company	16,830,786	16,830,786
To companies controlled by parent companies	114,166	114,166
Tax payables	940,482	940,482
Payables to welfare and social security institutions	738,711	738,711
Other payables	2,871,107	2,871,107
Total payables	***41,861,680***	***41,861,680***

Payables to suppliers

They amount to € 20,347 thousand (€ 22,556 thousand as at 31 December 2022) and refer to the supply of goods and services, dealing and consultancy services. The year-end balance includes € 3,083 thousand related to invoices to be received.

Credit notes to be received were deducted from the balance of this item as they can be legally offset against supplier invoices.

Payables to subsidiaries

The € 19 thousand balance at the end of the reporting period relates to trade transactions with Vinavil Egypt for Chemicals SAE. This item had a nil balance as at 31 December 2022.

Payables to Parent Company

The "Payables to Parent Company" Mapei S.p.A. amount to € 16,831 thousand at the reporting date (€ 22,266 thousand as at 31 December 2022). The decrease of the year is due in part to the cash pooling account (€ -7,385 thousand) and, in part, to the € 2,346 thousand increase in the IRES payable of the year.

Specifically:

- € 12,478 thousand relates to the balance of the cash pooling account;
- € 3,160 thousand relates to the tax payable transferred to the Parent Company as part of the tax consolidation scheme;
- € 1,193 thousand relates to trade transactions and the provision of services.

Payables to companies controlled by parent companies

This item totals € 114 thousand (€ 39 thousand as at 31 December 2022) and is entirely related to trade transactions due within one year.

Tax payables

The year-end balance amounts to € 940 thousand (€ 872 thousand as at 31 December 2022).

"Tax payables" due within one year include:

- € 692 thousand related to withholdings taxes on employees' remuneration and freelancers' fees;
- € 248 thousand related to IRAP.

Payables to welfare and social security institutions

This item amounts to € 739 thousand and mainly comprises contributions for ordinary remuneration pertaining to December 2023 and for additional month-pay to the extent pertaining to the year.

As at 31 December 2022, this item amounted to € 703 thousand.

Other payables

At the end of the reporting period, they amount to € 2,871 thousand (€ 3,170 thousand as at 31 December 2022) and mainly comprise the remuneration due to employees and holidays accrued but not taken. Specifically, accrued untaken holidays amount to € 581 thousand, the 14th-month pay amounts to € 779 thousand and the bonus is equal to € 958 thousand.

Capitalised financial expenses

All financial expenses are taken to the Income Statement. Consequently, there are no capitalised financial expenses.

ACCRUED EXPENSES AND DEFERRED INCOME

They amount to € 903 thousand (€ 440 thousand as at 31 December 2022) and mainly refer to the effects of the grants related to plants recognised in connection with new operating assets (Italian Laws no. 160/2019 and no. 178/2020), as described in detail in the corresponding item of the Balance Sheet ("Tax receivables" – "C II – 5) bis)") to which reference should be made, using the indirect method. The grants were entirely recognised in the Income Statement under item "A) 5 – Other income and revenues" and the portion pertaining to subsequent years, calculated on a pro-rata basis, was deferred by recognising the corresponding amount under "Deferred income", adjusting the balance already recognised in the Income Statement.

Item	31.12.2022	Changes in the year	31.12.2023
Accrued expenses	0	0	0
Deferred income	440,245	463,110	903,355
Total accrued expenses and deferred income	**440,245**	**463,110**	**903,355**

Income Statement

Value of production

Revenues from sales and services by business activity

Revenues from sales and services in 2023 amount to € 218,503 thousand, compared to € 269,756 thousand in the previous year, down € 51,253 thousand (-19.0%).

For further details on changes and their reasons, reference should be made to the Management Report.

Sales are stated net of trade discounts and consumption bonuses as at year end.

Business activity	2023	2022
Sale of finished products	203,426,670	262,877,579
Sales incentives	-1,318,900	-1,461,880
Sale of raw materials	7,386,261	498,612
Sale of packaging	98,796	113,512
Sale of other price list materials	30,062	62,710
Allowances	1,880	-287
Contract manufacturing	8,882,312	7,666,434
Total	***218,503,321***	***269,756,680***

For a breakdown of revenues from Group companies and the Parent Company, reference should be made to Annex 2 to the Management Report.

Breakdown of revenues from sales and services by geographical area

Pursuant to article 2427, paragraph 1, point 10, of the Italian Civil Code, revenues from sales and services are broken down by geographical area as follows:

Geographical area	2023
Italy	109,799,598
Europe	86,874,016
ME/Africa	9,361,209
Asia/Oceania	6,394,880
Turkey	3,506,594
America	2,567,024
Total	***218,503,321***

Change in inventories of WIP, semi-finished and finished products

This item includes *(amounts in € thousands)*:

Item	31.12.2022	Changes in the year	31.12.2023
Opening inventories of finished products and goods	-10,121	-841	-10,962
Closing inventories of finished products and goods	10,962	-2,183	8,779
Total	***841***	***-3,024***	***-2,183***

The changes of the year reflect the performance of business operations, as described in detail in the corresponding item of the Balance Sheet ("Inventories" - "C I") to which reference should be made.

Increase in internally produced fixed assets

As at 31 December 2023, they amounted to € 498 thousand.

This item includes the Company's expenses for the Technical and Engineering Department staff who worked on the projects related to the subsidies of the so-called "Industria 4.0" national plan.

Other income and revenues

They amounted to € 2,447 thousand, decreasing by € 522 thousand compared to 2022.

The balance as at 31 December 2023 also includes non-recurring revenues from the tax credits granted to purchase electricity and gas (€ 1,075 thousand), as already described in the balance sheet note section "Tax receivables", revenues from non-recurring operations (€ 974 thousand), the provision of services (€ 188 thousand), and sundry charges to employees (€ 106 thousand).

Revenues from non-recurring operations include the difference between recognised and actual accruals and € 438 thousand which was recognised against the tax credit for Research & Development expenditure. The amount was calculated as a percentage (20% for Research & Development and 10% for Technological Innovation expenditure) of the eligible investments carried out in 2022 (for additional information, reference should be made to the section "Research & Development" in the Management Report).

Furthermore, the Company recognised additional revenues amounting to € 104 thousand, related to the tax credits already discussed in the balance sheet note section "Tax receivables" in connection with "Investments in new operating assets" (Italian Laws no. 160/2019 and no. 178/2020).

A breakdown of other revenues from Group companies and the Parent Company is provided in Annex 2 to the Management Report.

Costs of production

In 2023, costs of production amount to € 203,182 thousand, compared to € 266,725 thousand in 2022, down by € 63,543 thousand or -23.8%.

Raw, ancillary and consumable materials, and goods for resale

In 2023, they amount to € 133,164 thousand, compared to € 187,980 thousand in the previous year.

Costs related to raw, ancillary and consumable materials and goods for resale also include ancillary transaction costs (transport, insurance, loading and unloading, etc.) provided that the supplier included them in the purchase price of raw materials and goods. Otherwise, they are recognised under services (item B.7).

Annex 2 to the Management Report provides a breakdown of the purchases made by Group companies and from the Parent Company, which amount to € 588 thousand.

Services

In 2023, they amount to € 34,562 thousand, compared to € 42,785 thousand in the previous year. The € 8,223 thousand decrease is mainly due to the reduction in transport costs, energy consumption and sales commissions.

Costs for services are broken down into costs for industrial services (€ 26,341 thousand), commercial services (€ 1,810 thousand) and general services (€ 6,411 thousand).

Costs for industrial services (amounts in € thousands)	31.12.2022	Changes in the year	31.12.2023
Customer transport costs	12,840	-2,234	10,606
Energy consumption	14,546	-6,165	8,381
Provision of services	3,373	306	3,679
Maintenance	3,355	131	3,486
Other industrial services	197	-8	189
Total	***34,311***	***-7,970***	***26,341***

Costs for commercial services (amounts in € thousands)	31.12.2022	Changes in the year	31.12.2023
Sales commissions, social security charges	1,805	-1,060	745
Personnel travel expenses	453	154	607
Advertising, sponsorships, customer support, trade fairs	241	194	435
Other commercial services	22	1	23
Total	***2,521***	***-711***	***1,810***

Costs for general services (amounts in € thousands)	31.12.2022	Changes in the year	31.12.2023
Professional and sundry consultancies	2,863	-175	2,688
Insurance	794	126	920
Directors' and Statutory Auditors' fees	327	43	370
Company canteen	353	43	396
Cleaning	234	-12	222
Sundry maintenance and repair costs	532	353	885
Postal, telephone	167	1	168
Audit fees	61	0	61
Legal fees	72	-6	66
Other general costs	550	85	635
Total	***5,953***	***458***	***6,411***

Annex 2 to the Management Report provides a breakdown of the purchases made by Group companies and from the Parent Company, which amount to € 1,681 thousand.

Rentals and leases

In 2023, they amount to € 1,075 thousand, compared to € 1,021 thousand in the previous year.

They mainly consist of long-term rentals related to vehicles used by employees (€ 353 thousand), fees for the use of forklift trucks (€ 221 thousand) and commercial leases for the Milan offices owned by third parties (€ 243 thousand).

Labour costs

In 2023, this item amounts to € 26,974 thousand, up € 361 thousand compared to the previous year.

Specifically, "Salaries and wages" comprise the remuneration including the portions accrued and not yet paid of additional month-pay and accrued untaken holidays, gross of withholdings on taxes and social security charges pertaining to employees; "Social security contributions" include the charges pertaining to the Company; "Post-employment benefits" include the accruals of the year recognised in connection with employment termination; "Pensions and similar obligations" include the accruals of the year recognised in connection with the "Performance bonus scheme for Managers and Executives"; and, finally, "Other costs" include all costs related, directly or indirectly, to employees, which were not recognised in the previous sub-items (e.g., social interest charges which are directly disbursed to employees).

Labour costs are broken down as follows:

(amounts in € thousands)

Item	31.12.2022	Changes in the year	31.12.2023
Salaries and wages	18,726	256	18,982
Social security contributions	6,365	65	6,430
Post-employment benefits	1,226	-30	1,196
Pensions and similar obligations	192	63	255
Other costs	104	7	111
Total	***26,613***	***361***	***26,974***

The average number of employees at the reporting date is shown in the section “Other information”.

Amortisation, depreciation and write-downs

Amortisation/depreciation may be analysed as follows:

Item	31.12.2022	Changes in the year	31.12.2023
Amortisation of intangible assets	39	-9	30
Depreciation of tangible assets	4,565	186	4,751
Total	***4,604***	***177***	***4,781***

Amortisation/depreciation was calculated over the useful life of the asset and its use in the production phase.

Further to the revaluation of plant and machinery at the Villadossola and Ravenna sites, which was carried out in 2020 pursuant to article 110 of Italian Decree Law no. 104/2020, converted into Italian Law no. 126/2020, mainly by reducing accumulated depreciation, the depreciation charge of the year exceeded by € 1,482 thousand the amount that would have been recognised had no revaluation been made (the greater depreciation recognised in 2022 amounted to € 1,298 thousand).

Change in inventories of raw, ancillary and consumable materials, and goods for resale

This item includes *(amounts in € thousands)*:

Item	31.12.2022	Changes in the year	31.12.2023
Opening inventories of raw materials	17,646	-3,280	14,366
Closing inventories of raw materials	-14,366	2,643	-11,723
Opening inventories of packaging	791	127	918
Closing inventories of packaging	-918	-1	-919
Opening inventories of promotional material	16	-3	13
Closing inventories of promotional material	-13	-12	-25
Opening inventories of maintenance materials	2,539	157	2,696
Closing inventories of maintenance materials	-2,696	-140	-2,836
Opening inventories of workwear	1	-1	0
Closing inventories of workwear	0	14	14
Total	***3,000***	***-496***	***2,504***

The changes of the year reflect the performance of business operations, as described in detail in the corresponding item of the Balance Sheet ("Inventories" - "C I") to which reference should be made.

Other operating costs

In 2023, they amount to € 621 thousand, compared to € 722 thousand in the previous year.

(amounts in € thousands)

Item	31.12.2022	Changes in the year	31.12.2023
Membership fees	175	8	183
Tax charges	171	25	196
Entertainment expenses	67	46	113
Contingent liabilities	175	-130	45
ART BONUS payments	60	-45	15
Charity and donations	32	-8	24
Losses on receivables	81	-81	0
Use of the bad debt provision	-81	81	0
Other costs	42	3	45
Total	***722***	***-101***	***621***

“Tax charges” mainly include the taxes paid during the year, such as the local property tax (IMU), the Chamber of Commerce tax, the tax on company books, the municipal tax on advertising and the waste tax.

Contingent liabilities mainly arise from the differences between the accruals recognised in the Financial Statements and the actual amounts.

Annex 2 to the Management Report provides a breakdown of the costs incurred with the Group companies and the Parent Company.

Financial income and expenses

Net financial expenses amount to € 123 thousand in 2023 (€ 1,317 thousand in the previous year).

Breakdown of interest and other financial expenses

	Interest and other financial expenses
Other	222,928
Total	***222,928***

Other financial income

This item, amounting to € 116 thousand, refers to interest income accrued on the cash pooling account in place with the Parent Company to the tune of € 80 thousand (€ 47 thousand as at 31 December 2022) and interest accrued from the subsidiary, following the guarantee deposits granted to two of its suppliers in the last quarter of 2023, to the tune of € 36 thousand.

Interest and other financial expenses

They total € 223 thousand.

The balance is made up as follows:

(amounts in € thousands)

Item	31.12.2022	Changes in the year	31.12.2023
Interest expense on the cash pooling account	78	56	134
Other interest expense	22	-16	6
Financial discounts	106	-23	83
Total	***206***	***17***	***223***

Foreign exchange gains and losses

The exchange differences realised and unrealised on payments and collections of the year and to adjust receivables and payables to closing rates generated a foreign exchange loss of € 16 thousand in 2023, compared with a foreign exchange loss of € 1,158 thousand in 2022, as shown below:

(amounts in € thousands)

Item	31.12.2022	Changes in the year	31.12.2023
Realised foreign exchange gains	709	-115	594
Realised foreign exchange losses	-1,786	1,333	-453
Adjustment of cash and cash equivalents	-30	81	51
Realised foreign exchange gains (losses)	**-1,107**	**1,299**	**192**
Exchange rate adjustments – customers	-51	-198	-249
Exchange rate adjustments – suppliers	0	41	41
Unrealised foreign exchange gains (losses)	**-51**	**-157**	**-208**
Total	***-1,158***	***1,142***	***-16***

"Foreign exchange gains and losses" include realised gains of € 192 thousand generated by the translation of foreign currency assets and liabilities, which were settled (i.e. collected or paid) during the year and unrealised foreign exchange losses of € 208 thousand generated by the translation of foreign currency assets and liabilities not yet settled at the reporting date. In 2022, this item included realised foreign exchange losses of € 1,107 thousand and unrealised gains of € 51 thousand.

Income taxes, current taxes, deferred tax assets and liabilities

Income taxes, current taxes and deferred tax assets and liabilities are negative to the tune of € 3,755 thousand (negative to the tune of € 953 thousand in 2022). They relate to the income taxes of the year (€ 3,740 thousand), income taxes related to previous years (negative to the tune of € 5 thousand) and deferred tax assets and liabilities which show charges of € 10 thousand in 2023.

Current taxes

They are calculated on estimated tax income, which takes into account both the increases and decreases envisaged by current legislation.

The taxes for the year are as follows:

(amounts in € thousands)

Item	31.12.2022	Changes in the year	31.12.2023
IRES (corporate income tax) of the year	814	2,346	3,160
IRAP (regional tax on productive activities) of the year	261	319	580
Total	***1,075***	***2,665***	***3,740***

They consist of € 580 thousand related to the IRAP of the year and € 3,160 thousand related to consolidation expenses. The latter amount represents the IRES charge of the year which was transferred to the Parent Company Mapei S.p.A. as a result of participation in the tax consolidation scheme.

Income taxes related to previous years

The item shows a balance of € 5 thousand (€ 78 in 2022). This amount represents the contingent liability arising in 2023 relating to the lower direct taxes set aside in the previous year with respect to the tax return amounts.

Deferred tax liabilities

In accordance with the applicable reporting standards, the Company calculated deferred tax assets and liabilities. Change in the year was negative, amounting to € 10 thousand.

The main temporary differences that led to the recognition of deferred taxes are shown in the table below, together with the related effects.

Deferred tax assets and liabilities recognised and related effects

	IRES	IRAP
A) Temporary differences		
Total deductible temporary differences	1,659,304	1,401,113
Net temporary differences	(1,659,304)	(1,401,113)
B) Tax effects		
Opening provision for deferred tax (assets) liabilities	392,022	61,385
Deferred tax (assets) liabilities for the year	(3,772)	(6,741)
Closing provision for deferred tax (assets) liabilities	388,250	54,644

Breakdown of deductible temporary differences

Item	Prior year closing balance	Change of the year	Closing balance	IRES rate	IRES tax effect	IRAP rate	IRAP tax effect
Deprec. on revalued buildings	631,680	0	631,680	24%	151,603	3.90%	24,636
Provision for sundry risks and charges	433,926	0	433,926	24%	104,142	3.90%	16,923
Severance indemnity for foreign agents	386,700	157,500	229,200	24%	55,008	3.90%	8,939
Membership fees	8,484	(123)	8,607	24%	2,066	0	0
Provision for inventory write-down	107,576	15,329	92,247	24%	22,139	3.90%	3,598
Agents' termination benefits	14,060	0	14,060	24%	3,375	3.90%	548
Foreign exchange losses	51,002	(198,582)	249,584	24%	59,900	0	0
Total	***1,633,428***	***(25,876)***	***1,659,304***	***0***	***398,233***	***0***	***54,644***

Breakdown of taxable temporary differences

Item	Change of the year	Closing balance	IRES rate	IRES tax effect
Foreign exchange gains	(41,596)	41,596	24%	9,983

The following table provides the disclosure required by article 2427, point 16, of the Italian Civil Code:

	Year 2022			Changes in 2023		Year 2023			2023 economic effect (- REVENUE) (+ COST)
	Temporary differences	Rate %	Tax effect	Accruals	Uses	Temporary differences	Rate %	Tax effect	
Deferred tax assets									
Provision for agents' termination benefits after taxes	14,060	27.90%	3,923			14,060	27.90%	3,923	0
Provision for foreign agents' severance indemnity	386,700	27.90%	107,889		157,500	229,200	27.90%	63,947	43,942
Provision for sundry risks and charges	433,926	27.90%	121,065			433,926	27.90%	121,065	0
Provision for inventory write-down	107,889	27.90%	30,014	92,247	107,889	92,247	27.90%	25,737	4,277
Membership fees	8,484	24%	2,036	8,607	8,484	8,607	24%	2,066	-30
Depreciation on revaluation of buildings	631,680	27.90%	176,239			631,680	27.90%	176,239	0
Unrealised foreign exchange losses	51,002	24%	12,240	249,584	51,002	249,584	24%	59,900	-47,660
Total	**1,633,741**		**453,406**	**350,438**	**324,875**	**1,659,304**		**452,877**	**529**
Deferred tax liabilities									
Unrealised foreign exchange gains	0	24%	0	41,596	0	41,596	24%	9,983	9,983
Total	**0**		**0**	**41,596**	**0**	**41,596**		**9,983**	**9,983**
Net deferred tax (assets) liabilities			**-453,406**					**-442,894**	
Total amount recognised in the Income Statement									***10,512***

The reconciliation between the theoretical and effective tax charge is shown below:

	IRES	IRAP
Difference between value and costs of production (A)		15,584,790
Labour costs (B)		26,973,801
BoD remuneration (C)		(74,850)
Total (A+B+C)		**42,483,741**
Profit (loss) before taxes	**15,461,952**	
Contingent liabilities	45,475	
Accrual to the provision for inventory write-down	92,247	92,247
Use of the provision for inventory write-down	(107,576)	(107,576)
Use of the provision for foreign agents' severance indemnity	(157,500)	(157,500)
Contract workers' remuneration (including Directors) and occasional workers		211,916
Local property tax (IMU)		146,242
Costs for flats	42,955	
Telephone expenses	33,186	
70%-deductible car costs	138,744	
Membership fees	123	
Mileage allowance payments		14,114
Donations	16,427	5,250
Administrative penalties	537	
Portion of post-employment benefits (TFR) transferred to pension funds (4%)	(46,873)	
Entertainment expenses	11,234	
"Training 4.0" tax credit	(21,112)	(21,112)
Grants related to income (ordinary operating assets and goods 4.0)	(104,481)	(104,481)
Grants related to income (energy costs)	(1,074,555)	(1,074,555)
Contingent asset – R&D tax credit	(437,962)	(437,962)
Super depreciation (pursuant to article 1, paragraphs 91-94 and 97, of Italian Law no. 208 of 28 December 2015 – the 2016 Stability Law)	(333,700)	
Hyper-depreciation (pursuant to article 1, paragraphs 8-13, of Italian Law no. 232 of 11 December 2016 – the 2017 Stability Law)	(359,720)	
VAT due and other non-deductible costs	31,547	120
Foreign exchange differences	156,986	
Tax wedge		(26,201,058)
Aid to economic growth (ACE)	(221,523)	
Taxable income	***13,166,411***	***14,849,386***
IRES (24% rate)	**3,159,939**	
IRAP (2.68% – 3.9% – 4.82% – 4.97% rates)		**580,287**
Effective rate	20.44%	3.74%
Theoretical rate	24%	3.90%

NOTES TO THE FINANCIAL STATEMENTS – OTHER INFORMATION

Workforce

Changes in the average workforce are as follows:

Item	31.12.2022	Changes in the year	31.12.2023
Executives	11	0	11
Managers	50	-3	47
White collars	119	5	124
Blue collars	187	-5	182
Total	***367***	***-3***	***364***

The employment contract applied is that for the Chemical, Chemical-Pharmaceutical Industry.

Directors' and Statutory Auditors' fees

Item	Fees
Directors	311,705
Statutory Auditors	58,240
Total Directors' and Statutory Auditors' fees	***369,945***

The fees reflect the services provided and completed during the year.

Audit fees

They may be analysed as follows:

Fees	Amount
Statutory audit	61,327
Total audit fees	***61,327***

Off-balance sheet commitments, guarantees and contingent liabilities

They refer to:

- a surety issued in favour of the Rome-based company G.S.E. S.p.A. (€ 466 thousand) to cover a debt arising from an audit performed on a co-generation unit at the Villadossola production site;
- a surety issued in favour of Rete Ferroviaria Italiana (€ 36 thousand) for the railway link to Villadossola;

- a surety issued in favour of the Verbano Cusio Ossola Province (€ 11 thousand) for the "Implementation of an END OF WASTE sludge recovery process from industrial wastewater" at the plant located in Villadossola (VB), via Toce 7.

Assets and loans earmarked for a specific business

Nothing to report in relation to this issue.

Related-party transactions

No transactions were carried out with related parties other than those described in the Management Report. There are no off-balance sheet transactions.

Off-balance sheet arrangements

Nothing to report in relation to this issue.

Exemption from the preparation of consolidated financial statements

As permitted by article 27 of Italian Legislative Decree no. 127/91, the Company opted not to prepare consolidated financial statements as it is wholly owned directly by Mapei S.p.A. which prepares the Group's consolidated financial statements (of which Vinavil S.p.A. and its subsidiary are part) and files it with the Company Register in accordance with the law.

Events after the reporting date

Pursuant to OIC 29 and article 2427, point 22-quater of the Italian Civil Code, the events occurring after the reporting date are described below.

In December 2023 Mapei S.p.A. completed a € 405,000,000 financing transaction with a banking syndicate aimed at raising the funds necessary to support investments and any acquisitions that the Mapei Group's companies may perform in 2024. As a consequence of this, Vinavil was included in the list of the companies guaranteeing the loan granted to Mapei S.p.A. identified by the banking syndicate (i.e. Upstream Guarantees).

In March 2024, the Company issued a relevant guarantor letter within the limits of its own obligations to Mapei S.p.A.

Furthermore, in the first few months of 2024, the Company's financial position improved significantly (approximately € 12 million) because the guarantee deposits granted to some of the subsidiary's suppliers were returned and most of the exposures settled following the financial stabilisation of the Egyptian banking system.

No further significant events, whose impact may require any changes or additions to the Company's financial position, financial performance and cash flows as at 31 December 2023, occurred after the reporting date.

Companies that prepare the consolidated financial statements of the largest/smallest group of companies of which the Company is part as a subsidiary

The following table provides the disclosure required by article 2427, paragraph 1, points 22-quinquies and 22-sexies, of the Italian Civil Code:

	Largest group
Name	MAPEI S.p.A.
City (if in Italy) or foreign State	MILAN
Tax code (for Italian businesses)	01649960158
Place where the consolidated financial statements are filed	MILAN

Highlights of the balance sheet of the company that carries out direction and coordination activities

The Company is subject to the direction and coordination of Mapei S.p.A.

Pursuant to article 2497-bis, paragraph 4, of the Italian Civil Code, the highlights of the most recently approved financial statements of the company that carries out direction and coordination activities are provided below.

Item	Most recent year 31.12.2022	Previous year 31.12.2021
B) Fixed assets	860,137,429	707,397,762
C) Current assets	1,023,651,141	778,796,144
D) Accrued income and prepaid expenses	1,237,327	491,354
Total assets	**1,885,025,897**	**1,486,685,260**
A) Equity		
Share capital	100,000,000	100,000,000
Reserves	619,735,347	540,867,294
Profit (Loss) for the year	102,679,244	86,571,355
Total Equity	**822,414,591**	**727,438,649**
B) Provisions for risks and charges	55,144,286	48,880,405
C) Post-employment benefits	3,922,192	3,751,928
D) Payables	999,935,358	705,664,721
E) Accrued expenses and deferred income	3,609,470	949,557
Total equity and liabilities	**1,885,025,897**	**1,486,685,260**

Highlights of the income statement of the company that carries out direction and coordination activities

Item	Most recent year 31.12.2022	Previous year 31.12.2021
A) Value of production	870,137,545	720,704,715
B) Costs of production	795,802,400	670,974,892
C) Financial income and expenses	69,571,112	69,337,306
D) Adjustments to financial assets	(17,986,076)	(17,100,102)
Income taxes for the year	23,240,937	15,395,672
Profit (Loss) for the year	102,679,244	86,571,355

Proposed allocation of profit (loss) for the year

The draft Financial Statements as at 31 December 2023, the Notes thereto and the Management Report, which we submit for your examination and approval, show a profit for the year of € 11,706,537.75, net of taxes.

Reference should be made to the resolutions passed by the Shareholders for information about the allocation of the Profit for the year, considering that the Legal Reserve has already achieved one fifth of the Share Capital and it is necessary to make allocations to the "Reserve for net unrealised foreign exchange gains" (pursuant to article 2426 no. 8 bis of the Italian Civil Code) as net (unrealised) foreign exchange gains of € 41,595.83 were recognised during the year.

NOTES TO THE FINANCIAL STATEMENTS – Final PART

Repurchase transactions

Nothing to report at the reporting date.

Receivables and payables due after more than five years and payables secured by collateral on Company assets

Nothing to report at the reporting date.

Government grants

In 2023, the Company recognised a tax credit on Research & Development in connection with the investments made in 2022 (based on a sworn technical report submitted in 2023). This tax credit amounted to € 437,962.54 and was recognised in income statement item "A) 5 – Other income and revenues".

In 2022, the Company pursued innovative pre-competitive activities, focusing, in particular, on projects aimed at studying and experimenting the development of new products, and by conducting studies and tests for the development of process-improving technical solutions.

For the purposes of the above projects, in 2022, the Company incurred costs amounting to € 2,191,732.21, divided among the various categories of costs eligible for the "Tax credit for research, development, technological innovation, design and project activities" pursuant to Italian Law no. 160 of 27 December 2019.

In addition, the Company benefited from the tax benefits already mentioned in the income statement section, "A) 5 – Other income and revenues".

Research activities continued in 2023.

This section has also been prepared pursuant to the disclosure requirements set out in Italian Law no. 124, article 1, paragraphs 125-129, of 4 August 2017.

THE BOARD OF DIRECTORS
On behalf of the Board of Directors
the Chairman Marco Squinzi

Board of Statutory Auditors’ Report pursuant to article 2429, paragraph 2, of the Italian Civil Code

To the Sole Shareholder of VINAVIL S.p.A.

Introduction

During the year ended 31 December 2023, we acted in accordance with the law and the rules of conduct for the Board of Statutory Auditors of unlisted companies issued by the Italian accounting profession.

This report covers our activities and the related findings.

The Financial Statements of VINAVIL S.p.A. as at 31 December 2023, prepared in accordance with the Italian regulations governing their preparation, have been submitted for your examination. They were made available to us within the legal deadline.

As we were not entrusted with the statutory audit of these Financial Statements, we carried out the supervisory activities required by Rule 3.8. of the “Rules of conduct for the Board of Statutory Auditors of unlisted companies”. Accordingly, we performed an overall summary check in order to ensure that the Financial Statements had been correctly drawn up. Indeed, the independent auditors are responsible for checking the compliance with the accounting figures.

The independent auditors, E.Y. S.p.A., provided us with their report dated 12 April 2024 in which they expressed an unqualified opinion.

Based on the Independent Auditors’ report, the Financial Statements as at 31 December 2023 give a true and fair view of the Company’s financial position, financial performance and cash flows for the year and have been prepared in accordance with the regulations governing their preparation.

Supervisory activity pursuant to article 2403 and et seq. of the Italian Civil Code

We checked compliance with the law and the by-laws, correct management practices and, in particular, the adequacy of the organisational, administrative and accounting structure adopted by the Company as well as its proper functioning.

We participated in shareholders’ and board’s meetings. Based on the information available, we have nothing to report.

We have obtained from the Board of Directors information on the general performance of operations and its outlook, as well as on the most significant transactions, in terms of size or characteristics, carried out by the Company. Based on the information obtained, we have nothing to report.

We exchanged data and information relevant to the performance of our supervisory activities with the independent auditors in a timely manner.

We met with the supervisory body and read its reports, acknowledging that no critical issues emerged as to the correct implementation of the organisational model that require disclosure herein.

We acquired knowledge of and monitored the adequacy of the organisational, administrative and accounting structure, and its effective functioning, also by collecting information from the department heads. In this respect, we have nothing to report.

We acquired knowledge of and monitored, to the extent of our responsibility, the adequacy and operation of the administrative-accounting system, as well as its reliability to correctly represent events, by obtaining information from the department heads and examining company documents. In this respect, we have nothing to report.

With reference to the Italian Code of Corporate Crisis, the Board of Statutory Auditors ascertained that the Company's organisational, administrative and accounting structure – which is appropriate to the nature and size of the business – is suitable to promptly detect any corporate crisis, and enable the Board of Directors to take the necessary steps for the Company to continue as a going concern.

We did not receive any claims from shareholders pursuant to article 2408 or article 2409 of the Italian Civil Code.

As part of our supervisory activities, as described above, no further significant facts emerged to be disclosed herein.

Remarks on the Financial Statements

Based on Independent Auditors' report, "the Financial Statements give a true and fair view of the financial position of VINAVIL S.p.A. as at 31 December 2023 and of its financial performance and cash flows for the year then ended in accordance with the Italian regulations governing their preparation". To the best of our knowledge, in drafting the Financial Statements, the Directors did not depart from the provisions set out in article 2423, paragraph 5, of the Italian Civil Code.

Remarks and proposals on the approval of the Financial Statements

Based on the results of the work we have performed and the opinion expressed by the independent auditors in their Report, we are in favour of the approval of the Financial Statements as at 31 December 2023, as prepared by Directors.

We agree with the proposed allocation of the profit for the year put forward by Directors in the Notes to the Financial Statements.

Milan, 12 April 2024

ON BEHALF OF THE BOARD OF STATUTORY AUDITORS
Guglielmo Calderari
(Chairman)

EY
Building a better working world

EY S.p.A.
Via Meravigli, 12
20123 Milano

Tel: +39 02 722121
Fax: +39 02 722122037
ey.com

Independent Auditors' Report pursuant to article 14 of Italian Legislative Decree no. 39 of 27 January 2010

To the Sole Shareholder of Vinavil S.p.A.

Report on the audit of the Financial Statements

Opinion

We have audited the Financial Statements of Vinavil S.p.A. (the "Company"), which comprise the Balance Sheet as at 31 December 2023, the Income Statement and Cash Flow Statement for the year then ended and the Notes thereto. In our opinion, the Financial Statements give a true and fair view of the financial position of the Company as at 31 December 2023 and of its financial performance and cash flows for the year then ended in accordance with the Italian regulations governing their preparation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Independent Auditors' responsibilities for the audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Company's Directors and Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Italian regulations governing their preparation and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the Financial Statements as well as for adequate relevant disclosures. The use of this basis of accounting is appropriate unless Directors believe that the conditions for liquidating the Company or ceasing operations exist, or have no realistic alternative but to do so.

The Board of Directors is responsible for overseeing, within the terms established by the Italian law, the Company's financial reporting process.

Independent Auditors' responsibilities for the audit of the Financial Statements

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

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

- identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Directors;
- conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Independent Auditors' Report to the related disclosures in the Financial

Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Independent Auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

EY
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EY S.p.A.
Via Meravigli, 12
20123 Milano

Tel: +39 02 722121
Fax: +39 02 722122037
ey.com

Report on other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, letter e), of Italian Legislative Decree no. no. 39 of 27 January 2010

The Company's Directors are responsible for the preparation of a Management Report as at 31 December 2023 and for the consistency of such Report with the related Financial Statements and its compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the Management Report with the Company's Financial Statements as at 31 December 2023 and its compliance with the applicable law as well as to state whether we have identified material misstatements.

In our opinion, the Management Report is consistent with the Company's Financial Statements as at 31 December 2023 and has been prepared in compliance with the applicable law.

With reference to the above statement required by article 14, paragraph 2, letter e), of Italian Legislative Decree no. 39 of 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Milan, 12 April 2024

EY S.p.A.

Giuseppe Savoca (Auditor)

Vinavil S.p.A.

Via Valtellina 63
20159 – Milan, Italy

Registered office:
Viale Edoardo Jenner 4
20159 – Milan, Italy

+39 02 695541
vinavil@vinavil.it
vinavil.com