Annual Report
2021

AQUAFIL
synthetic fibres and polymers

Index

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31,2021

SEPARATE FINANCIAL STATEMENTS AT DECEMBER 31, 2021

Corporate Boards

Board of Directors at December 31, 2021

GIULIO BONAZZI	Chairman & Chief Executive Officer
ADRIANO VIVALDI	Executive Director (***)
GIOVANNI STEFANO LORO	Director
FRANCO ROSSI	Director
SILVANA BONAZZI	Director
SIMONA HEIDEMPERGHER	Director (*) (**)
MARGHERITA ZAMBON	Director (*) (**)
FRANCESCO PROFUMO	Director (*) (**)
ILARIA MARIA DALLA RIVA	Director (*) (**)

(*) Director declaring independence in accordance with Article 147-*ter* of the CFA and Article 3 of the Self-Governance Code.
(**) Lead Indipendent Director.
(***) Until the end of the fiscal year.

Control and Risks Committee

SIMONA HEIDEMPERGHER	Chairperson
FRANCESCO PROFUMO	Member
ILARIA MARIA DALLA RIVA	Member

Appointments and Remuneration Committee

FRANCESCO PROFUMO	Chairperson
MARGHERITA ZAMBON	Member
ILARIA MARIA DALLA RIVA	Member

Supervisory Board

FABIO EGIDI	Chairperson
KARIM TONELLI	Internal member
MARCO SARGENTI	External member

Board of Statutory Auditors

STEFANO POGGI LONGOSTREVI	Chairperson
BETTINA SOLIMANDO	Statutory Auditor
BEATRICE BOMPIERI	Statutory Auditor

Independent Audit Firm

PRICEWATERHOUSECOOPERS S.p.A. – Trento (Italy), Via della Costituzione 33

Directors' Report on the Separate and Consolidated Financial Statements of Aquafil S.p.A. 2021

Dear Shareholders,

the separate financial statements, which we submit for your review and approval, present in the 2021 Income Statement “Total revenues” of Euro 569.8 million and a net profit of Euro 11.2 million, after current and deferred taxes for a net total of Euro 1.5 million.

The Board of Directors of the parent company Aquafil S.p.A., in accordance with the accounting rules, prepared also the Aquafil Group financial statements for 2021, which present “Total revenues” of Euro 569.7 million and a Group net profit of Euro 10.7 million.

Both financial statements were prepared in accordance with international accounting standards issued by the International Accounting Standards Board (IASB), endorsed by the European Union as required by Regulation No. 1606/2002 issued by the European Parliament and European Council and adopted with Legislative Decree No. 38/2005.

1. INTRODUCTION

The Parent Company Aquafil S.p.A. availed of the option contained in Legislative Decree 32/2007 which permits companies which must prepare consolidated financial statements to present a single Directors’ Report for the separate and consolidated financial statements and therefore greater attention was focused in the Report, where appropriate, on the most significant matters concerning the companies included in the consolidation scope.

In accordance with Directive 2014/95/EU and as required by Italian Legislative Decree No. 254/2016, the consolidated non-financial report (NFR) is published separately from this Directors’ Report.

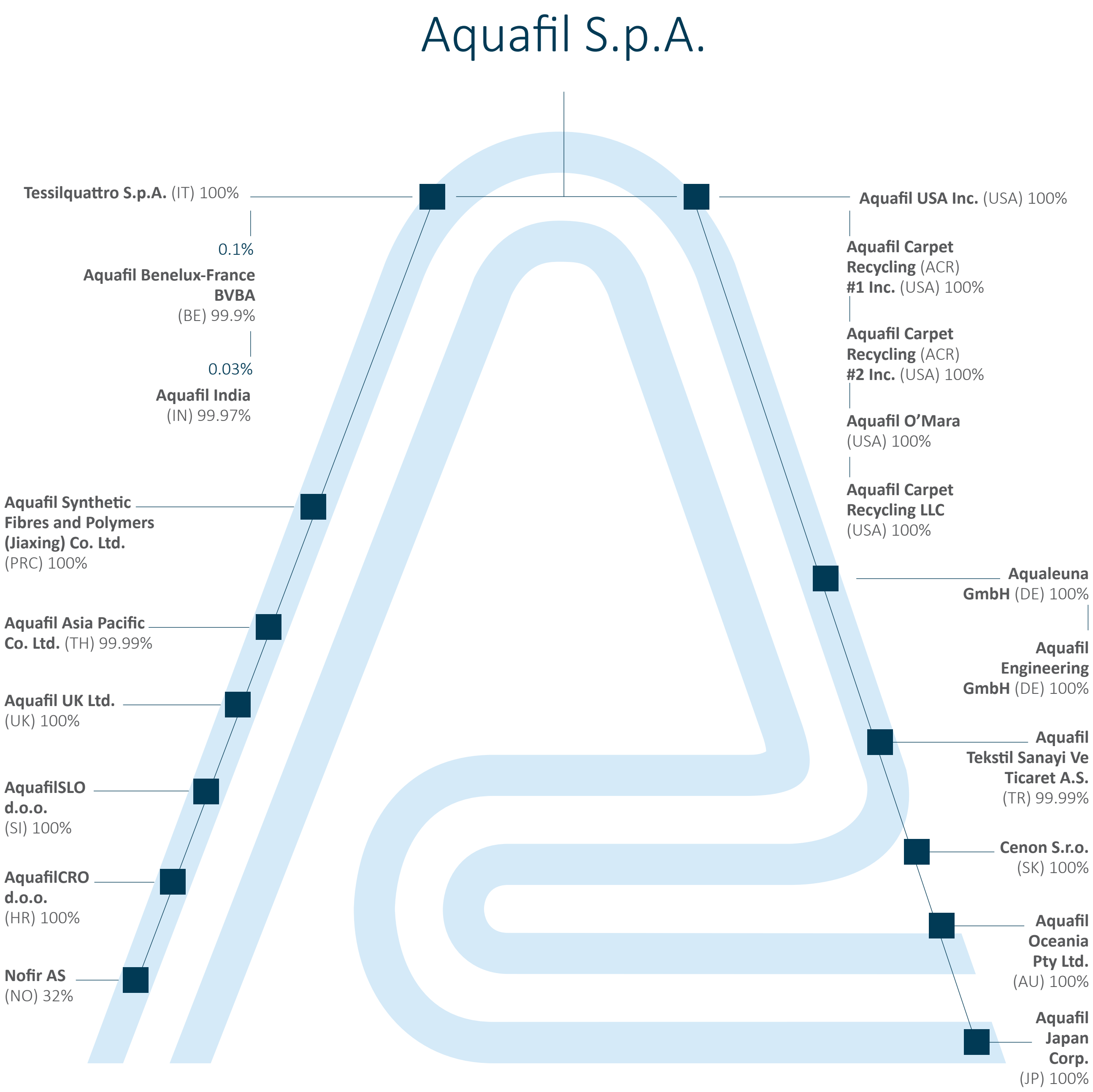
2. CORPORATE INFORMATION OF THE PARENT COMPANY AQUAFIL S.P.A.

Registered Office: Via Linfano, 9 - Arco (TN) - 38062 - Italy
Telephone: +39 0464 581111- Fax: +39 0464 532267
Certified e-mail:pec.aquafil@aquafil.legalmail.it
E-mail: info@aquafil.com
Website: www.aquafil.com
Share capital (at the approval date of the financial statements at 31.12.2021):

- Approved: 50,676,034.18
- Subscribed: 49,722,417.28
- Paid in: 49,722,417.28

Tax and VAT number: IT 09652170961
Trento Economic & Administrative Registration No. 228169
It is not reported changes related to the name or other means of identification of the entity that draws up the financial statement from the previous closing period.

3. CONSOLIDATION SCOPE



The Group is composed of 20 companies, consolidated on a line-by-line basis as a result of direct or indirect control by Aquafil S.p.A., in addition to the new associated company Nofir AS measured at equity; production is carried out in 19 plants located in Europe, the United States, Asia and Oceania.

4. SIGNIFICANT EVENTS IN 2021

1. On February 12, 2021, the parent company announced a memorandum of understanding with the Japanese group ITOCHU Corporation for a strategic partnership aimed at promoting and expanding business based on circular polyamide 6, ranging from the recycling of nylon waste to the development, production and sale of nylon products under the ECONYL® brand, inspired by a shared commitment to a sustainable future.
2. On February 17, 2021, Fabrizio Calenti, executive director of the parent company who was responsible for the NTF product line, submitted his resignation for personal reasons, effective June 30, 2021, while confirming his willingness to support the Group through the transition to a new solution for the organisation. The Group co-opted Stefano Giovanni Loro to the Board of Directors effective July 1, 2021, and further strengthened the organisation by hiring a new head of the NTF product line, who has specific experience in the field of synthetic fibres for textile applications.
3. On April 28, 2021, Aquafil's shareholders:
   a. appointed the *new Board of Statutory Auditors,* whose mandate had concluded, with Mr. Stefano Poggi Longostrevi appointed as Chairman, alongside Bettina Solimando and Beatrice Bompieri;
   b. approved the "*Remuneration policy and report*" as per Article 123-*ter* of Legislative Decree No. 58 of February 24, 1998, introducing a short-term variable incentive for management linked to the achievement of the annual Aquafil Group value maximisation objectives; the document is available on the Aquafil website (http://ir.aquafil.com/ita/assemblee-degli-azionisti/).
4. On July 1, 2021, Aquafil released the ECONYL® platform, a digital space encompassing a diverse range of products that have all been made using ECONYL®. The platform also provides information to promote greater awareness and responsibility with regard to sustainability and the circular economy.
5. On October 20, 2021, the Shareholders of the parent company approved the purchase of treasury shares, in accordance with Article 2357 *et seq.* of the Italian Civil Code, over a period of 18 months for the carrying out of potential investments and/or for establishing a securities reserve for future uses in accordance with the strategies that Aquafil intends to pursue, as payment for corporate transactions with other parties. The purchase of ordinary GHC shares without nominal value was authorised for up to a maximum number of shares in one or more tranches which, taking account of the ordinary shares which may be held in portfolio by the company and by its subsidiary, is not to exceed 3% of overall share capital. At December 31, 2021, the Company had purchased a total of 331,761 treasure shares, equal to 0.6477% of share capital, for a total value of Euro 2,544,855. At the date of approval of this report, the Company holds a total of 457,090 treasury shares, comprising 0.8924% of share capital.
6. On October 11, 2021, a 32% interest was acquired in the company *Nofir AS*, a European leader in the collection and treatment of end-of-life fish netting based in Mørkved, Bodǿ, Norway. The company has facilities in Pramones 5i, 72382 Taurage, Lithuania, and has collected more than 48,000 tonnes of netting in 20 countries on 5 continents thanks to an advanced system of collecting and tracking waste netting from the fishing and fish farming industries. The company is an active partner of Healthy Seas®, the foundation created by Aquafil and other partners, the primary mission of which is to increase consumer awareness of the issue of waste fish netting polluting the world's seas.
7. On December 21, 2021, executive director Adriano Vivaldi submitted his resignation for personal reasons effective December 31, 2021, while confirming his willingness to support the Group however needed. In accordance with Article 2386(1) of the Italian Civil Code and with the approval of the Board of Statutory Auditors, the Board of Directors has co-opted Attilio Annoni to the board as executive director, effective January 1, 2022, granting him similar powers to those previously held by Adriano Vivaldi, thereby ensuring complete operational continuity.

5. IMPLICATIONS OF THE COVID-19 PANDEMIC

In 2021, the Covid-19 pandemic remained a dominant issue as the Delta variant spread and the rate of infection further increased in the latter weeks of 2021 with the spread of the Omicron variant. The response of healthcare authorities throughout the year was effective and led to a significant reduction in health consequences compared to the previous year, thanks to the administration of vaccines and related boosters and to new therapies for infected patients, who can now count on effective pharmaceuticals.

The Aquafil Group has continued to monitor the development of the Covid-19 outbreak, keeping in place all prevention, control and containment measures introduced in early 2020 throughout all our operating locations globally so as to protect the health of our employees and partners, including extended remote working, access to company locations only by those strictly required for organisational processes, the changing of production layouts, personnel hygiene and office cleaning/sanitation measures, personal protective equipment, temperature monitoring using thermal cameras, social distancing rules, and verification of vaccination status when entering the workplace. Thanks to the strictest attention placed on observance of healthcare regulations, no particular health impacts among employees have been recorded, and peak periods of absence in conjunction, in particular, with the spread of the Omicron variant have been managed effectively.

The Group continues to monitor the real and potential impact of the COVID-19 emergency on the Group's various business activities, financial position, credit risk, liquidity risk and overall operating performance.

Specifically, it may be stated that the continuation of the health crisis has not had significant impact on the year's results, nor has it generated particular difficulties with regards to the above-mentioned risks, as outlined in greater detail in section "Financial risk management" of the Notes.

6. GENERAL AND ECONOMIC OVERVIEW

The year 2021 saw a solid recovery of the global economy, fuelled by a rise in consumption and in international trade and supported by large-scale vaccination roll-outs. The increase in infection with the Omicron variant towards the end of the year brought less severe health impacts than previous waves of the pandemic, although with vast differences in infection rates between the vaccinated and the unvaccinated.

Strong global demand, particularly in the latter months, against insufficient supply as a result, at least in part, of the adoption of new restrictive measures to limit the spread of the virus, which led to bottlenecks in the supply chain, drove rapid inflation, although to varying degrees around the world, with a generalised increase in prices across the board. Inflation has particularly high in the United States (reaching nearly 7% in November), whereas in Europe and Asia prices have appeared to be rising comparatively slowly.

The economic recovery and the rise of the Omicron variant, which fuelled fears of renewed travel restrictions and of another consequent drop in fuel consumption pushed average Brent prices up 63.6% year-on-year, with oil going from USD 43.2/bbl in 2020 to USD 70.7/bbl in 2021. The recent outbreak of the conflict between Russia and Ukraine, more detailed information on which may be found below in relation to the outlook on operations, will necessarily heighten economic uncertainty and increase the volatility of commodity prices in 2022.

Gas prices at the main European hubs have surpassed those of 2020, when prices were particularly low due to the pandemic, with a yearly average that has more than quadrupled last year's average. Prices continued to rise throughout 2021, with the third and fourth quarters of the year posting the most rapid increases (at 89.3% and 96.6% quarter-on-quarter, respectively). The significant uncertainties surrounding the pandemic and other factors, including the implications of the Russia-Ukraine conflict as well as the marked volatility in the prices of all commodities, make forecasting prices in the future very difficult.

Market prices for CO2 emission certificates also increased significantly in 2021, reaching an average of EUR 53.2/t for an increase of 115.3% over the previous year. Prices have continued the upward trend that began in late 2021, which marked the conclusion of ETS phase 3 and the start of phase 4 with a reduction in free allowances. The European agreement on stricter limits on greenhouse gas emissions by 2030 and the announced acceleration of decarbonisation by a number of member states have pushed prices higher. The strong economic recovery out of the effects of the pandemic and the greater use of coal-fired thermal power, given the tensions surrounding natural gas, have also been keeping prices high.

After the bump in 2021 that is forecast to drive global GDP growth to 5.8%, the pace of economic growth is expected to slow in 2022. This slowdown is expected to impact both emerging and industrialised economies, including China. According to forecasts by Prometeia, GDP growth in the United States is estimated at 5.6% for 2021, but will slip to 4.2% in 2022 due to insufficient supply, less support coming from monetary policy, hiring difficulties and, last but not least, the erosion of buying power among both consumers and businesses due to rising inflation. In China, average annual growth for 2022 is expected to be sharply lower than in 2021 (from 8.1% to 4.0%). The return of COVID-19 infections has reduced consumer confidence, while existing challenges in the supply chain are now joined by a government crackdown on energy consumption, which has caused numerous production sites to temporarily shut down, and this has slowed industrial production, gross fixed investment, and electricity consumption in the manufacturing and service industries. After growing 5.2% in 2021, GDP growth in the euro area is expected to slip to 4.1% in 2022, although with significant variability from one country to another. According to Prometeia forecasts, Italy is estimated to grow 6.3% in 2021 and 4.0% in 2022;

Germany will stop at 2.8% in 2021 but then reach 3.8% in 2022; France is estimated to grow 6.7% in 2021 and 4.1% in 2022; and Spain is expected to grow 4.3% in 2021 and 4.7% in 2022. In the United Kingdom, now outside the euro area, GDP growth is estimated to reach 6.5% in 2021 and about 4.3% in 2022 in a landscape characterised, in the latter part of the year, by high numbers of infections and challenges in hiring workers, in procuring raw materials and other goods, and in international trade. As for Italy, 2021 was a good year for the economy. Important recoveries were seen in consumer spending, while capital expenditure was also strong. Investment in construction was also higher, despite slowing after the rapid recovery post-lockdown driven by tax incentives for restructuring projects. Exports have markedly improved, despite the ongoing challenges in the international supply chain. Budget policy is expected to remain expansionary thanks to the Draghi government supporting growth, including postponing a consolidation of the accounts to 2024 and focussing on getting the debt-to-GDP ratio to pre-crisis levels by 2030. Italy is also one of the leading beneficiaries of the funding made available by the Next Generation EU recovery plan and has an opportunity, from now until 2026, to take advantage of the potential of the Italian National Recovery Plan, including long-awaited reforms to bureaucracy, the justice system and education along with public spending aimed at innovation, the energy transition, and digitalisation.

In 2021, the average euro/dollar exchange rate was 1.18, up 3.7% on 2020. This strengthening of the euro was particularly evident in the first quarter, driven by optimism surrounding the vaccine roll-out and consequent improvement in the global macroeconomic landscape. In the latter part of the year, the declarations by ECB president Lagarde as to the low probability of increasing interest rates in 2022 backed up expectations for a divergence in monetary policy between the ECB and the Fed, leading to a weakening of the euro against the dollar, a trend that has continued into the first part of 2022 as a result of the conflict in Ukraine.

7. AQUAFIL ON THE STOCK MARKET

At December 31, 2021, the Aquafil share price (ISIN IT0005241192) was Euro 7.66, up approx. 58% on December 30, 2020 (Euro 4.85), while the increase in the FTSE MIB index was 23% in the year.

The Aquafil share generally trended upwards during the period, between a low of Euro 4.20 (on January 25, 2021) and a high of Euro 8.48 (on November 5, 2021).

The *average traded volume* for the year was 89,339 shares, with a maximum daily volume (traded on September 2, 2021) of 695,166 shares and a minimum daily volume (traded on July 5, 2021) of 8,330 shares.

8. AQUAFIL GROUP AND PARENT COMPANY FINANCIAL HIGHLIGHTS

8.1 Definition of alternative performance indicators

Gross operating profit (EBITDA)

This is an alternative performance indicator not defined under IFRS but used by company management to monitor and assess the operating performance as not impacted by the effects of differing criteria in determining taxable income, the amount and types of capital employed, in addition to the amortisation and depreciation policies. This indicator is defined by the Aquafil Group as the net result for the year adjusted by the following components:

- *income taxes,*
- *investment income and charges,*
- *amortisation, depreciation and write-downs of tangible and intangible assets,*
- *provisions and write-downs,*
- *financial income and charges,*
- *non-recurring items.*

Adjusted EBIT

Calculated as EBITDA, to which the accounts “amortisation, depreciation and write-downs” and “provisions and write-downs” are added. Adjusted EBIT differs from EBIT in terms of the non-recurring components and other charges, as specified in the notes to the “Parent Company Key Financial Highlights” table.

Net Financial Position

On April 29, 2021, Consob issued "Call to attention No. 5/21" in which it highlighted that the new "ESMA Guidelines" of March 4, 2021 replaced on May 5, 2021 those of preceding Consob communications. In particular, guideline No. 39 requires that financial statement disclosure includes the following definition of net financial debt:

A. Liquidity
B. Other liquidity
C. Other current financial assets
D. Liquidity (A + B + C)
E. Current financial debt (including debt instruments but excluding the current portion of non-current financial debt)
F. Current portion of non-current financial debt
G. Current financial debt (E + F)
H. Net current financial debt (G - D)
I. Non-current financial debt (excluding current portion and debt instruments)
J. Debt instruments
K. Trade payables and other non-current payables
L. Non-current financial debt (I + J + K)
M. Total financial debt (H + L)

Application of the new definition of debt according to the above format has not resulted in any change to the Group's Net Financial Position for the period under review or for the preceding comparative periods.

8.2 Key Group Financial Highlights

(in Euro thousands)	At December 31, 2021	At December 31, 2020
Net Profit for the year	10,670	595
Income taxes	3,934	(517)
Investment income and charges		
Amortisation, depreciation and write-downs	44,964	43,600
Provisions & write-downs	129	978
Financial items (*)	9,890	8,297
Non-recurring items (**)	2,489	5,402
EBITDA	**72,075**	**58,356**
Revenues	**569,701**	**436,602**
EBITDA Margin	**12.7%**	**13.4%**

(in Euro thousands)	At December 31, 2021	At December 31, 2020
EBITDA	**72,075**	**58,356**
Amortisation, depreciation and write-downs	(44,964)	(43,600)
Provisions & write-downs	(129)	(978)
Adjusted EBIT	**26,983**	**13,778**
Revenues	**569,701**	**436,602**
Adjusted EBIT margin	**4.7%**	**3.2%**

(*) Comprise: (i) financial income for Euro 0.9 million, (ii) interest expense on loans and other bank charges for -Euro 7.6 million, (iii) customer cash discounts for -Euro 3.0 million and (iv) net exchange losses for -Euro 0.2 million.

(**) Comprises: (i) non-recurring charges related to the expansion of the Aquafil Group for Euro 0.3 million; (ii) non-recurring costs and revenue for ECONYL® development for a net cost of Euro 1.6 million; (iii) restructuring charges of Euro 0.5 million; (iv) extraordinary gains of Euro 0.4 million; (v) costs for fiscal disputes of Euro 0.3 million; and (vi) other non-recurring costs of Euro 0.2 million. Reference should be made to paragraph 8.14 of the notes to the consolidated financial statements.

For an analysis of the highlights indicated above, reference should be made to the paragraph "Group operating performance" below.

8.3 Key Group balance sheet and financial indicators

(in Euro thousands)	At December 31, 2021	At December 31, 2020
Consolidated Shareholders' Equity	152,102	126,897
Net Financial Position	179,318	218,746
NFP/EBITDA	**2.488%**	**3.748%**

The comments on the movements in the Net Financial Position are reported in the "Group balance sheet and financial position" paragraph.

8.4 Parent Company Aquafil S.p.A. Key Financial Highlights

(in Euro thousands)	At December 31, 2021	At December 31, 2020
Net Profit for the year	11,153	694
Income taxes	1,495	(888)
Investment income and charges	(6,794)	(5,685)
Amortisation, depreciation and write-downs	10,798	9,151
Provisions & write-downs	147	43
Financial items (*)	11,139	8,257
Non-recurring items (**)	1,005	996
EBITDA	**28,942**	**12,567**
Revenues	**569,835**	**429,254**
EBITDA Margin	**5.1%**	**2.9%**

(in Euro thousands)	Al 31 dicembre 2021	Al 31 dicembre 2020
EBITDA	**28,942**	**12,567**
Amortisation, depreciation and write-downs	(10,798)	(9,151)
Provisions & write-downs	(147)	(43)
Adjusted EBIT	**17,998**	**3,374**
Revenues	**569,835**	**429,254**
Adjusted EBIT margin	**3.2%**	**0.8%**

(*) Comprises: (i) financial income for Euro 1.1 million, (ii) interest expense on loans and other bank charges for -Euro 10.0 million, (iii) customer cash discounts for -Euro 2.6 million and (iv) exchange gains for Euro 0.4 million.

(**) Comprises: (i) non-recurring charges related to the expansion of the Aquafil Group for Euro 0.2 million; (ii) restructuring charges of Euro 0.3 million; (iii) costs for fiscal disputes of Euro 0.3 million; and (iv) other non-recurring costs of Euro 0.2 million. For further details, see paragraph 9 of the Notes to the Separate Financial Statements.

The income statement figures of the Parent Company report revenues and acquisition costs which differ from the consolidated financial statements as including inter-company purchase and sales activities undertaken by Aquafil S.p.A. with the investees, which however in the consolidation process are eliminated. Therefore, the margins on revenues are not representative of the company's actual profitability. Operating income and the net result also do not incorporate the positive income statement results of the subsidiaries, in view of the investments' valuation method adopted. For all other detailed information, see the section "Group operating performance" below and the Notes to the separate financial statements of the Parent Company.

8.5 Key balance sheet and financial indicators of the Parent Company Aquafil S.p.A.

(in Euro thousands)	At December 31, 2021	At December 31, 2020
Shareholders' Equity	116,091	107,531
Net Financial Position	235,264	259,483

The net financial position of the Parent Company Aquafil S.p.A. does not reflect the real debt of the company as not taking account of liquidity available in the bank accounts of the subsidiaries at year-end (Euro 72.9 million). Funding from the financial system in fact was undertaken largely by the parent company, which plays a financial support role for all of the subsidiaries. The only funding line undertaken by subsidiaries is the loan taken out in July 2020 by Tessilquattro S.p.A. for a total of Euro 5 million.
For all other detailed information, reference should be made to the separate financial statements of the company.

9. GROUP OPERATING PERFORMANCE

The 2021 Income Statement compared with the previous year is reported below:

Consolidated income statement (in thousands of Euro)	**Note**	**At December 31, 2021**	*of which non-recurring*	**At December 31, 2020**	*of which non-recurring*
Revenues	8.1	569,701	*784*	436,602	*458*
of which related parties		*52*		*53*	
Other revenue and income	8.2	4,612	*751*	10,265	*213*
of which related parties		*0*		*0*	
Total revenues and other revenues and income		**574,313**	***1,535***	**446,867**	***671***
Cost of raw materials and changes to inventories	8.3	(283,622)	*(150)*	(209,825)	*(101)*
of which related parties		*0*		*0*	
Service costs and rents, leases and similar costs	8.4	(112,567)	*(1,820)*	(86,068)	*(2,087)*
of which related parties		*(414)*		*(446)*	
Labour costs	8.5	(114,228)	*(1,700)*	(101,867)	*(3,056)*
of which related parties		*0*		*0*	
Other costs and operating charges	8.6	(3,420)	*(354)*	(4,430)	*(829)*
of which related parties		*(70)*		*(70)*	
Amortisation, depreciation, and write-downs	8.7	(44,964)		(43,600)	
Provisions & write-downs	8.8	(254)		(632)	
(Write-down)/recovery of financial assets (receivables)	8.8	125		(346)	
Increase in internal work capitalised	8.9	6,099		5,830	
Operating profit		**21,482**	***(2,489)***	**5,929**	***(5,402)***
Financial income	8.10	915		352	
Financial charges	8.11	(7,550)		(7,982)	
of which related parties		*(159)*		*(226)*	
Exchange gains/losses	8.12	(243)		1,780	
Profit before taxes		**14,604**	***(2,489)***	**79**	***(5,402)***
Income taxes	8.13	(3,934)		517	
Profit for the year		**10,670**	***(2,489)***	**595**	***(5,402)***
Minority interest net profit		0		0	
Group Net Profit		**10,670**	***(2,489)***	**595**	***(5,402)***
Basic earnings per share	*8.15*	*0.21*		*0.01*	
Diluted earnings per share	*8.15*	*0.21*		*0.01*	

Revenues

2021 Consolidated revenues increased on the previous year by Euro 133.1 million (30.5%), from Euro 436.6 million to Euro 569.7 million.

This increase is mainly attributable to the greater quantities sold, as well as to the increase in average sales prices, having been adjusted to match the increase in the value of raw materials.

Other revenues and income

Other revenues and income decreased by Euro 5.7 million, from Euro 10.3 million to Euro 4.6 million; details are provided in the Notes to the Financial Statements. The decrease compared to 2020 is mainly attributable to the benefits in 2020 from the companies of the Group as measures to combat the COVID pandemic.

Raw material costs

Raw materials, ancillaries and consumables increased by 35.2%, or Euro 73.8 million, to Euro 283.6 million compared to Euro 209.8 million in 2020. The changes are attributable both to the increase in purchases for production as revenues increased and to an increase in prices (particularly for raw materials and energy).

Service costs and rent, lease and similar costs

Service costs and rent, lease and similar costs amounted to Euro 112.6 million, rising Euro 26.5 million from the Euro 86.1 million of 2020. A breakdown of these costs is shown in the Notes to the financial statements and are related to the greater quantities produ-ced during the year. Not considering "non-recurring costs", service costs represented 19.5% of revenues, compared to 19.2% in the previous year.

Labour costs
Labour costs came to Euro 114.2 million, increasing from the Euro 101.9 million of 2020. The overall labour costs account for 20.0% of revenues, compared to 23.3% in 2020. Labour costs net of non-recurring components (Euro 1.7 million) came to Euro 112.5 million, increasing from the Euro 98.8 million of 2020. Labour costs net of non-recurring components account for 19.7% of revenues, compared to 22.6% in 2020. The average workforce for the Group decreased by 62 employees, from an average of 2,810 in 2020 to 2,748 for 2021.

The increase in labour costs is primarily due to the greater hours worked compared to 2020, in addition to the usual productivity and efficiency bonuses not accrued in 2020 due to limited production levels as a result of the Covid-19 pandemic.

Other Costs and Operating Charges
Other costs and operating charges amount to Euro 3.4 million (Euro 4.4 million in 2020), decreasing Euro 1.0 million (-22.8%). Excluding the effects of non-recurring costs, the decrease would have amounted to Euro 0.5 million, accounting for 0.5% of revenues (0.8% in 2020).

Increases for internal work
The increases for internal work amount to Euro 6.1 million (Euro 5.8 million in 2020), increasing Euro 0.3 million (+4.6%). The movements principally concern the increased costs for development projects incurred in 2021 compared to the same period of the previous year.

EBITDA
EBITDA was Euro 72.1 million, an increase of Euro 13.7 million (23.5%) from the Euro 58.4 million of 2020. The EBITDA Margin in 2021 was 12.7%, compared to 13.4% in 2020. The increase in EBITDA is explained by the greater quantities sold during the year and by the consolidation of the Group's actions aimed at increasing profitability, which began in the fourth quarter of 2019. These increases were greater than the impact of the timing mismatch of sales prices and costs of raw materials that characterised the first half of 2021 in particular, in addition to the higher energy costs in the third and fourth quarters of 2021.

Amortisation, depreciation and write-downs
Amortisation, depreciation and write-downs for the year, in the amount of Euro 45.0 million, increased by Euro 1.4 million from the Euro 43.6 million of 2020 due to the start of operations for the high level of capex in previous years.

Other provisions
Other provisions in 2021 totalled Euro 0.3 million (Euro 0.6 million in 2020), decreasing Euro 0.3 million.

EBIT
EBIT in 2021 totalled Euro 21.5 million (Euro 5.9 million in 2020), increasing Euro 15.6 million. The improvement is principally due to the increase in EBITDA, in addition to lower charges.

Financial Management Result
Net financial charges came to Euro 6.9 million, compared to Euro 5.9 million in 2020, decreasing by Euro 1.0 million. The difference is mainly attributable to the lower level of debt, as well as to exchange losses in the year of Euro 0.2 million, compared to an exchange gain of Euro 1.8 million in 2020.

Income taxes
Income taxes for the year were a negative (charge) Euro 3.9 million, as compared to a positive Euro 0.5 million in 2020. This reflects the increase in pre-tax profit, which went from Euro 0.1 million to Euro 14.6 million.

Consolidated Result
The Group consolidated net result was a profit of Euro 10.7 million, compared to Euro 0.6 million in 2020.

10. DISCLOSURE BY OPERATING SEGMENT

IFRS 8 defines an "Operating segment" as a component (i) involving business activities generating revenues and costs, (ii) whose operating results are reviewed periodically at the highest decision-making level and (iii) for which separate financial data is available.

The operating segments of the company are identified on the basis of the information analysed by the Board of Directors, which constitutes the highest decision-making level for strategic decisions, the allocation of resources and the analysis of results.

For IFRS 8 purposes, the Group activities are identifiable as a single operating segment whose results are reviewed periodically by the Board of Directors.

In fact, the Group structure identifies a strategic and singular vision of the business and this representation is consistent with the manner in which management takes its decisions, allocates resources and defines the communication strategy. Dividing the business into separate divisions is therefore currently viewed as detrimental to its economic interests. Therefore, the information required by IFRS 8 corresponds to that presented in the consolidated income statement.

The breakdown of consolidated revenues by region and by product line is therefore reported below.

10.1 Breakdown of revenues by region and product line

The breakdown of revenues by region and product line is presented in the following table (Euro millions) and also in percentage terms, alongside an analysis of the movements against the previous year:

	BCF (carpet yarn)				NTF (clothing yarn)				Polymers				Total			
	YTD 2021	YTD 2020	Change	Change %	YTD 2021	YTD 2020	Change	Change %	YTD 2021	YTD 2020	Change	Change %	YTD 2021	YTD 2020	Change	Change %
EMEA	186.3	150.9	35.4	23.5%	90.2	67.2	23.0	34.2%	68.8	29.8	39.0	N,A,	345.4	247.9	97.4	39.3%
North America	91.6	80.6	11.0	13.7%	28.9	25.2	3.7	14.5%	7.7	5.4	2.3	42.3%	128.3	111.3	17.0	15.2%
Asia & Oceania	87.4	72.8	14.6	20.0%	5.1	2.7	2.4	89.3%	0.8	0.2	0.6	N,A,	93.3	75.7	17.6	23.3%
Rest of the world	0.2	0.5	(0.3)	(57.8%)	2.2	1.3	0.9	70.9%	0.4	0	0.4	N,A,	2.8	1.8	1.0	56.0%
Total	**365.5**	**304.9**	**60.7**	**19.9%**	**126.4**	**96.4**	**30.0**	**31.1%**	**77.8**	**35.4**	**42.4**	**N,A,**	**569.7**	**436.7**	**133.0**	**30.5%**

The comparison indicates the following:
1. **EMEA** revenues increased 39.3% (Euro 97.4 million) in 2021 against the previous year, where:
   a) the BCF product line continued its recovery, particularly in the residential and automotive segments;
   b) the NTF product line has continued growing on the strength of sales of ECONYL® fibre and agreements with global fashion brands;
   c) the Polymers product line confirmed the exceptional performance it had enjoyed throughout the year;
2. **North American** revenues increased 15.2% (Euro 17 million), where:
   a) the BCF product line posted growth in the automotive and contract segments;
   b) the NTF product line confirmed the growth seen throughout the year;
3. **Asia Oceania** revenues were up 23.3% (Euro 17.6 million), attributable to the residential segment.

11. GROUP BALANCE SHEET AND FINANCIAL SITUATION

The following table reclassifies the consolidated equity and financial position of the Group at December 31, 2021, and December 31, 2020.

Group balance sheet and financial situation (in Euro thousands)	**At December 31, 2021**	**At December 31, 2020**	**Change**
Trade receivables	31,233	22,015	9,218
Inventories	177,243	150,920	26,323
Trade payables	(126,566)	(69,168)	(57,398)
Tax receivables	423	1,772	(1,349)
Other current assets	12,853	11,981	872
Other current liabilities	(25,608)	(22,835)	(2,773)
Non-current assets held for sale	0	0	0
Net working capital	**69,578**	**94,684**	**(25,106)**
Property, plant and equipment	240,489	229,495	10,994
Intangible assets	23,551	23,578	(28)
Goodwill	14,735	13,600	1,135
Financial assets	1,703	650	1,053
Net fixed assets	**280,478**	**267,324**	**13,154**
Employee benefits	(5,910)	(5,969)	59
Other net assets/(liabilities)	(12,726)	(10,405)	(2,321)
Net capital employed	**331,420**	**345,633**	**(14,214)**
Cash and banks	152,656	208,954	(56,298)
ST bank payables and loans	(48,384)	(67,172)	18,788
M-LT bank payables and loans	(166,315)	(240,940)	74,625
M-LT bond loan	(83,210)	(90,406)	7,195
ST bond loan	(7,459)	(308)	(7,152)
Current loans	860	834	26
Other financial payables	(27,466)	(29,698)	2,232
Net Financial Position	**(179,318)**	**(218,736)**	**39,418**
Group shareholders' equity	(152,101)	(126,897)	(25,204)
Equity attributable to non-controlling interests	(1)	(1)	0
Total shareholders' equity	**(152,102)**	**(126,897)**	**(25,204)**

In the consolidation process, the balance sheet items expressed in foreign currencies were impacted by the write-back/write-down of opening balance sheet items in 2021 (currency translation effects) principally between the Euro the US and Chinese currencies: the changes in the balance sheet items compared to 2020 arose partly due to this factor.

Net working capital amounts to Euro 69.6 million, decreasing Euro 25.1 million on Euro 94.7 million in 2020.

The change reflects: (a) the increase in trade payables due to higher purchases for production as revenues increased and an increase in prices (particularly for raw materials and energy); (b) an increase in trade receivables as a result of increased revenues in November and December 2021 compared to the same months of 2020; and (c) an increase in the value of inventors attributable almost entirely to the increase in the price of raw materials.

Fixed assets at December 31, 2021 amounted to Euro 280.5 million, an increase of Euro 13.2 million compared to the Euro 267.3 million of the previous year, due to the combined effect of:

1. net investment activities in tangible and intangible assets of Euro 46.4 million, including Euro 6.8 million regarding the increase in the year concerning the movement in goods recognised as per IFRS 16;
2. acquisition of an equity investment in the associated company Nofir AS for Euro 1 million;
3. positive conversion differences and other minor items for Euro 11.1 million;
4. amortisation and depreciation in the year of Euro 45.0 million.

Investments in property, plant and equipment are outlined in detail in the Notes and mainly concerned: (a) the technological upgrading and improvement of existing plant and equipment; (b) efficiency increases at the ECONYL® regenerated caprolactam production plant and in carpet recycling technology in the USA, (c) projects to improve industrial and production efficiency; (d) an increase in production capacity in the various product lines and geographic areas in which the Group operates; (e) the construction of a demo-plant for the production of bio-nylon 6 using renewable raw materials; and (f) rights-of-use pursuant to IFRS 16.

The increase in intangible assets is mainly due to: (a) development costs for textile fibre samples, which comply with the criteria set out by IAS 38; (b) the development of technology to produce bio-caprolactam and, consequently, bio-nylon 6 from renewable raw materials and their testing by producing prototypes; and (c) Information and Communication Technology operations. These changes are also outlined in the Notes.

Shareholders' Equity increased Euro 25.2 million, from Euro 126.9 million to Euro 152.1 million, essentially due to the combined effect the consolidated net profit of Euro 10.7 million, positive differences for the translation of financial statements from currencies other than the Euro in the amount of Euro 17.1 million, and a decrease of Euro 2.5 million in the purchase of treasury shares.

The **Net Financial Position** (net debt) at December 31, 2021, amounted to Euro 179.3 million, compared to Euro 218.7 million in the previous year, an improvement of Euro 39.4 million. The movements are outlined in detail in the consolidated cash flow statement, indicating in particular (a) the cash flows generated from operating activities for Euro 66.4 million, (b) the cash flows generated from changes in working capital for Euro 29.5 million and (c) the impact of the intangible asset investment activities for Euro 40.6 million, which do not include the IFRS 16 effects which do not generate cash flows.

The raising of funding by the Parent Company in 2021 has placed the various Group companies in a position of liquidity that exceeds ordinary business needs and is now no longer considered necessary considering COVID-19 pandemic developments. Available liquidity in Group current accounts, which are diversified by geographic area and financial institution, went from Euro 209 million at December 31, 2020, to Euro 153 million at December 31, 2021. In order to reduce cash balances in 2021, the Group made advance payments on medium-term financing compared to their ordinary repayment plans in the amount of Euro 61.5 million, Euro 60 million of which backed by the SACE guarantee, in addition to the ordinary instalments on outstanding loans in the amount of Euro 62 million, for a total of Euro 123.5 million. In December, Aquafil received a new medium-term loan from Intesa Sanpaolo in the amount of Euro 30 million, not backed by guarantees and at conditions aimed at improving the circular economy indicators. A breakdown of the bank debt is provided in the Notes.

The short-term credit lines granted to the Group companies were entirely available for a total amount at period-end of Euro 78.4 million, and all the relative lines remain permanently unused. A "Shelf Facility" line was in addition available, related to the bond loan signed by the Prudential Group companies for a total amount of approx. USD 50 million.

12. INTERCOMPANY TRANSACTIONS AND TRANSACTIONS WITH RELATED COMPANIES

12.1 Inter-company transactions

Aquafil Group operations directly involve - both in terms of production and distribution - the Group companies, which are assigned (depending on the case) the processing, special processing, production and sales phases for specific regions.

The main activities of the various group companies and principal events in 2021, broken down by each of the three product lines, were as follows.

BCF (Bulk Continuous Filament for textile floor covering) Line

The core business of the Aquafil Group is the production, re-processing and sale of yarn, mainly polyamide 6-based yarn, partly petroleum based and partly from regenerated ECONYL®, for the higher-quality end-markets. The Group also produces and markets polyester fibres for certain textile flooring applications.

The Group companies involved in the production and sales processes for this product line are the parent company Aquafil S.p.A., with production site in Arco (Italy), Tessilquattro S.p.A., with production based in Cares (Italy) and in Rovereto (Italy), Aquafil SLO d.o.o., with facilities in Ljubljana, Store and Ajdovscina (Slovenia), Aquafil USA Inc. with two facilities in Aquafil Drive and Fiber Drive in Cartersville (U.S.A.), Aquafil Synthetic Fibres and Polymers Co. Ltd with facilities in Jiaxing (China), Aquafil Asia Pacific Co. Ltd with facilities in Rayong (Thailand), Aquafil UK, Ltd. with facilities in Kilbirnie (Scotland), the commercial company Aquafil Benelux-France B.V.B.A. based in Harelbeke (Belgium) and the commercial company Aquafil Oceania Pty Ltd., Melbourne (AUS).

Group commercial operations for this product line are undertaken with industrial clients, which in turn produce for the intermediate/end-consumer markets, whose sectors are principally (a) the “contract” markets (hotels, offices and large public environments), (b) internal high-end car floors and (c) residential textile flooring. Ongoing product and process technology innovation involves frequent updates to the yarns comprising the customer’s collection; the research and development is carried out by the internal development centre in collaboration with developers within client companies and architectural studies upon the final users of carpets.

NTF Line (Nylon Textile Filament – Fibres for textile/clothing use)

The NTF product line produces and reprocesses polyamide 6 and 66 fibres, Dryarn® polypropylene microfibers for men’s and women’s hosiery, knitwear and non-run fabrics for underwear, sportswear and special technical applications. The markets concern producers in the clothing, underwear and sportswear sectors, on which the main clothing brands operate.

The production/sale of fibres for textile/clothing use is undertaken by the companies Aquafil S.p.A., Aquafil SLO d.o.o. with facilities in Ljubljana and Senozece (Slovenia), AquafilCRO d.o.o., with facilities in Oroslavje (Croatia) and Aquafil Tekstil Sanayi Ve Ticaret A. S., with commercial operations based in Istanbul (Turkey).

The percentage of NTF polyamide-6 fibre made from caprolactam obtained from the ECONYL® regeneration process continues to increase, and the product is being increasingly well-received by clothing brands that are sensitive to environmental issues.

Nylon 6 polymer line

The Group produces and sells polymers and polyamide 6 for the “engineering plastics” sectors.

The polymers are mainly produced/sold by Aquafil S.p.A., Aquafil SLO d.o.o. and Aquafil USA Inc. Cartersville (U.S.A.). During the year, Tessilquattro S.p.A. made an investment in systems for polymer compounds at the company’s facilities in Rovereto (TN), replacing the decommissioned space-dying business. The plant will begin operating in 2022.

ECONYL® regeneration process

A significant proportion of polyamide-6 fibres, for both the BCF and the NTF product lines, as well as for polymers, are produced using the caprolactam from regenerated ECONYL®, a logistical-production system which obtains top-quality caprolactam from the transformation of materials, and mainly recovered industrial (pre-consumer) polyamide 6 and/or (post-consumer) materials disposed of at the end of their life cycle.

The caprolactam monomer obtained at the Ljubljana plant from the ECONYL® process supports all three product lines - BCF, NTF and polymers - as an alternative raw material to that from fossil sources, for applications (a) in textile flooring with a specific sustainability focus, (b) in clothing and accessories, in particular at the request of the leading international fashion brands more dedicated to a concrete circular economy and (c) in the design and manufacture of innovative polyamide 6 based plastic products, instead of other plastic materials that can not be restored to their original state by way of chemical regeneration such as polyamide 6.

The ECONYL® regeneration process is fed by recovering polyamide-6 textile flooring materials and fish netting at the end of their useful lives and a series of other industrial and consumer waste materials with high polyamide-6 content. The process is completed at the facilities of AquafilSLO d.o.o. in Ljubljana (SLO), while taking advantage of synergies within a single system of logistics and production across multiple Group companies. For the regeneration of textile flooring, certain stages of material collection and pre-treatment of used carpeting are carried out by the companies Aquafil Carpet Recycling (ACR) #1 Inc. in Phoenix, Arizona (USA), Aquafil Carpet Recycling (ACR) #2 Inc. in Woodland, California (USA), and Aquafil Carpet Recycling Inc. in Phoenix, Arizona (USA). The company ACR #1 is almost fully operational with the processes of extraction of nylon 6 and other by-products from the “end-of-life” carpets and subsequent regranulation in pellets in order to effectively support the ECONYL® industrial process at the Ljubljana plant. Having experienced a slowdown in its start-up process, ACR #2 hopes to be fully operational by the end of 2022, including development of the recycling and sale of other carpet waste materials once the carpets have been broken down. For the regeneration of fish netting, a minority interest in Nofir AS in Bodø, Norway, a European leader in the collection and treatment of end-of-life fish netting, was acquired during the year. This investment is aimed at strengthening and consolidating the procurement of quality polyamide-6 fish netting to feed the ECONYL® regeneration process on a stable, continuous basis.

Other activities

The Slovak company *Cenon S.r.o* (Slovakia) does not carry out production activities; it holds a long-term lease of land and owns buildings and non-specific plant which remain on the site after the disassembly and sale to third parties of specific chemical plant concerning the activities carried out previously. On January 12, 2022, the company sold assets held in Slovakia to third parties. The sale of these assets did not generate a capital loss for the Group, given that the assets had been fully depreciated in the 2021 consolidated financial statements, with an impact of approx. Euro 1.3 million. The company is currently not operative and will likely be the subject of voluntary liquidation.

Aquafil Engineering GmbH, Berlin (Germany) carries out industrial chemical plant design and supply for customers outside the Group and in part for Group companies.

With the other related companies to which reference is not expressly made, commercial operations are undertaken at arm's length, in consideration of the features of the goods and services rendered.

Aqualeuna GmbH no longer conducts operations-related activities and is solely the holding company, with a 100% stake, of Aquafil Engineering GmbH A tax dispute is currently pending with the German inland revenue office, a detailed explanation of which may be found in the Notes.

The subsidiary *Aquafil India Private Ltd* (India) is not operational.

12.2 Related party transactions

The transactions of the Aquafil Group with related parties, as defined by international accounting standard IAS 24, relating to the consolidated financial statements for the year ended December 31, 2021, are presented below. The Aquafil Group undertakes commercial and financial transactions with its related companies, consisting of transactions relating to ordinary operations and at normal market conditions, taking into account the features of the goods and services provided.

The Group has made available on its website www.aquafil.com, in the Corporate Governance section, the Related Parties Transactions Policy.

The Aquafil Group undertakes transactions with the following related parties:

- Parent Company and other companies at the head of the chain of control (Parent Companies);
- other parties identified as related parties in accordance with IAS 24 (other related parties).

The transactions between the Parent Company, its subsidiaries outside of the consolidation scope and the Aquafil Group concern financial transactions, commercial leases and transactions for the settlement of accounts receivable and payable arising from the tax consolidation of Aquafin Holding S.p.A., which includes, in addition to Aquafil S.p.A., the company Tessilquattro S.p.A.. The transactions are shown in the notes to the financial statements.

The transactions were executed at market conditions; for a breakdown of the income statement and balance sheet amounts generated by related party transactions included in the Group consolidated financial statements at December 31, 2021, reference should be made to the Explanatory Notes.

With the exception of that indicated above there were no other transactions or contracts with related parties which, with regard to materiality upon the financial statements, may be considered significant in terms of value or conditions.

13. RESEARCH AND DEVELOPMENT

13.1 Introduction

Aquafil has a standing Research & Development unit that manages and oversees all product and process innovation applied to BCF yarns, NTF yarns, PA6 polymers and the ECONYL® process and the continued development of the bio caprolactam production process.

Technological research, development and innovation for 2021 concerned the main stages of production and the materials used, from the production inputs to the by-products of polymerisation, spinning, reprocessing and, for ECONYL®, regeneration and recycling of materials.

More specifically, R&D led to actions regarding efficiency, performance, product functioning, eco-design, recycling and reuse, the use of natural pigments, the study of micro-plastics, the development of polymerisation processes, and developments in areas of product application, taking advantage of outside contributions coming in the form of market input, new technologies, new solutions and new materials, and the use of solutions recommended by qualified research partners.

A number of projects — due to their complexity and difficulty — last many years and are undertaken in collaboration with outside partners; other less complex projects present results in a short timeframe.

13.2 Summary and description of the individual projects

Technological research, development and innovation concerned numerous projects, some of which began in H1 2021, while others began in prior years. The main projects are listed below:

1. "Ecodesign", a project to study and identify product and technology know-how in order to define concepts, prototypes and industrial developments for textile floor coverings designed to recuperate any residual value in the materials used, particularly the polyamide 6 portion through the ECONYL® regeneration processes. This project is being conducted in collaboration with customers and with suppliers of materials for textile flooring products (primary backing, latex, etc.) in order to develop an innovative concept of sustainable and easily recyclable carpet to "disassemble" all its components, but it applies to other types of applications for polyamide 6-based products;
2. as part of the Ecodesign activities, the European CISUFLO project has begun: CIrcularSUstainableFLOorcovering, financed by the European Commission within the scope of the EU's Horizon 2020 research, involving 17 consortium members: Aquafil S.p.A. is involved as a producer and recycler of polyamide 6, playing the specific role of verifying pilot and pre-industrial testing of the recyclability of textile flooring developed with new design parameters; this project has an expected duration of 4 years;
3. continuation of the development and fine-tuning of process technology for the recycling of end-of-life polyamide carpets, which is being conducted in both Slovenia and the USA by the companies ACR #1 Inc., ACR #2 Inc., and Aquafil Carpet Collection LLC in order to improve the quality of materials to feed the process of producing ECONYL® polyamide 6;
4. development of BCF yarns that are intrinsically flame retardant and feature objective approaches applied to the fibres in order to improve cleaning and stain resistance; development of methods of cleaning and sanitising PA6 rugs/carpets that have a low environmental impact; development of anti-static carpet fibres featuring minimal conductivity;
5. ongoing enhancement of Aquafil's technological capabilities and knowledge in the preparation of texturized polyamide-6 bulk continuous filament (BCF) in order to improve the performance of existing products and achieve specific, functional specialisation in new products/markets;
6. research and development of new (natural) pigments and other additives aimed at improving the chemical and physical characteristics of the fibres;
7. redesign of the masterbatch production methodology based on titanium oxide in order to produce nylon textile filaments (NTF) by way of the systematic development of technologically innovative solutions;
8. research and development of ECONYL® PA6-based materials that can be used in 3D printing;
9. development approaches to determining the micro-plastics found in various forms (i.e. solid, liquid, gas) in the textile industry and other segments;
10. development of advanced colour-management software applications for the formulation, production and online verification of dye uniformity;
11. study and engineering of stabilising molecules aimed at increasing the UV and heat resistance of polyamide 6 for outdoor applications of nylon textile fibres (NTFs);
12. development of antibacterial and antiviral NTF fibres, multi and microfilament FDY fibres for critical applications, development of a new bi-component mass-dyed NTF fibre with a high content of recycled material and a significantly reduced GWP (Global Warming Potential) value;
13. "Effective" project, coordinated by the AquafilSLO and financed by the Bio-Based Industries Joint Undertaking (BBI JU), a public-private partnership between the European Union and a consortium of bio-economics enterprises and research centres under the EU research programme Horizon 2020 aimed at developing fibres and films for consumer goods derived from bio-polyamides and bio-polyesters that fit within the circular economy;
14. "organic caprolactam" project in collaboration with Genmatica Inc., in San Diego, California (USA). This project involved the construction of a dedicated demonstration plant (representative of industrial scale) for the transformation of intermediate organic

6-ACA into bio-caprolactam at the AquafilSLO plant in Ljubljana. The start-up of operations with the intermediate bio-6-ACA is scheduled for H1 2022 and will permit in subsequent months the obtaining of industrial quantities of bio caprolactam in repeated production campaigns whose transformation into bio Nylon 6 will be used, within the Effective project, for the final validation of prototypes of carpets and fabrics, providing positive indications about the workability of nylon obtained through this new process; the demonstration plant will also make it possible to define all the sections and sizes for future industrial development in order to produce bio-caprolactam on a commercial scale;

15. research and development of processes aimed at the chemical recovery of polymers from polycondensation: this is being done in collaboration with the University of Padua and has produced research results and has reached a very advanced stage, including two new patents held by Aquafil S.p.A. and a third that is in the preliminary stages; the project has also led to the creation of a flexible, multipurpose system that is midway between a lab system and a pilot system and will make it possible to conduct preliminary testing of new polymer regeneration processes;
16. efforts to increase the efficiency of polymerisation processes and of new polymerisation technologies in order to enhance the mechanical properties of the polymers;
17. industrial applications of augmented reality in the remote control of the individual production systems at the Group's European, U.S. and Asian facilities;
18. study and development of "cast" nylon based on polyamide 6 ECONYL® with high mechanical performance, conducted in collaboration with the University of Trento's Department of Mechanical and Industrial Engineering, to produce mono-material composite polymers that can be fully regenerated using the ECONYL® process;
19. implementation of industrial automation for systems to produce, transport and package spools of textile fibres and digitalisation of the provisioning of materials for production processes;
20. implementation of IT solutions (in part developed in-house) for the planning, management and simulation of production processes using stable tools integrated with existing systems aimed at the controlled sharing of information and the automation of manual operations;
21. digitalisation of logistics aimed at speeding up certain manual operations and reducing manual errors, conducted in partnership with a number of clients;
22. optimisation of polymerisation production processes, in order to reduce energy and water consumption;
23. development of technology for the recycling of various types of packaging waste and subsequent sale of recycled polymers;
24. development of technologies and processes to optimise the reuse of copper from the recycling of fish netting.

13.3 Patent developments

The following is a list of patents that have been filed:

a) patent registered to Aquafil S.p.A. 7.3.2013, PCT, on the recycling of polyamide fibres from elastomeric products;
b) patent registered to Aquafil S.p.A. 8.6.2017, PCT, on the composition of fish-net coatings;
c) patents filed by AquafilSLO d.o.o., published on June 28, 2018, with validity in all 152 countries subscribing to the Patent Cooperation Treaty (PCT), regarding a method to recover copper from discarded fishing nets in support of the ECONYL® process; in 2020, the patent was approved in the United States and Japan and will be approved in China and in the 38 member states of the European Patent Organisation; extension of the patent to Canada, Chile and India is currently under way;
d) patent filed by AquafilSLO d.o.o., published on November 29, 2018, and valid in the USA, on the process of recovering and separating scrap material from polyamide carpets at the end of their life cycle, and the international patent valid in PCT member countries was published on December 6, 2018. A further patent application for integrations on the same process by Aquafil SLO is currently in the publication process;
e) patent filed by AquafilSLO d.o.o. and published on June 20, 2019, in all PCT-member countries, with specific national/regional extensions in countries in which there are caprolactam production sites, including the EU, the USA, China, Russia and Japan, related to the improvement and optimisation of solvent-free caprolactam purification technology. As a result of these activities, the situation at year-end was:
    - patent definitively granted in the 38 members states of the EPO;
    - definitive approval in Japan;
    - Eurasian patent no. 038223, covering 9 nations including Russia and Belarus, was obtained in July 2021;
    - the US Patent Office confirmed approval of the divisional patent for the USA in December 2021;
    - publication in China has been confirmed;
f) patent filed in February 2021 under the name AquafilSLO d.o.o., pending, on a new multi-component NTF fibre with reduced impact on GWP (Global Warming Potential) and related manufacturing process;
g) as part of the project relating to the development of bio-caprolactam, the patent application was filed on December 28, 2018, at the Italian Patent Office, jointly by Aquafil S.p.A. and Genomatica Inc., San Diego, California (USA), and relating to the transfor-

mation phase of the initial linear intermediate obtained through fermentation processes into the final cyclic ring monomer used for the production of bio-nylon 6; in December 2019, the Italian patent was filed under the PCT with the code WO2020/136547 with validity in all 152 participating nations; on July 2, 2020, the PCT patent was published. In 2020 and 2021, the national patents between Aquafil and Genomatica were extended with reference to the areas in which there is both caprolactam production and availability of renewable raw materials; the applications have been filed with:

- EP, European patent organisation that includes 38 European countries,
- Eurasian Patent Organization (Russia and 7 former Soviet Union countries),
- USA, Mexico, Brazil,
- China, Japan, South Korea, Thailand and India;

h) as part of the development of the PET recycling process, a patent application has been filed in Italy with No. 102021000012617 for new depolymerization catalysts with a lower environmental impact than those currently known and in use. The patent is owned by Aquafil S.p.A. with joint inventors Aquafil and the Department of Industrial Engineering of the University of Padua. The application was filed on May 17, 2021. We currently await the opinion of the EU Patent Office, expected to be issued prior to the 12-month deadline. In the meantime, additional integrations of interest have been developed in Aquafil labs and at the University of Padua, which are to be introduced in part in relation to the content of the opinion for the filing of the PCT patent by the November 2022 deadline;

i) with regard to research into materials that can feed the ECONYL® caprolactam regeneration process, our focus is on reinforced PA6 fibreglass, which is widely available and is being reused to a limited extent by way of mechanical recycling, but most of which ends up in landfills. Within the scope of the collaboration with the University of Padua, a pilot process has been developed that results in the separation of a partially depolymerised PA6 polymer and in unaltered fibreglass. At the same time, a patent application was filed in Italy on November 10, 2021 (No. 102021000028601), with Aquafil as the patent holder and co-inventors Aquafil and the University of Padua's Department of Industrial Engineering. The opinion of the EPO is expected within 12 months in order to proceed with the PCT patent filing in the 6 months after that.

14. CORPORATE GOVERNANCE

For further information on corporate governance, reference should be made to the Corporate Governance and Ownership Structure Report, prepared in accordance with Article 123-bis of Legs. Decree 58/1998, approved by the Board of Directors, together with the Directors' Report made available at the registered office of the company and on the Group website.

Certain disclosure within the scope of the Corporate Governance and Ownership Structure report is covered by the "Remuneration Report" drawn up as per Article 123-*ter* of Legislative Decree 58/1998. Both reports, approved by the Board of Directors, are published in accordance with law on the company website www.aquafil.com.

15. OTHER INFORMATION

15.1 Management and co-ordination

The company is not subject to management and co-ordination pursuant to Article 2497 and subsequent of the Civil Code.

The Parent Company Aquafin Holding S.p.A. does not exercise management and co-ordination over Aquafil as substantially operating as a holding company, without an independent organisational structure and, consequently, de facto does not exercise direct management over Aquafil S.p.A..

All of the Italian direct or indirect subsidiaries of Aquafil S.p.A. have met the publication requirements under Article 2497-*bis* of the Civil Code, indicating Aquafil S.p.A. as the company exercising management and co-ordination.

15.2 Treasury shares

At December 31, 2021, the Company held a total of 331,761 treasury shares, purchased following authorisation by the Shareholders on October 20, 2021, and comprising 0.6477% of share capital. These shares were purchased at an average price of Euro 7.67 per share for a total value of Euro 2,544,855. At the date of approval of this report, as a result of purchases made in January 2022, the Company holds a total of 457,090 treasury shares, comprising 0.8924% of share capital, for a total value of Euro 3,469,250.

15.3 Group IRES (Corporate Income Tax) taxation procedure

Aquafil S.p.A. is a consolidated company within the Group's tax consolidation procedure, in accordance with the option exercised by Aquafin Holding S.p.A.. The tax consolidation regime is also confirmed for the year 2021 in accordance with Articles 117 to 128 of Italian Presidential Decree 917/1986 as amended by Legislative Decree No. 344/2003.

The company Tessilquattro S.p.A. is a consolidated company within the Group taxation procedure, in accordance with the option exercised by Aquafin Holding S.p.A. as consolidating company. The tax consolidation regime is also confirmed for the latter for the year 2021.

In preparing the financial statements of these companies, the effects of the transfer of the tax positions due to the consolidated tax accounts were taken into account; in particular, the subsequent accounts receivable from/payable to the consolidating company were recognised.

15.4 Organisation, management and control model in accordance with Legislative Decree 231/2001

The Italian companies of the Aquafil Group have supplemented the organisation, management and control model as per Legislative Decree No. 231 of June 8, 2001, including the conduct code and operating procedures, as updated by: (a) Law No. 3 of January 9, 2019, "Measures to combat offenses against the public sector, as well as on the statute of limitations and the transparency of political parties and movements", with particular reference to the new offense as per Article 346 bis of the Italian Criminal Code - Exercising of undue influence, introduced by Article 25 of Legislative Decree 231/01; (b) Law No. 157 of December 19, 2019, "Conversion into law, with amendments, of Legislative Decree No. 124 of October 26, 2019, containing urgent provisions on tax matters and for unavoidable needs", which introduces tax offences into the catalogue as per Legislative Decree No. 231/01; (c) Legislative Decree No. 75 of July 14, 2020, "Implementation of Directive (EU) 2017/1371 on the fight against fraud to the EU's financial interests by means of criminal law".

15.5 Impairment Test Procedure

In order to conduct impairment tests for the purpose of verifying the recoverability of assets, as described below, the Parent Company has adopted specific, formal procedures as approved by the Board of Directors on February 15, 2019.

16. RECONCILIATION BETWEEN THE PARENT COMPANY AND GROUP SHAREHOLDERS' EQUITY AND OPERATING RESULT AT DECEMBER 31, 2021

A breakdown of the composition and movement of shareholders' equity of the Parent Company and the Group consolidated financial statements at December 31, 2021 is presented in the following table:

(in Euro thousands)	**Shareholders' Equity**	**Net Result**
Parent Company net equity and net result	**116,091**	**11,153**
Consol. Adjustments on parent company	4,154	21,541
Elimination of carrying amounts of consolidated investments		
Difference between Shareholders' Equity & Carrying amount	59,453	
Pro-quota results of investees	4,156	4,156
Elimination of the effects of transactions between consolidated companies		
Reversal of write-downs net of revaluations of investments	206	206
Inter-company dividends	(7,000)	(7,000)
Inter-company loss included in inventories & other minor	(7,830)	(2,258)
Translation reserve	(17,128)	(17,128)
Net equity and net result as per consolidated financial statements	**152,102**	**10,670**
Minority interest net equity and net result	1	0
Group net equity and net result	**152,101**	**10,670**

17. OUTLOOK

The Group continues to firmly believe in the need to focus all areas of operations on sustainability and on the design of manufacturing processes based on the circularity of products and materials, while focusing our short- and long-term efforts on developing ECONYL® solutions.

2022 will see the continuation of global vaccination strategies to counter the spread of the COVID-19 pandemic, with expected benefits for the entire economic system.

On the other hand, the recent conflict between Russia and Ukraine has led to the application of international sanctions that will certainly have an adverse impact on global economic growth and on the financial markets. The business relationships that occurred with Russian suppliers during 2021 have been replaced without additional costs nor impacts for the Group. There are no direct sales relationships with customers from Russia and/or Ukraine.

Forecasts currently may not be made on the development of the conflict, although its continuation will bring further inflationary pressures to Europe, which are likely to be temporary, with **further** increases **in the prices of** raw materials and energy, which will have an impact — as in the case **of most European production sectors** — on demand and the Group’s margins, on which we are already keenly focused on recovering.

Non Financial Report

Legislative Decree no. 254 of 2016

METHODOLOGICAL NOTE

(GRI 102-48; 102-49; 102-50; 102-51; 102-52; 102-53; 102-54; 102-56)

This "Consolidated Non-Financial Report" (hereinafter the "Report") presents the Sustainable Operating Model adopted by Aquafil Group (hereinafter "the Group"), in accordance with the indications of Legislative Decree No. 254 of 2016.

The report has been prepared in accordance with the GRI Standards: Core option, using the version published in 2016 for all material topics except:

- Occupational health and safety (GRI 403) and Water and effluents (GRI 303) for which the version published in 2018 was considered;
- Waste (GRI 306) for which the version published in 2020 was considered;
- Tax (GRI 207), the first version of which is the 2019 version.

Information on the end of life of waste is included in the scope of this report, as required by GRI 306-4:2020 and 306-5:2020. The detailed list of the indicators reported is shown in the appended Content Index.

All information and indicators included in this report are determined and reported on an annual basis and concern the 2021 calendar year. Values are also reported for the previous four tax years (2017-2020) to track progress over time.

The Group continued to use the materiality analysis it developed in 2020 to analyse how the pandemic affected its priorities and those of its stakeholders in 2021. The situation remains substantially the same as last year, both in terms of the measures adopted and their impact on the Group's business, making it unnecessary to conduct a new analysis.

Aquafil has decided to include its environmental sustainability objectives in this year's report, which it intends to achieve through initiatives that have either been in place for some time, introduced more recently, or are planned for the near future. These objectives align with the Group's sustainability pillars and the SDGs, to which Aquafil contributes through its operations.

The Group has also decided to include a new section on taxonomy per EU Regulation 2020/852, indicating which of its activities are eligible for this type of reporting. In addition, the Group has included information on which of its sustainability-related investments contribute to the achievement of the EU's sustainable development goals.

The reporting scope (paragraph 1.3) includes all fully consolidated Group companies with production sites, with the exception of the company Aquafil Carpet Recycling LLC, for which environmental data are not reported as they are not yet available. The company Aquafil Japan is also excluded from the reporting scope as it does not have any on-site members of staff.

During 2021, the Group acquired a 32% stake in the Norwegian company Nofir, which specialises in the recovery of end-of-life fishing nets. Aquafil has collaborated with Nofir for many years through the Healthy Seas organisation and as a supplier of recovered nets, which subsequently undergo the ECONYL® yarn regeneration process. Data on Nofir is not, however, reported as the Group only holds a minority stake in the Company and it is not considered a consolidated Group company.

In line with previous reports, all consolidated trading and service companies with exclusively administrative and market oversight functions are excluded from the scope.

The content of the Report is subject to limited audit by the independent third party PricewaterhouseCoopers S.p.A., according to the principles and indications of the "International Auditing and Assurance Standard Board (IAASB)".

For additional information regarding the contents of this report, please e-mail info@aquafil.com.

DATA COLLECTION AND PROCESSING METHODS

Aquafil's annual Non-Financial Report complies with the Global Reporting Initiative's international reporting standards (GRI Standards), which ensure that this document contains all of the data and information required for full and transparent communication with readers. Aquafil has been equipped with a customised software platform since 2012. This "Sustainability web tool" (hereinafter the "tool") seeks to facilitate and standardise data collection at all Group production plants.

Apart from the fact that it is an integral part of the Company's management methods, the tool facilitates the analysis and communication of results, both at individual plant level and corporate level; each plant can access it through a link by adding dedicated credentials and can view the questionnaires for data collection and the results expressed through specific indicators (KPIs).

The tool is divided into two distinct sections. The first section covers the collection of data on social topics (e.g., human resources and incidents), while the second section is dedicated to environmental topics (energy consumption, water, and waste production, etc.); the tool is the main source of data for this document.

Data is collected on a monthly or six-monthly basis depending on the type of information and its characteristics. For example, each plant inputs data on its consumption of raw materials, energy, and water, etc., into the system once a month, while data on waste generated, air and water emissions, packaging, transport used, and social topics is inputted twice a year (in June and December).

The reliability of the results obtained from the tool is guaranteed by various control levels both internally, at company level, and externally, through third-party audits.

Specifically, it:

- data entered in the tool on a monthly and half-yearly basis are subject to two successive controls carried out by persons with defined roles within the management system (Table 1);
- the reliability and accuracy of results and correct processing of entered data is guaranteed by an independent third-party audit conducted by DNV GL[1], which has issued a certificate downloadable from the tool's login page (https://aquafilcsrtool.com/social/images/Aquafil_Verification_3.pdf).

Table 1 - Levels of control of data input into the Sustainability Web Tool

Levels of input/control	Company role	Platform role
Platform data input	Environmental management officer/facility controller	PLANT user, responsible for data entry
First level of control	Plant manager	PLANT MANAGER user, responsible for input data control and validation
Second level of control	The Sustainability Steering Committee's Environmental Working Group, based at the Ljubljana plant	ADMINISTRATOR user, responsible for the entire data collection system, data validation and verification and control of Group indicator trends

Several changes were made to the environmental and social sections of the tool in 2021 to align data collection methods with the latest updates to the GRI Standards, and to improve the overall quality of the data collected. As such, some of the indicators in this Non-Financial Report are presented in a different format compared to previous years. Amendments of this kind are made periodically with a view to continuous improvement.

[1] https://www.dnvgl.it/assurance/index.html

CHAIRPERSON'S LETTER
(GRI 102-14:2016)

The past two years have been very challenging for all of us. A new and unsettling reality has disrupted our lives, revealing our weaknesses and forcing us to face them. At the same time, however, it has given us the chance to make contact with our most human side, to rediscover who we really are and who we want to be.

At Aquafil, we have taken stock of this time to reflect on our history and write our future, to make our commitment to the world.

So here is our Brand Manifesto, which embodies the very essence of our company: our values, our ambitions, our *vision* and our *mission*.

It is a compass that guides our business decisions, that aligns our strategy to sustainability principles. It helps our stakeholders — employees, investors, clients, suppliers, communities — understand who we are and where we are going.

Above all, it reminds us of the true reason why we work hard every day: to make the world a better place.

We are truly proud to share it with you.

"At Aquafil, we design better to do better.

We are conscious innovators.

We think as beginners and act as pioneers to provide unique products and services that leverage performance and reduce the impact on a global scale.

We are thoughtful listeners.

We step out of our comfort zone to set new standards through empathy and collaboration, inside and outside.

We are down-to-earth visionaries.

We envision the goal of a sustainable future to achieve it, driven by the responsibility to change the world one choice at a time.

To come full circle and create our story."

Giulio Bonazzi

1. OPERATIONAL MODEL

In line with the reporting scope, this Non-Financial Report presents information on Aquafil Group's structure, governance, product areas, and markets served.

1.1. The Aquafil Group

(GRI 102-1:2016; 102-3:2016; 102-4:2016; 102-7:2016)

The Aquafil Group was founded in Arco (Italy) in 1965, where its registered office and beating heart are still located to this day. At December 31, 2021, the Group has 19 production sites located in eight countries (Italy, Slovenia, UK, Croatia, USA, China, Thailand, and Japan) across three continents (Figure 1)

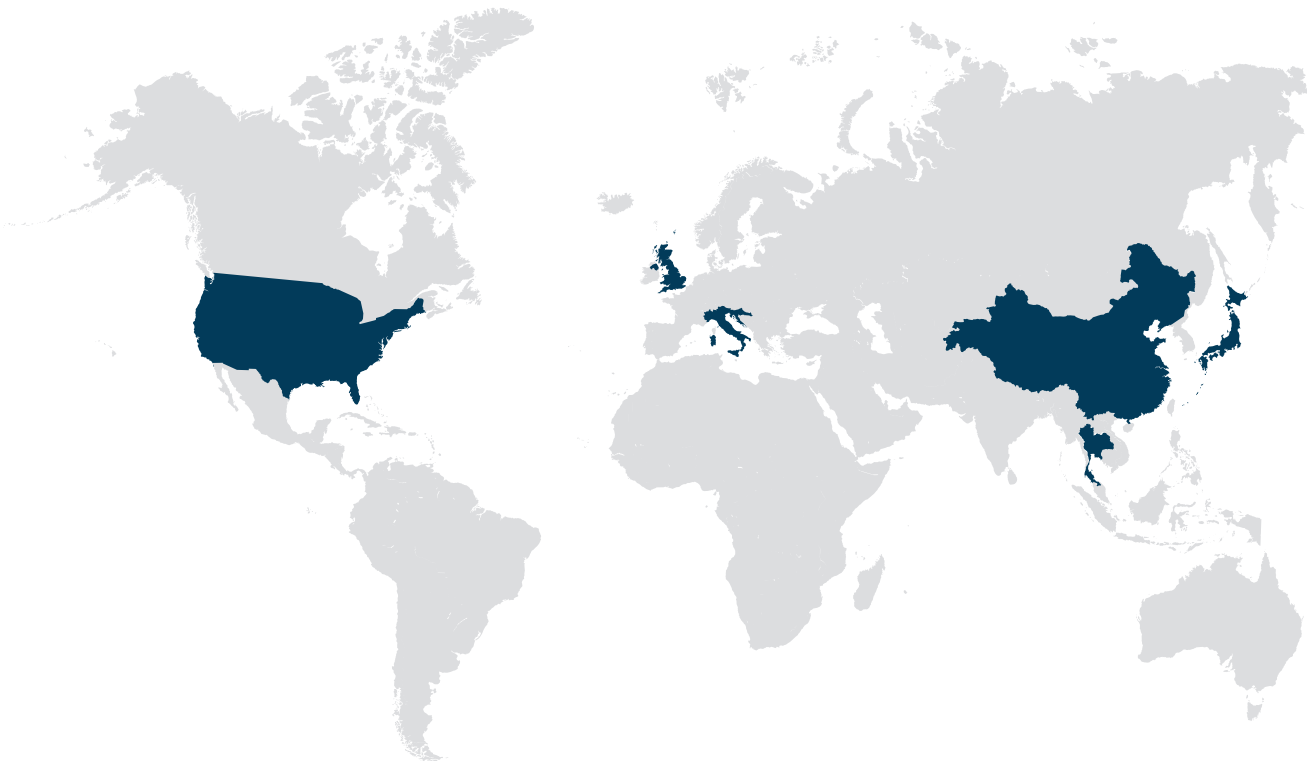
This expansion is testament to the Group's consolidated global role as a leading manufacturer of synthetic fibres, and polyamide 6, in particular.

The Group sells a wide range of high-quality products, which are manufactured according to two distinct corporate approaches:

- Creating synergy between different product areas, primarily in terms of technological expertise and geographical distribution;

- Putting in a concerted effort to reduce the environmental impact of its products and processes along the entire supply chain, both upstream and downstream, with the intention of creating a circular economy.

Figure 1- The Group's global presence (data on plants only, updated to 31/12/2021). The list contains 20 facilities, although the AquafilUSA Fiber Drive logistics hub in Cartersville is not a production plant, meaning that the Group owns 19 production plants in total.



19 Facilities 8 Countries 3 Continents

E-MARKET SDIR CERTIFIED

USA

GEORGIA

AQUAFIL USA - AQUAFIL DRIVE, CARTERSVILLE

BCF
Carpet yarn spinning
Masterbatch
Carpet yarn interlancing
Twisting
Heat setting

AQUAFIL USA - FIBER DRIVE, CARTERSVILLE

BCF
Logistics

NORTH CAROLINA

AQUAFIL O'MARA - RUTHERFORD COLLEGE

NTF
Carpet yarn spinning
Texturing
Carpet yarn interlancing

ARIZONA

ACR #1 / PHOENIX

ERS
Recovery and separation of carpets after use

ACC - PHOENIX

ERS
Recovery of carpets after use

CALIFORNIA

ACR #2 / WOODLAND

ERS
Recovery and separation of carpets after use

ACC - CHULA VISTA

ERS
Recovery of carpets after use

ACC - SAN DIEGO

ERS
Recovery of carpets after use

EUROPE

ITALY

AQUAFIL - ARCO

BCF
Polymerisation
Carpet yarn spinning
Masterbatch

TESSILQUATTRO - CARES

BCF
Carpet yarn interlancing
Twisting

TESSILQUATTRO - ROVERETO

BCF
Dyeing

EP
Compound

SLOVENIA

AQUAFIL SLO - LJUBLJANA

BCF
Polymerisation
Carpet yarn spinning
Twisting

NTF
Carpet yarn spinning
Masterbatch
Warping

ERS
Caprolactam production for ECONYL®

AQUAFIL SLO - AJDOVSCINA

ERS
Waste production for ECONYL®

AQUAFIL SLO - SENOZECE

NTF
Warping

AQUAFIL SLO - CELJE

BCF
Twisting
Heat setting

CROATIA

AQUAFIL CRO - OROSLAVJE

NTF
Carpet yarn spinning
Coiling/Twisting
Texturing

SCOTLAND

AQUAFIL UK - KILBIRNIE

BCF
Carpet yarn interlancing
Retwisting
Heat setting

ASIA

CHINA

AQUAFIL JIAXING - JIAXING

BCF
Carpet yarn spinning
Carpet yarn interlancing
Twisting
Heat setting

JAPAN

AQUAFIL JAPAN - TOKYO

BCF
Carpet yarn interlancing

THAILAND

AQUAFIL ASIA PACIFIC - RAYONG

BCF
Carpet yarn interlancing
Twisting

/ **BCF** Yarn for carpets / **EP** Engineering Plastics / **ERS** ECONYL® Regeneration System / **NTF** Yarn for garments

1.1.1. Product Areas

(GRI 102-2:2016)

Aquafil manufactures and sells three types of yarn: flooring yarns, clothing yarns, and polyamide 6 (or nylon 6) for the engineering plastics sector. These polymers are subsequently used in the moulding industry to make accessories and designer products.

Flooring yarns

Aquafil was originally founded to manufacture flooring yarns, which still represents a key source of income for the Group, comprising 70% of its total turnover. Over the years, Aquafil has become a leading carpet manufacturer across three different market segments: the contract (hotels, offices and public spaces), automotive (car carpets and upholstery), and residential sectors. Aquafil is a market leader in Europe and the second largest player in the world.

The Group has opened Carpet Centres in its main production markets (Italy, USA, and China), where the wide variety of colour-based technical solutions and customisation options allow Aquafil to satisfy specific customer needs. The Group pursues ongoing R&D activities to improve the technical and environmental characteristics of its yarn, as demonstrated by the extended use of ECONYL®.

Clothing and furnishing yarns

Aquafil has expanded its operations to the clothing sector with the production of synthetic recycled polyamide 6 and 6.6 fibres under its ECONYL® brand. The Group also makes Dryarn®, which is a polypropylene microfibre used to make underwear, hosiery, and sports, fashion, and leisurewear.

The US Nylon Textile Filaments product line also manufactures and sells polyester and polypropylene fibres to the furniture industry. Aquafil's penchant for innovation has enabled the Group to assist customers in their search for new aesthetic and performance-based solutions, becoming the leading supplier for some of the largest brands in Italy and Europe.

Polyamide 6 polymer area

Aquafil manufactures and sells polymers (including ECONYL®) either directly or once they have been treated, primarily so that they can be used to make plastic-moulded accessories (e.g., glasses frames) for the fashion and designer furniture industries (e.g., chairs).

The Group also operates in the plant engineering sector through the Berlin-based engineering company Aquafil Engineering G.M.B.H, which specialises in the design and supply of industrial chemical plants.

1.1.2. Reference markets
(GRI 102-6:2016)

The Group stands out from the crowd thanks to its decision to expand into new markets while developing the logistical and industrial infrastructure required to sell its products worldwide.

The Group's internationalisation process is focused on the following markets:

- EMEA and North America, where flooring, apparel and furniture yarns, and polymers are developed, manufactured and sold;

- Asia and Oceania, where mainly textile flooring yarns and polymers are manufactured and sold.

Sales processes are either managed directly or through single or multi-firm agents, depending on the size of the various markets.

1.2. Corporate Governance
(GRI 102-5:2016; 102-18:2016)

Aquafil S.p.A. is a joint-stock company, listed on the Euronext STAR Milan segment of the Italian Stock Exchange's MTA Market, whose majority shareholder is Aquafin Holding S.p.A..

The Company has adopted a traditional administration and control system, with company management assigned to the Board of Directors (hereinafter "BoD"), whose Directors are appointed by the Shareholders' Meeting. Control functions are assigned to the Board of Statutory Auditors. Since listing, the Company has subscribed to the Self-Governance Code and, by motion of February 7, 2021, to the new Corporate Governance Code approved by the Corporate Governance Committee in January 2020[2].

The Appointments and Remuneration Committee and Control, Risks and Sustainability Committee assist the Board of Directors through investigative duties, respectively concerning the assignment of roles and positions and their relative remuneration, and the system for internal control, risk management, sustainability and approval of the periodic financial reports.

The Supervisory Board also has the duty to oversee the compliance and updating of the Organisation, Management and Control Model.

The audit of accounts has been awarded to an independent audit firm PricewaterhouseCoopers S.p.A.

1.2.1. Shareholders' Meeting

The Shareholders' Meeting is the body whose motions express the shareholders wishes. The Shareholders' Meeting considers motions, in ordinary and extraordinary session, on the matters reserved to it in accordance with Law or the By-Laws. The Shareholders' Meeting shall be chaired by the Chairperson of the Board of Directors, or in such absence or impediment, or at the request of the Chairperson, by another person elected by the Shareholders' Meeting, including the Chief Executive Officer (if elected).

The Law, By-Laws, and Shareholders' Meeting Regulations set out the functions and rules of Shareholders' Meetings: competencies and majorities, meeting call methods and timings and contribution and voting options.

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[2] The Corporate Governance Committee comprises business associations (ABI, ANIA, Assonime, Confindustria), professional investors (Assogestioni), and Italian Stock Exchange investors. The purpose of the Committee is to promote the best possible corporate governance of Italian listed companies.

1.2.2. Board of Directors

The Board of Directors (hereinafter the "BoD") is appointed per the By-Laws and is tasked with defining the strategic guidelines for the Company and Group. It is responsible for the ordinary and extraordinary management of the Company, undertaking all acts, including disposals, deemed appropriate in order to achieve the Company's corporate purpose, with the sole exception of those expressly reserved for the Shareholders' Meeting by law or the By-Laws. During the appointment process, the Shareholders' Meeting establishes the number of members of the BoD, who are appointed using the slate voting method.

All Directors must satisfy the professionalism, eligibility and good standing requirements established by applicable law and other provisions. In addition, a predetermined number of Directors must meet the independence requirements of the Corporate Governance Code, taking into account of this connection for the segment in which the shares are listed.

The Chairperson is elected by the BoD from among its members, coordinates its activities and guides the conduct of Board meetings. In addition, through the competent company functions, he or she ensures that the Directors are involved in induction initiatives to improve their knowledge of the entity and its dynamics and that they are informed of major legislative and regulatory developments regarding the Company and the corporate boards.

The Board of Directors may delegate part of its duties to an Executive Committee, determining the limits of such mandate, the number of members of the Committee and its operating procedures, in addition to setting up one or more committees with consultative, proposal or oversight powers in accordance with the applicable statutory and regulatory provisions.

In addition, the BoD may appoint one or more Executive Directors, granting them the relevant powers and conferring to one of them, where applicable, the role of Chief Executive Officer (in line with the terminology used in the new Corporate Governance Code).

Finally, the BoD has a role in guiding, supervising, and monitoring the Shareholder Communication Policy adopted in 2021 to create, maintain, and define open, transparent and ongoing forms of communication with investors and shareholders.

Company signature and representation in front of third parties and in legal settings, in addition to topics regarding the method for appointing Directors, the standing, professionalism and independence requirements, those regarding the functioning (calling, motions, representation of the Company), and finally regarding their remuneration, are governed by the company By-Laws and the Regulation of the Board of Directors and are thus reported in the Corporate Governance Report.

The BoD also approves the Remuneration Policy, which seeks to increase investors' awareness of the remuneration policies put in place by the Company and the amount and composition of remuneration paid to recipients.

Table 2 shows the structure and composition of the Board of Directors at 31/12/2021.

Table 2 - Composition of the Board at 31/12/2021.

Role	Person assigned
Chairperson and CEO	Giulio Bonazzi
Executive Director	Adriano Vivaldi (until the end of the year)[3]
Director	Stefano Giovanni Loro (effective from July 1, 2021)
Director	Franco Rossi
Director	Silvana Bonazzi
Director	Simona Heidempergher (*) (**)
Director	Ilaria Maria Dalla Riva (*)
Director	Margherita Zambon (*)
Director	Francesco Profumo (*)

(*) Director declaring independence in accordance with Article 147-ter, paragraph 4 of the CFA and Article 3 of the Self-Governance Code

(**) Lead Independent Director

[3] Attilio Annoni took over the position on January 1, 2022.

1.2.3. Board of Statutory Auditors

The Board of Statutory Auditors of the Company comprises three Statutory Auditors and two Alternate Auditors, as decided by the Shareholders' Meeting, which also appoints its Chairperson.

The Board of Statutory Auditors supervises compliance with law and the By-Laws and has:

- operating control functions, in particular verifying:
  - compliance with the principles of correct management;
  - the adequacy of the Company's organisational structure;
  - proper implementation of the Code;
  - the adequacy of the instructions provided to the subsidiaries in terms of the market and inside information communication obligations;
- functions of the Internal Control and Audit Committee, particularly concerning:
  - oversight of:
    - the financial disclosure process;
    - the efficacy of the internal control and internal audit systems, and if applicable, the risk management system;
    - the audit of the statutory annual accounts and of the consolidated annual accounts;
    - the independence of the independent audit firm;
  - communicating to the Board of Directors the outcome of the statutory audit;
  - responsibility for the independent audit firm selection policy.

The company By-Laws govern all aspects regarding their appointment, duration and duties (callings, motions). Table 3 presents the current composition of the Board of Statutory Auditors of the Group.

Table 3 - Composition of the Board of Statutory Auditors at 31/12/2021.

Role	Person assigned
Chairperson	Stefano Poggi Longostrevi
Statutory Auditor	Beatrice Bompieri
Statutory Auditor	Bettina Solimando
Alternate Auditor	Marina Manna
Alternate Auditor	Davide Barbieri

1.2.4. Appointments and Remuneration Committee

The BoD has established an Appointments and Remuneration Committee made up of three Independent Directors.

The Appointments and Remuneration Committee has the duty to support the BoD with investigative, proposal and consultation duties, regarding the definition and preparation of the criteria for the assignment and roles and positions on the administration bodies, and to assess and define the applicable remuneration policies.

The specific areas of competence are listed in detail in the Regulation of the Appointments and Remuneration Committee of Aquafil S.p.A., which also governs its functioning (calling, execution of duties and minuting of meetings). Table 4 presents the current composition of the Appointments and Remuneration Committee.

Table 4: Appointments and Remuneration Committee at 31/12/2021.

Role	Person assigned
Chairperson	Francesco Profumo
Member	Margherita Zambon
Member	Ilaria Maria Dalla Riva

1.2.5. Control, Risks and Sustainability Committee

The BoD has established a Control, Risks and Sustainability Committee made up of three Independent Directors.
The Committee has the task of assisting the Board with periodic financial report approvals, risk management, internal control system supervision, findings assessments and related Board decisions.

In addition, the Committee intends to improve coordination between the actions of the various corporate figures involved in sustainability and increase the effectiveness of the initiatives undertaken in this area.
Finally, the Committee is also assigned the role of Related Party Transactions Committee.

The details of the tasks, as well as aspects relating to its functioning (calling, carrying out of duties and minuting of meetings) are governed by the Rules of Procedure of the Control, Risks and Sustainability Committee. Table 5 presents the current composition of the Control, Risks and Sustainability Committee.

Table 5: Composition of the Control, Risks and Sustainability Committee at 31/12/2021

Role	Person assigned
Chairperson	Simona Heidempergher
Member	Francesco Profumo
Member	Ilaria Maria Dalla Riva

1.2.6. Supervisory Board as per Legislative Decree No. 231/01

The BoD has appointed a Supervisory Board (hereinafter the “SB”) and Chairperson, with independent powers of initiative and control, whose duty is to oversee the implementation and compliance of the Organisation, Management and Control Model, to verify its adequacy and to guarantee its updating. In line with the functions established by the regulation, the SB must meet requirements of independence, professionalism and continuity of operation. In support of its duties, the SB has complete access to all company documentation and may draw upon- under its direct supervision and responsibility- all of the Company’s structures or external consultants.

Table 6 presents the current structure and composition of the Supervisory Board.

Table 6: Composition of the Supervisory Board at 31/12/2021

Role	Person assigned
Chairperson	Fabio Egidi
Internal member	Karim Tonelli
External member	Marco Sargenti

1.2.7. Sustainability Steering Committee

Established in 2018, the Sustainability Steering Committee seeks to ensure that corporate sustainability policies are developed in line with the Sustainability Plan (paragraph 2.1) and THE ECO PLEDGE® (paragraph 2.1.2), guaranteeing their continued oversight. The Committee oversees three main areas of sustainability: environmental, social, and economic.

In addition, it is required to report periodically to the Control, Risks and Sustainability Committee on the progress of the sustainability plan and projects underway, presenting the results of these and any requests to launch new initiatives.

1.3. Reporting scope

(GRI 102-10:2016; 102-45:2016)

The Group comprises 20 direct or indirect subsidiaries of Aquafil S.p.A., with headquarters in Europe, the United States and Asia (Figure 2).
All fully consolidated Group companies are included in the reporting scope, with the exception of the following:

- companies that are consolidated but do not have production sites (including, for example, trading and service companies);
- inactive companies;
- sites that are not fully operational;
- sites that are excluded due to special circumstances. Examples of such situations would be the winding down of a site in the first or second half of the year, or a lack of available data. These types of exclusions will nevertheless be highlighted and explained.

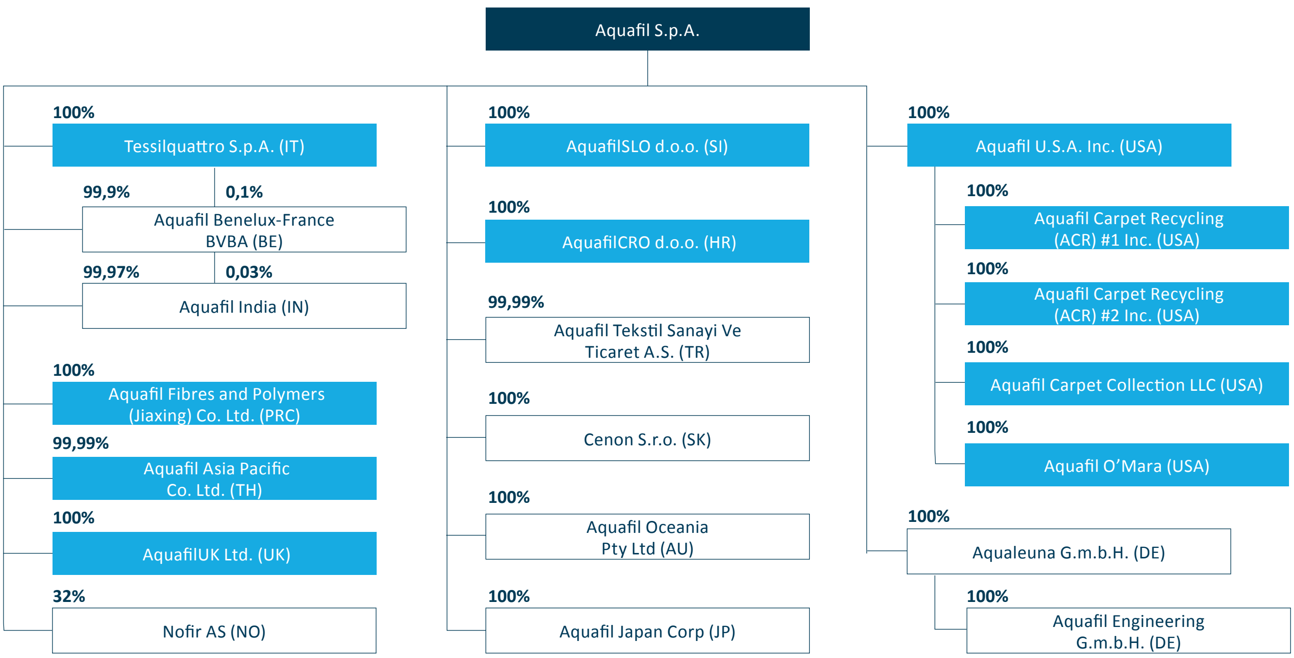
In addition, in compliance with the provisions of Legislative Decree No. 254/2016, these exclusions must not limit the presentation of results "to the extent necessary to understand operations, performances, and results, and the impact produced".

Based on these regulations, the companies excluded from the scope of the 2021 NFS are:

- the company Cenon S.r.o (SK), as non-operative;
- the company Aquafil India, as non-operative;
- the company Aquafil Tekstil Sanayi Ve Ticaret A.S., which carries out trading activities on the Turkish market;
- the German company Aquafil Engineering G.m.b.H., which independently carries out the design and construction of chemical plant and does not have a production site;
- the Belgian company Aquafil Benelux-France BVBA, which carries out agency and commercial representation activities for the Benelux and French market;
- the Australian company Aquafil Oceania Pty Ltd, which carries out agency and commercial representation activities for the Australian and New Zealand market;
- the company Aqualeuna, which is a consolidated company but no longer has a production site.

Aquafil Carpet Recycling (ACR) #2 was fully included in the scope for 2020, while Aquafil Carpet Collection LLC has only been included for data pertaining to personnel, as no environmental information is currently available. Aquafil Japan, which was established in April 2021, is also excluded from the reporting scope as it does not have any on-site staff to date. Finally, the company Nofir is excluded as it is not considered a consolidated company and is held by Aquafil with a minority interest of 32%.
Figure 2 highlights the consolidated companies included in this Report in blue.

Figure 2 - Group structure diagram at 31/12/2021 with relative share capital percentages held by the Parent Company Aquafil S.p.A. (the consolidated companies included in the Non-Financial Report scope are indicated in blue).



2. SUSTAINABILITY POLICIES

2.1. Doing business sustainably

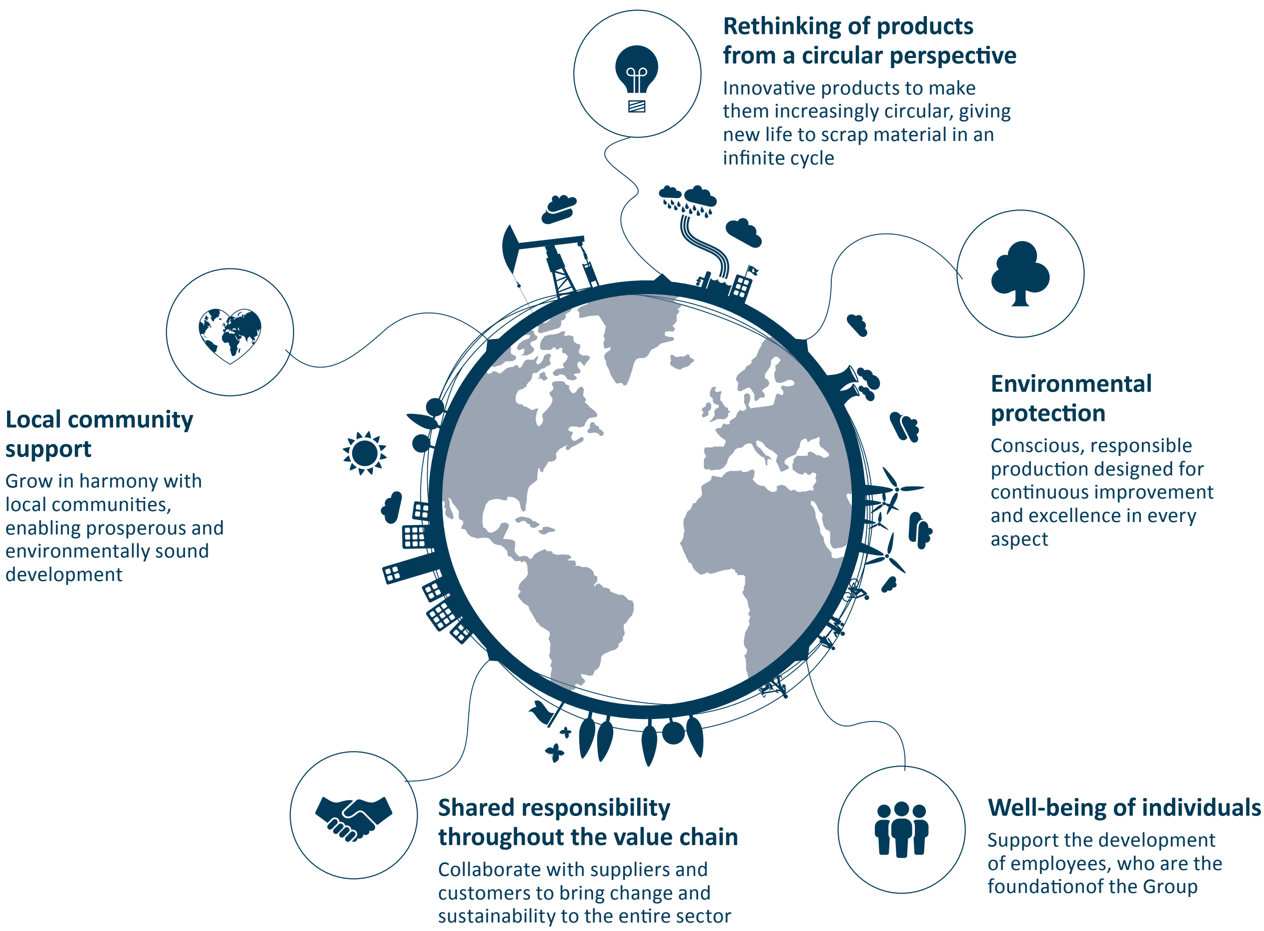
2.1.1. About Aquafil

In 2021, Aquafil devised a Brand Manifesto that encapsulates its vision and mission and guides its strategic decisions.
The Brand Manifesto defines Aquafil's identity, what it does, and its commitment to and vision for the future.
Sustainability and circularity are the building blocks of Aquafil's identity: they influence how its business develops, feed its innovative drive, and define its objectives for the future.
Sustainability and circularity are encapsulated by ECONYL®, a product that embodies the Group's guiding principles. ECONYL® has created a circular supply chain for nylon as a strategic response to the increasingly alarming climate emergency, which has the ability to affect the development of companies and products.

2.1.2. How: THE ECO PLEDGE®

While Aquafil's Brand Manifesto affirms its identity, THE ECO PLEDGE® "Aquafil's Path Toward Full Sustainability" explains how the Group intends to do business and achieve its vision for the future. Aquafil has devised its own sustainability plan based on the commitments stated herein and on five "pillars", according to which future projects and objectives have been categorised.

Figure 3 – Aquafil's sustainability policy

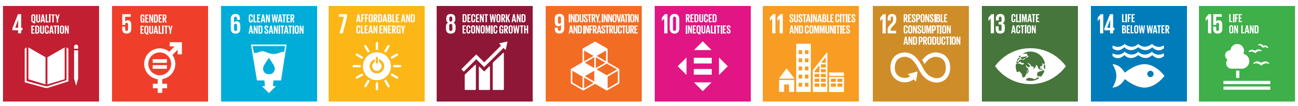


2.1.3. Aquafil and the Sustainable Development Goals (SDGs)

Aquafil's sustainability pillars have been linked to the SDGs to ensure consistency with overarching international agendas. The SDGs have been aligned with Aquafil's sustainability policy using the official guidelines published by GRI and UN Global Compact[4], resulting in the definition of 12 goals (shown in Figure 4) to which Aquafil is able to actively contribute.

Table 7 shows an extract from the Group's Sustainability Plan with links to the SDGs supported. The table also shows the objectives the Group has set itself to measure its progress across the various sustainability pillars. The timelines for each objective depend on the project characteristics and the time required to complete activities.

Figure 4 - the SDGs adhered to by Aquafil



[4] The guidelines used for this alignment process are: "Business Reporting on the SDGs", edited by GRI and UN Global Compact, and the document entitled "Linking the SDGs and the GRI Standards", edited by GRI.

Table 7: Sustainability Plan - improvement areas and dedicated projects

Sustainability Pillars	Improvement areas	Projects
Rethinking of products from a circular perspective	Consolidation of existing supply chains	Increased production of ECONYL® brand products
	Creation of new sustainable value chains	Increased collection of post-consumer waste to create new recycled materials
	Use of an eco-design approach	More collaborations with final brands to create circular products based on eco-design guidelines while extending the take-back programme
	Research other sustainable value chains	Production of bio-based nylon from renewable raw materials (H2020 EFFECTIVE project)
Environmental protection	Investment in energy from renewable sources	Procurement of electricity from renewable sources for the entire Aquafil group. 100% of the electricity purchased by the Group has come from renewable sources since December 31, 2021
	Improve the impacts of production processes	Implementation of environmental (ISO 14001) and energy (ISO 50001) management systems for all Aquafil group plants
		Reduction in water consumption
		Reduction in water discharge
		Management of GHG emissions, setting of a reductions target, and planning of ways to reach targets that have been identified and committed to
	Reuse of packaging	Launch of a pilot project in 2022 (Aquafil S.p.A.) on the reuse of pallets provided by an Italian supplier to check and validate the percentage of pallets reused and estimate the amount of waste saved
Well-being of individuals	Minimisation of accidents	Implementation of a risk management system (ISO 45001) for all Aquafil Group plants
Shared responsibility throughout the value chain	Social Responsibility	Achievement of SA 8000 certification for all Group companies
		Implementation of sustainability and social responsibility policies
	Integration of sustainability with procurement procedures	More partnerships with BCF EMEA customers to enable extended post-industrial take-backs
Local community support	Education on environmental protection	Student visits to Aquafil plants.
	Support of local cultural and sports centres	Event sponsorship and support activities.
	Contribution to youth development	Sponsorship of sports or cultural activities.
	Support of vulnerable groups	Support organisations that protect vulnerable groups.

Annual targets	2025 targets	2028 targets	Supported SDGs
-	60% of total turnover from fibres generated by ECONYL® brand products (on a like-for-like basis)	-	8 DECENT WORK AND ECONOMIC GROWTH; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
-	35,000 tonnes of post-consumer waste collected[5]	-	
-	Creation of 13 projects involving final brands in the eco-design and recycling of end-of-life garments	-	
-	Demonstration of technologies to produce bio-based nylon on a pre-commercial scale	-	
-	Maintenance of target achieved	Maintenance of target achieved	6 CLEAN WATER AND SANITATION; 7 AFFORDABLE AND CLEAN ENERGY; 8 DECENT WORK AND ECONOMIC GROWTH; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION; 15 LIFE ON LAND
-	All group plants ISO 14001 certified	All group plants ISO 50001 certified	
-	30% reduction in overall Group consumption compared to 2018 figures	-	
-	30% reduction in overall Group water discharges compared to 2018 figures	-	
-	Commitment to the Science Based Targets (SBTs) and reductions target	-	
-	50% of pallets reused for BCF EMEA business purposes	-	
-	All Group plants ISO 45001 certified	-	4 QUALITY EDUCATION; 5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH; 10 REDUCED INEQUALITIES; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
-		All group companies SA 8000 certified.	5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH; 10 REDUCED INEQUALITIES; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 14 LIFE BELOW WATER
-	Adherence to the United Nations Global Compact initiative	-	
-	Contracts with 60% of BCF EMEA customers	-	
Minimum 3 visits			4 QUALITY EDUCATION; 8 DECENT WORK AND ECONOMIC GROWTH; 10 REDUCED INEQUALITIES; 11 SUSTAINABLE CITIES AND COMMUNITIES; 13 CLIMATE ACTION
Minimum 10 sponsorships			
Minimum 2 sports or cultural activities sponsored			
Minimum 4 organisations supported			

[5] The amount of waste sent for recycling is a new indicator that will therefore be subject to constant monitoring and will be reported starting from the next NFR.

2.2. The shared approach

(GRI 102-40:2016; 102-42:2016; 102-43:2016; 102-44:2016; 102-46:2016; 102-47:2016)

The Group uses the materiality principle to select the topics to be reported on by responding to stakeholder requests for information in a transparent and comprehensive manner.

Selection occurs through three stages:

1. Identification of sustainability topics
2. Prioritisation of sustainability topics
3. Process completeness assessment and review

This process is completed whenever a significant change occurs to the Group's internal or external context that could potentially impact the topics identified as relevant to Aquafil's sustainable development by stakeholders or the Company itself. The last update was made in 2020, when Aquafil assessed the impact of the COVID-19 pandemic on its priorities. There were no significant changes to the situation in 2021 compared to the previous year and the decision was made to use the same materiality analysis.

The main steps of the materiality analysis are briefly outlined below.

1. Identification of sustainability topics

The Sustainability Steering Committee ("Committee") links the Sustainability Pillars identified in THE ECO PLEDGE® to the GRI sustainability topics that are considered relevant to the Group's business, and subsequently also to the SDGs.

Doing so allows the Group to identify the sustainability topics that will be selected in the next phase by applying the indicators recommended by the GRI and using an international system that facilitates the monitoring of performance over time.

2. Prioritisation of sustainability topics

This section refers to the actual selection of potential reporting topics considered relevant by both Aquafil and its stakeholders.

The Committee initially assesses the identified topics using the 5 criteria stated in the table below, assigning each criterion a score (between 1 and 3) depending on its relevance to each topic analysed. An average score is assigned to each criterion, which allows an overall score for each topic to be calculated.

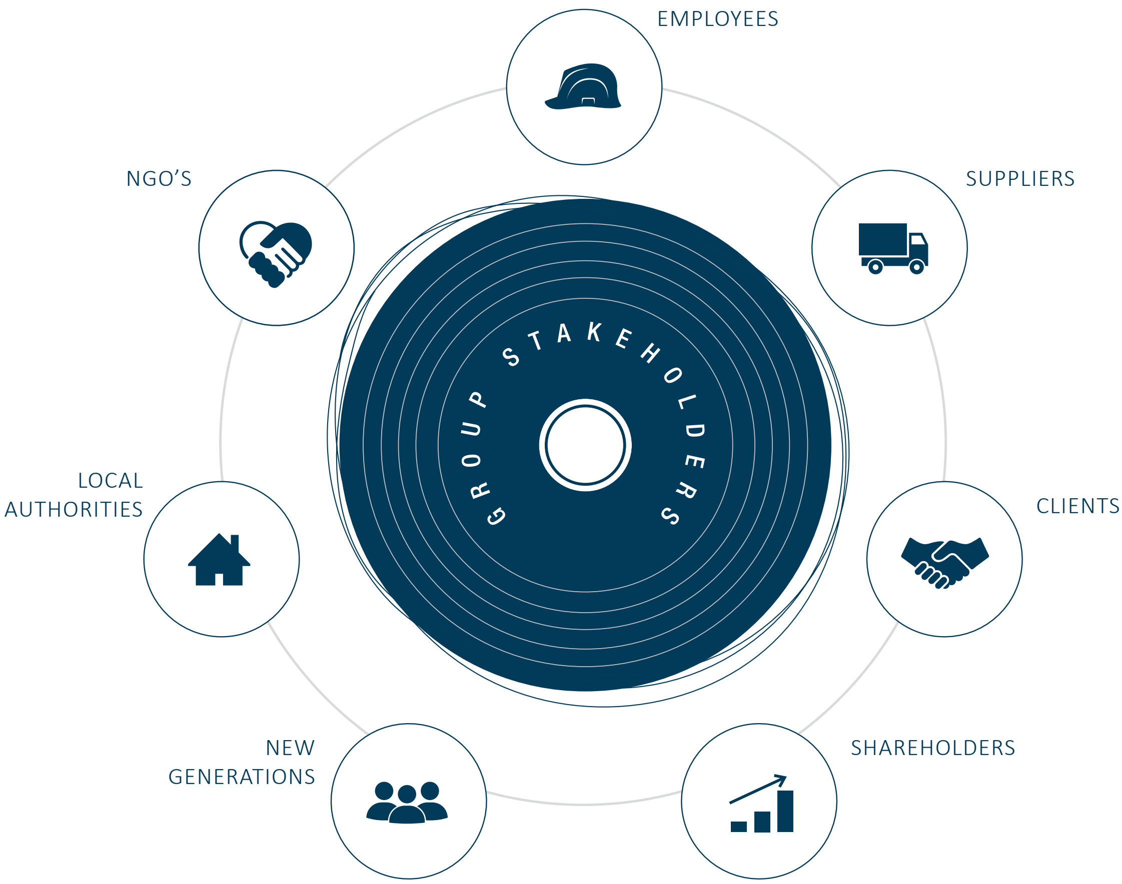
Table 8: Criteria adopted for assessing the relevance of material topics

CRITERION	DESCRIPTION
Strategic relevance for Aquafil	The topic may have a significant economic impact (positive or negative) on Aquafil activities in the medium term (2-5 years or more).
Reference to the topic in Aquafil policy	The topic is treated in the documentation relating to the Group's policies (e.g. Code of Conduct, THE ECO PLEDGE®, Use of Chemical Agents Policy).
Existence of certifications or voluntary initiatives relating to the topic	Certifications or activities have already been achieved or planned relating to the topic.
Topic susceptible to generating risks	The topic, if not properly managed, may lead to tangible or intangible risks for the Group (e.g. waste management, environmental regulations compliance, social and labour rights).
Topic generates positive or negative impacts	Through Aquafil activities, the topic generates a positive or negative impact on the environment, the local area or local communities.

Next, the Committee selects a sample of internal and external stakeholders and sends them a questionnaire, inviting them to rate (on a scale of 1 to 3) the topics (as identified in step 1) they are interested in knowing more about.

The materiality analysis conducted in 2020 involved 178 stakeholders and had an overall response rate of 42%. The composition of the stakeholder sample is reviewed when the materiality analysis is updated.

Figure 5 Group stakeholders (2020 analysis)



Finally, the sustainability topics deemed relevant by the Committee and stakeholders are cross-referenced in a matrix to create a set of topics that are considered a priority for all stakeholders. All topics with a score of more than 2 were considered material (Figure 6). In this way, the process made it possible to identify 25 relevant topics grouped as follows: three linked to economic aspects, eight linked to environmental aspects and 14 linked to social aspects.

Table 9 shows the association of the sustainability pillars declared in THE ECO PLEDGE® with the material topics. The three economic material topics (concerning economic performance, fair competition and anti-corruption) are not associated with any pillar since they are critical transversal topics across all of Aquafil's activities.

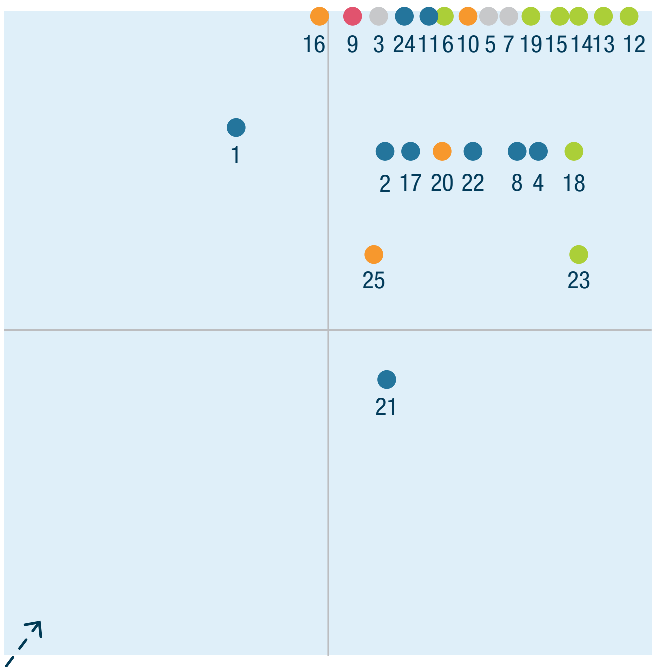
Table 9: Link between Aquafil's Sustainability Pillars and the material topics

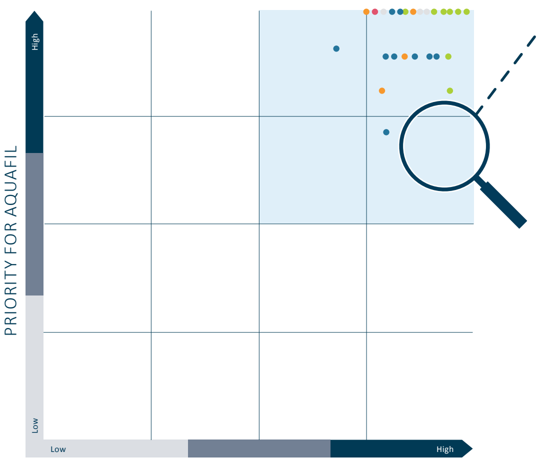
Guiding principles - THE ECO PLEDGE®	Material topics
Rethinking of products from a circular perspective Environmental protection	Raw materials
	Energy consumption
	Water consumption
	Waste production
	Management of greenhouse gas emissions
	Biodiversity
	Environmental compliance
Well-being of individuals	Worker health and safety
	Training of workers
	Employment policies
	Diversity and equal opportunity
Collaborations with the Group's supply chains	Supplier environmental assessment
	Supplier social assessment
	Socio-economic compliance
	Child labour
	Forced labour
	Non-Discrimination
	Human rights
	Customer health and safety
	Customer privacy
	Labelling and marketing
Local community support	Local communities

Figure 6 - Materiality matrix for the Aquafil Group

MATERIAL TOPICS MATRIX

1. Customer Privacy
2. Supplier social assessment
3. Anti-competitive conduct
4. Supplier environmental assessment
5. Anti-corruption policies
6. Socioeconomic compliance
7. Economic performance
8. Child labor
9. Local communities
10. Occupational health and safety
11. Customer health and safety
12. Effluents and waste
13. Emissions
14. Water
15. Energy
16. Training and Education
17. Marketing and Labeling
18. Materials
19. Environmental compliance
20. Employment
21. Forced or compulsory labor
22. Human rights
23. Biodiversity
24. Non-discrimination
25. Diversity and equal opportunities





Environmental protection/Rethinking products from a circular perspective

Well-being of individuals

Colaboration with the Group's supply chain

Local Community support

Multiple

3. Process completeness assessment and review

The results of this process are reviewed by the Committee to assess whether the selected topics actually affect Aquafil's ability to generate value.

In addition, the Committee conducts a periodic review of non-material topics to ensure they remain non-material and that the materiality analysis does not need to be updated.

2.3. Compliance with regulations

To prevent illicit conduct and ensure compliance with the principles of integrity that govern its activities, the Group has developed a Code of Conduct, and applies the Organisational Model, pursuant to Legislative Decree No. 231/2001, drawn up and implemented by the parent company Aquafil S.p.A.

2.3.1. Organisation, Management and Control Model
(GRI 205-3:2016; 206-1:2016)

The Organisation, Management and Control Model adopted pursuant to Legislative Decree No. 231/2001 describes the set of rules, principles and control activities that ensure compliance with the laws in force, preventing illicit conduct.

The Model seeks to:

- Prevent and reasonably limit the risks associated with potential misconduct;

- Ensure that people who work for or on behalf of the Company are aware that it adopts a zero-tolerance policy to all offences that fail to comply with the Company's ethical principles.

The Model was last updated on November 13, 2020 and applies to the Italian companies belonging to the Aquafil Group. It is routinely updated following changes to Legislative Decree No. 231/2001, the guidelines, and the most recent legal indications to emerge from case law.

The creation of the Model has followed a specific procedure comprising several phases, mainly aimed at identifying the areas of risk in all company processes and consequently defining the measures to be adopted to keep these risks under control. The appointment of a Supervisory Board and the drafting of the Company's Code of Conduct are some of the main measures resulting from the adoption of the Model.

This process has also led to the drafting of a series of protocols that govern the management of activities related to specific areas, which involves defining the process phases, accountability, principles of behaviour, and finally, the organisational and management control measures aimed at preventing the criminal offences provided for by Legislative Decree No. 231/2001 for each phase of the process and the general responsibilities for each role.

To date the Group has drawn up protocols for the following areas:
- Employee selection and evaluation;
- Budget and accounting;
- Loans and public grants;
- Internal management of criminal investigations and/or proceedings related to business activities;
- Relations with public administration;
- Management of sponsorships and allocation of contributions;
- Verification and inspection;
- Reporting to Supervisory Boards.

The Model is a tool for raising awareness among all the Company's employees and all the other persons with which it interacts, to ensure they conduct themselves correctly when carrying out their activities. For this reason, and in line with the provisions of Legislative Decree No. 231/2001, Aquafil undertakes to ensure the Model is adequately circulated among its employees through periodic general and specific training.

Group initiatives dedicated to the matter in 2021 meant that none of its subsidiaries received fines, sanctions or legal summons for violating or failing to comply with the rules and regulations in place concerning the topics covered by the Organisational Model (unfair competition, violation of anti-trust or monopoly laws). In addition, no incidents of corruption were reported.

The online "Whistleblowing" platform remains active and can be accessed by employees wishing to freely and anonymously report violations of the law, Code of Conduct, or other potentially unlawful conduct that could cause the Company to suffer damages to its finances or reputation. The platform is accompanied by a dedicated company procedure, which outlines the purpose of the tool, the methods for handling reports, and the measures adopted to protect whistleblowers (e.g., to avoid retaliation).

2.3.2. Code of Conduct
(GRI 102-16:2016; GRI 418-1:2016; GRI 419-1:2019)

The Code of Conduct provides ethical and social guidelines to govern the conduct of all internal, external, temporary and permanent stakeholders.

The Group is committed to promoting the application of the Code among its addressees, guaranteeing its dissemination and the correct interpretation of its contents, and calls on its resources to use it as an operational tool in support of professional decision-making, believing that the application of the Code's contents is an essential condition for the proper management and conduct of all business and activities.

All addressees are required to formally accept the Group's standards of conduct by signing the "Declaration of Acceptance" attached to the Code, and therefore compliance with the provisions of the Code is an integral part of the addressees' contractual obligations. Group companies must refrain from initiating or maintaining relations with external parties who do not intend to observe the principles contained in this document.

The main guidelines contained in the Code of Conduct can be summarised in the following areas:

1. *Compliance with the law, particularly concerning money laundering, democratic order, terrorism, criminal association, industry and trade, antitrust, imports and exports, and privacy;*

2. *Loyalty behaviours in relationships with others such as clients, suppliers, collaborators, institutions and public supervisory authorities;*

3. *Occupational well-being, health and safety;*

4. *Internal Control relative to the protection and management of privacy, intellectual property and accounting activities;*

5. *Human resources, including employment policies and the management of conflicts of interest.*

The provisions of the Code of Conduct also govern any direct or indirect transfer or free acceptance of gifts, gratuities and any other form of benefit. Specifically, only "gifts of modest value directly relating to normal commercial activities or courtesy relations, and which do not give the impression of being aimed at acquiring or granting undue advantages" are permitted.

Thanks to the distribution and application of the Code of Conduct and the Organisational Model, in 2021, no Group companies received sanctions relating to the topics dealt with in these documents.

2.4. Social topics

2.4.1. Social responsibility for the protection of human rights
(GRI 406-1:2016; GRI 408-1:2016; GRI 409-1:2016; GRI 412-1:2016; SDG 5, 8)

Aquafil defines its commitment to social policy in its Code of Conduct, which makes it clear that all behaviours that directly or indirectly involve forms of exploitation such as enslavement, forced labour, child labour, or the exposure of young workers to danger, discrimination, or behaviours that violate the human rights of workers along the value chain are unacceptable.

The Group seeks to promote the proper observance of the principles of social responsibility along its supply chain, in line with its ultimate objective of sustainable development. As such, through its adoption of a Code of Conduct, the SA8000 certification scheme, and dedicated internal procedures, Aquafil has developed a criterion for selecting certain suppliers based on their proven ability to comply with certain sustainability concepts and international standards. Potential violations of the Code of Conduct may result in the termination of supplier contracts.

By adopting these strategies, and thanks to the control activities in place, no suppliers have been identified as at risk of non-compliance with ethical or human rights requirements to date (child labour and forced labour, in particular).

Management of Human Rights violation risks

In addition to the publication of its Code of Conduct, the Group has equipped itself with a set of tools for monitoring the risk of human rights abuses. Specifically, it:

- Recruitment and evaluation protocols for personnel selection and management;
- Employee training and information activities;
- Analysis of risks associated with individual processes;
- Due diligence policy for supplier selection and management;
- Collaboration with governmental and non-governmental organisations in activities and initiatives aimed at protecting and developing local communities;
- Periodic internal audit activities;
- SA8000 certification process for Group companies.

As a result of these initiatives, no Group company received a fine or other sanction in 2021 for failing to comply with human rights laws or regulations. No reports were received through the dedicated channels (in addition to the "whistleblowing" platform) concerning the non-compliance of the Group or its supply chain with ethical requirements.

Voluntary certification processes undertaken in the social accountability area: SA8000

The Group has decided to gradually certify all of its plants according to the SA8000:2014 standard[6], with the end goal of ensuring it achieves regulatory compliance and is able to improve its ethical principles and social performance on an ongoing basis, including along the supply chain.
The main steps of this journey to date are listed below:

- **2019** - certification of the Italian company Aquafil S.p.A;
- **2020** - extension of certification to the Italian company Tessilquattro S.p.A and the Croatian company AquafilCRO d.o.o;
- **2021** - extension of certification to the Slovenian company AquafilSLO d.o.o.

In 2021, the parent company conducted a third-party assessment involving the main internal stakeholders of the companies Aquafil USA INC and the Chinese company Aquafil Synthetic Fibres And Polymers (Jiaxing) CO., LTD with the intention of promoting the voluntary scheme and extending the scope of SA8000.
In fact, all stakeholders (specifically employees and the supply chain) need to be involved in the process to enable the SA8000 management system to be extended, implemented, and maintained.

This scheme is primarily addressed to employees, who have been involved in the process through targeted training activities and by ensuring they are represented on company committees, such as the ethics and health and safety committees set up by the various companies.

Selected suppliers were engaged – according to their degree of control and risk – with various cooperation actions, from sharing the SA8000 policy to seeking commitment to compliance with the requirements of the standard, in addition to the Code of Conduct.
As part of the project, certified companies have made a reporting tool ("SA8000 Reporting") available to anyone who becomes aware of situations that potentially do not comply with the ethical values and standards of conduct set out in the Management System. This tool, which may be accessed from the Company's website, can be used to anonymously report violations of social responsibility issues, such as child labour, forced labour, health and safety, freedom of association and collective bargaining, discrimination, disciplinary procedures, working hours and remuneration, to specially appointed internal committees. The tool is also accompanied by a specific company procedure, which defines the methods and responsibilities for handling reports on compliance with the requirements of the SA8000 standard.

In addition to the SA8000 standard, the Aquafil Group has subscribed to other voluntary social initiatives over the years. For example, the Croatian company AquafilCRO signed the "Diversity Charter Croatia" in 2018, which is an international initiative to protect diversity. The charter's member organisations are committed to upholding the principles of respect for diversity and non-discrimination in the workplace, to adopting specific policies and to regularly communicating relevant progress in this regard.

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[6] The SA8000 standard is an internationally recognised and third-party verified management system that focuses on working conditions and a respect for human rights in the workplace, in particular. The standard also includes requirements for suppliers and is one of the main ways a company can ensure it remains socially responsible.

2.4.2. Personnel management

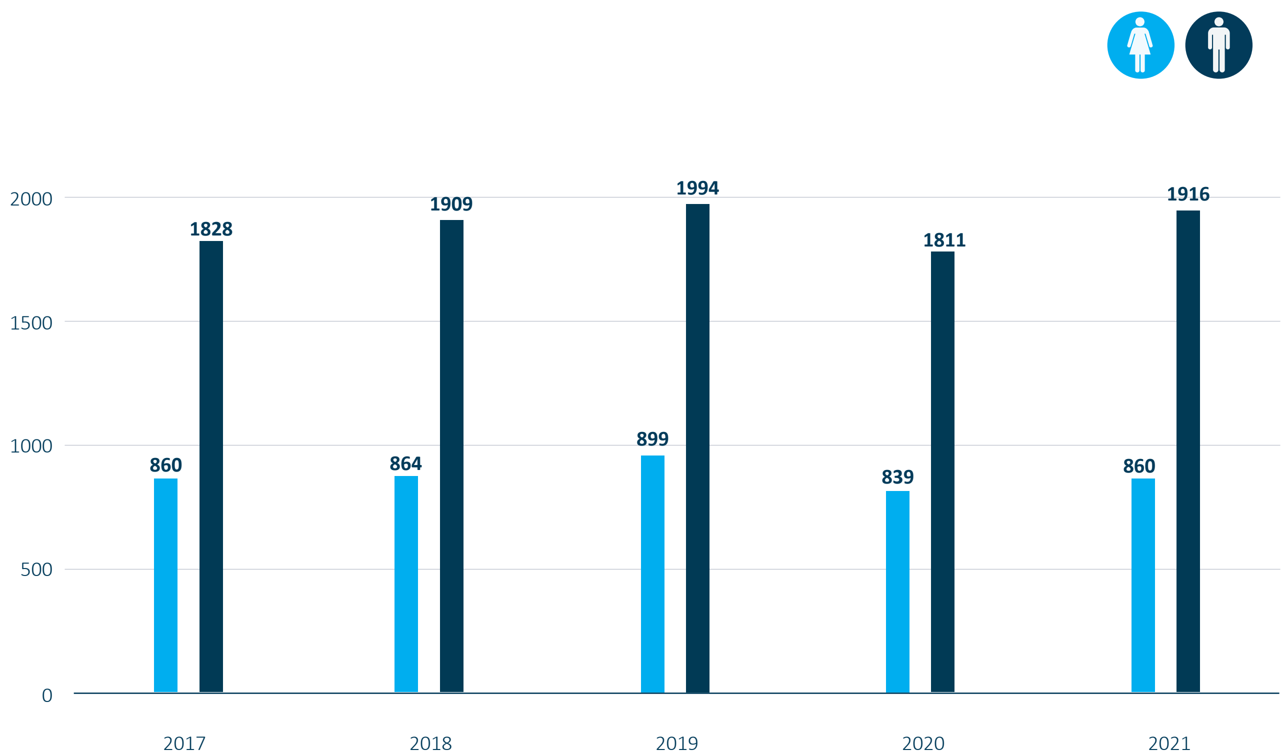
The Group's employees are indispensable to the organisation and adequate time and attention is paid to them as a result. This is achieved by ensuring adequate workplace health and safety, creating a stable employment relationship, providing benefits and incentive schemes, encouraging personal and professional growth, respecting diversity, and providing equal opportunities.

2.4.2.1. Aquafil personnel

(GRI 102-7:2016; 102-8:2016; 405-1; SDG 5, 8)

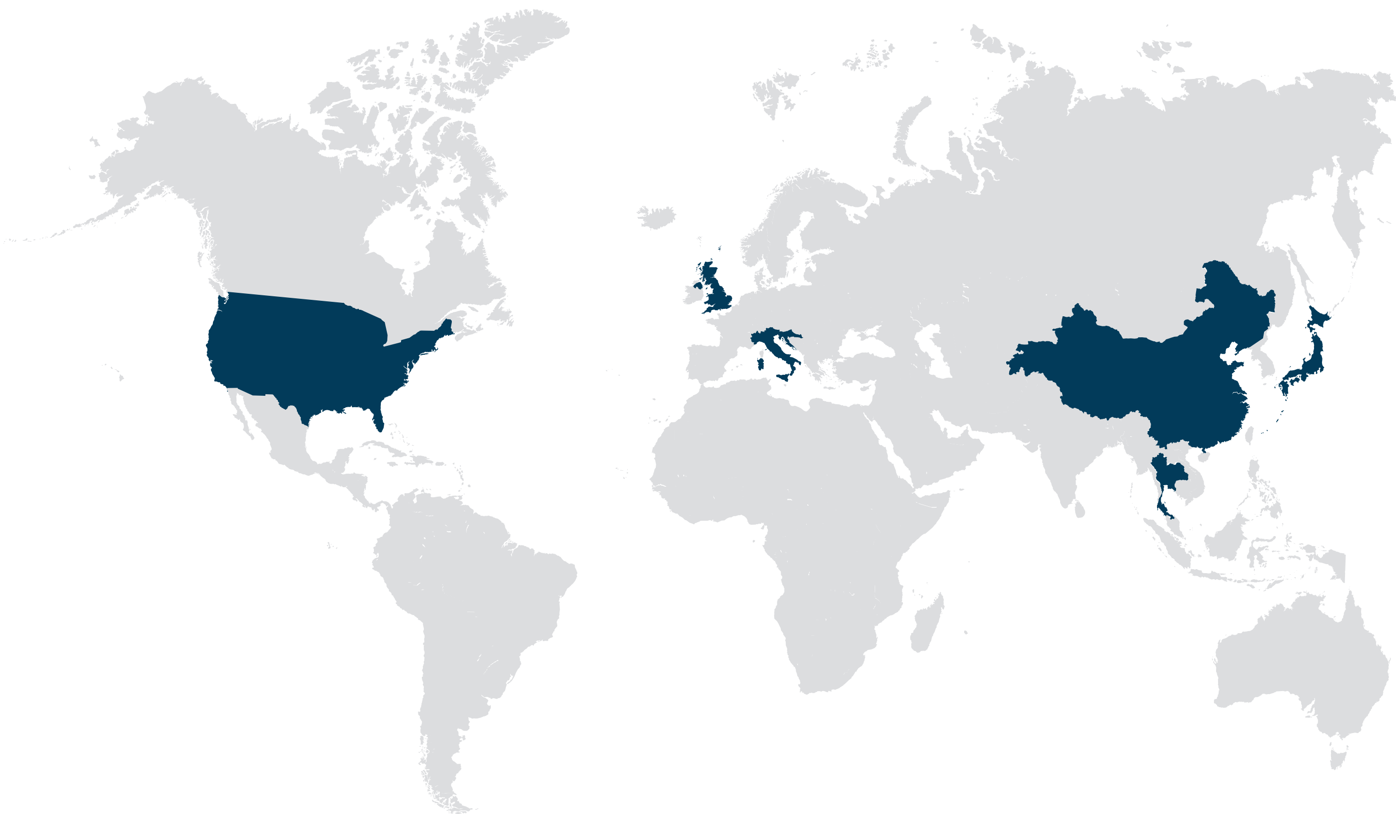
At December 31, 2021, the Group has 2,776 employees, up approximately 5% on 2020.
Women comprise 31% of all Group employees, which remains substantially the same as previous years.

Figure 7– The Group's employees by gender, 2017-2021.



In line with previous years, 79% of the Group's employees reside in Italy, Slovenia, and the US (Figure 8) as the majority of production plants are located in these countries (three in Italy, four in Slovenia, and six in the United States).

Figure 8 – Geographical distribution of the workforce in 2020 by gender.



EUROPE

766	905	228	31
ITALY	SLOVENIA	CROATIA	UK
Women: 167	Women: 186	Women: 186	Women: 21
Men: 599	Men: 719	Men: 42	Men: 10

AMERICA

532
USA
Women: 129
Men: 403

ASIA

293	21
CHINA	THAILAND
Women: 156	Women: 15
Men: 137	Men: 6

There have been no substantial changes to the breakdown of employees by role compared to the previous year, as can be seen in Figure 9. All roles were affected by a slight increase in percentage terms, with the exception of the percentage of office staff, which decreased slightly, with percentage changes remaining below 1% in all circumstances.

The same can be said for the representation of genders in each corporate role. As noted in the previous Non-Financial Report, the Group has assigned more women to various corporate roles, including senior management. This has led to the appointment of four new female Executives, three of whom will take office in 2021.

Figure 9 – Breakdown of personnel by company role and gender (2020 and 2021).

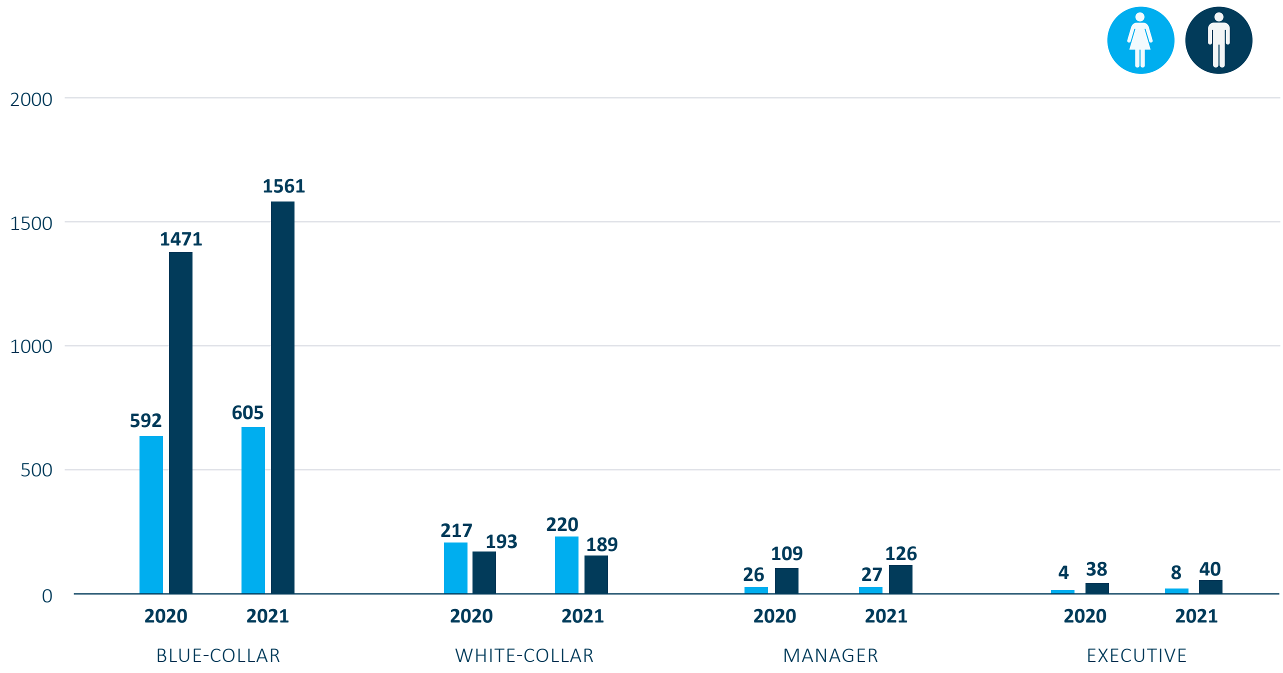


Table 10 shows a breakdown of personnel by company role and gender for the various age brackets. For information on the age of the members of governing bodies, please refer to the Corporate Governance Report published on the website www.Aquafil.com.

Table 10: Breakdown of personnel by company role, gender and age (2021)

	<30		Between 30 and 50		>50	
	Female	Male	Female	Male	Female	Male
Blue-collar	53	284	378	917	174	360
White-collar	31	16	147	120	42	53
Manager	0	4	16	62	11	60
Executive	0	0	6	13	2	27

The table below shows the number of employees who left and joined the Group, which comprise 22.3% and 18.6% of the corporate population respectively, broken down by geographical area.
These two percentages were calculated by comparing employees who were either hired (592) or resigned (494) during 2021 with the total number of employees (2,650) on the payroll at December 31, 2020[7].

It should be noted that the percentage of US employees who left the Group (54.7%) was driven by the voluntary resignation of workers who took advantage of financial incentives made available at a federal level during the pandemic to leave the workforce.

Table 11: Group turnover rate for the various geographical areas (2021)

Country	Percentage of new hires	Percentage of employees leaving the Group
Italy	2.5%	5.3%
USA	76.8%	54.7%
China	19.2%	18.8%
Thailand	0	8.7%
Croatia	11.4%	18.7%
Slovenia	20.0%	14.4%
UK	0	0
TOTAL	**22.3%**	**18.6%**

This paragraph takes an in-depth look at strike action during 2021. These events, which only took place in Italy, were promoted by certain trade unions and were closely related to national issues in Italy rather than labour disputes with the Company.

Table 12: number of strike hours and their frequency over total hours worked in 2021

	Italy	USA	Thailand	China	Croatia	Slovenia	UK	TOTAL
Strike hours	126	0	0	0	0	0	0	**126**
Hours worked in the year	1,232,671	1,116,814	43,320	716,292	410,204	1,509,609	45,908	**5,074,818**
Absenteeism index due to strike action[8]	0.102	-	-	-	-	-	-	**0.025**

2.4.2.2. Contracts and remuneration
(GRI 102-8:2016; 102-41:2016; 405-2:2016; 401-2:2016; SDG 5, 8, 10)

Employees are hired in compliance with the regulations in force in the countries in which the Group operates. Approximately 70% of existing employment contracts are based on national collective agreements, while the remaining 30% are stipulated on the basis of individual agreements (USA and countries in Asia).

The Group prefers stable, permanent employment relationships, which accounted for almost 90% of all contracts in 2021[9] (Figure 10 and Figure 11). The only exceptions to this are driven by production needs to meet temporary market demands or by special local labour market regulations.

[7] Excluded from the turnover calculation was Aquafil Carpet Recycling LLC, which was not included in the 2020 Non-Financial Report.
[8] This index is calculated by multiplying the hours lost to strikes by 1,000 and dividing it by the number of hours worked.
[9] The difference in the last three years compared with 2018 is mainly due to a change in the classification of US contracts.

Figure 10 – Personnel by contract type (2017-2021)

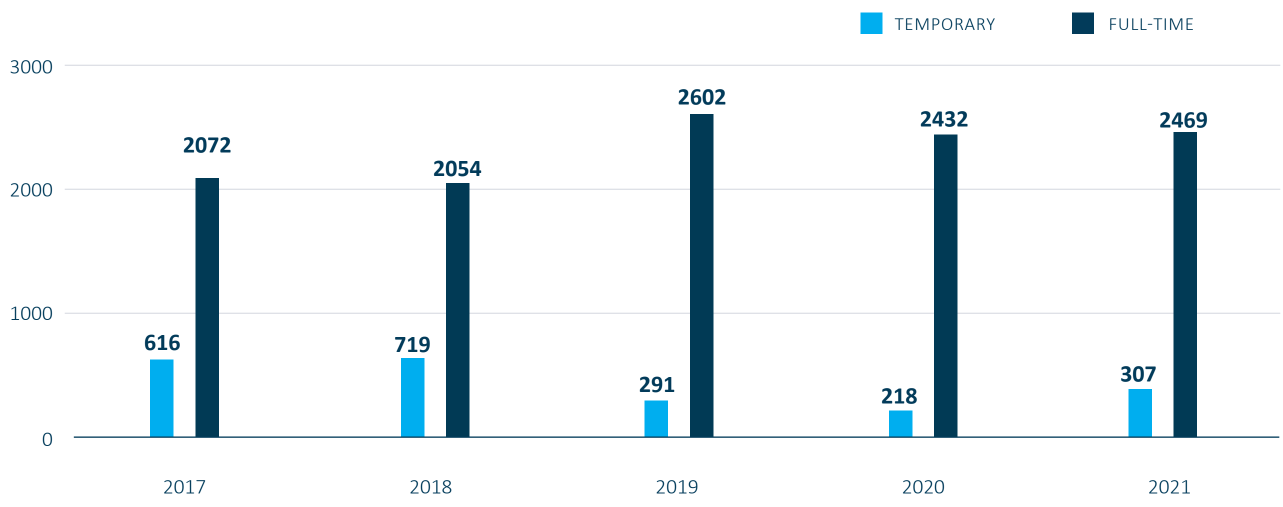


Table 13 shows the geographical distribution of the two contract types (fixed-term and permanent), while Table 14 shows full-time and part-time contracts by gender.

Figure 11 – Group employees in 2021 by contract type and gender.

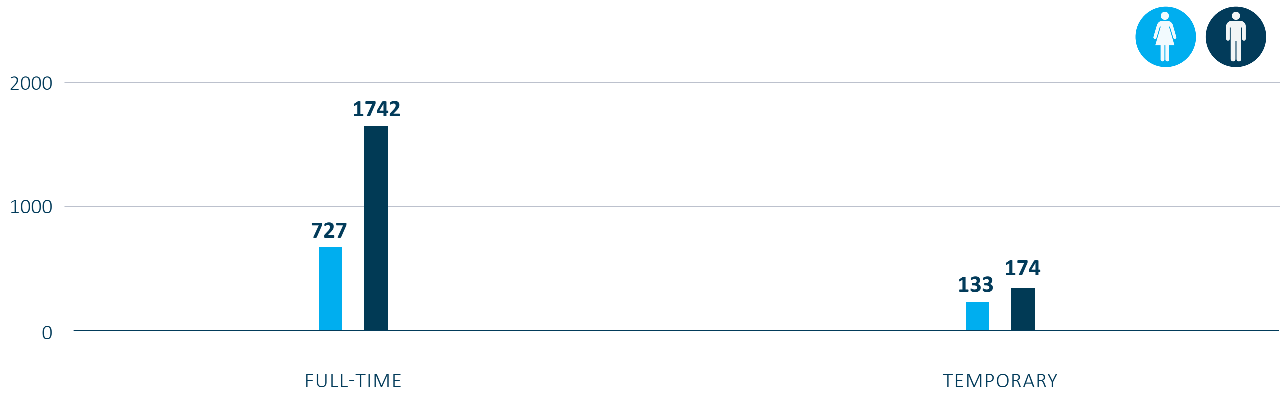


Table 13: Contract type by geographical area (2021)

TYPE OF CONTRACT	Italy	Croatia	Slovenia	USA	China	Thailand	UK
Permanent	763	220	819	532	83	21	31
Fixed-term	3	8	86	0	210	0	0

Table 14: Groupings of full-time and part-time contracts by gender (2021)

BREAKDOWN BY CONTRACT	Male	Female
Full-time	1859	799
Part-time	57	61

The Group's remuneration policy seeks to attract, motivate and value people based on professional skills, relevant experience, demonstrated merit and the achievement of set goals. Aquafil guarantees fair pay without discrimination or exclusion, by periodically monitoring job category wage indices.

Table 15 shows, for each Group company, the ratio between the average pay for men and women (considering men's pay to be 100%) in the same professional category. The annual gross salary has been considered excluding variable remuneration components (e.g. shift premiums or overtime) and the economic value of any benefits. The label "not applicable" indicates the presence in the professional category of women only or of men only (the gender is indicated in brackets), while a "dash" indicates that there are no employees (neither male nor female) in that specific category.

Table 15: Ratio of men's to women's pay by company and job category in 2021 - salary net of variable components and benefits

Group company	Executive	Manager	White-collar	Blue-collar
AquafilCina	78.9%	Not Applicable (Women Only)	83.3%	95.8%
AquafilCro	-	60.4%	107.1%	84.5%
Tessilquattro	-	Not Applicable (Men Only)	78.0%	97.6%
AquafilUsa	Not Applicable (Men Only)	88.4%	73.5%	85.8%
Aquafil Carpet Recycling #1	-	57.8%	54.4%	78.6%
AquafilSLO	67.2%	108.9%	81.3%	94.5%
Aquafil Carpet Recycling #2	-	Not Applicable (Men Only)	Not Applicable (Men Only)	Not Applicable (Men Only)
AquafilCarpet Recycling LLC	Not Applicable (Women Only)	72.9%	Not Applicable (Women Only)	Not Applicable (Men Only)
Aquafil OMara	Not Applicable (Men Only)	91.8%	79.6%	92.7%
Aquafil	59.4%	84.1%	88.0%	98.5%
AquafilUK	Not Applicable (Men Only)	Not Applicable (Men Only)	Not Applicable (Women Only)	96.2%
AquafilAsiaPacific	-	Not Applicable (Men Only)	199.3%	115.0%

In line with market trends, the remuneration system integrates two main collective incentivisation tools: benefits and performance-related variable remuneration linked to the achievement of specific business targets. Both are differentiated by company and professional category, but exclude discretionary and personality-based award criteria.

Benefits comprise social security, insurance, health and welfare plans. With regard to the latter, some Group companies have corporate-wide welfare systems in place for standardised categories of employees and their families. These systems mainly consist of the offer of socially purposed non-monetary goods and services that employees can choose according to their personal or family needs.

Variable remuneration is based on the short- or medium-term profitability, productivity and sustainability objectives of the Company or Group as a whole. It seeks to retain key figures and ensure employees remain motivated and involved in company results.

To better align variable remuneration for Senior Executives with long-term shareholder objectives and broader stakeholder interests, the Board of Directors approved the proposed new 2022 Remuneration Policy on March 15, 2022, which will be submitted to the Shareholders' Meeting for a binding vote.

Table 16 shows the ratio of average men's to women's pay considering gross annual salary, including variable wage components and the economic value of benefits.

Table 16: Ratio between men's and women's and pay by company and professional category in 2021 - salary includes variable components and benefits

Group company	Executive	Manager	White-collar	Blue-collar
AquafilCina	100.1%	Not Applicable (Women Only)	84.7%	94.4%
AquafilCro	-	79.2%	97.8%	82.7%
Tessilquattro	-	Not Applicable (Men Only)	76.2%	97.2%
AquafilUsa	Not Applicable (Men Only)	75.4%	70.9%	88.0%
Aquafil Carpet Recycling #1	-	48.7%	56.7%	53.0%
AquafilSLO	60.5%	103.2%	77.4%	86.7%
Aquafil Carpet Recycling #2	-	Not Applicable (Men Only)	Not Applicable (Men Only)	Not Applicable (Men Only)
AquafilCarpet Recycling LLC	Not Applicable (Women Only)	66.8%	Not Applicable (Women Only)	Not Applicable (Men Only)
Aquafil OMara	Not Applicable (Men Only)	79.3%	90.3%	88.8%
Aquafil	58.8%	78.4%	82.5%	80.2%
AquafilUK	Not Applicable (Men Only)	Not Applicable (Men Only)	Not Applicable (Women Only)	105.8%
AquafilAsiaPacific	-	Not Applicable (Men Only)	171.2%	109.4%

2.4.2.3. Training
(GRI 404-1:2016; SDG 4, 5, 8, 10)

Aquafil organises annual training courses to ensure all employees are aware of regulatory updates and can retrain and develop the skills they need to achieve the Company's short- and long-term objectives.

Training covers the following areas:
- Technical skills, so that they can develop specialised skills by job, role, or membership category;
- Human rights and anti-corruption systems, to make employees aware of the principles enshrined in the Code of Conduct;
- Health and safety, to spread a culture of prevention and provide appropriate updates;
- Environmental skills, to provide employees with knowledge on mandatory environmental topics, such as compliance with environmental regulations, and voluntary standards, such as certifications, reporting, etc.;
- Language skills, for the purpose of learning foreign or local languages.

In addition to scheduled activities, appropriate specific training courses may be devised for new hires depending on production trends to ensure they can independently manage plants in compliance with safety, quality and environmental standards.
In addition, new certifications, such as SA8000, may require employee training on certification scheme requirements.
This is one of the main reasons why total training hours have varied significantly over the years.

The Do ut Des project: enhancing and developing skills

In mid-2020, Aquafil launched a pilot project called "Do Ut Des", which sought to create a system to assess and develop employee soft skills through dedicated training courses.

This initiative required a soft skills model to be defined to address individual behaviours, which was subsequently aligned with the Company's objectives and strategic priorities, thus reflecting the values and culture of the organisation as a whole.
During 2021, Aquafil extended this process of sharing feedback and observing behaviour to all employees. The process was carried out by individuals appointed as "observers" for their direct reports. The process detected various strengths and weaknesses, thus allowing

the Company to devise a series of custom development actions based on the data that emerged. The project will gradually be extended to other Group plants over the next few years.

Training figures

Table 17 indicates total training hours delivered in the last five years (2017-2021), while Table 18 details the hours delivered in 2021 by gender and company role.

Training hours increased significantly in 2021 compared to the previous year due to the number of new hires and the resumption of training sessions, which had largely been suspended in 2020 due to the COVID-19 pandemic.

Table 17: Hours of training broken down according to topic from 2017 to 2021.

Type of training	2017	2018	2019	2020	2021
Technical	49,239	22,535	21,041	5,421	15,794
Human rights and anti-corruption system[10]	-	-	326	230	60
Safety	25,015	17,032	10,573	5,608	8,694
Linguistics	4,724	5,172	5,643	2,695	2,610
Environmental	418	4	348	226	125
Total	79,395	44,743	37,932	14,179	27,283

Table 18: Hours of training by role and gender (2021)

Type of training	Executive		Manager		White-collar		Blue-collar	
	Male	Female	Male	Female	Male	Female	Male	Female
Technical	147	166	389	54	1,956.8	753.5	8,721	3,606.5
Human rights and anti-corruption system	4.8	6	16.8	0.3	3.2	8.4	13.6	6.8
Safety	89.5	0.5	241.9	18	421.8	267.9	6,063.3	1,591
Linguistics	196.5	0	158	128	719.5	1,131	211	66
Environmental	0	2	4	2	17	11	58	31
Total hours/employee	437.8	174.5	809.7	202.3	3,118.3	2,171.9	15,067	5,301.4
Average hours/employee	10.9	21.8	6.4	7.5	16.5	9.9	9.7	8.8

[10] Training hours provided in years prior to 2019 are included in the technical area.

2.4.2.4. Personnel and corporate welfare initiatives
(GRI 404-1:2016; SDG 4, 5, 8, 10)

Group employees benefit from a range of measures and resources made available to ensure their well-being. These initiatives fall into several categories:

- Welfare measures;
- Work-life balance;
- Well-being in the workplace;
- Raising awareness of environmental and social topics.

Welfare measures

In order to encourage a balance between work, family and social relations, in 2021, the Group continued to provide welfare plans offering services of a non-monetary nature, from which employees can benefit on a voluntary basis within the budget allocated. The budget was doubled in 2021.

This includes study and parenting support services, supplementary pension provision as well as measures for leisure and special reductions in commercial applications. From 2019, in addition, supplementary corporate contract results bonuses can be converted into welfare benefits.

The Group also continued initiatives aimed at encouraging generational transfer, mainly in Italy, but also in Slovenia. In 2020, Aquafil joined Italy's Generational Relay plan, which was promoted by the Ministry of Labour and integrated by the Autonomous Province of Trento. This initiative seeks to voluntarily reduce the working hours of employees close to retirement age, while supporting their income and simultaneously hiring young people or converting fixed-term contracts into permanent contracts. In Slovenia, the Group offers concessions for joining a supplementary pension fund by subsidising a large part of the premium.

The Group also implemented initiatives in 2021 to protect the health of its employees and promote a policy to prevent certain illnesses. Specifically, the Group has entered into agreements with special healthcare facilities to allow employees to undergo medical check-ups, the cost of which is borne entirely by the Company. Examples include flu vaccinations organised by the US company Aquafil OMara, supplementary health insurance offered to AquafilSLO employees, specific disease prevention initiatives envisaged by AquafilCRO, and medical insurance offered to employees of the Chinese plant, in addition to state contract provisions.

In particular, Aquafil decided to provide employees at its Thai plant with the COVID-19 vaccine free of charge in 2021. In Thailand, as in other areas of the world, the cost of vaccines not covered by the national health system is too high for many strata of society.

A training platform

Aquafil has chosen to use its traditional corporate Christmas package as an opportunity to support social inclusion and the education of its employees' children. More specifically, all employees working for the Group's Italian companies were given free access to an online platform that teaches STEM subjects (Science, Technology, Engineering, and Mathematics) to various age groups, providing parents with a tool to help support their children's schooling.

2.4.2.5. Protection of worker health and safety

(GRI 403-1:2018; 403-2:2018; 403-3:2018; 403-4:2018; 403-5:2018; 403-6:2018; 403-7:2018; 403-9:2018; SDG 8)

The Group has always placed great emphasis on protecting worker health and safety.
Special measures were taken during the COVID-19 pandemic to keep employees safe. The majority of these measures continued into 2021, specifically:

- The crisis unit continues to meet twice a week to assess the risks posed by the pandemic, to monitor its direct and indirect impact on business, and to adjust the measures to be put in place accordingly;
- Office staff can still choose to work from home;
- Employees are required to wear protective equipment at all times and remain socially distanced;
- Restrictions on business travel remain in place.

To date, the measures applied over the past two years have kept the situation under control, avoiding the emergence of outbreaks within the Company.

Worker health and safety management system

In line with the sustainability policies, the Aquafil Group has for many years had a health and safety management system, to ensure:

- Risk assessment and proper risk prevention;
- Training of workers that is adequate, updated and specific to individual roles;
- The appointment of a Company Doctor;
- Health surveillance activity;
- The development of systems for reporting possible dangers;
- The rapid production of emergency plans if needed or where non-compliance has been detected during activities or during checks or inspections;
- The dissemination of a safety culture.

Health and Safety Committees

The Group has set up specific interdisciplinary committees at each of its companies, in which employees participate through designated representatives, and through which they are able to contribute to managing their health and safety.

These committees:

- Identify and periodically assess the risk management of occupational health and safety;
- Analyse and manage accidents and injuries, sharing experiences with the other Group companies;
- Assess the adequacy and effectiveness of the safety system, with respect to performance indicators, first aid activities, emergency treatments, and so on.

The SA8000 project has also allowed individual SA8000-certified companies to set up Safety Committees. These committees meetings are attended by representatives of the senior management team and employees, who meet periodically and coordinate with the Ethics Committee to manage health and safety.

Safety figures

The Group systematically monitors and assesses occupational accidents, injuries and work-related ill health in its factories. No deaths or serious injuries occurred during 2021.
There was however an increase in the number of workplace incidents, especially at AquafilSLO, where increased production led to a temporary increase in all related activities. To improve safety levels and to avoid further such incidents, the Slovenian company has adopted additional procedures and makes use of new personal protective equipment.
Table 19 shows the frequency[11], severity[12] and risk[13] trends from 2017 to 2021.
When reporting the parameters required to calculate the indices (hours worked, number of accidents and number of days lost) both employees and temporary staff are included, since Aquafil considers it fundamental to safeguard the health and safety of all those working in the Group, irrespective of the nature of their contracts.

Table 19: Accidents and working days lost due to absence from 2017 to 2021, with relative Frequency (IF), Severity (IG) and Risk (IR) index values.

Year	2017	2018	2019	2020	2021
Hours worked	5,024,197	5,126,261	5,330,989	4,518,124	5,074,818
Injuries >3 days	45	36	15	21	36
Of which serious injuries	-	-	-	1[14]	0
Working days lost	1,330	1,144	971	645	1434
IF	8.96	7.02	2.81	4.65	7.09
Serious injuries IF	-	-	-	0.22	0
IG	0.26	0.22	0.18	0.14	0.28
IR	2.37	1.57	0.51	0.66	2.00

In order to spread and strengthen a culture of safety and awareness among workers, Aquafil acts on two fronts:

- by organising training initiatives on safety and awareness-raising campaigns;
- by implementing important structural interventions to ensure safe work environments and appropriate equipment for all its personnel.

For example, over 8,000 hours of occupational health and safety training were conducted in 2021 (Table 17 and Table 18).

This is intended to reduce incidents caused by human factors, which again appears to be the most common cause of injury at the Group's plants in 2021.

In addition to the preventive actions referred to, near-miss accidents are reported and carefully analysed, and risk is assessed and reviewed. A new internal procedure was introduced in 2021 to improve the reporting of incidents and is still in the trial phase. This new procedure comprises an online platform that facilitates the reporting of this type of event, but also helps production sites exchange knowledge and experiences to reduce the chances of similar incidents happening again.

[11] The frequency index correlates the number of occupational accidents to the extent of exposure to risk (it is calculated by dividing the number of accidents resulting in over-3-days absence from work multiplied by 1,000,000, compared to the number of hours worked).

[12] The severity index correlates the severity of the accident to the extent of exposure to risk (it is calculated by dividing the number of days lost over 3 days multiplied by 1000, compared to the number of hours worked).

[13] The risk index correlates the frequency and severity indices.

[14] 2020 is the only year in which a serious injury occurred. This event, reported as an injury in the 2020 Non-Financial Report, is now classified as a serious injury because the injured person's total days of absence exceeded the 180-day limit.

2.4.3. Stakeholder relations
(GRI 102-9:2016; 102-12:2016; 102-13:2016)

For Aquafil, maintaining strong relationships with its local and international stakeholders is key to the proper functioning of its business model and sustainability plan.

As such, the Group actively involves stakeholders as early as possible in defining its material topics (section 2.2), and makes an ongoing commitment to foster their well-being and involvement.

Comprehensive Sustainability: the Social Organisational Life Cycle Assessment (SO-LCA) project

The concept of sustainability spans three main areas: environmental, economic and social.

While there are international environmental sustainability standards in place that objectively assess the sustainability of a process, a product, or even an organisation, the same cannot yet be said for social topics. Progress has been made with regard to product-level assessments (with an ISO standard currently under development), but there is still no point of reference for organisations.

In collaboration with Life Cycle Engineering S.p.A., the Aquafil Group has decided to conduct a study to assess the social and socio-economic impact of its activities (Social Organisational Life Cycle Assessment- SO-LCA)

This entirely innovative project is not supported by international standards and as such, the Group has launched an initial pilot at its Italian sites in Arco, Rovereto, and Cares, with the intention of extending analysis to other Group sites in the near future.

Work involved identifying a set of impact assessment indicators across the five main categories of stakeholders: workers, local communities, customers, companies, and suppliers. The process of selecting and reviewing indicators is currently in its final stages; the reporting and analysis phase will then follow. The results of the study will be available in 2022.

The end goal of this project is to provide an as-is assessment of the Group's Italian sites to define potential areas in which new projects and improvement initiatives could be implemented.

2.4.3.1. Supplier selection and engagement
(GRI 308-1:2016; GRI 414-1:2016; SDG 5, 8)

The Group selects its suppliers using a due diligence process that pursues the best balance between economic benefit, service quality, and compliance with the requirements of the voluntary certification schemes to which it adheres. Much attention is paid to product transparency and the origin of the products purchased, in order to avoid purchasing products of illicit origin.

Since the start of the SA8000 certification process in 2019, the Group has expanded its due diligence process for suppliers, and its qualification and monitoring process now also includes social responsibility criteria.

Assessment in this regard includes:
- The mapping of suppliers based on type of supply and geographical location;
- Risk analyses and adequate engagement and monitoring actions according to degree of criticality;
- The inclusion of ethical requirements in periodic supplier assessments.

Since the qualification procedure was launched, all new suppliers who fall within the scope of the SA8000 project have been assessed in line with new ethical prerogatives.

The New Supplier Engagement Kit includes:
- A request to comply with the Code of Conduct and SA8000 Requirements;
- Aquafil policies;
- The SA8000 standard;
- A questionnaire to be completed.

The questionnaire includes questions that seek to identify the procedures and initiatives put in place by the supplier to manage quality, environment, safety, and social responsibility. The answers to these questions generate a score, which must be above a certain limit set by Aquafil for the new supplier to be onboarded.

Furthermore, the qualification procedure integrates specific reward criteria for the ECONYL® supply chain, by which, in collaboration with various suppliers, an "ECONYL® Qualified Guidelines for Partners" supply chain qualification protocol has been implemented.

ECONYL® Qualified

The **ECONYL® Qualified** project promotes the ongoing improvement of the environmental performance of ECONYL® yarn by taking into consideration production process phases that are not only controlled by Aquafil, such as transport, the supply of raw materials, packaging, and product finishing services. The initiative, launched at the end of 2015, introduced the "ECONYL® Qualified" award for ECONYL® yarn suppliers who boast particularly good environmental performance.

To obtain this award, suppliers must comply with specific environmental requirements for each supply sector, which relate to the management of production processes, materials, and energy resources.

The requirements are described in the ECONYL® Qualified Agreement and are defined with the active involvement of suppliers. The data and information that are collected allow the Group to identify the environmental topics, indicators, and minimum targets to take into consideration across the various production areas. Collaboration with suppliers also ensures that requirements remain up to date.

The ECONYL® Qualified award covered four areas in 2020: logistics and product transportation, wire tube manufacturing, fishing net supply, and yarn finishing. These were joined in 2021 by the supply of pre- and post-consumer waste yarn. The first company to join the ECONYL ® Qualified program in this new sector has been Ege Carpets, Aquafil's supplier for pre-consumer waste. The involvement of an increasing number of suppliers led to the official release of a new comprehensive agreement for the five categories in August 2021.

2022 will see the full resumption of qualification award activities for previously-qualified suppliers, and the extension of two-year qualifications to new suppliers.

ECONYL® Reclaiming Program

The **ECONYL® Reclaiming Program** initiative is an awareness and engagement activity that targets different categories of stakeholders, effectively bringing them into the Group's supplier base. Aquafil has created an internationally structured network for the collection of waste containing nylon, based on partnerships with institutions, companies, organisations and public and private consortiums across the world.

Various materials are recovered such as abandoned fishing nets, carpets, special fabrics like tulle and nylon-based plastic components. The recovered post-consumer materials and waste are stored, pre-treated and sent to the Ljubljana plant, where they are transformed into raw materials, ready to be reintroduced into the production cycle.

2.4.3.2. Customer Relations
(GRI 417-1:2016; SDG 12)

Aquafil has collaborated with its customers for years, safe in the knowledge that its partnerships allow it to achieve quicker and more effective results in the various areas of sustainability.

Collaboration with customers can take many forms:
- transparency in communications, such as providing each product with a technical data sheet indicating its characteristics, composition, packaging information and any other data to fully describe the product;
- engagement in raising awareness of sustainability issues and the circular economy, such as the take-back programmes for the recovery of manufacturing waste;
- support for the creation of innovative products.

The Take-Back programme involves a number of customers from the NTF and BCF sectors, and consists of recovering ECONYL® nylon waste from the customers' own manufacturing processes when they use ECONYL® as one of the raw materials in their products.

Brands such as Speedo, Gucci, Ege Carpets, and Napapijiri have joined the scheme (the Take Back initiative involves the post-consumer phase for the latter). Thanks to the programme, Group customers can improve the circularity of their products, thus actively participating in making the production chain circular.

Circular innovation projects

2021 saw the continuation of projects started with customers the previous year, including:
- Coral Eyewear glasses, whose frames are made from ECONYL®;
- the "Close the Loop" project in collaboration with Mammut and the Non-Profit Protect Our Winters Switzerland, which collects end-of-life mountaineering ropes for use as raw materials to make ECONYL® yarn;
- Napapijri's Circular Series collection, a product line made entirely from ECONYL®.

In particular, the Coral Eyewear project involved the launch of a "take back" system in 2021, which allows consumers to return their glasses at the end of the two-year warranty period so that they can be processed to make new products.

Communicating with consumers: the ECONYL® e-commerce project

2021 saw the start of an important project for end users of products made using ECONYL® yarn, who Aquafil wants to involve in its commitment to promoting a culture of sustainability and circularity.

A new online platform has been launched on the ECONYL® website (https://www.econyl.com/shop/) and lists products made from recovered yarn, thus making it easier for consumers to find sustainable products.
But that's not all. The platform also contains information on sustainability to help consumers navigate the large number of terms and initiatives, which can cause confusion.

Aquafil is aware that a robust understanding is essential if consumers are to avoid making choices that may seem sustainable but are not, and has decided to help educate a community of consumers to become increasingly aware of the impact of their daily actions.

2.4.3.3. Local community projects
(GRI 413-1:2016; 304-1:2016; SDG 11,14)

The Group confirms its commitment to playing an active role in the local communities and areas in which it operates, developing and supporting local initiatives to meet needs and stimulate development and social innovation.

Social inclusion projects

Through the AquafilOMara and ACC facilities in Phoenix, the Group works with several local associations (including "Rescued not Arrested" and "Putting U First LLC") to offer working opportunities to people in treatment for mental health recovery and inmates of correctional institutions. This gives participants the opportunity to learn new skills and gain professional experience, ensuring the conditions are in place (in terms of permits and practical support with transportation to and from work) for their successful reintegration into society.

During 2021, a total of thirty-one people were involved in reintegration projects, some of whom have been with the Company continuously for several years, demonstrating the success of the initiative.

Investing in the generations of tomorrow

In 2021, Aquafil launched a three-year project that will award five annual scholarships to particularly deserving students studying at ITET Floriani High School in Riva del Garda (TN). This initiative – called "Aquafil for the generations of tomorrow" – seeks to encourage young talented students by giving them the opportunity to invest in their future, knowing that this will benefit the local area as a whole. In addition to providing a financial contribution, Aquafil will visit the school to explain the project and actively involve students in the initiative, encouraging their ambitions by presenting practical examples of how to grow and progress in corporate environments.

Aquafil also collaborates with the prestigious Parsons School in New York, which is one of the leading design colleges in the United States. As part of this partnership, students were asked to create sustainable, circular products using ECONYL® yarn. 13 projects have been created to date and all of them explore different avenues, from the dyeing process to the creation of new products. The winners will be announced and awarded in the coming months. The project was fully sponsored by Aquafil and allowed students to explore the potential of a circular economy.

Jiaxing plant initiatives

Aquafil's Chinese plant is located in Jiaxing and has been involved in various local community benefit projects for several years. These include a support programme for women with breast and cervical cancer, which has been running since 2011 and collects regular donations for patients and to fund research. Aquafil started a partnership with the Jiaxing Traffic Police Brigade in 2021 to create useful materials to improve people's awareness of road safety, which will be distributed to local businesses.

Inclusion of diversity and addressing local needs

Every community has specific needs, and so do individuals. Aquafil responds to these needs with a wide range of donations and initiatives, some of which include:

- For many years now, the Aquafil plant in Arco (Italy) has donated to ABIO, an association that supports children in hospital and their families by making this difficult experience as stress-free possible. Unfortunately, several of the association's activities had to be suspended due to the COVID-19 pandemic, but ABIO has nevertheless been able to purchase fun and educational materials for the children's wards at local hospitals thanks to the donations it has received;
- Sponsorship of the Sarca River re-population project, which is run by the Basso Sarca Amateur Fishermen's Association, has been agreed for 2021. The project was launched in 2020 and seeks to restore river fish fauna that had been severely affected by past weather events and birds of prey. The project is also of particular importance to Aquafil as the Arco plant, the Group's first and historic production unit and today its headquarters, is located near the Sarca river and is therefore within the protected area surrounding the river;
- AquafilCRO has made several donations to initiatives that help children with medical and financial difficulties, ranging from the purchase of school supplies and other forms of educational material to the purchase of medical supplies and treatments;
- In 2021, Aquafil's Italian plants supported the Trentino-based cooperative Pastificio Dal Barba, which promotes social inclusion and on-the-job training for neurodiverse young people. Support involved purchasing cookies made by the children, which were included in Christmas hampers gifted to Aquafil employees. In addition, Aquafil Arco has signed an agreement with the Garda 2015 social cooperative for 2021, which helps integrate disadvantaged people into the world of work.

Environmental protection education and our commitment to the oceans.

"The Healthy Seas, a Journey from Waste to Wear" foundation was co-founded by Aquafil in 2013 and seeks to raise awareness of plastic pollution on the seabed and reduce its presence. To this end, since its inception, the foundation has launched various initiatives, ranging from educational and prevention activities to the recovery of abandoned fishing nets in collaboration with volunteer divers. In addition, the nylon from these fishing nets is recycled and used to make ECONYL® yarn.

The project has expanded over the years, and programmes to recover abandoned fishing nets have been organised all around the world in collaboration with local government to tackle marine pollution and improve the quality of the local environment as a consequence. No less important are the Group's educational initiatives, which are intended for schools, fishermen, and the general public, and seek to raise awareness about what we need to do to prevent this form of pollution. Major accomplishments in 2021 include:

- Cleaning of the seabed and beaches on the Greek island of Ithaca. Over the years, various areas of the island have been seriously damaged by nets and fish farming cages abandoned by companies struggling financially. The situation has steadily worsened due to weather events, which have dragged the nets out into the surrounding seabed. Healthy Seas organised several underwater recovery and education activities for local people in 2021 to find a solution to the problem;
- Healthy Seas performed its very first operation to recover abandoned fishing nets in the Dutch area of the North Sea. Over the years, the project has expanded and a boat (MAKO) has been purchased, which will be used to recover nets and to conduct educational and informative activities for schools, journalists, and the general public;
- Healthy Seas' initiatives are not limited to reducing marine pollution. They also extend to collecting relevant historical and scientific data on underwater shipwrecks from different historical eras. The projects carried out in Lipari and Lampedusa focus on exploring these wrecks and removing trapped nets from them. The nets are then studied for research purposes to assess their historical relevance and the environmental impact they may have;
- These days, Costa Brava in Spain is a popular tourist destination, but fishing was once its primary source of income. This has left traces on the marine environment, and a large number of nets remain abandoned on the seabed to this day. Healthy Seas has organised recovery expeditions involving local divers and researchers.

Support of local cultural and sports centres

The Group sponsors numerous sports and cultural activities, as well as local events. These events are key to community life, and Aquafil chooses to sponsor several entities each year in appreciation of the role they play. Examples include donations to local volleyball, skiing, football, field hockey, athletics, and other sports teams and contributions to magazines, literary competitions, music events, culture festivals, and local events.

Participation in associations

Aquafil promotes a business model based on sustainability and a circular economy. To demonstrate the existence of solutions that combine industrial competitiveness with environmental, economic and social sustainability, the Group has established strategic partnerships and joined several associations that share the same vision. Among these, we highlight:

- The Alliance for the Circular Economy: this project involves 18 leading Made in Italy companies in different industrial sectors, aiming to spread the culture of the circular economy and lead the innovation and renewal of the production ecosystem to become more circular;
- Ellen MacArthur Foundation: one of the most significant international initiatives aimed at promoting and adopting the circular economy. In particular, the Group has become a partner in the Circular Economy 100 Network, a programme that aims to develop new opportunities in the circular economy through collaborations between different industrial sectors;
- Plastics Recyclers Europe: this organisation gives a voice to the main companies operating in the plastics recycling sector in Europe. The organisation seeks to promote the use of high-quality recycled plastics, to support its members in the development of innovative products made from recycled material and to represent the plastics recycling industry at European level;
- The Italian Technology Cluster of "Circular Bioeconomy" (SPRING): this association seeks to bring together different entities and actors operating in the field of green chemistry to promote the development of the bioeconomy in Italy;
- Textile Exchange: this association promotes the global development of responsible and sustainable practices in the textile industry. The association comprises brands, retailers, natural and synthetic textile fibre manufacturers, raw material suppliers, farmers, and other key stakeholders. Responsible and sustainable practices are also promoted along the textile supply chain by creating several widely recognised standards for the fashion industry;
- European Man-Made Fibres Association (CIRFS): this association represents and promotes the interests of the European man-made fibres industry.

2.5. Environment and circularity

Environmental sustainability lies at the heart of the Group's business, and Aquafil has made it its mission to promote a circular economy model along the nylon supply chain. As such, particular attention is paid to the Group's environmental performance and research projects that encourage innovation in the sector as a whole.

2.5.1. Voluntary certifications

(GRI 307-1:2016)

2.5.1.1. Group certifications

In order to guarantee the optimal management of quality, environmental, energy and safety issues, the Aquafil Group has embarked on a certification process to annually increase the number of its certified factories worldwide (Table 20). In 2021, 3 plants were ISO 50001 certified (Ajdovščina, Senožeče, Celje, all belonging to the AquafilSLO company) and all 4 AquafilSLO sites have been SA8000 certified.

Table 20: List of certifications obtained by facility (2021).

Production plant	ISO 9001	ISO 14001	ISO 45001	ISO 50001	SA 8000
Aquafil Arco	X	X	X	-	X
Aquafil China	X	X	-	-	-
Aquafil USA-Cartersville	X	-	-	-	-
Aquafil Carpet Recycling#1	-	-	-	-	-
Aquafil Carpet Recycling#2	-	-	-	-	-
AquafilCRO	X	X	X	X	X
AquafilSLO - Ljubljana	X	X	X	X	X
AquafilSLO - Ajdovščina	X	X	X	X	X
AquafilSLO - Senožeče	X	X	X	X	X
AquafilSLO - Celje	X	X	X	X	X
Asia Pacific	X	-	-	-	-
Tessilquattro	X	X	-	-	X
Tessilquattro - Rovereto	X	X	-	-	X
Aquafil UK	-	-	-	-	-
Aquafil O'Mara	-	-	-	-	-

In addition to the certifications indicated in Table 20 are:

- The maintenance of Responsible Care Certification by AquafilSLO, a voluntary programme of the global chemical industry that certifies excellence in the areas of health, safety and the environment;
- Full Authorised Economic Operator (AEO) Certification[15], obtained by Aquafil S.p.A. and AquafilSLO, in relation to the European Union Customs Code, formally certifying and authorising the Company as an 'Authorised Economic Operator'.

Aquafil pays close attention to its compliance with environmental rules and regulations by investing in monitoring and training. Thanks to this commitment, during 2021 the Group was not subject to any fines or sanctions for non-compliance with environmental laws or regulations.

2.5.1.2. Product certifications

The Group has received a number of certifications guaranteeing product features in terms of quality, environment and safety, demonstrating its consistent pursuit of one of the cornerstones of its strategy – product culture.

Management of chemical substances

(GRI 416-1:2016)

A key aspect for Aquafil is the management of chemical products and the ability to guarantee the safety of everyone involved in the value chain, while also respecting the environment.
In this regard, the Group has drawn up a document setting out the guidelines on which to base a clear and transparent communication and control system[16] and has set up an internal working group (sustainability compliance team) dedicated to:

- supporting all Group plants on REACH regulation issues;
- engaging and supporting relevant stakeholders in a shared pathway of chemical assessment and management.

All the chemicals used in Aquafil's products and processes are entered into a single database, which is updated periodically according to a standard operating procedure.

In order to guarantee the safety of chemicals used in production, Aquafil S.p.A. certifies its compliance with the REACH regulation. The Group also decided to obtain an OEKO-TEX certificate attesting to the absence of harmful substances in the product[17], in addition to a Gold and Silver Cradle to Cradle Material Health certification for its ECONYL® products, and AquafilSLO has obtained Eco passport[18] certification for three of its products. This certification is recognised within the Zero Discharge of Hazardous Chemicals (ZDHC) initiative[19].

In 2021, considering the conformity of the Group's products with major health and safety standards, it was not necessary to implement assessment processes for the improvement of the impacts of any of its products.

Recycled content

For 2021, Aquafil has again maintained a set of certificates for ECONYL® polymers and yarns that certify their recycled content. Specifically, it:

- ECONYL® product certificate: PA6 100% recycled yarn;
- ECONYL® caprolactam certification - 100% recycled raw material, with post-consumption content greater than 50%;
- Certification issued by UL for ECONYL® Altochroma yarn, confirming the presence of at least 97% recycled material.

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[15] www.adm.gov.it/portale/dogane/operatore/operatore-economico-autorizzato-aeo

[16] http://www.aquafil.com/it/sostenibilita/il-nostro-impegno/#commitment-03

[17] The following link lists the certifications achieved by Aquafil, including the OEKO-TEX certificate, as well as the products included: https://www.aquafil.com/it/certificazioni/

[18] https://www.oeko-tex.com/en/our-standards/eco-passport-by-oeko-tex

[19] https://www.roadmaptozero.com/

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Product Environmental Declaration (EPD)

Aquafil has confirmed that its EPD certifications will remain valid in 2021 for ECONYL® polymer and yarns used in the clothing and flooring sectors. The declarations are publicly available, and can be downloaded in the section of the company website dedicated to certifications (https://www.aquafil.com/certifications/).

These are certified environmental declarations indicating the environmental performance of the products. They are based on scientific, life-cycle analysis (LCA) methodology.

2.5.2. Environmental performance of production processes

Property, plant & equipment

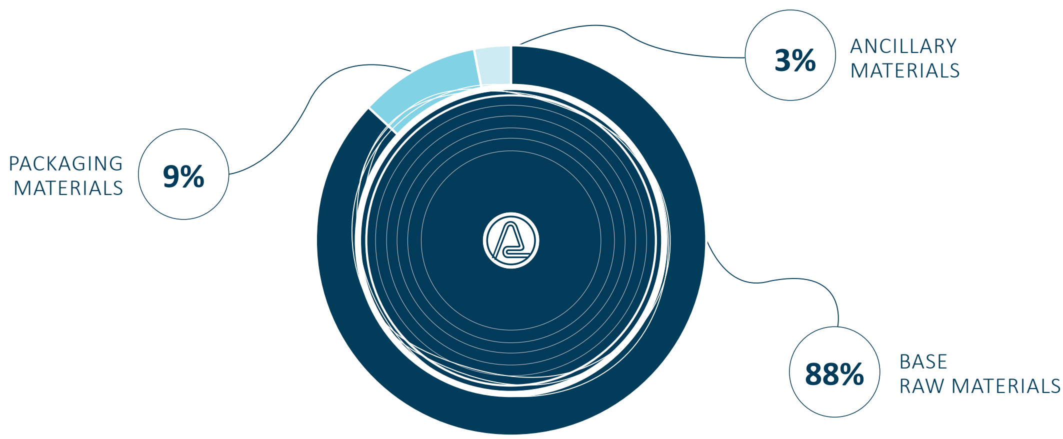
(GRI 301-1:2016; SDG 8, 12)

The raw materials handled by the Group can be divided into three macro categories (Figure 12):

1. Base raw materials, accounting for 88% of total raw materials used. These consist of virgin raw materials (such as caprolactam and polymers) and secondary raw materials derived from processing waste (pre-consumer) and end-of-life products such as carpet fluff or fishing nets (post-consumer);
2. Packaging materials, consisting of the packaging of raw materials and finished products;
3. Auxiliary materials, such as additives and other substances used in the production process.

Approximately 166,000 tonnes of materials were used in 2021, 8% of which came from renewable raw materials, such as paper and wood.

Figure 12: Percentage breakdown of raw materials used by the Group in 2021



Energy

(GRI 302-1:2016; SDG 7, 8, 12, 13)

The Group is committed to reducing the environmental impact of its energy consumption by continuing to invest in the increased use of renewable energy and promoting actions to improve the efficiency of its production processes.

In 2021, 74% of the total electrical and thermal energy used by the Group came from certified renewable sources, such as hydroelectric, wind, photovoltaic and biomass. In particular, in 2021, 100% of the electricity purchased by the Group came from renewable sources. Aquafil also invests in self-generated power systems: the Aquafil plants have installed photovoltaic panels in the United States and in Italy, in Slovenia and Croatia, which, while only providing a small percentage of the total energy requirements, can meet the energy needs of certain facilities such as administrative offices.

Table 21 shows the total amount of energy managed and consumed by the Group from 2017 to 2021. Consumption is expressed in absolute terms and divided by energy carrier and destination (used internally or sold). Total energy consumption relative to EBITDA is also reported to provide an overview of trends over the years.

Table 21: Energy produced and consumed by the Group in the 2017 - 2021 period[20]

Energy carrier		Unit	2018	2019	2020	2021	2021
Fuels purchased	Natural gas, diesel and technical gas	GJ	875,913	855,680	824,684	774,294	890,482
Energy purchased	Electricity	GJ	1,097,003	1,126,326	1,159,558	1,001,572	1,208,587
	Steam	GJ	501,691	545,675	523,790	440,527	552,386
Energy internally produced	Photovoltaic	GJ	2,647	2,742	3,266	8,875	10,301
Energy sold	Electricity	GJ	614	1,111	1,502	2,872	634
	Thermal energy	GJ	30,119	35,156	28,546	16,797	17,029
Energy managed by the Group		GJ	2,566,690	2,541,346	2,244,937	2,679,419	2.679.419
Total Group energy consumption[21]		GJ	2,446,522	2,494,156	2,481,249	2,205,600	2,644,094
Energy consumption in relation to the margin (EBITDA)		TJ/Mil€ (MJ/€)	33.2	32.0	35.7	37.8	36.7

Greenhouse gas emissions

(GRI 305-1:2016; GRI 305-2:2016; SDG 9, 12, 13, 14, 15)

Greenhouse gas emissions are closely linked to energy consumption and are calculated monthly by converting the quantities of energy used into carbon dioxide equivalents (CO_2eq), also taking into account their intrinsic characteristics; the tool is used for this purpose by various plants, applying specific conversion factors[22] to the energy carrier.

Greenhouse gas emissions (Figure 13) are divided into direct emissions deriving from processes under the Group's direct control (Scope 1, mainly associated with fuel use and its combustion at the Group's production plants) and indirect emissions (Scope 2, associated with the production of electricity and heat purchased from external suppliers)[23].

Indirect emissions can also be calculated using the location-based or market-based method. The location-based method calculates indirect emissions using a conversion factor that reflects the electricity production mix in the country in which the plant is located, while the market-based method takes into account the production mix of the market in which the plant operates, using the residual mix as the conversion factor[24]. The following graph only shows direct and indirect market-based emissions, while Table 22 also shows indirect location-based emissions. These are only reported for 2021, as they were not published in previous years. They were introduced this year to paint a more complete picture.

[20] Consumption is measured using the tool in the unit of measure kWH and then converted into GJ by multiplying by a factor of 0.0036.

[21] The total energy consumption of the Group is calculated as: fuels + energy purchased + energy produced internally- energy sold.

[22] The conversion factors used come from the GaBi Software Database Pack 41, released by Sphera..

[23] We note that indirect emissions commonly included in the Scope 3 category are not reported here.

[24] A nation's residual mix is essentially its electricity production mix, excluding contributions made by GO-certified renewable sources, to avoid double counting.

Figure 13: Trends in total greenhouse gas emissions (Scopes 1 and 2), 2017-2021.

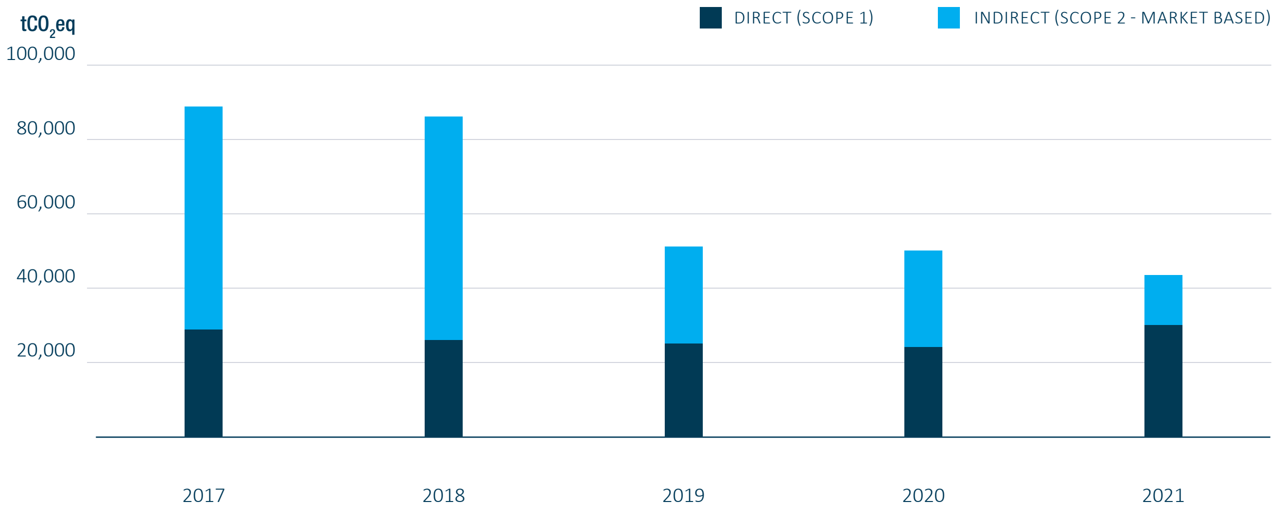


Table 22: Greenhouse gas emissions, 2017-2021.

	Unità di misura	2017	2018	2019	2020	2021
Emissions - Scope 1	tCO_2eq	29,023	26,048	24,673	23,141	31,725
Emissions - Scope 2 (market-based)	tCO_2eq	57,855	60,203	26,839	27,267	12,730
Emissions - Scope 2 (location-based)	tCO_2eq	-	-	-	-	227,028
Total emissions	tCO_2eq	86,878	86,251	51,512	50,408	44,456
Greenhouse gas emissions with respect to margin (EBITDA)	tCO_2eq /Mil€ (gCO_2eq/€)	1,178	1,107	742	864	617

Scope 2 market-based emissions were much lower in 2021 than in previous years as the Group achieved its goal of consuming electricity exclusively from renewable sources.

Water withdrawals

(GRI 303-1; 303-3:2018; SDG 6)

Aquafil is fully aware of the importance of using its water resources wisely. For this reason, the Group monitors water consumption both at production sites with an ISO 14001-certified environmental management system and at those not yet certified to ensure compliance with all relevant national regulations and a consistent company-wide approach.

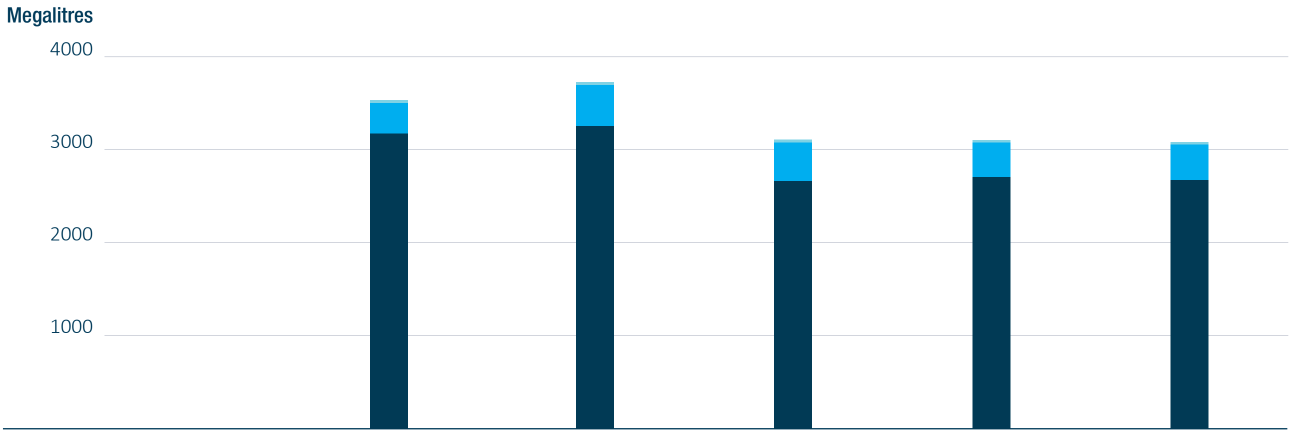
With this in mind, and with the aim of reducing its water footprint, the Aquafil Group has implemented new technology solutions at its plants to significantly reduce the water it consumes during production processes in the coming years.

Approximately 87% of the volume of water withdrawn in 2021 also came from groundwater (wells), with the remainder from aqueduct and surface water (rivers).

Figure 14 shows the trend for water withdrawals from 2017 to 2021, broken down by type (groundwater, third-party water resources and surface water) measured in megalitres.[25]

In 2021, the amount of water withdrawals decreased slightly compared to the previous year, despite the uptick in production activities following the COVID-19 pandemic.

Figure 14: Water withdrawals by source in the 2017 - 2021 period



	2017	2018	2019	2020	2021
Surface water	22	23	24	16	17
Third-party water resouces (aqueduct)	337	391	416	383	386
Groundwater	3172	3256	2679	2701	2689

In line with the requirements of GRI Standard 303-3, a qualitative assessment was made of the water stress in the areas where withdrawals are made. Each area was categorised using WWF's Water Risk Filter[26], which returns a risk scale ranging from 0 (no risk) to 5 (high risk) (Figure 15).

Table 23 shows the volume of water withdrawal broken down by source, plant and water stress area for the year 2021; it can be seen that withdrawals occur on average in areas of medium to low water stress.

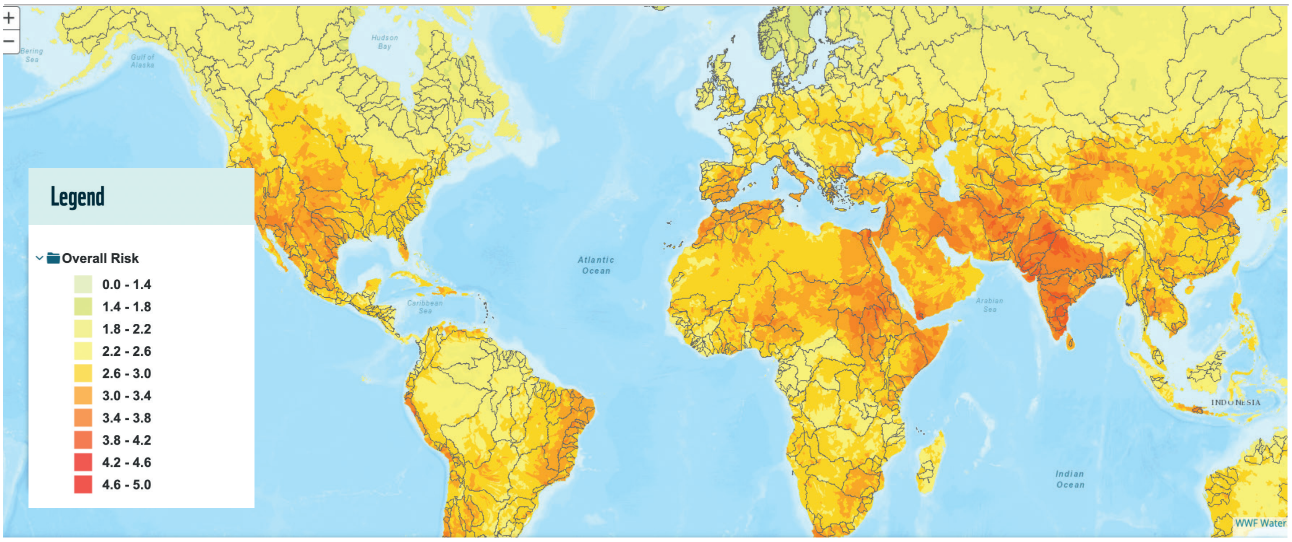
[25] A megalitre is one million litres. We also note that information is not currently available regarding freshwater used, as a percentage of the total. Under GRI Standard 303-3:2018, freshwater is water that contains total dissolved solids less than or equal to 1,000 mg/L.

[26] https://waterriskfilter.panda.org/en/Explore/Map

Table 23: Water withdrawal by water stress area (2021)

Source of withdrawal	Plants involved	Water stress risk	Amount taken [megalitres]
Surface water	Tessilquattro	2,6-3,0	16,8
Groundwater	AquafilSLO – Ajdovscina; AquafilSLO – Celje; AquafilSLO- Ljubljana	1,8-2,2	332,4
	Aquafil; Tessilquattro- Rovereto	2,6-3,0	2.356
Third-party water resources (aqueduct)	AquafilSLO – Senozece; AquafilUK; AquafilSLO – Celje; AquafilSLO – Ljubljana	1,8-2,2	17,8
	AquafilCRO	2,2-2,6	15
	Aquafil; Tessilquattro- Cares; Aquafil USA; O'Mara; Tessilquattro- Rovereto	2,6-3,0	264
	Aquafil China; Asia Pacific	3,0 – 3,4	65,4
	Aquafil Carpet Recycling #1; Aquafil Carpet Recycling #2	3,8 – 4,2	24,3

Figure 15: Water stress risk scale (WWF Water Risk Filter)



Water discharges

(GRI 303-2; 303-4:2018; SDG 6)

Most of the wastewater from the production process is discharged to surface waters (74% of the Group's total water discharge volume).

Discharges to surface water are implemented after specific water quality assessments have been carried out, which is a standard procedure of the Group's environmental management system aimed at enduring full compliance with current regulations.[27]

[27] Information is not currently available regarding freshwater discharged as a percentage of the total. Under GRI Standard 303-3:2018, freshwater is water that contains total dissolved solids less than or equal to 1,000 mg/L.

The checks are carried out periodically through laboratory analysis in order to monitor some parameters, the most relevant being the COD (chemical oxygen demand) which measures the oxygen demand of organic substances. In fact, both the quantity of the water discharged as well as its quality in terms of COD are monitored every six months using the sustainability web tool.

Table 24 shows the total water discharge by destination and its quality in terms of COD.

Table 24: Volume and quality of the water discharged over the 2017-2021 period

	Unit	2017	2018	2019	2020	2021
Discharge to surface water	megalitres	2,806.9	2,943.0	2,334.4	2,441.2	2,459.3
Discharged water quality (COD)	kg O_2	103,682	77,045	68,821	99,963	44,170
Discharge to third-party water resources (treatment plants)	megalitres	864.4	880.1	841.2	700.6	855.6
Discharged water quality (COD)	kg O_2	601,370	432,833	578,552	262,234	644,001

A qualitative assessment of the water stress in the areas where the discharge occurs was also carried out for water discharges, as required by GRI 303-4, with the same risk scale used for water withdrawals.

Table 25 shows the volume of water discharge broken down by destination, plants involved and water stress area for 2021.

Table 25: Characterisation of water discharge by water stress area (2021)

Discharge destination	Plants involved	Water stress risk	Amount discharged [megalitres]
Surface water	Aquafil; Tessilquattro- Rovereto	2.6 – 3.0	2.459.3
Third-party water resources (treatment plants for industrial waste water)	AquafilSLO – Ljubljana; AquafilUK; AquafilSLO- Celje	1.8-2.2	362.1
	AquafilCRO	2.2-2.6	14.2
	Aquafil; Tessilquattro – Cares; AquafilUSA; Tessilquattro-Rovereto; O'Mara	2.6-3.0	308.8
	Aquafil China	3.0-3.4	42.9
	Aquafil Carpet Recycling #1; Aquafil Carpet Recycling #2	3.8-4.2	15.1
Third-party water resources (treatment plants for civil waste water)	AquafilSLO- Ajdovscina; AquafilSLO – Celje; AquafilSLO – Ljubljana; AquafilSLO – Senozece; AquafilUK	1.8-2.2	22.5
	AquafilCRO	2.2-2.6	0.5
	Aquafil; AquafilUSA; O'Mara; Tessilquattro- Cares; Tessilquattro- Rovereto	2.6-3.0	70.6
	Aquafil China; Asia Pacific	3.0 – 3.4	9.7
	Aquafil Carpet Recycling #1; Aquafil Carpet Recycling #2	3.8- 4.2	9.1

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Waste

(GRI 306-1; 306-2; 306-3:2020; 306-4:2020; 306-5:2020; SDG 11, 12)

Waste is a material topic for the Group as it is used as a raw material to produce ECONYL® yarns (https://www.econyl.com/it/). It is also a product of internal production processes, which must be properly managed to comply with the regulations in force in the various countries in which the Group operates.

This management is entrusted to third parties whose work is regulated by specific contracts that reflect the requirements of existing legislative obligations. Compliance with these contracts is monitored by the Group's internal bodies responsible for ensuring contractual and regulatory compliance in the various areas.

Data on the amount of waste generated by production processes are also collected using the sustainability web tool, and are reported here in Table 26 and Table 27.

Table 26 shows the quantities and types of waste produced by the Group in the period 2017-2021. The Group changed its data collection method in 2021 to provide more detailed information, and the methods for processing hazardous and non-hazardous waste are now also indicated.

Table 26: Quantity and type of waste produced, 2017-2021

	Unit	2017	2018	2019	2020	2021
Hazardous	t	2,095	2,037	2,549	1,747	1,600
recycling	t	-	-	-	-	100
landfill	t	-	-	-	-	143
Incineration with energy recovery	t	-	-	-	-	1,329
Incineration without energy recovery	t	-	-	-	-	28
Non-hazardous	t	9,738	10,416	11,083	8,112	11,559
recycling	t	-	-	-	-	5,725
landfill	t	-	-	-	-	914
Incineration with energy recovery	t	-	-	-	-	4,919
Incineration without energy recovery	t	-	-	-	-	0
Total	t	11,833	12,453	13,631	9,859	13,159

Table 27 shows the composition of waste produced by the Group and its end-of-life destination, broken down into recovery (recycling or energy recovery) and disposal.

Table 27: Waste composition (2021)

Waste composition	Waste generated [t]	Waste diverted from disposal [t]	Waste directed to disposal [t]
Chemical process waste	5,007.31	5,007.31	-
Paper	3,565.38	3,565.38	-
Wood	692.24	692.24	-
Plastic	1,156.00	1,156.00	-
Municipal waste	971.05	56.55	914.5
Aqueous liquid waste	434.45	351.83	82.62
Metals	580.51	580.51	-
Other waste	509.68	509.68	-
Electrical devices	18.63	18.26	0.37
Miscellaneous hazardous waste	68.24	8.65	59.59
Waste oils	66.95	66.95	-
Slurry	13.22	13.22	-
Waste chemicals	18.67	18.67	-
Inert material	37.79	37.79	-
Oils	12.71	12.71	-
Glass	0.85	0.85	-
Lead batteries	4.15	4.15	-
Used filters	1.27	1.27	-
Total	13,159.1	12,102	1,057.1

2.5.3. Product chain environmental performance

Life cycle assessment

Aquafil applies a "Life Cycle Thinking" approach to the design of its supply chain. Doing so allows the Group to assess the environmental performance of its processes using the Life Cycle Assessment (LCA) methodology and identify the phases responsible for critical energy and environmental issues. This has helped the Group make wiser investment decisions over the years, e.g., by carefully selecting raw materials and developing innovative technologies to recover waste.

One of the main results achieved through this methodology is the development of ECONYL® regenerated nylon[28]. The LCA analysis carried out on nylon 6 thread produced by Aquafil (and used as a reference) has provided precise information about the overall environmental impact of the nylon thread and the contribution of the different phases of its life cycle.
The raw material extraction phase, specifically, proved to have the highest impact and is the phase where improvement efforts are to be focused. The Group has therefore launched a project to look at the sustainability of replacing caprolactam (normally from non-renewable sources) with secondary raw materials deriving from the end-of-life recycling of various types of waste.

In 2011, the ECONYL® regeneration system was born.

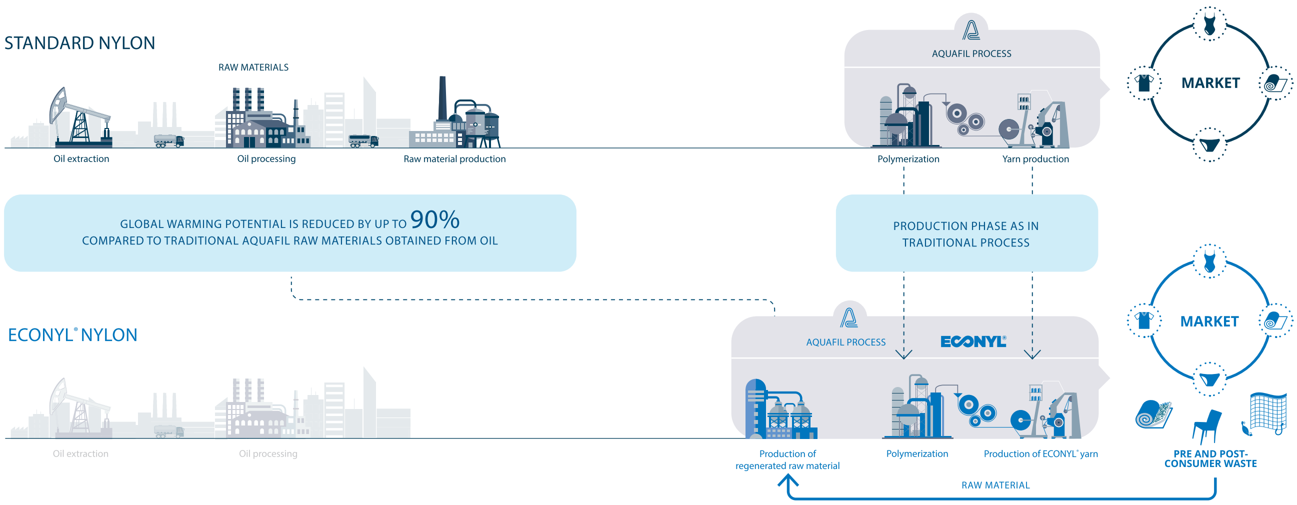
The ECONYL® Regeneration System and the circularity of Nylon 6

With the establishment of the ECONYL® Regeneration System, Aquafil has demonstrated how high-quality products can be created from secondary raw materials, becoming a market leader thanks to this process.

The ECONYL® Regeneration System allows the production of ECONYL® nylon 6 from post-consumer waste, i.e. products that have reached the end of their life, and pre-consumer waste, deriving from fabric production waste or plastic scraps. The use of a chemical recycling technology (called depolymerisation) also allows nylon 6 content in waste to be regenerated an infinite number of times, overcoming the limitations of traditional mechanical recycling, in which the material can only be recycled a limited number of times.

Regenerated ECONYL® nylon has two main advantages in terms of its environmental impact: it reduces GHG emissions linked to the production of raw materials by 90% (less reliance on fossil origin caprolactam) and contributes to the recycling of materials that would otherwise be sent to landfill or dispersed in the environment (Figure 16).

Figure 16: The "Life Cycle Thinking" approach applied to the production of virgin yarn and ECONYL® yarn.



The greenhouse gas emissions generated during raw material production are **90% less** than those generated using traditional methods.

[28] www.econyl.com

The Group has also secured partnerships with upstream and downstream players along its supply chain, who are key to the transition towards a circular economy model.

The purpose of these projects is to recover waste materials that contain nylon 6, which are now very valuable to Aquafil as they contain the raw material used to produce ECONYL®.

Notable partnerships, discussed in more detail at 2.4.3, include:

- The ECONYL® Reclaiming Program, in support of the ECONYL® Regeneration System, which involves various categories of stakeholders in the collection of end-of-life nylon products;
- ECONYL® Qualified, the qualification protocol for suppliers demonstrating a commitment to compliance with specific sustainability standards.

Commitment to Research and Development

Aquafil has a standing Research & Development unit that oversees all product and process innovation applied to BCF yarns, NTF yarns, PA6 polymers and the ECONYL® process, and the development of the bio caprolactam production process.

In 2021, the unit researched the performance and efficiency of the main production process phases and materials used, ranging from incoming materials to production phase by-products and the regeneration and circularity of materials to produce ECONYL® yarn. The Group pursues initiatives with a focus on technological innovations originating outside the Company, often in collaboration with entities involved in manufactured product sectors and qualified research partners.

R&D projects often lead to the registration of technology patents, and the Group filed an application to register a number of additional patents in 2021.

Some of the main R&D initiatives are mentioned in the list below and more extensively in the following paragraphs. For a full list of additional activities, please refer to the Directors' Report available on Aquafil's website:

- Ecodesign: a project that studies products and technologies to produce textile floor coverings that can recuperate the residual value of materials (particularly polyamide 6) using the ECONYL® regeneration process. This project is being conducted in collaboration with customers and material suppliers to develop innovative carpets that are sustainable and can be easily recycled by "disassembling" their components. The project also explores other areas of application for polyamide 6-based products;

- as part of the Ecodesign activities, the European CISUFLO project has begun: CIrcular SUstainable FLOor covering, financed by the European Commission within the scope of the EU's Horizon 2020 research, involving 17 consortium members: Aquafil S.p.A. is involved as a producer and recycler of polyamide 6, playing the specific role of verifying pilot and pre-industrial testing of the recyclability of textile flooring developed with new design parameters; this project has an expected duration of 4 years;

- the study and creation of chemical polymer recovery processes using polycondensation: this activity is conducted in collaboration with the University of Padua and spans three areas: (a) development of a PET processing phase to reduce the polyester present in various types of waste to a monomer, and the identification of highly-efficient catalysts with almost no environmental impact to optimise processes and productivity (b) identification of the process conditions required to separate polyamide 6 from fibreglass so that polymers can be recycled using the ECONYL® process and fibreglass can be reused, (c) study of the process of separating elastomer from fabrics containing polyamide 6. The first two areas of research are at a very advanced stage and two new patents are now owned by Aquafil S.p.A., while the third area is still in the preliminary stages;

- development of a new chemical regeneration process for PET using waste raw materials such as multi-coloured bottles from the food sector and fluff from polyester-based carpets, once the individual components have been separated; thanks to the Group's expertise in chemical regeneration processes, engineering has been completed on the construction of a pre-industrial pilot plant at Aquafil's Arco plant; the various experimental research activities conducted as part of the pilot project in 2021 have resulted in the creation of phases to purify the monomer obtained when depolymerising PET. These phases are particularly versatile, allowing the wide variety of coloured additives present in polymers to be processed.

Rethinking of products from a circular perspective

(SDG 8, 9, 12)

Bio-caprolactam and bio-based nylon

Since 2018, the Aquafil Group has invested in the development of an innovative technology that can produce caprolactam (the monomer for producing Nylon 6) from renewable raw materials of plant origin instead of oil. This project is the result of a strategic partnership with Genomatica, a leading company in the bio-engineering sector, and has subsequently been extended to all players along the supply chain (from the producer of raw materials to final brands) through the European H2020 EFFECTIVE project. It is generating significant results, and is about to enter the most delicate and important phase: demonstration of the technologies on a pre-industrial scale.

With this in mind, and following the agreement signed with Genomatica in November 2020[29], a plant has been installed at the AquafilSLO site in Ljubljana to demonstrate the technical and technological feasibility of the process in question.

The plant, which started running at the beginning of 2022, will produce several tens of tonnes of bio-caprolactam, which will be used to produce bio-based nylon (as both a polymer and yarn) to manufacture various products (carpet, clothing, etc.). In addition, the plant will collect the necessary empirical evidence required to assess the technical, economic, and environmental aspects of this technology in order to lay the foundations for its future commercialisation.

Upstream supply chain integration

To increase its ability to intercept post-consumer waste containing nylon so that it can recover materials, Aquafil has been expanding the process to its upstream supply chain over the years. Until 2020, this was done through initiatives such as the Aquafil Carpet Collection scheme in the United States, which collects end-of-life carpets and separates out recovered materials so that ECONYL® can be produced at other Aquafil plants.

In 2021, the Group acquired a shareholding in Nofir, a Norwegian company and European leader in the recovery of fishing and aquaculture nets, with which Aquafil has been collaborating for several years through the Healthy Seas project. This acquisition will increase process efficiency for both companies and facilitate the creation of a circular nylon supply chain.

Commitment to reducing environmental impacts

Aquafil's contribution to the fight against microplastics

As a manufacturer of synthetic yarns, Aquafil is very aware of the problem with microplastics and their unintentional dispersal into the environment. For this reason, the Group feels it must actively contribute to the creation of methodologies to analyse the presence of microfibres in environmental matrices. To this end, the Group has signed a multi-year agreement with CNR STIIMA to define a standard methodology (the first of its kind) for determining and identifying microplastics based on several objective criteria, such as size, shape, surface, weight, and polymer type.

This study seeks to collect data and examine the dispersal of microplastics during manufacturing processes and due to various uses. These findings will then be taken into account during the eco-design phase to minimise dispersal of microplastics throughout the product life cycle.

The Aquafil-CNR STIIMA method is currently being assessed by Italian, European, and international standardisation and certification bodies (UNI, CEN and ISO) to obtain adequate recognition as a standard method for the qualitative and quantitative identification of microplastics in the textile sector.

[29] For more information, see www.genomatica.com/bio-nylon-scaling-50x-to-support-global-brands

Using augmented reality to perform machine maintenance

The Aquafil Group chose to make use of this technology after travel restrictions were put in place due to the COVID-19 pandemic.

Following a project feasibility study, visors were rolled out at the ACR#1 plant in Phoenix in 2021, making it possible to remotely assist in maintenance tasks. These tools are designed for use in noisy environments and were able to share images, AR photographs, and live video with experts at the Ljubljana (Slovenia) plant, who helped their colleagues in Arizona perform maintenance tasks correctly.

This new mode of interaction has had a positive economic (thanks to the reduced travel and living expenses) and environmental impact, thanks to the trips not made and the related CO_2eq emissions avoided.

2.6. Economic performance and value creation

(GRI 102-7:2016; 201-1:2016; SDG 8; 9)

Aquafil considers its economic sustainability to be as important as its environmental and social sustainability because it allows the Group to create and redistribute value to the local area and stakeholders.

The economic value generated ensures that all parties – who help the Group to grow through their skills, investments, and other services – are fairly remunerated.

The Group generated Euro 572.8 million of turnover in 2021 thanks to the significant uptick in global production activities following the previous year's contraction due to the ongoing pandemic.

Figure 17 - Group turnover in the three-year period 2019-2021, in Euro millions

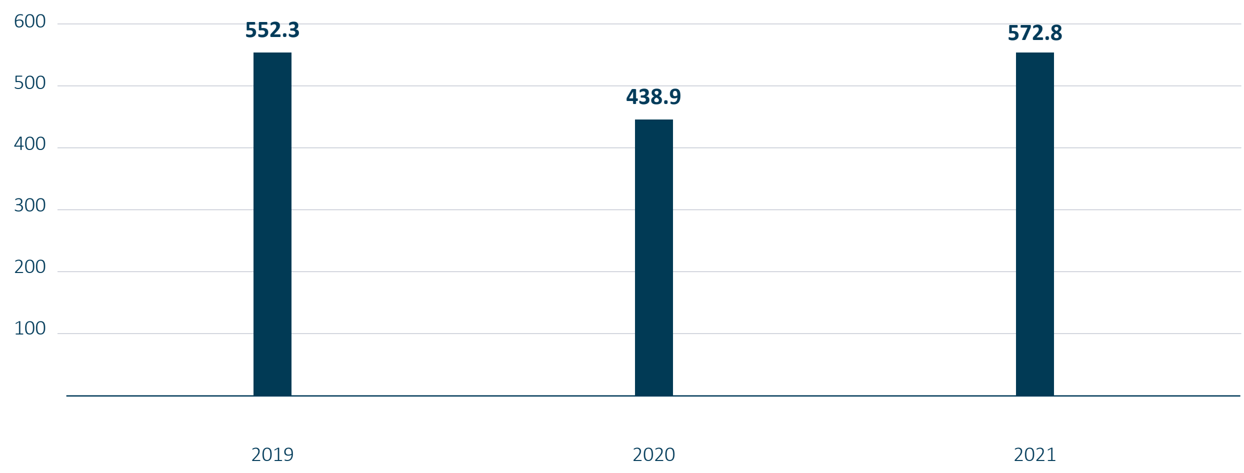


Table 28 shows the economic value generated and distributed by the Group in 2021, and a comparison with previous years; for detailed information and comments on the Group's economic performance, please refer to the dedicated sections of the Directors' Report and the explanatory notes to the consolidated financial statements.

Table 28: Economic value generated and distributed by the Group in the three-year period 2019-2021, in Euro thousands

		2021	2020	2019
Economic value directly generated	Net sales	571,030.12	437,308.46	550,820.72
	Revenues from financial investments	1,500.35	1,097.87	1,000.64
	Sale of goods	311.85	535.92	489.52
	Total revenue	**572,842.32**	**438,942.25**	**552,310.88**
Economic value distributed	Suppliers	425,058.53	264,095.39	381,402.36
	Employees	113,133.21	102,049.04	112,562.17
	Providers of capital	6,877.01	7,337.59	7,067.58
	Public administration	4,474.13	2,330.79	5,050.09
	The community	51.48	81.26	81.90
	Total value	**549,594.37**	**375,894.07**	**506,164.10**
Economic value retained	**Economic value generated - distributed**	**23,247.95**	**63,048.18**	**46,146.78**

2.6.1. Tax compliance
(GRI 207-1; 207-2; 207-3; 207-4:2019; SDG10)

Taxes are a fundamental way in which a company contributes to public spending, and therefore to the development of the countries in which it operates.

A detailed description of the taxation procedure adopted by the Group is provided in chapter 15.3 of the Directors' Report, and detailed information is provided in the notes to the financial statements (chapter 8.13 for income taxes and chapter 11.1 for commitments and risks).

Table 29 presents some information broken down by individual tax jurisdiction in which the Group operates, where 'tax jurisdiction' means the place where the various Group companies are resident for tax purposes.

The following are therefore reported:
- profits and losses before taxation, which varies from country to country, making a comparison between different jurisdictions difficult;
- income taxes, referring to the taxable income of each company;
- income taxes calculated on the basis of profits or losses;
- the tax rates in effect in different jurisdictions[30].

[30] Certain information required by GRI 207-4 is provided elsewhere in this Report and in the consolidated financial statements. Specifically:
- The names of resident entities, the Group's activity in each tax jurisdiction at paragraph 1.1;
- The number of employees at paragraph 2.4.2;
- Revenues from third-party sales parties (consolidated revenue) in the consolidated financial statements;
- Revenues from intra-group transactions are nil; this information can be obtained from the consolidated financial statements;
- Tangible assets other than cash and cash equivalents (total assets less cash and cash equivalents) in the consolidated financial statements.

Table 29: Information on tax compliance, values in Euro thousands converted at the average exchange rate, for 2021

Tax jurisdictions	Pre-tax profit/loss	Current corporate income taxes	Corporate theorical income tax accrued on profit/loss	Rate
Italy	12,415	593	2,980	24%
China	5,120	1,110	1,280	25%
Thailand	1,526	303	305	20%
Slovenia	2,207	174	419	19%
USA	-1,243	-199	-273	22%
UK	-799	0	0	-
Germany	476	422	0	-
Slovakia	-1,470	0	0	-
Croatia	844	10	152	18%
Turkey	390	47	97	25%
Belgium	248	68	0	-
Japan	-337	7	0	-
Australia	167	22	0	-

2.6.2. European taxonomy

Aquafil has identified EU Regulation 2020/852 as a strategic tool to communicate to investors how to develop sustainable economic activities, guide capital flows, improve transparency, and encourage a long-term approach in financial activities.

The Group must adopt a phased approach when assessing the alignment of its investments with the EU's environmental goals (climate change adaptation and mitigation, sustainable use of water and marine resources, transition to a circular economy, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems).

In 2021, the Group started a process to determine whether Aquafil's business activities could be considered eligible and thus associated with one or more of the macro-sectors envisaged by the taxonomy.

The following Group company NACE codes were reviewed:
- 20.6 for Aquafil S.p.A;
- 13.1 and 20.16 for Tessilquattro S.p.A.;
- 13.1 and 20.16 for AquafilSLO d.o.o.;
- 13.1 for AquafilCRO d.o.o.;

The assessment subsequently focused on activities that generate revenue by product line: BCF fibres (synthetic yarns for the carpet industry); NTF fibres (synthetic yarns for the clothing industry); and polymers.

Per the regulation, only business activities relating to the production of polymers have been selected as they fall within the description "manufacture of plastics in primary forms", associated with NACE code 20.16 for the "manufacturing" sector.

Once the eligibility of this specific activity has been verified, the performance indicators (turnover[31], Capex[32] and Opex KPI[33]) envisaged by the regulations will be applied so that the Group can inform financial operators and stakeholders about its sustainable business activities using objective and comparable parameters.

Data collected from the Group companies in EMEA are displayed in Table 30 and refer to 2021 tax year.

Table 30: Data on eligible activities for EMEA companies

Economic activity	Turnover (in Euro)	Capex (in Euro)	Opex (in Euro)
Polymers (NACE code 20.16)	68.8 million	8.7 million	739 thousand
Group total	569.7 million	39.5 million	7.3 million
% eligible	12.1%	22%	10.2%

Based on the analysis conducted:

- eligible net sales (Euro 68.8 million) relate to net sales of polymers to third parties in EMEA during the year. These sales represent 12.1% of the Group's consolidated total in the 2021 tax year;
- the share of CapEx (Euro 8.7 million) refers to investments made by Group companies in EMEA in 2021 in relation to plants producing polymers intended for direct sale to third parties, which represent 22% of the total investments made by the Group in the year;
- the eligible share relating to OpEx (Euro 739 thousand) refers to the maintenance costs incurred during the year in relation to the polymers sold to third parties in EMEA and represents 10.2% of the Group's maintenance costs incurred during the year.

[31] Turnover KPI: represents the share of net sales related to products or services, aligned with the taxonomy.

[32] CapEx KPI: refers to the share of investments (intangible and tangible, net of investments accounted for under IFRS16) of an asset compared to the taxonomy.

[33] OpEx KPI: this is the portion of non-capitalised costs (R&D, renovations, short-term leases, maintenance and repairs, and any other direct expenses related to the day-to-day maintenance of property, plant, and equipment by the Company or third parties to whom activities are outsourced to guarantee the ongoing and effective operation of such assets) associated with business, in line with the taxonomy.

3. RISKS RELATED TO NON-FINANCIAL ISSUES

(GRI 102-11:2016)

Non-financial risks have been classified according to the topic areas of Legislative Decree No. 254/2016 (Table 31) and discussed below per the Aquafil Group's sustainability pillars, highlighting those that have a specific link or ability to influence the non-financial topics analysed herein.

Table 31: Table linking the topic areas of Legislative Decree No. 254/2016, the sustainability pillars and the material topics

Legislative decree no. 254/2016 Topic areas	Aquafil sustainability pillars	Aquafil material topics	Risks relating to the material topic & reference within the document	Reference paragraph
Personnel	Well-being of individuals	Employment policies	Loss of relevant key figures	3.1
			Lack of appeal to potential new hires/talent	
			High staff turnover rate	
			Personnel who do not meet the reputational, ethical or legal requirements for the job	
			Failure to respect labour rights (clear and transparent working conditions, fair and proportionate remuneration, freedom of expression, right to privacy, data processing, trade union organisation etc.)	
			Insufficient availability of workforce	
		Worker health and safety	Failure to comply with worker health and safety and workplace compliance regulations	3.2
		Training of workers	Inadequate training programmes	3.3
		Diversity and equal opportunity	Failure to comply with diversity and equal opportunity regulations	3.4
Human rights	Collaboration with the Group's supply chains; Attention to people's well-being	Non-Discrimination	Non-compliance with human rights legislation	3.5
		Child labour		
		Forced labour		
		Human Rights		
Social	Collaboration with the Group's supply chains	Supplier social assessment	Illicit conduct and violations of the Group's ethical and environmental requirements	3.6
		Customer health and safety	Non-compliance with chemicals legislation	3.7
		Labelling and marketing	Failure to provide mandatory information to customers	3.8
		Customer privacy	Inadequate management of IT resources and data security	3.9
		Customer assessment	Customers not meeting reputational, ethical and financial/equity requirements	3.10
		Socio-economic compliance	Legislative non-compliance on economic and social aspects	3.11
	Local community support	Local communities	Possible misconduct but no real risks are identified	3.12

Legislative decree no. 254/2016 Topic areas	Aquafil sustainability pillars	Aquafil material topics	Risks relating to the material topic & reference within the document	Reference paragraph
Economic	Multiple	Economic performance	Losses caused by market conditions	3.13
			Liquidity risk: difficulty in obtaining the necessary financial resources	
			Commercial credit risk	
			Use of financial operators that do not meet transparency, reputational, ethical, quality/ competence requirements	
			Misappropriation of resources, or diversion of resources, to obtain illicit benefits	
Corruption	Multiple	Anti-corruption policies	Violation of competition regulations (antitrust, insider trading, aggressive sales strategies, etc.) and anti-corruption regulations	3.14
		Anti-competitive behavior		
Environmental topics	Collaboration with the Group's supply chains	Supplier environmental assessment	Illicit conduct and violations of the Group's ethical and environmental requirements	3.6
	Environmental protection Rethinking of products from a circular perspective	Raw materials	• Legislative non-compliance on environmental aspects • Inadequate business strategies • Environmental consequences of changing market conditions • Inadequate skills of those responsible for managing environmental issues or monitoring compliance with requirements • Climate change	3.15
		Energy consumption		
		Water consumption		
		Biodiversity		
		Management of greenhouse gas emissions		
		Waste production		
		Environmental compliance		

3.1. Employment policies

Loss of key figures

The success of the Group largely depends on the capacity of the management team to manage the group and the individual businesses efficiently. The loss of these key figures, where not adequately replaced, could thus impact negatively on development prospects and on the results of the Group.

The possible consequences relate both to the loss of the knowledge possessed by these figures and to the critical organisational issues that their departure from the Group could entail, such as the temporary overload of the remaining figures and the risk of company areas not being adequately supervised.

To avoid these situations, the Group has adopted a series of measures capable of ensuring that the Company's management team remains stable over time by adequately managing the turnover of senior management figures, sharing knowledge, and adopting a collective approach to strategic decisions.

Reduced appeal to potential new talent

The Aquafil Group understands that attracting new talent represents a competitive advantage with solid growth prospects. The risks identified include a lack of appeal and the resulting limited ability to hire new employees with relevant skills. This would in turn result in the limited contribution of new knowledge, which would improve the Company's resilience in the face of changing factors beyond its control.

To reduce this risk, Aquafil adopts transparent employment policies, thus demonstrating its commitment to creating long-lasting professional relationships that are fair and in the common interest.

High staff turnover rate

A moderate level of staff turnover (which is also linked to age) does not affect the Company's continued production and organisational stability. However, when staff turnover is high, negative consequences can arise.

The need to constantly reorganise workloads and repeat onboarding training and shadowing processes can result from excessive staff turnover.

In addition, the lack of stable and adequately trained personnel negatively affects the Group's ability to maintain production at the levels required to respond to consumer demand while guaranteeing adequate quality levels. In the worst case scenario, an inability to guarantee production could lead to the loss of customers.

Monitoring staff turnover allows the Company to remain fully aware of the situation, and these rates are taken into account when developing appropriate corrective actions.

Personnel who do not meet the reputational, ethical or legal requirements for the job

This risk applies to both employment policies and training and represents a failure to comply with the ethical and legal requirements made mandatory by law or the Group's regulations.

The violation of legal rules and ethical principles by employees in the performance of their duties could result in legal consequences and, in some cases, financial damages in the form of fines. In addition, damage to the Group's reputation could be significant, leading to long-term effects that are not always easy to measure.

To counter this risk, Aquafil provides ongoing training to its employees on its Code of Conduct, which employees must sign when joining the Company.

Failure to respect labour rights

The Group guarantees its employees working conditions that respect all their rights. The risk of violating this principle comes in different forms and results from various situations. Some of these cases are so significant that they create their own risk category, such as risks to worker health and safety, which is why they are discussed in a separate section.

The danger of disregarding other workers' rights, such as fair compensation, freedom of expression and association, privacy, and transparent working conditions, has consequences, as these rights are protected by law.

To minimise these risks, Aquafil has adopted a Code of Conduct, an Organisation and Management Model (Paragraph 2.3) and Supervisory Board at its Italian offices, and a whistleblowing system for reporting abuses. Adherence to a national labour contract remains the most important tool for ensuring greater protection of workers.

Insufficient availability of workforce

The economic and social policies introduced in different states can influence the availability and cost of the workforce, as was the case at Aquafil plants in the United States in 2021, for example. This was a rather recent event whose lasting effect is still being assessed, and which the Company is closely monitoring so that it can promptly implement corrective measures, where necessary.

3.2. Worker health and safety

Failure to comply with health and safety regulations

To reduce health and safety risks, the Group has taken a number of necessary measures; including:

- the presence of specific internal and external bodies responsible for monitoring compliance with the regulations, as well as checking for updates and their implementation;
- certification of its plants in accordance with voluntary programmes, such as ISO 45001 certification, which will be gradually rolled out to all Group locations;
- the establishment of appropriate employee training programmes on the matter;
- an ongoing risk assessment process to monitor known risks and check for new ones;
- the establishment of health and safety committees, which allow workers to be consulted on the management of these issues and thus foster an open dialogue on the measures taken and possible improvements;
- the establishment of committees specifically to handle emergency situations;
- the presence of insurance covering industrial and third-party risks;
- constant monitoring of work equipment used, to ensure it is compliant.

More information on the management of this issue may be found at paragraph 2.4.2.5.

3.3. Training of personnel

Inadequate training programmes

Employee training is a key element in ensuring the proper operation of corporate departments. The lack of appropriate training programmes has effects on many aspects and operations and can generate consequences with varying levels of severity.

Among the most serious outcomes are, for example, accidents due to lack of training on occupational health and safety issues, a failure to update regulations, or insufficient job-specific technical training. Inadequate training programmes could result in violations of the Code of Conduct, privacy regulations and increase the risk of violations of laws regarding economic and financial issues. In addition, inadequate training also implies a failure to transfer knowledge between different Group locations or business areas.

Finally, inadequate professional training harms employees, who see prospects for growth within the Company reduced, and the Group because of the failure to exploit the potential they could fulfil, to the benefit of company development.

To address this risk, Aquafil uses different tools:

- the establishment of committees that foster dialogue between different business areas and roles to encourage knowledge exchange;
- specific professional training programmes for every job;
- training programmes on health and safety issues when personnel are hired;
- delivery of informational materials and PPE;
- tracking the training completed by each employee using dedicated forms;
- training of new recruits by shadowing experienced staff;
- company departments are routinely asked about their training needs, including in view of new projects and established performance prospects.

Training initiatives involve both the production and administrative areas and are not limited to new hires but instead constitute a genuine ongoing training programme.

Additional information regarding employee training can be found at paragraph 2.4.2.3.

3.4. Diversity and equal opportunity

Failure to comply with relevant regulations

Violation of the rules on respect for diversity and equal opportunity can occur in incidents of gender discrimination, discrimination against persons of different sexual or religious orientation, racial discrimination and in general in all situations in which there is a form of disrespect for the dignity of an individual where protection is provided by the regulatory system.

To prevent such incidents, the Group has adopted various measures including requiring all employees to formally accept the Code of Conduct, and for all employees at Italian sites to comply with the provisions of the Organisation, Management and Control Model. Please refer to Section 3.1 “Failure to respect labour rights” for information on further action taken.

To tackle the gender gap in various roles, the Group has embarked on a process of improvement, which has already had positive results as a number of new female Executives took office in 2021.

3.5. Protection of human rights

Legislative non-compliance

The protection of human rights seeks to prevent incidents such as discrimination, child labour, and forced labour.

Business activities should be conducted in full compliance with all aspects of human rights legislation. This means that the Company must be aware of these regulations and any updates to them, must train its employees to create a culture of respect, ensure that they are aware of the behaviours to be followed and must have sufficient oversight to detect violations of the regulations.

The measures taken by the Group to mitigate these risks are:

- the presence of specific company bodies, such as the Supervisory Board in Italy, responsible for monitoring compliance with the regulations, as well as checking for updates and their implementation;
- joining voluntary certification programmes, such as SA8000 certification, which will be gradually rolled out to all Group locations;
- the establishment of appropriate employee training programmes on issues relating to discrimination and respect for human rights;
- collaboration with NGOs or other entities engaged in these areas, which can strengthen the Group’s internal culture;
- the creation of anonymous tools for reporting incidents of rights violations.

3.6. Social and environmental assessment of suppliers

Illicit conduct and violations of the Group's ethical and environmental requirements

At-risk situations include a failure to monitor the supply chain or to involve suppliers in the definition of codes of conduct.

The Group requires compliance with regulations and encourages its suppliers to abide by the social and environmental principles it sets for itself. This oversight entails difficulties related to the wide range of standards that are applicable in different countries and the different ways in which partner companies implement these standards.

However, it is essential to monitor this area to mitigate the risk of entering into agreements with entities who engage in unlawful behaviour or do not meet the social and environmental requirements the Group has set for itself.

In addition, to encourage the creation of a culture of sustainability, suppliers need to be engaged beyond mere compliance with codes of conduct.

In the absence of this engagement it is not possible to obtain a lasting response to attempts to share virtuous behaviours along the supply chain or to achieve a full awareness of what suppliers' needs are and the motivations that drive their business choices.

To respond to this risk Aquafil:
- requires its suppliers to comply with its Code of Conduct;
- adheres to voluntary certification systems such as SA8000 certification, which defines specific requirements for the ethical management of suppliers; it also undertakes to promote the application of certification principles among its suppliers/sub-suppliers along the supply chain;
- uses an Environmental Management System;
- promotes the adoption of procedures along its supply chain, in addition to participation in initiatives in line with the identified ethical and environmental requirements;
- encourages supplier participation in the writing of codes of conduct, making them a shared tool rather than an imposed one;
- has collaborated with suppliers to create the ECONYL® Qualified agreement (Paragraph 2.4.3.1);
- has created an internal working group that supports the Group's plants on issues connected with the REACH regulation;
- has developed a database that includes all chemicals used, including along the supply chain, to promote transparent communication on the issue;
- sets up training programmes on environmental and social topics.

3.7. Customer health and safety

Non-compliance with chemicals legislation

The use of chemicals is subject to regulations designed to ensure the safety of workers and customers in terms of health. Violations of these rules result in penalties and possible damages, as well as significant reputational damage and possible loss of customers. In addition, legal consequences could also lead to a temporary interruption of the production process or supply chain, due to the need to identify the operations involved in the violation and to remedy the irregularities.

Since this issue is particularly close to the Group's core production, many measures have been taken especially to prevent customers from being harmed by the use of chemicals. These include:
- monitoring compliance, but also checking for updates and their implementation;
- the adoption of an Environmental Management System, which also includes the proper management of chemicals;
- the adoption of guidelines for control and communication regarding the use of chemicals;
- the creation of a database, periodically updated, that contains all the chemicals used;
- the creation of an internal working group specifically dedicated to supporting Group plants and stakeholders on issues relating to the REACH regulation;
- oEKO-TEX certification for flooring yarn.

3.8. Labelling and marketing

Failure to communicate with customers

Labels inform customers of the information the Group is legally required to provide. The Company should be aware of the relevant regulatory requirements and updates. Failure to have this knowledge may result in penalties due to the violation of the law, as well as to a possible temporary interruption of the marketing of products until the Company has met its obligations.

To mitigate this risk, each product is accompanied by technical specifications containing useful and binding information, and regulatory changes are monitored on an ongoing basis.

3.9. Customer privacy

Inadequate management of IT resources and data security

The management of the business activities of the Group is supported by a complex network of IT tools and systems. The necessary interconnection of company IT systems with external IT infrastructure (web and networks) exposes these systems to potential risks in terms of availability, integrity and confidentiality of data. In addition, risks in this area may arise from inadequate training and knowledge on the part of employees concerning the proper management of data and IT resources.

In order to guarantee operational continuity, the Group has for some time implemented a disaster recovery and business continuity system which allows for a quick recovery of the management system stations in the event of anomalies.

In addition, active data and business application security is guaranteed by multiple levels of protection, both physical and virtual, at server level and client level, and authentication and database and network access procedures. Finally, data protection and related obligations have been included in the Code of Conduct and therefore the Company pays particular attention to them.

3.10. Customer assessment

Customers not meeting reputational, ethical and financial/equity requirements

The assessment of the players that make up the value chain also includes customers, since they are stakeholders with whom the Group interacts and whose behaviour can have an impact on its ability to comply with the ethical and social sustainability principles it has chosen to adopt.

For this reason, the Group intends to gradually extend to its customers the evaluation of their work, ensuring that it complies with its Code of Conduct, and their involvement in the drafting of regulations and codes of conduct. In this way, Aquafil is actively committed to the creation of a responsible supply chain, while reducing the risk of being associated, even indirectly, with actions that could damage its image.

In line with these intentions, a procedure for assessing the reputation of the Group's customers was approved in 2021, which defines the methods for conducting a reputation audit, as well as the roles and responsibilities of the parties involved, and the measures to be taken depending on the outcome of the audit.

3.11. Socio-economic compliance

Legislative non-compliance on economic and social aspects

Attention is paid to all regulations governing social and economic aspects such as, for example, regulations on the protection of working conditions, discrimination, various forms of exploitation, competition, and against phenomena such as corruption or accounting and tax fraud.

These aspects have been dealt with in connection with other risks identified by the Group. Reference should therefore be made to the following paragraphs for further information:

- Paragraphs 3.1, 3.2, 3.3, 3.4 for issues related to worker protection and diversity and equal opportunity in the workplace;
- Paragraph 3.5 for human rights and exploitation issues;
- Section 3.13 for compliance on economic and financial issues;
- Section 3.14 for issues relating to corruption and anti-competitive behaviour.

3.12. Local communities

No real hazards have been identified in this area, except for those that are already covered in other areas which may also affect local communities. These include, above all, the risk of non-compliance with labour rights and worker health and safety regulations, which impact individuals belonging to the local communities in which Aquafil operates, as well as risks related to a failure to comply with regulations on discrimination and human rights, both by Aquafil and by the players with whom it interacts along the value chain.

3.13. Business performance

Losses caused by market conditions

Many factors which impact the general economic environment, such as interest rate movements and exchange rate movements (principally between the Euro and US Dollar) and raw material costs, particularly oil, may affect a company's economic and financial situation. The Group faces the following challenges:

- strategic policies that target strong regional diversification (sales distributed throughout the world and a focus on local production in consuming countries);
- strong leadership position in its "core" sector (Bulk Continuous Filament);
- continual drive to innovation and attention to market developments.

In particular, significant exchange rate movements in currencies other than the Euro could negatively impact the financial results and the equity value of the Group.

However, many Group companies are minimally exposed to exchange rate risk, as in the individual countries a portion of cash flows, both in relation to sales and also costs, are denominated in the local currency of the country (i.e., natural hedging).

In the same manner the Group is exposed to changes in interest rates, which impact the cost and return of the various forms of lending and uses, with an effect therefore on the consolidated net financial income.

Aquafil seeks to limit the interest rate fluctuation risk through undertaking a part of its medium/long term loans at a fixed rate or by undertaking interest rate hedging instruments.

The volatility of oil and energy commodity prices is offset through contractual hedging and/or raw material price and energy sources and sales price indexing contracts.

Liquidity risk: difficulty in obtaining the necessary financial resources

The liquidity risk which the Group could encounter is represented by the incapacity or difficulty to source adequate financial resources in order to ensure operational continuity and development of its industrial activities.

The liquidity situation of the Group principally derives from two key factors: on the one hand, the resources generated or absorbed by operating and investing activities, and on the other the use of financial resources and the maturity dates and renewal of payables.

Aquafil can avail of on-demand liquidity, as well as significant levels of credit lines granted by various Italian and international banks. The Group believes that the funds and credit lines currently available, in addition to those that will be generated from operating and financing activities, are sufficient to meet the liquidity needs deriving from the various activities.

Commercial credit risk

The Group is exposed to risks related to delayed payments from customers or difficulties collecting receivables in general, as well as the risk of a reduction in the credit limits granted to its customers by credit insurance companies. This could lead to an increased credit risk and/or have a negative impact on the Group's business growth prospects and financial results.

In order to limit the credit risk, the Group:
- uses valuation instruments on each individual counterparty through a dedicated credit management organisation structure;
- has stipulated specific insurance policies on the exposure with customers;
- uses external companies providing corporate information both to initially evaluate reliability and on-going monitoring of the economic and financial situation of clients.

Use of financial operators that do not meet transparency, reputational, ethical, quality/competence requirements

Financial operators are potentially liable for conduct that violates the Group's Code of Conduct and other regulations that seek to ensure compliance with Aquafil's founding values.

For this reason, Aquafil monitors their actions and uses its own company bodies, responsible for ensuring that the regulations are complied with, for this purpose. It also has specific controls on financial matters in order to reduce the possibility of illegal actions being taken which could involve the Group, whether directly or indirectly, and therefore cause it to suffer damage.

Misappropriation of resources, or diversion of resources, to obtain illicit benefits

This risk includes all actions taken by persons within the Group aimed at obtaining advantages through the illegal misappropriation of resources. These behaviours are particularly serious as they are capable of damaging the Group from several points of view:
- legal, if resources are misappropriated and then used in further activities in violation of the law;
- reputational, as associating the Company with such conduct results in image damage in the eyes of all external stakeholders;
- assets, as these resources are necessary for the development and regular running of the Group's operations, which is therefore obliged to find new resources with an increase in costs and a possible slowdown in normal production and commercial activities.

The potential range of actions falling into these areas is extremely broad. Examples include the creation of false invoices, the transfer of capital to tax havens, the transfer of money for the purpose of concealing its illicit origin, the use of cash for laundering purposes, false tax returns, the preparation of false transactions and theft of or tampering with property and goods.

To avoid this, the Group requires its employees to comply with its Code of Conduct and has drafted an adequate Organisation, Management and Control Model for its companies in Italy. In addition, it monitors its assets using inventory tools and uses IT resources to constantly monitor the financial transactions performed by its employees. Doing so ensures that transfers are only ever handled by authorised figures. Monthly and annual audits are also scheduled to check all correspondence, including correspondence by third-party, independent companies.

3.14. Anti-corruption policies and anti-competitive behaviour

Violation of competition rules

These are risks associated with behaviours that are already governed by national law and therefore non-compliance leads to the consequences laid down by law. As regards the countermeasures adopted within the Group, reference should be made to what is indicated for the "economic performance" area, in paragraph 3.13.

3.15. The environment

Legislative non-compliance on environmental aspects

The Group's focus on ensuring compliance with the regulations concerning all the issues dealt with in the preceding paragraphs also applies to compliance with environmental regulations, and is particularly emphasised. This focus is linked to how central these issues are for the Group, for which environmental sustainability and the circular economy are two fundamental elements of its growth strategy.

To ensure full and ongoing compliance with environmental legislation, the Group uses the same resources employed to ensure compliance in the other previously mentioned areas. In addition to these, the Company has adopted an ISO 14001 certified Environmental Management System, which makes the company system more structured and efficient, thus facilitating regulatory compliance.

Inadequate business strategies

The adoption of inadequate business strategies can occur in a variety of situations. This risk is addressed with a particular focus on the environmental aspect, as it is a very important area for the Group.

Regulatory changes can pose a risk to business strategies, rendering them no longer fit for purpose. In addition, compliance with new regulations may make it more difficult for the Group to conduct business.

For example, changes to European Regulations on the importation, movement, and storage of waste may increase the complexity or limit the possibility of maintaining and/or expanding the significant activity of recycling and recovery of raw materials from waste, which is central to the Group.

In addition, one of the main strategic risks relates to the need to secure a constant and adequate supply of energy. Changes to energy market conditions, often subject to geopolitical dynamics that are beyond the Company's control, could have direct consequences for Aquafil.

One example is changing energy prices, which can make some energy sources cheaper than others, thus influencing the Group's chosen energy mix. If these fluctuations led to more fossil fuel energy use, it would result in a worse environmental impact.[34]

Risks linked to business strategies include, more generally, all factors that can influence opportunities and threats to business activities, such as risks of delays in the development or implementation of new initiatives, risks of increases in operating costs and costs of materials and services and risks linked to possible changes to existing technologies.

[34] A similar event occurred in the second half of 2021, and consisted of a significant increase in the price of gas for all countries in Europe. On this occasion, however, the consequences for Aquafil were exclusively financial and there were no environmental repercussions.

To counteract strategic risks, the Group:

- is always ready to accept new business opportunities, both in terms of regional reach and business segments, also relating to the procurement of raw materials;
- carefully chooses the most suitable manner for integration to each situation and local market;
- evaluates every initiative, also of strategic partnership, which may increase the value of the Group, through a reduction of the net debt and/or improvement of the cash generating capacity.

Other measures taken specifically for strategic environmental risks include:

- the adoption of Environmental Management Systems to incentivise the consideration of environmental issues at every level of the Company and promote their control. This also aids in the identification of specific environmental risks for each Group plant;
- the adoption and maintenance of voluntary environmental certifications, for both processes and products, ensuring constant control of specific environmental aspects;
- abiding by certain environmental criteria when designing activities, products, and services, and joining international programmes to reduce the likelihood of environmental problems arising in the future;
- to limit the influence that variable energy market conditions can have, Aquafil acts on two fronts: on the one hand, it ensures that its energy supply conditions remain stable by signing multi-year supply contracts, and on the other, it devises projects to improve the efficiency of its production processes so that it can progressively reduce its energy requirements.

Environmental consequences of changing market conditions

For a discussion of this risk, please refer to paragraph 3.13 as the same changes in the environment that can result in economic losses for the Group, such as fluctuations in exchange rates, changes in interest rates and, above all, changes in commodity prices and availability, also include consequences on environmental impact. We note that such changes in market conditions can both encourage and hinder a shift to more sustainable alternatives, as noted in the section on strategic risks above.

Inadequate skills

Finally, we would like to mention the risk linked to inadequate knowledge of environmental sustainability issues on the part of those responsible for managing their implementation in the Company or monitoring compliance with requirements and standards. This happens when the complexity of environmental sustainability is not properly taken into account and can lead to consequences such as incorrect investments, wrong business strategies on environmental issues, choice of unsuitable suppliers or other actions that can lead to a waste of resources or, worse, considerable economic and image damage.

Measures taken to mitigate this risk include:

- training of the relevant personnel, including through participation in research projects on the theme of environmental sustainability financed by the European Union;
- hiring people with a high profile and in-depth knowledge of the subject matter;
- active and long-term collaboration with consulting firms with proven experience in the field.

Climate change

Although it is undoubtedly a critical issue at a global level, this topic represents an opportunity for Aquafil in terms of development, rather than a risk.

This is owed to the attention the Group pays to environmental protection, which it has translated into specific and strategic company development decisions. Aquafil has increasingly focused its offer on a product with low environmental impact, to provide a viable alternative to the use of virgin raw materials of fossil origin. In this way it has become a benchmark for other companies, for which Aquafil products have provided the answer to their need to improve environmental performance.

The growing public focus on climate change, and the consequent increasing need of an ever-increasing number of companies and sectors to find low-impact products, has favoured and continues to favour the Group's growth. Therefore, it does not feel threatened by the impacts on the market caused by climate change.

This view is also based on awareness that the products offered by Aquafil are not among those directly responsible for fuelling climate change, which are most affected by the drive for change to more sustainable alternatives.

This situation means that Aquafil is also prepared to deal with changes in climate legislation in the various countries in which it operates, without this having a significant negative impact on markets of interest to it.

This, however, does not hinder the Group's ongoing commitment to reducing its environmental impact, with investments aimed at improving the efficient use of resources and monitoring performance.

E-MARKET SDIR CERTIFIED

4 ANNEX: GRI CONTENT INDEX

(GRI 102-55:2016)

GRI Standard	Disclosure	Reference paragraph	Omissions
GRI 101: Foundation 2016			
General Disclosures			
GRI 102: General disclosures 2016	102-1 Name of the organization	Paragraph 1.1 The Aquafil Group	-
	102-2 Activities, brands, products, and services	Paragraph 1.1.1 Product areas	-
	102-3 Location of headquarters	Paragraph 1.1 The Aquafil Group	-
	102-4 Location of operations	Paragraph 1.1 The Aquafil Group	-
	102-5 Ownership and legal form	Paragraph 1.2 Corporate Governance	-
	102-6 Markets served	Paragraph 1.1.2 Reference markets	-
	102-7 Scale of the organization	Paragraph 1.1 The Aquafil Group Paragraph 2.4.2.1 Aquafil Personnel Paragraph 2.6 Economic performance and value creation	-
	102-8 Information on employees and other workers	Paragraph 2.4.2.1 Aquafil personnel	-
	102-9 Supply chain	Paragraph 2.4.3 Stakeholder relations (Supplier selection and engagement)	-
	102-10 Significant changes to the organization and its supply chain	Paragraph 1.3 Reporting scope	-
	102-11 Precautionary Principle or approach	Paragraph 3 Risks related to non-financial issues	-
	102-12 External initiatives	Paragraph 2.4.3 Stakeholder relations	-
	102-13 Membership of associations	Paragraph 2.4.3 Stakeholder relations	-
	102-14 Statement from senior decision-maker	Chairperson's letter	
	102-16 Values, principles, standards, and norms of behavior	Paragraph 2.3.2 Code of Conduct	-
	102-18 Governance structure	Paragraph 1.2 Corporate Governance	-
	102-40 List of stakeholder groups	Paragraph 2.2 The shared approach	-
	102-41 Collective bargaining agreements	Paragraph 2.4.2.2 Contracts and remuneration	-
	102-42 Identifying and selecting stakeholders	Paragraph 2.2 The shared approach	-
	102-43 Approach to stakeholder engagement	Paragraph 2.2 The shared approach	-
	102-44 Key topics and concerns raised	Paragraph 2.2 The shared approach	-
	102-45 Entities included in the consolidated financial statements	Paragraph 1.3 Reporting scope	-
	102-46 Defining report content and topic Boundaries	Paragraph 2.2 The shared approach	-
	102-47 List of material topics	Paragraph 2.2 The shared approach	-

	102-48 Restatements of information	Methodological note	-
	102-49 Changes in reporting	Methodological note	-
	102-50 Reporting period	Methodological note	-
	102-51 Date of most recent report	Methodological note	-
GRI 102: General disclosures 2016	102-52 Reporting cycle	Methodological note	-
	102-53 Contact point for questions regarding the report	Methodological note	-
	102-54 Claims of reporting in accordance with the GRI Standards	Nota metodologica	-
	102-55 GRI content index	Annexes: Content Index	-
	102-56 External assurance	Methodological note	-

MATERIAL TOPICS			
Economic performance			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.2 The shared approach. Paragraph 2.6 Economic performance and value creation	-
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Paragraph 2.6 Economic performance and value creation	-
GRI 207: Tax 2019	207-1 Approach to tax 207-2 Tax governance, control and risk management 207-3 Stakeholder engagement and management of concerns related to tax 207-4 Country-by-country reporting	Paragraph 2.6 Economic performance and value creation Paragraph 2.6.1 Tax compliance	-
Anti-corruption			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.3.1 Organisation, Management and Control Model	-
GRI 205: Anti-corruption 2016	205-3 Confirmed incidents of corruption and actions taken	Paragraph 2.3.1 Organisation, Management and Control Model	-
Anti-competitive behaviour			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.3.1 Organisation, Management and Control Model	-
GRI 206: Anti-competitive behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Paragraph 2.3.1 Organisation, Management and Control Model	
Raw materials			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.5.2 Environmental performance of production processes	-
GRI 301: Materials 2016	301-1 Materials used by weight or volume	Paragraph 2.5.2 Environmental performance of production processes	-
Energy consumption			
GRI 103 Management Approach 2016	103-1, 103-2, 103-3	Paragraph 2.5.2 Environmental performance of production processes	-
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Paragraph 2.5.2 Environmental performance of production processes	-

Water consumption			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.5.2 Environmental performance of production processes	-
GRI 303: Water and effluents 2018	303-1 Interactions with water as a shared resource 303-2 Management of water discharge-related impacts 303-3 Water withdrawal 303-4 Water discharge	Paragraph 2.5.2 Environmental performance of production processes	No distinction between freshwater and other water is currently included, either in terms of withdrawals or discharges.
Biodiversity			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.4.3.3 Local community projects	-
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Paragraph 2.4.3.3 Local community projects	-
Management of greenhouse gas emissions			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.5.2 Environmental performance of production processes	-
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions 305-2 Energy indirect (Scope 2) GHG emissions	Paragraph 2.5.2 Environmental performance of production processes	-
Waste production			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.5.2 Environmental performance of production processes	-
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts 306-2 Management of significant waste-related impacts 306-3 Waste generated 306-4 Waste diverted from disposal 306-5 Waste directed to disposal	Paragraph 2.5.2 Environmental performance of production processes	-
Environmental compliance			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.5.1 Voluntary certifications	-
GRI 307: Environmental compliance 2016	307-1 Non-compliance with environmental laws and regulations	Paragraph 2.5.1 Voluntary certifications	-
Supplier environmental assessment			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.4.3.1 Supplier selection and engagement	-
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Paragraph 2.4.3.1 Supplier selection and engagement	-
Employment policies			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.4.2.2 Contracts and remuneration	-
GRI 401: Employment 2016	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Paragraph 2.4.2.2 Contracts and remuneration	-

Worker health and safety			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.4.2.5 Protection of worker health and safety	-
GRI 403: Occupational Health and Safety 2018	Information from 403-1 to 403-7 403-9 Work-related injuries	Paragraph 2.4.2.5 Protection of worker health and safety	-
Training of workers			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.4.2.3 Training	-
GRI 404: Training and education 2016	404-1 Average hours of training per year per employee	Paragraph 2.4.2.3 Training	-
Diversity and equal opportunity			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.4.2.1 Aquafil personnel Paragraph 2.4.2.2 Contracts and remuneration	-
GRI 405: Diversity and equal opportunity 2016	405-1 Diversity of governance bodies and employees	Paragraph 2.4.2.1 Aquafil personnel	-
	405-2 Ratio of basic salary and remuneration of women to meni	Paragraph 2.4.2.2 Contracts and remuneration	
Non-Discrimination			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.4.1 Social responsibility for the protection of human rights	-
GRI 406: Non-Discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Paragraph 2.4.1 Social responsibility for the protection of human rights	-
Child labour			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.4.1 Social responsibility for the protection of human rights	-
GRI 408: Child labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	Paragraph 2.4.1 Social responsibility for the protection of human rights	-
Forced labour			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.4.1 Social responsibility for the protection of human rights	-
GRI 409: Forced or compulsory labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Paragraph 2.4.1 Social responsibility for the protection of human rights	-
Human Rights			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.4.1 Social responsibility for the protection of human rights	-
GRI 412: Human rights assessment 2016	412-1 Operations that have been subject to human rights reviews or impact assessments	Paragraph 2.4.1 Social responsibility for the protection of human rights	-
Local communities			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.4.3.3 Local community projects	-
GRI 413: Local communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Paragraph 2.4.3.3 Local community projects	-

Supplier social assessment			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.4.3.1 Supplier selection and engagement	-
GRI 414: Supplier social assessment 2016	414-1 New suppliers that were screened using social criteria	Paragraph 2.4.3.1 Supplier selection and engagement	-
Customer health and safety			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.5.1.2 Product certifications	-
GRI 416: Customer health and safety 2016	416-1 Assessment of the health and safety impacts of product and service categories.	Paragraph 2.5.1.2 Product certifications	-
Labelling and marketing			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.4.3.2 Customer relations	-
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	Paragraph 2.4.3.2 Customer relations	-
Customer privacy			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.3.2 Code of Conduct	-
GRI 418: Customer privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Paragraph 2.3.2 Code of Conduct	-
Socio-economic compliance			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.3.2 Code of Conduct	-
GRI 419: Socioeconomic compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	Paragraph 2.3.2 Code of Conduct	-


AQUAFIL

Aquafil S.p.A.
2021 Corporate Governance
and ownership structure report

as per Article 123-*bis* of Legislative Decree No. 58/1998

(Traditional Administration and Control Model)
Website: www.aquafil.com
Year: 2021
Date of approval of Report: March 15, 2022

Indice

KEY DEFINITIONS

The key definitions utilised in this Report are illustrated below.

Borsa Italiana	Borsa Italiana S.p.A., with registered office at Milan, Piazza degli Affari No. 6.
Civil Code	refers to Legislative Decree 262 of March 16, 1942, and subsequent amendments and supplements.
Corporate Governance Code or Code	the new Corporate Governance Code of listed companies, in force since January 1, 2021 and adopted by the Corporate Governance Committee and promoted by Borsa Italiana, ABI, Ania, Assogestioni, Assonime and Confindustria, available on the website www.borsaitaliana.it in the *Borsa Italiana/Regulation/Corporate Governance* section.
Consob	the National Commission for Companies and the Stock Exchange, with registered office in Rome, Via G.B. Martini No. 3.
Effective Merger Date	December 4, 2017.
Issuer, Aquafil or Company	Aquafil S.p.A., with registered office in Arco (Trento), Via Linfano, No. 9, VAT and Tax No. 09652170961.
Reporting Period	year ended December 31, 2021
Merger	the merger by incorporation of Aquafil (pre-merger), completed on the Effective Merger Date.
Group or Aquafil Group	Aquafil and the companies within its consolidation scope.
Stock Exchange Instruction Regulation	the Instructions to the Regulation for Markets organised and managed by Borsa Italiana.
Market Warrants	the warrants pursuant to the regulation for *"Aquafil S.p.A. Market Warrants"*.
MIV	the Investment Vehicles Market organised and managed by Borsa Italiana.
MTA	the Italian Stock Exchange organised and managed by Borsa Italiana.
Transaction	the business combination between Space3 and Aquafil (pre-merger), as approved by the Board of Directors of the above-mentioned companies on July 15, 2017, undertaken principally through the Merger.
SMEs	small and medium-sized issuers of listed shares pursuant to Article 1, paragraph 1, letter w-*quater*1), of the CFA.
Procedure for Related Party Transactions or RPT Procedure	the related party transactions procedure adopted by the Company in compliance with the Consob RPT Regulation.
Stock Exchange Regulation	the regulation for markets organised and managed by Borsa Italiana, and subsequent amendments and supplements.
Issuers' Regulation	the enacting regulation of the CFA concerning the governance of issuers, adopted by Consob with motion No. 11971 of May 14, 1999 and subsequent amendments and supplements.
Related Parties Regulation or RPT Regulation	the regulation adopted by Consob motion No. 17221 of March 12, 2010 (as subsequently amended and supplemented) in relation to related party transactions.

Report	this Corporate Governance and Ownership Structure Report, prepared in accordance with Article 123-*bis* of the CFA.
Space 3	indicates Space 3 S.p.A.
Space Holding	Space Holding S.r.l., with registered office at Piazza Cavour 1, Milan, promotor of Space3.
Sponsor Warrant	the warrants pursuant to the regulation for "*Aquafil S.p.A. Sponsor Warrants*".
Company By-Laws	the By-Laws of the Company in force at the Reporting date.
CFA	Legislative Decree No. 58 of February 24, 1998, as subsequently amended and supplemented.

1. COMPANY PROFILE AND GOVERNANCE SYSTEM

For more than 50 years, Aquafil has been a leading Italian and global producer of synthetic fibers, and particularly of polyamide 6 fibers.

The Group sets benchmarks in terms of quality, innovation and new sustainable development models. It is considered a strategic choice in view of the focus on continual process and product development, delivered through ongoing capital and know-how investment.

The Group operates, with over 2,800 employees and 19 production facilities, located in Europe, USA and Asia

Aquafil's Corporate Governance system, i.e. the set of rules and conduct adopted for streamlined and transparent corporate board and control systems, in accordance with the regulatory provisions for Italian listed companies and based on the Self-Governance Code's principles and recommended application criteria. The Company also voted on February 17, 2021 to adopt the Corporate Governance Code, which was approved by the Corporate Governance Committee and is effective for the year beginning January 1, 2021.

As an Italian-registered company with shares traded on the STAR segment of the Italian Stock Exchange and compliant with the Code, Aquafil's corporate governance structure - based on the traditional organisational model - is composed of the following bodies: The Shareholders' Meeting; the Board of Directors, also operating through the Chief Executive Officer and the Executive Directors; the Board of Statutory Auditors; the Control, Risks and Sustainability Committee; the Appointments and Remuneration Committee; the Supervisory Board; the independent audit firm.

The Shareholders' Meeting is the body whose motions express the shareholders wishes. The motions passed in compliance with law and the By-Laws bind all shareholders, including those absent or dissenting, although these latter have the right to withdrawal in permitted cases. The Shareholders' Meeting is called in accordance with law and the regulations for companies with listed shares to resolve upon the matters reserved to it by law.

The Board of Directors sets out the company and Group strategic guidelines and is responsible for management oversight. It is therefore granted the widest powers of company administration considered appropriate in pursuit of the Company's aims and objectives, with the sole exclusion, obviously, of those expressly reserved by law for the Shareholders' Meeting.

The Board of Statutory Auditors supervises compliance with law and the By-Laws and in particular:

- operating control functions, in particular verifying:
  - compliance with the principles of correct management;
  - the adequacy of the Company's organisational structure;
  - proper implementation of the Code;
  - the adequacy of the instructions provided to the subsidiaries in terms of the market and inside information communication obligations;
- functions of the Internal Control and Audit Committee, particularly concerning:
  - oversight of:
    i. the financial disclosure process;
    ii. the efficacy of the internal control and internal audit systems, and if applicable, the risk management system;
    iii. the audit of the statutory annual accounts and of the consolidated annual accounts;
    iv. the independence of the independent audit firm;
  - communicating to the Board of Directors the outcome of the statutory audit;
  - responsibility for the independent audit firm selection policy.

The statutory audit is not within the Committee's scope, as assigned in accordance with law to an independent audit firm chosen by the Shareholders' Meeting.

The independent audit firm oversees the correct keeping of the accounting records and the reporting of operating events, while ensuring that the separate and consolidated financial statements are consistent with the accounting records and audits carried out and are compliant with applicable provisions. It may perform additional services assigned by the Board of Directors, where not incompatible with the statutory audit assignment.

The Supervisory Board completes the governance structure, with the Company having adopted a Code of Conduct and an Organisation, Management and Control Model as per Article 6 of Legislative Decree No. 231/2001 and subsequent, applying the relative structure of powers and duties.

This Report, approved by the Board of Directors on March 15, 2022, provides a comprehensive overview on the Issuer's corporate governance and ownership structure at December 31, 2021, pursuant to Article 123-*bis* of the CFA and in light of the Self-Governance Code's provisions, as well as the "*Format for the report on corporate government and ownership structure*" document (VII Edition, January 2019) prepared by Borsa Italiana.

With particular reference to the recommendations made in the Letter from the Chairperson of the Corporate Governance Committee of December 2021, and also in light of the new provisions of the Code, we note that the Company qualifies as a **concentrated and not large company**, although it is deemed appropriate to maintain the governance structures introduced to date, without simplification.

This Report, which forms an integral part of the Directors' Report, and the By-Laws, are available on the company website (www.aquafil.com in the *Corporate Governance* section).

2. DISCLOSURES ON SHAREHOLDERS (ARTICLE 123-*BIS*, PARAGRAPH 1 OF THE CONSOLIDATED FINANCE ACT)

2.1 Share capital structure (as per article 123-*bis*, paragraph 1, letter a), CFA)

2.1.1 Share capital and shares of the Company

At the Reporting date, the subscribed and paid-in share capital of Aquafil amounts to Euro 49,722,417.28, comprising 51,218,794 shares divided into 42,822,774 ordinary shares, 8,316,020 special B shares (B Shares) and 80,000 special C shares (C Shares), all without nominal value.

Specifically, Aquafil's share capital is broken down as follows:

	No. of shares	% of share capital	Listed (with market indicated)/ not listed	Rights and obligations
Ordinary Shares ISIN Code IT0005241192	42,822,774		MTA, STAR Segment	The shares are indivisible and each share shall entitle the holder to one vote. Those in possession of shares may exercise their shareholder and equity rights in compliance with the limits established by statutory regulations and the By-Laws.
Multi-votes shares (***B Shares***) ISIN Code IT0005285330	8,316,020		*Non-listed*	Assign the rights as per Article 5 of the By-Laws, including the right to three votes per share at Shareholders' Meetings.
Shares without voting rights (***C Shares***) ISIN Code IT0005241747	80,000		*Non-listed*	Assign the rights as per Article 5 of the By-Laws
Other				

Taking account of the share's value at December 31, 2021 and the number of shares at that date, the capitalisation was Euro 392,335,962.04.

The ordinary shares, the B Shares and the C shares are subject to the dematerialisation rules pursuant to Article 83-*bis* and thereafter of the CFA.

The ordinary shares are to bearer, indivisible, freely transferable and confer to the owners equal rights. In particular, each ordinary share attributes the right to one vote at the Ordinary and Extraordinary Shareholders' Meeting of the Company, as well as additional equity and administrative rights pursuant to the By-Laws and statutory law.

In accordance with Article 5.4 of the By-Laws, the B shares attribute the same rights as the ordinary shares, with the exception of:

a. each B Share confers the right to three votes pursuant to Article 127-*sexies* of the CFA at all Shareholders' Meetings of the Company, subject to any statutory limitation;
b. they automatically convert into ordinary shares, based on one ordinary share for each B Share (without requiring a motion of the B Shares special shareholders' meeting or of the Shareholders' Meeting of the Company) in the event of: *(i)* transfer to parties who are not already holders of B Shares, except where the transferee is a parent, is controlled by or under common control of the transferor and, provided that, in this case, where the transferee losses the status of parent, control by or under the common

control of the transferor, all the B Shares held by them are automatically converted into ordinary shares, based on one ordinary share for every B Share; *(ii)* in the case in which the holder of the B Shares ceases to be controlled, directly or indirectly, by (a) Giulio Bonazzi; (b) Roberta Previdi; (c) Silvana Bonazzi; (d) Francesco Bonazzi and/or (e) one or more direct line successors upon death of both (and not only one of) Giulio Bonazzi and Roberta Previdi, each of which, exclusively or jointly to one or more of the other aforementioned parties;

they may be converted, in all or in part and also in several tranches, into ordinary shares on the simple request of the owner, to be sent to the Chairperson of the Board of Directors of Aquafil and in copy to the Chairperson of the Board of Statutory Auditors, also based on one ordinary share for every B Share.

The conversion is ratified by the Board of Directors by statutory majority. In the event of omission by the Board of Directors, the conversion is ratified by the Board of Statutory Auditors with the approval of a majority of those present.

Ordinary shares may not be converted into B Shares.

In accordance with Article 5.5 of the By-Laws, the C Shares attribute the same rights as the ordinary shares, with the exception of:

i. they are without voting rights at the Ordinary and Extraordinary Shareholders' Meetings of the Company;
ii. they are excluded from the right to receive the profits which the Company resolves to distribute by way of ordinary dividend;
iii. they are non-transferable until April 5, 2022, except for: (a) the transfer of the special shares to withdrawing shareholders of Space Holding, on the completion of the liquidation of their holding in kind; and (b) the assignment of the special shares to the beneficiary company of a proportional spin-off of Space Holding for, among other matters, the investment of Space Holding in the Company;
iv. they attributed the right at the time of issue to the allocation of *"Space 3 S.p.A. Sponsor Warrants"* (now called *"Aquafil S.p.A. Sponsor Warrants"*) in the ratio of 2 warrants for every C Share;
v. they are automatically converted into ordinary shares, in the ratio of 4.5 ordinary shares for every C Share, without the need for holders to request such and without amending the share capital, notwithstanding that this conversion will reduce the implied par value of the ordinary shares within 60 months from the Effective Merger Date in the amount of 80,000 C Shares in the case in which the official ordinary share price, for at least 20 days, even non-consecutively, out of 30 open consecutive trading days, is higher or equal to Euro 13 per ordinary share, subject to the fact that the period for the recording of the official ordinary share price for the triggering of this conversion event runs between the Space 3 Shareholders' Meeting date approving the Merger and the completion of 60 months from the Effective Merger Date. Where this period of 60 months is completed without conversion, all C Shares will automatically convert into 1 ordinary share, without amending the share capital.

The Company may issue B Shares limited to the following cases: (a) share capital increases pursuant to Article 2442 of the Civil Code or through new conferment without exclusion or limitation of the option right, in any case together with ordinary shares; and (b) mergers or spin-offs. Under no circumstances can the Company proceed with the issue of new C Shares.

In the event of a share capital increase to be carried out through the issue of ordinary shares, all shareholders will have the right to subscribe to the newly-issued ordinary shares (unless the option right is excluded in accordance with law or there is no entitlement) in proportion and in relation to the shares - including ordinary shares, B Shares or C Shares – held by each at the time of execution of the share capital increase. In such an event, the passing of the relative motion pursuant to Article 2376 of the Civil Code by the special Shareholders' Meeting of the B Shares is not required, or of the C Shares special Shareholders' Meeting.

In the event of a share capital increase through the issue of ordinary shares and B Shares: *(i)* the number of newly issued ordinary shares and B Shares must be proportional to the number of ordinary shares and B Shares in which the share capital is divided on the date of the relevant motion specifying that, to this end, existing C Shares will be counted as an equal number as ordinary shares; *(ii)* holders of C Shares may subscribe to ordinary shares according to the portion of the share capital represented by ordinary shares and C Shares held at the time of the share capital increase and *(iii)* newly issued ordinary shares and B Shares must be offered to the individual shareholder in relation to and in proportion to, respectively, the ordinary shares and B Shares held at the time of the share capital increase, specifying that: *(a)* existing C Shares, for this purpose, will be counted as an equal number as ordinary shares; and *(b)* B Shares may only be subscribed to by shareholders who are already holders of B Shares; in the absence of subscription to newly issued B Shares by shareholders who are already holders of B Shares, the B Shares will automatically be converted into ordinary shares at the ratio of one ordinary share for every B Share and will be offered to other shareholders as provided by law.

Where the Company participates in a merger by incorporation as the incorporating company or in a merger, the holders of the B Shares will have the right to receive, within the share swap ratio, shares with the same characteristics - in relation to the multi-voting rights – as the B Shares, in accordance with applicable legal provisions.

At the Reporting date, the Company had adopted the remuneration plan for Directors and Employees of the Group described in the Remuneration Report prepared in accordance with Article 123-*ter* of the CFA and Article 84-*quater* of the Issuers' Regulation, as well as the disclosure document prepared pursuant to Article 114-*bis* of the CFA and Article 84-*bis* of the Issuers' Regulations and the relative illustrative report prepared in accordance with Article 114-*bis* of the CFA, available on the Company website www.aquafil.com in the *Corporate Governance* section.

2.1.2 Warrants

At the Reporting date, the following financial instruments that grant the right to subscribe newly issued Aquafil ordinary shares had been issued.

	Listed (with market indicated)/ not listed	No. of instruments outstanding	Class of shares for conversion/exercise	No. of shares for the conversion/ exercise
"Aquafil S.p.A. Market Warrants." ISIN Code IT0005241200	MTA, STAR Segment	5,485,662	Ordinary Shares	1,488,358
"Aquafil S.p.A. Sponsor Warrants" ISIN Code IT0005241754	Non-listed	800,000	Ordinary Shares	800,000

On December 23, 2016, the Extraordinary Shareholders' Meeting of Space 3 pre-merger - among other matters - approved:

- the divisible paid-in share capital increase for a maximum amount of Euro 203,488.50, to be reserved for the exercise of 7,500,000 *"Aquafil S.p.A. Market Warrants"*, through the issue of a maximum 2,034,885 ordinary shares, without nominal value, at a price of Euro 0.10, entirely as the implied par value; and
- the divisible paid-in share capital increase for a maximum amount, including share premium, of Euro 10,400,000, to be reserved for the exercise of 800,000 *"Aquafil S.p.A. Sponsor Warrants",* through the issue of a maximum 800,000 ordinary shares, without nominal value, at a price of Euro 13.00, through the allocation of Euro 1.00 as the implied par value and Euro 12.00 as the share premium.

The *"Aquafil S.p.A. Market Warrants"* may be exercised, in accordance with the terms and conditions of the Market Warrants Regulation, from February 5, 2018 until the first of the following dates: (i) the first open trading day subsequent to the completion of 5 years from December 4, 2017 and (ii) the first open trading day subsequent to the completion of 60 calendar days from publication of the Acceleration Communication (as defined in accordance with the Market Warrants Regulation). In particular, at the Reporting date, 2,014,322 Market Warrants have been exercised, against the subscription of 498,716 ordinary shares of the Company.

The *Aquafil S.p.A. Market Warrants* are listed on the STAR segment of the Italian Stock Exchange.

As the Reporting date, Space Holding holds all of the *"Aquafil S.p.A. Sponsor Warrants"* (i.e. 800,000). The "*Aquafil S.p.A. Sponsor Warrants"* are exercisable, at the terms and conditions of the Sponsor Warrants Regulation, in the period between the first market trading day after December 4, 2017 (the Effective Merger Date) and the tenth anniversary of that date.

The *Aquafil S.p.A. Sponsor Warrants* are not listed on any regulated market.

The Market Warrants Regulation and the Sponsor Warrants Regulation are available to the public on the company website www.aquafil.com in the Investor Relations/Shareholder Information section.

2.2 Restriction on the transfer of shares (as per article 123-*bis*, paragraph 1, letter b), CFA)

At the Reporting date, there are no restrictions on the transfer of the ordinary shares of the Company, subject to that illustrated below.

It should be noted that Space Holding has undertaken a lock-up commitment towards the Issuer with reference to the Aquafil ordinary shares arising from the conversion of special Space3 shares as part of the Merger, with reference to the Aquafil ordinary shares arising from the conversion of the C Shares upon the occurrence of the other events indicated in Article 5.5 of the By-Laws; the lock-up commitment will have a duration of 6 months from the relevant conversion.

There are no limits to holding shares of the Company, nor any clauses to restrict becoming a shareholder.

2.3 Significant holdings (as per Article 123-*bis*, paragraph 1, letter c), CFA)

The ordinary shares of the Company are traded within the management system authorised pursuant to the CFA.

At the Reporting date, the Company is an SME; therefore, pursuant to Article 120, paragraph 2 of the CFA, the significance threshold for the purposes of the communication obligations of significant shareholdings is equal to 5% of the voting share capital.

Based on the information available, the following table reports the data regarding the shareholders which, at the date of this Report, have holdings of above 5% of the voting share capital of the Issuer, directly or indirectly, including through nominees, trusts and subsidiaries.

SIGNIFICANT SHAREHOLDINGS

Shareholder	Direct shareholder	% of ordinary share capital	% of voting share capital
GB&P S.r.l.	Aquafin Holding S.p.A.	58.50%	68.52%

2.4 Shares which confer special rights (as per article 123-*bis*, paragraph 1, letter d), CFA)

There are no securities which confer special control rights or securities with special powers pursuant to the regulations and statutory provisions, except for that outlined below.

Each B Share has the right to three votes pursuant to Article 127-*sexies* of the CFA at all Shareholders' Meetings of the Company, subject to any legal limitations and confer all rights and obligations indicated at paragraph 2.1.1 of this Report.

The By-Laws do not contain provisions upon multi-vote shares in accordance with Article 127-*quinquies* of the CFA.

2.5 Employee shareholdings: method for the exercise of voting rights (as per Article 123-*bis*, paragraph 1, letter e), of the CFA)

At the Reporting date, there were no share ownership systems for Directors and employees as described in the Remuneration Report prepared in accordance with Article 123-*ter* of the CFA and Article 84-*quater* of the Issuers' Regulation, as well as the disclosure document prepared pursuant to Article 114-*bis* of the CFA and Article 84-*bis* of the Issuers' Regulations and the relative illustrative report prepared in accordance with Article 114-*bis* of the CFA, available on the company website www.aquafil.com in the *Investor Relations* Section.

2.6 Voting restrictions (as per Article 123-*bis*, paragraph 1, letter f), CFA)

There are no restrictions on voting rights for holders of ordinary shares and/or B Shares. For completeness, the C Shares are without voting rights at the Ordinary and Extraordinary Shareholders' Meetings of the Company;

2.7 Shareholder agreements (as per Article 123-*bis*, paragraph 1, letter g), CFA)

As at the date of this Report, and subject to the unilateral commitment of Space Holding as described in point 2.2 above, there are no significant shareholders' agreements pursuant to Article 122, paragraph 5 of the CFA.

2.8 Change of control clauses (as per Article 123-*bis*, paragraph 1, letter h), of the CFA) and statutory provisions on public purchase offers (as per Article 104, paragraph 1-*ter* and 104-*bis*, paragraph 1, of the CFA)

With regards to the agreements which may be voided in the case of a change in control of Aquafil S.p.A., we report the following.

Loan contracts

Aquafil loans in place at the Reporting date are shown in the table below:

(in Euro thousands)	Original amount	Granting date	Maturity date
Medium/long term bank loans - fixed rate			
Banca Intesa	15,000	2018	2024
Mediocredito Trentino Alto Adige	3,000	2017	2022
Banca nazionale del lavoro	7,500	2018	2025
Banca nazionale del lavoro	12,500	2018	2025
Credito Valtellinese	15,000	2018	2024
Banca di Verona	3,000	2019	2024
Cassa Centrale Banca – Credito Cooperativo del Nord Est (ex Casse rurali trentine)	15,000	2019	2026
Cassa Depositi e Prestiti	20,000	2020	2027
Medium/long term bank loans - variable rate			
Banca Popolare di Milano	25,000	2018	2025
Cassa Risparmio di Bolzano	20,000	2018	2025
Cassa Centrale Banca – Credito Cooperativo del Nord Est (ex Casse rurali trentine)	5,000	2016	2022
Banca di Verona	3,500	2016	2023
Banca di Verona	15,000	2017	2024
Deutsche Bank	5,000	2018	2024
Credit Agricole Friuladria (ex Banca Popolare Friuladria)	10,000	2017	2025
Credito Valtellinese	3,000	2017	2023
Banca Intesa (ex Veneto Banca)	3,000	2017	2021
Monte dei paschi	15,000	2018	2025
Crediti Emiliano	5,000	2018	2022
Cassa Rurale Raiffeisen Alto Adige	3,000	2017	2023
Banca Popolare di Sondrio	5,000	2017	2023
Banca Popolare di Milano	15,000	2019	2025
Banca Popolare Emilia Romagna	10,000	2019	2025
Credit Agricole	10,000	2019	2025
Banca del Mezzogiorno	10,000	2019	2026
Banca intesa	30,000	2021	2027
Credito Valtellinese	5,000	2020	2025

In addition, at the Reporting date, the Company had issued two bonds:

- for Euro 50 million with maturity on March 20, 2029;
- for Euro 40 million with maturity on May 24, 2029.

The main objectives of these contracts is to fund the Company's investment plan, having the right to rescission where changes occur with regard to the direct or indirect control of Aquafil in accordance with Article 2359 of the Civil Code.

Contracts and Agreements

Within the scope of some contracts and commercial agreements signed by Aquafil, communication obligations in the case of a change in control are applicable; the Company has also signed agreements in which the change of control clause may result in resolution.

These agreements, overall not significant in terms of company and Group operations, are subject to confidentiality restrictions.

Public Purchase Offer

The Company By-Laws do not provide for exceptions to the passivity rule pursuant to Article 104, paragraphs 1 and 2 of the CFA, nor the application of the neutralisation rules pursuant to Article 104-*bis*, paragraphs 2 and 3 of the CFA.

2.9 Power to increase the share capital and authorisation to purchase treasury shares (as per Article 123-*bis*, paragraph 1, letter m), CFA)

2.9.1 Share capital increases

The By-Laws do not specifically assign to the Board of Directors the power to increase the share capital. The Issuers' Extraordinary Shareholders' Meeting of December 23, 2016 approved:

(i) the divisible paid-in share capital increase for a maximum amount of Euro 203,488.50, to be reserved for the exercise of 7,500,000 *"Aquafil S.p.A. Market Warrants"*, through the issue of a maximum 2,034,885 ordinary shares, without nominal value, at a price of Euro 0.10, entirely as the implied par value;

(ii) the divisible paid-in share capital increase for a maximum amount, including share premium, of Euro 10,400,000, to be reserved for the exercise of 800,000 *"Aquafil S.p.A. Sponsor Warrants",* through the issue of a maximum 800,000 ordinary shares, without nominal value, at a price of Euro 13.00, through the allocation of Euro 1.00 as the implied par value and Euro 12.00 as the share premium.

The Board of Directors has not been granted the power by the Shareholders' Meeting to increase the share capital in accordance with Article 2443 of the Civil Code, nor to issue equity financial instruments.

2.9.2 Treasury shares

At the Reporting date, the Company does not have treasury shares in portfolio.

2.10 Management and co-ordination activities (as per Article 2497 and thereafter of the civil code)

The Company is not subject to management and co-ordination pursuant to Article 2497 and subsequent of the Civil Code.

The parent company Aquafin Holding S.p.A. does not exercise management and co-ordination over Aquafil as substantially operating as a holding company, without an independent organisational structure and, consequently, de facto does not exercise direct management over Aquafil. In addition, we report that: *(i)* the Board of Directors of the Company approves the budget and the business plan; *(ii)* the Company has independent negotiating powers with customers and suppliers; and *(iii)* a centralised treasury agreement between the Company and the companies within the chain of control is not in place.

All of the Italian direct or indirect subsidiaries of Aquafil have met the publication requirements under Article 2497-*bis* of the Civil Code, indicating Aquafil as the company exercising management and co-ordination.

* * *

*The information required by Article 123-bis, paragraph 1, letter i) of the CFA ("the agreements between the Company and Directors... which provide indemnity in the case of resignation or dismissal from office without just cause or termination of employment following a public tender offer") is illustrated in the Remuneration Report, drawn up as per Article 123-ter of the CFA and Article 84-*quater *of the Issuers' Regulation, available in accordance with the provisions of law on the website of the Company www.aquafil.com.*

*The information required by Article 123-*bis*, paragraph 1, letter l) of the CFA relating to the "applicable regulations concerning the appointment and replacement of Directors (...), in addition to the amendment of the By-Laws if differing from applicable law and regulations" is illustrated in the Board of Directors section.*

3. COMPLIANCE (AS PER ARTICLE 123-*BIS*, PARAGRAPH 2, LETTER A), CFA)

This Report reflects and illustrates the corporate governance structure applied by the Company in accordance with the provisions of the Code, with which the Company complies.

The Board of Directors is always open to assessing new guidelines presented in the Code and their incorporation into the Company's corporate governance system, as long as compatible with the Company's situation and that the recommendations further improve the Company's reliability in the eyes of investors.

Aquafil S.p.A. and its strategic subsidiaries - as identified by the Board of Directors' motion of February 14, 2020, namely Aquafil USA, Aquafil SLO d.o.o. and Aquafil Synthetic Fibres and polymers (Jiaxing) Co., Ltd, to the best of the Board's knowledge, are not subject to any non-Italian legal provisions that affect the Company's corporate governance structure.

4. BOARD OF DIRECTORS

In accordance with current regulations for companies with listed shares on regulated markets, the Board of Directors is central to the governance system of the Company.

4.1 Appointment and replacement (as per Article 123-*bis*, paragraph 1, letter l), CFA)

The Company is administered by a Board of Directors made up of between 8 and 15 members. The Shareholders' Meeting establishes the number of members on the Board of Directors, which remains in place until otherwise resolved.

All Directors must satisfy the eligibility and good standing requirements established by applicable law and other provisions. In addition, in accordance with the legal and regulatory requirements, a number of Directors should be independent.

The Shareholders' Meeting appoints the Board of Directors on the basis of slates presented by the shareholders, in accordance with the procedure set out in the following paragraphs, except where otherwise established by obligatory laws or regulations.

Shareholders can present a slate for the appointment of Directors who, alone or together with other presenting shareholders, have a shareholding at least equal to that determined by Consob in accordance with applicable provisions and regulations (which for the Company with regards to 2020 is 2.5% of the share capital considering the share capital comprised of listed shares). Ownership of the minimum shareholding is determined according to the shares that are registered in favour of the shareholder on the day in which the slates are filed with the Issuer; certification can also be presented subsequent to the filing provided that it is within the deadline for the publication of the slates.

The slates must be filed at the registered office of the Company according to the manner prescribed by current regulations, at least twenty-five days prior to the Shareholders' Meeting called to appoint the Directors. The slates must be made available to the public by the Company at least twenty-one days prior to the Shareholders' Meeting in accordance with the manner prescribed by current regulations.

The slates provide for a number of candidates not above 15, each listed by progressive number. The slates may not be composed of candidates only from the same gender (masculine or feminine); each slate must include a number of candidates of the under-represented gender to guarantee the composition of the Board of Directors in accordance with legal and regulatory provisions in relation to gender balance (masculine and feminine), with rounding applied in accordance with current regulations.

The following must be attached to each slate, or else shall be considered as not presented:
- curriculum vitae of the candidates;
- declarations of the individual candidates, in which they accept their candidature and certify, under their own responsibility, the inexistence of any cause of ineligibility or incompatibility, as well as the satisfaction of the requirements prescribed by applicable regulations for the office of Director of the Company, including where applicable, declarations on the independence of candidates;
- the shareholders who have presented the slates and their total shareholding;
- any other further declaration, disclosure and/or document required by law and applicable regulatory rules.

Individual Shareholders, shareholders belonging to the same group or members of a shareholder agreement pursuant to Article 122 of the CFA, may not present or be involved in the presentation, even through nominees or trust companies, of more than one slate or vote on other slates; in addition, each candidate may only be present on one slate, at the risk of being declared ineligible.

The candidates elected at the end of the voting shall be those on the two slates that have obtained the highest number of votes as follows: (i) from the slate which obtained the highest number of votes (the “Majority Slate”), all the Directors shall be elected in progressive number, less one; and (ii) from the slate which obtained the second highest number of votes and that is not associated, even indirectly, with the shareholders who presented or voted for the Majority Slate (the “Minority Slate”) one Director shall be elected, being the first candidate indicated on the slate.

Consideration is not taken of the slates which have not obtained at least half of the votes required for the presentation of slates.

Should two slates receive the same number of votes, a second vote of the entire Shareholders’ Meeting shall decide, with the candidate being elected by means of a simple majority of the votes.

If voting does not result in compliance with legal and regulatory provisions in relation to gender balance (including rounding up where necessary in relation to the under-represented gender), the elected candidate appearing last on the Majority Slate of the over-represented gender is excluded and will be replaced by the first candidates from the same slate belonging to the other gender. Where it is not possible to implement this replacement procedure in order to guarantee compliance with legal and regulatory provisions concerning gender balance, the non-elected Directors will be elected by the Shareholders’ Meeting through ordinary majority, with presentation of candidates belonging to the under-represented gender.

Where the candidates elected do not ensure the number of Independent Directors as required by applicable regulations, the non-independent candidate(s) elected last in progressive order of the Majority Slate will be replaced by the first independent candidate according to the progressive numbering not elected in the same Majority Slate. Where this procedure does not ensure the required number of Independent Directors, the Shareholders’ Meeting will elect in accordance with ordinary majority, with presentation of independent candidates.

Where only one slate is presented, the Shareholders’ Meeting will vote on that slate and, where this slate receives the majority of the votes, all the members of the Board of Directors will be taken from this slate in accordance with applicable law and regulations, including gender balance regulations (rounded upwards where resulting in a fraction), in accordance with current regulations.

In the absence of slates, or where only one slate is presented and this slate does not receive the majority of the votes, or where the number of Directors elected based on the slates presented is below the number of members to be elected, or where the entire Board of Directors need not be re-elected, or where it is not possible for whatever reason to proceed with the nomination of the Board of Directors with the above-mentioned procedures, the members of the Board of Directors will be appointed by the Shareholders’ Meeting through ordinary majority, without application of the slate voting mechanism, subject to the obligation to maintain the minimum number of Independent Directors established by law and in accordance with applicable law and regulations in relation to gender balance.

The Directors are elected for a period, established by the Shareholders Meeting, of not greater than three years from the acceptance of their office and until the date of the Shareholders’ Meeting for the approval of the annual accounts for the last year of their appointment.

Where over half the Directors appointed by the Shareholders’ Meeting resign, the entire Board shall be deemed to have vacated office with effect from the re-appointment of the Board of Directors and the remaining Directors must promptly call a Shareholders’ Meeting for the appointment of the new Board of Directors.

In the event that, for whatever reason, one or more Directors are no longer sitting, the Board of Directors will proceed with co-option, where possible, from among the non-elected candidates from the slate from which the Director leaving office had been elected, according to the progressive numbering of the slate, while maintaining the obligation of a minimum number of Independent Directors as established by law, considering also the share segment, and in accordance with the applicable law and regulations on gender balance quotas.

The Board of Directors elects a Chairperson from among its members, who remains in this position for the duration of the Board's mandate.

4.2 Composition (as per Article 123-*bis*, paragraph 2, letter d), CFA)

4.2.1 Members of the Board of Directors

The Board of Directors of the Company comprises a minimum of 8 and a maximum of 15 members. The number of members is established by the Shareholders' Meeting.

As required by the Code, the Board of Directors consists of Executive and Non-Executive Directors; the number, the expertise, the authority and the availability of time of the Non-Executive Directors is such to guarantee that their opinion can have a significant impact on Board motions.

The Issuer's Shareholders' Meeting held on June 18, 2020 appointed the Board of Directors and set the number of members at 9 and the term of office at three financial years.

Subsequently, by implementing the slate voting system provided for by Article 11 of the By-Laws *pro tempore*, the Shareholders' Meeting appointed the Board of Directors of Aquafil. In particular, it should be underlined that 8 (eight) members of the Board of Directors were taken from the slate submitted by the shareholder Aquafin Holding, which qualified as the Majority Slate, and 1 (one) member was taken from the slate that qualified as the Minority Slate.

At December 31, 2021, the Board of Directors was comprised, also in view of the gender balance regulation at Article 147-*ter*, paragraph 1-*ter* of the CFA, nine Directors, of whom four were executive, as follows:

Office	Name	Place and date of birth	Date of appointment
Chairperson & Chief Executive Officer	Giulio Bonazzi	Verona, July 26, 1963	June 18, 2020
Executive Director	Adriano Vivaldi	Riva (Trento), December 15, 1962	June 18, 2020
Executive Director	Stefano Giovanni Loro	Bassano del Grappa (VI), April 17, 1965	June 29, 2021/ October 20, 2021
Executive Director	Franco Rossi	Milan, November 2, 1959	June 18, 2020
Director	Silvana Bonazzi	Bussolengo (Verona), February 27, 1993	June 18, 2020
Director	Simona Heidempergher	Milan, November 1, 1968	June 18, 2020
Director	Ilaria Maria Dalla Riva	Pavia, November 20, 1970	June 18, 2020
Director	Margherita Zambon	Vicenza, November 4, 1960	June 18, 2020
Director	Francesco Profumo	Savona, May 3, 1953	June 18, 2020

The Board of Directors shall remain in office until the approval date of the 2022 Annual Accounts.
Director Stefano Giovanni Loro, co-opted pursuant to Article 2386 of the Civil Code, remains in office until the Shareholders' Meeting called to approve the 2021 Annual Accounts.

All members of the Board of Directors possess the standing requirements set out for control members with regulation of the Italian Ministry of Justice pursuant to Article 148, paragraph 4, of the CFA.

In addition, the Independent Directors Heidempergher, Zambon, Dalla Riva and Profumo declared their independence in accordance with Article 147-*ter*, paragraph 4 of the CFA and Article 3 of the Code.

The Non-Executive and Independent Directors bring their specific expertise to Board discussions, contributing to the making of decisions in the Company's interest.

The Directors act and deliberate in a knowledgeable and independent manner, pursuing the creation of value for the shareholders. They execute the role in the certainty of having the necessary time available to diligently perform their duties.

The Chairperson coordinates activities and leads the Board of Directors' meetings and ensures that its members are informed appropriately in advance on the significant matters to be discussed and with regards to useful elements for constructive involvement, subject to necessity, urgency or confidentiality.

The Chairperson, in addition, through the competent company functions, ensures that the Directors are involved in initiatives which improve their knowledge of the entity and its dynamics and that they are informed upon major legislative and regulatory developments regarding the Company and the corporate boards.

The table on the following page provides further clarifications regarding the composition of the Board of Directors.

Notwithstanding the resignation of the Executive Director Fabrizio Calenti (who was replaced by the appointment of the Director Stefano Giovanni Loro, as was duly communicated to the market by the Company), on December 21, 2021 the Executive Director Adriano Vivaldi resigned and the Board of Directors, on the same date, replaced him by co-opting, pursuant to Article 2386 of the Civil Code the Director Attilio Annoni, effective from January 1, 2022, duly informing the market.

The Company highlights that no specific policies were adopted in terms of diversity, although it points out that the appointments of the members of administrative and control boards were driven by also taking account - in addition to applicable legal provisions - of: candidates' age (having therefore considered their possible experience and professional contribution) and individuals' training.

The Board of Directors currently expects to be able to continue on this track in the year 2022.

Board of Directors

Office	Members	Year of birth	Date first appointment (*)	In office from
Chairperson & Chief Executive Officer	Bonazzi Giulio	1963	27/07/2017	18/06/2020
Executive Director	Vivaldi Adriano	1962	27/07/2017	18/06/2020
Director	Stefano Giovanni Loro	1965	29/06/2021	01/07/2021
Director	Rossi Franco	1959	27/07/2017	18/06/2020
Director	Bonazzi Silvana	1993	27/07/2017	18/06/2020
Director	Heidempergher Simona	1968	27/07/2017	18/06/2020
Director	Ilaria Maria Dalla Riva	1970	18/06/2020	18/06/2020
Director	Zambon Margherita	1960	27/07/2017	18/06/2020
Director	Profumo Francesco	1953	27/07/2017	18/06/2020
Number of meetings held during the Year: 8	**Control, Risks and Sustainability/RPT Committee: 10**	**Appointments and Remuneration Committee: 6**		

For further information on the slates filed for the appointment of the Board of Directors reference should be made to the website of the Company www.aquafil.com, where the professional curricula vitae of each Director is available.

4.2.2 Maximum number of offices held in other companies

The Board of Directors has not defined the general criteria relating to the maximum number of offices of administration and control in other companies that may be considered compatible with the proper carrying out of their duties as Directors of the Company.

This decision was based on the Board's consideration that it was more appropriate for each Director to decide whether the office of Director or Statutory Auditor is compatible with positions held in other listed companies on regulated markets (including overseas), in financial, banking, insurance or large companies, with the diligent undertaking of their duties as Director of the Issuer.

This assessment is undertaken on an annual basis during the disclosures of the offices held by the Directors and, in the event of incompatibility arising, each Director will present to the Board any situations of accumulated offices not compatible which will be assessed on a case by case basis by the Board.

The same assessment was conducted at the Board's induction meeting on June 18, 2020, and no communications were provided in the interim that would result in a review of the assessment.

	Board of Directors							Control, Risks and Sustainability Committee		Appointments and Remun. Committee	
In office until	**Slate (**)**	**Exec.**	**Non Exec.**	**Ind. Code**	**Ind. CFA**	**No. other offices (***)**	**(*)**	**(*)**	**(**)**	**(*)**	**(**)**
App. fin. stats. 31/12/2022	1	X									
Left office(i)	1	X									
App. fin. stats. 31/12/2021	1	X									
App. fin. stats. 31/12/2022	1	X									
App. fin. stats. 31/12/2022	1		X								
App. fin. stats. 31/12/2022	1		X		X			X			
App. fin. stats. 31/12/2022	2		X		X				X		X
App. fin. stats. 31/12/2022	1		X		X					X	
App. fin. stats. 31/12/2022	1		X		X			X		X	

4.2.3 Induction Programme

The Board meetings, for their content and frequency, permits the Directors to receive adequate information on the sector in which the Issuer operates, on the business operations and their performances, on the principles of correct risk management, as well as the relative regulatory framework.

The induction process began in 2018, when the Board of Directors met in Phoenix (Arizona), visiting one of the Group plants, so as to have a more practical understanding of one of the specific sectors in which the Issuer undertakes its activities and to better understand the underlying business operations and relative developments.

Subsequently, at the Board of Directors meeting of November 14, 2019, a plant visit was organised at Ljubljana (Slovenia) to concretely improve knowledge of the ECONYL® regeneration process, while training was also undertaken with an expert corporate governance lawyer on the main governance and risk management issues.

The year 2020 was marked by the outbreak of the COVID-19 Pandemic. Therefore, the Board was only able to organise a training session with an expert corporate governance lawyer to discuss the main changes related to the entry into force of the New Corporate Governance Code.

2021 saw intensification of the discussion regarding the issues that characterise the sector in which the Company is active and a specific session on the subject of risks analysis and assessment is planned for 2022.

4.2.4 Board Evaluation

The Board of Directors carried out a self-assessment as per the Self-Governance Code.

Approved on November 11, 2021, the process was carried out internally with the drafting of a questionnaire which also takes into account the recommendations outlined in the Chairperson's Letter of the Corporate Governance Committee of December 2021, and examines seven macro-areas of interest. This questionnaire was validated by the Chairperson of the Appointments and Remuneration Committee Mr. Profumo.

The responses were provided through: *(i)* integration into a single document of the individual responses provided by Directors, both in terms of the numeric assessment and the comments received; *(ii)* calculation of the assessment averages, both for the individual questions and for the areas of analysis; and finally, *(iii)* the collation and summary of the comments into individual profiles.

The results were therefore analysed by the Appointments and Remuneration Committee, and were subsequently presented to the Chairperson of the Board of Directors.

The Board Evaluation process was finalised at the meeting of March 15, 2022, informing the Board of Directors on how all areas of analysis returned more than satisfactory feedback, as well as ideas for improvement.

4.3 Role of the Board of Directors (as per Article 123-*bis*, paragraph 2, letter d of the CFA)

4.3.1 Powers attributed to the Board of Directors

The Board shall have the widest powers of ordinary and extraordinary administration of the Company, with the power to carry out all acts it deems appropriate for attaining the corporate scope, with the sole exclusion of those attributed by law to the Shareholders' Meeting.

The Board of Directors, in accordance with Article 2365, paragraph 2 of the Civil Code is also empowered to pass the following motions, without prejudice to the concurrent competence of the Shareholders' Meeting: *(i)* the opening and closing of secondary offices; *(ii)* the appointment of Directors as company representatives; *(iii)* the reduction of the share capital in the case of withdrawal of the shareholders; *(iv)* the transfer of the registered office within the national territory, *(v)* the merger of the Company in the cases established by Articles 2505 and 2505-*bis* of the Civil Code, also with regards to that stated, for spin-offs, by Article 2506-*ter*, final paragraph; and *(vi)* amendment of the By-Laws in accordance with regulatory provisions.

The Board has a central role in operating activities, overseeing the various functions and is responsible for the organisational and strategic guidelines, as well as for verifying the existence of the necessary controls to monitor the performance of the Issuer and the Group.

The remit of the Board includes the review and approval of the strategic, industrial and financial plans of the Issuer and of the Group, periodically monitoring their implementation.

The Board also defines the corporate governance system of the Issuer and the structure of the Group.

In accordance with the regulatory provisions and the Code, the Board reviews and approves in advance the Issuers' and its subsidiaries' operations, when having a significant strategic, economic or financial importance for the Issuer, paying particular attention to the situations in which one or more Directors have an interest on their own behalf or on behalf of third parties.

The Board has not established criteria for the identification of transactions which have significant strategic, economic, equity or financial importance for the Issuer, in that these transactions, where not within the powers conferred to the Chief Executive Officer and the Executive Directors, are within the remit of the Board.

This ensures that, with the exception of the powers expressly conferred to the Chief Executive Officer and the Executive Directors (listed in detail in paragraph 4.4.1 below), the Board of the Issuer reviews and assesses the most significant transactions which guarantees constant monitoring of the operating performance and taking an active part in the principal business decisions.

In relation to the management of conflicts of interest and related party transactions of the Issuer and of the Group, reference should be made to paragraph 13 below.

In compliance with Article 2381 of the Civil Code and the provisions of the Code, the Board periodically assessed the adequacy of the organisational, administration and general accounting system of the Issuer, with particular reference to the Internal Control and Risk Management System, in accordance with the procedures adopted by the Issuer.

In the undertaking of these activities the Board shall be assisted, on a case by case basis, by the Control, Risks and Sustainability Committee, the Internal Audit Manager and the Executive Officer, as well as the procedures and verifications implemented in accordance with Law 262/2005.

Simultaneously, the Board at least quarterly shall assess the general operational performance, taking into account, in particular, the information received from the Chief Executive Officer and the Executive Directors, as well as periodically, comparing the results with the budgets.

Similarly, the Board shall undertake their annual assessment, in accordance with the provisions of the Code, in order to establish whether the size, the composition and the functioning of the Board and of its committees shall be adequate in relation to the operational and organisational needs of the Company, also taking into account the professional characteristics, experience, including managerial and sectorial, of its members as well as the presence, of a total of nine Directors, of five Non-Executive Directors (of which three independent), capable of influencing, for their number and authority, the Board decisions and contributing their specific know-how and which also guarantees an appropriate composition of the Committees within the Board.

As of the date of this Report, the Shareholders' Meeting has not authorised any general and pre-emptive departure from the competition restrictions envisaged by Article 2390 of the Civil Code.

4.3.2 Procedures and frequency of board meetings

Meetings are held in accordance with the By-Laws and Regulation of the Board of Directors, as updated by the Board on November 11, 2021 and available on the Company's website.

The validity of Board motions requires the presence of a majority of its members in office, with motions passed by a majority of those present.

The Board of Directors elects a Chairperson from among its members, who remains in this position for the duration Board of Directors.

Under Article 12 of the By-Laws, the Board of Directors may delegate part of its powers to an Executive Committee, determining the limits of such mandate as well as the number of members of the committee and its operating procedures.

The Board of Directors may appoint one or more Executive Directors, granting them the relevant powers and conferring to one of them, where applicable, the role of Chief Executive Officer. In addition, the Board of Directors may also establish one or more committees with consulting, advisory, or audit functions in accordance with applicable laws and regulations. The Board of Directors may also appoint General Managers, defining their powers and granting powers of attorney to third parties for certain acts or categories of acts.

Under Article 13 of the By-Laws, the Board of Directors meets at the Company's registered office or another location, whenever the Chairperson deems it necessary or whenever a request is made by the Chief Executive Officer, if appointed, or by at least two of its members or by the Board of Statutory Auditors.

The calling of the Board of Directors is made by the Chairperson or, if absent, by the Chief Executive Officer, with notices to be sent, by letter, telegram, fax or email with proof of receipt, to the domicile address of each Director and Statutory Auditor at least five days before the date set for the meeting; in case of urgency, the calling of the Board of Directors may be made at least two days before the date set for the meeting. The meeting of the Board and its motions are valid, even in the absence of formal call, where all Directors in office and the majority of the Board of Statutory Auditors are in attendance, as long as the absent members of the Board of Statutory Auditors have been informed in advance of the meeting and are not opposed. In these cases (i) any of the attendees may oppose the discussion and voting of the matters on which they have not been adequately informed; and (ii) the motions undertaken should be communicated in a timely manner to the absent Statutory Auditors. In the absence of the Chairperson, the chair of the meeting is assumed by the Chief Executive Officer, if appointed, or failing that the most senior Director.

In light of the provisions made following the COVID-19 emergency, the meetings of the Board of Directors may also be held by audio or video conference, provided that: (i) the Chairperson and the Secretary, if appointed, are present in the same location and write and sign the minutes, verifying that the meeting was held in that location; (ii) the Chairperson of the meeting may verify the identity of the participants, direct the course of the meeting and witness and announce the results of the voting; (iii) the person taking the minutes may adequately observe the events of the meeting to be recorded in the minutes; and (iv) participants may participate in the discussion and the simultaneous voting on the matters on the Agenda, as well as view, receive or transmit documents.

The Board of Directors, after prior mandatory consultation with the Board of Statutory Auditors, shall appoint an Executive Officer responsible for the preparation of the financial statements, in accordance with Article 154-*bis* of the CFA (the Executive Officer), granting this person the adequate means and powers for the accomplishment of the tasks assigned.

In 2021, the Board of Directors met on 8 occasions, with an average meeting duration of approx. 2 hours and a 100% participation rate for all Directors.

For 2022, the Board of Directors has already met twice (including the meeting held today) and are expected to meet at least three more times (according to that stated in the approved financial calendar).

The meetings were appropriately minuted.

The Chairperson of the Board of Directors ensured that the documentation relating to the matters on the Agenda was made available to the Directors and Statutory Auditors with sufficient time before the date of each Board meeting. The timeliness and completeness of the pre-meeting information is ensured by sending the supporting documentation - in compliance with the provisions of the Regulation of the Board of Directors - at least 3 days before the date of the Board meeting, except in urgent cases in which the documentation is made available with the best possible timeliness by giving notice by that date.

This timeframe was always respected, reporting an average of 3 days in advance, while aiming for 4 days in order to meet the Issuer's firm commitment to make pre-meeting information flows increasingly efficient.

In addition, the Chairperson of the Board ensured that sufficient time was provided to the matters on the Agenda in order that all the Directors may contribute, thereby guaranteeing, constructive debate in the Board meetings.

Executives of the Issuer attended Board meetings in order to provide detailed information on matters on the Agenda.

In general, the Chief Executive Officer and the Executive Directors ensure - within their respective scopes - that the Executives are available to attend Board meetings so that valuable contributions may be made, in particular for the Non-Executive Directors to acquire adequate information on the operations of the Issuer.

The Executive Officer appointed normally attends the Board of Directors' meetings.

4.4 Executive bodies

In accordance with the By-Laws, the Board of Directors may delegate part of its powers to an Executive Committee, determining the limits of such mandate, as well as the number of members of the committee and its operating procedures.

Under Article 12.3 of the By-Laws, the Board of Directors may appoint one or more Executive Directors, granting them the relevant powers and conferring to one of them, where applicable, the role of Chief Executive Officer. In addition, the Board of Directors may also establish one or more committees with consulting, advisory, or audit functions in accordance with applicable laws and regulations. The Board of Directors may also appoint General Managers, defining their powers and granting powers of attorney to third parties for certain acts or categories of acts.

Under Article 12.4 of the By-Laws, the Chairperson of the Board of Directors is the legal representative of the Company in dealings with third parties and in legal matters (with the right to appoint lawyers and attorneys-of-record). Representation also rests with the Directors who have delegated powers granted by the Board of Directors, with the General Managers, proxies and attorneys-in-fact, within the limits of the powers conferred to them.

4.4.1 Chief Executive Officer and Executive Directors

Also taking into account the motion passed on June 18, 2020, the office of Chief Executive Officer is currently held by Mr. Giulio Bonazzi, who is chiefly responsible for the management of the Issuer; we also underline that the interlocking directorate condition provided for by Criterion 2.C.5 does not apply.

Taking into account the resignations of Mr. Fabrizio Calenti and Mr. Adriano Vivaldi from their positions as Executive Directors, as at the date of this Report Mr. Attilio Annoni, co-opted as Director pursuant to Article 2386 of the Civil Code at the Board meeting of December 21, 2021, effective January 1, 2022, holds the position of Executive Director with the powers described below.

(a) Powers of the Chief Executive Officer Giulio Bonazzi
all powers for the Company's ordinary and extraordinary administration (with the sole exception of those that the By-Laws, the law or the Self-Governance Code reserve exclusively to the Board of Directors and the Shareholders' Meeting). In particular, Director Giulio Bonazzi is granted, including, and without limitation, full powers to manage the following areas, activities and corporate functions:

a) commercial, promotional, marketing and communication activities;
b) production and logistics activities;
c) financial and operational purchasing and/or sale and/or trade and/or leasing activities, and in any case, including through the signing of related lease and/or lease of use contracts and/or any contract, document or instrument required, of (a) movable assets (including those registered), (b) real estate, (c) services of any type and nature, (c) utilities, (d) rights and obligations of any nature and type, and (e) in any case, all that is deemed necessary by the Director for the Company's management;
d) the acquisition and/or sale of corporate holdings of any type up to a maximum of Euro 25,000,000 per transaction and the disposal of the Company's strategic assets up to a maximum of Euro 25,000,000 per transaction, together with the establishment and dissolution and/or the liquidation of investee companies;
e) activities related to financial transactions, including, without limitation: (i) to request and obtain bank credit facilities and/or short, medium and long-term financing of any kind and nature; (ii) to open, close and change bank current accounts of any kind and to make deposits and withdrawals (by obtaining associated instruments such as bank cheques or bank drafts and any other instrument deemed necessary for this purpose); (iii) to submit, recall or defer bills of any kind for discount or collection; (iv) to carry out factoring transactions of any form and type; (v) to grant, where necessary and/or required for financing activities, any and all kinds of guarantor, guarantee and any other type of commitment, including collateral security, both on real estate and movable assets (including, but not limited to, the creation of liens and mortgages, *etc.*);
f) activities related to the assumption of guarantor and/or guarantee commitments of any kind in respect of third parties to guarantee the obligations assumed by the Company's subsidiaries (directly or indirectly) or the obligations assumed by third parties, up to a maximum of Euro 15,000,000 per transaction;

g) activities connected to the issue of declarations of conformity (and/or any associated or related declaration) for products marketed by the Company;
h) activities related to any operation or fulfilment of any kind and nature, to be carried out with both national and international government entities at all levels, supervisory authorities and/or surveillance authorities;
i) to represent the Company in court and out of court in all matters and before national and international courts of all types and at all levels, both as the plaintiff and the defendant, with the power (without limitation) to appoint lawyers, attorneys-of-record, consultants and arbitrators, elect domicile, file complaints and lawsuits, bring civil actions, propose petitions and appeals, undertake and request procedural acts or protective, executive and insolvency measures, represent the Company in court whenever the law or the court requests the participation of the Company's legal representative, and to confer all powers upon any appointed attorneys-of-record, including the definition of rights in disputes, with the power to reconcile, settle, issue receipts, withdraw from proceedings, accept waivers and perform any other necessary act;
j) to represent the Company at the Shareholders' Meeting of Italian and foreign investee companies, in any jurisdiction; and
k) activities related to personnel management in all respects, including, but not limited to, recruitment, dismissals, changes to any type of role, grading, duties and remuneration, as well as in connection with the management of trade union relations of all types and levels;

all this: (a) with the Company's representation for all purposes, within the scope of the powers conferred, in respect of any third party, including, without limitation, any national or international authority, including, without limitation, civil, administrative, judicial, social security and insurance Authorities or Entities of any level, as well as tax and registry offices and, in general, the State Financial Administration, the central and peripheral offices of the *Cassa Depositi e Prestiti* (Deposit and Loan Bank), State Treasuries, Regions, Provinces and Municipalities as well as regional or trade Industrial Associations; (b) with the power to confer mandates and grant powers of attorney, according to the terms deemed most suitable by the Director, for individual acts or categories of acts (or matters), within the scope of the powers conferred, as well as to revoke and/or modify them; (c) with all the necessary, useful or appropriate powers, without any limitation and including those not expressly mentioned, for the purposes of exercising the powers conferred, including, but not limited to, the power to sign, supplement and amend any and all deeds, attestations, declarations or documents and to perform all acts and actions that may be necessary, useful or even solely suitable for this purpose.

(b) Powers of the Executive Director Mr. Attilio Annoni

"The Director Attilio Annoni is granted the widest and fullest powers of ordinary administration both with regard to commercial, production and logistical activities in the sectors in which the Company operates (fibers, polymers, etc.), and to organise, manage and supervise the administrative activities of the Company.

Specifically, the following powers are granted:

(i) *represent the Company in respect of any financing institution, company and/or entity, with full delegation to operate with them in order to* inter alia*: **(i)** request and obtain bank credit facilities and/or short, medium and long term financing of any kind and nature; **(ii)** open, close and change bank current accounts of any kind and make deposits and withdrawals, by obtaining and signing associated instruments such as bank cheques or bank drafts and any other instrument or document deemed necessary for this purpose; **(iii)** submit, recall or defer bills of any kind for discount or collection; **(iv)** carry out factoring transactions of any form and type; **(v)** order payments and collect payments relating to the Company's suppliers and customers with all necessary instruments; **(vi)** make transfers. All this, with the power to grant, where necessary and/or required, any and all kinds of guarantor, guarantee and any other type of commitment, including collateral security, both on real estate and movable assets (such as, without limitation, liens, mortgages, etc.);*
(ii) *represent the Company in all matters before national and international government entities of any kind and nature, and supervisory and/or surveillance authorities by signing statements, including tax statements, of any type, nature and form;*
(iii) *represent the Company in any matter in court and out of court and before national and international courts of all types and all levels, both as the plaintiff and the defendant, to appoint lawyers, attorneys-of-record, consultants and arbitrators, elect domicile, file complaints and lawsuits, bring civil actions, propose petitions and appeals, undertake and request procedural acts or protective, executive and insolvency measures, represent the Company in court whenever the law or the court requests the participation of the Company's legal representative, and conferring all powers upon any appointed attorneys-of-record, including the definition of rights in disputes, with the power to reconcile, settle, issue receipts, withdraw from proceedings, accept waivers and perform any other act necessary for this purpose;*
(d) *carry out activities related to personnel management in all respects, including, but not limited to, recruitment, dismissals, changes to any type of role, grading, duties and remuneration, as well as in connection with the management of trade union relations of all types and levels;*
(v) *carry out activities related to the assumption of guarantor and/or guarantee commitments of any kind in respect of third parties to guarantee the obligations assumed by the Company's subsidiaries (directly or indirectly) or the obligations assumed by third parties, up to a maximum of Euro 15,000,000 per transaction;*

(vi) *carry out acquisitions and/or sales of corporate holdings of any type up to a maximum of Euro 25,000,000 per transaction and dispose of the Company's strategic assets up to a maximum of Euro 25,000,000 per transaction, together with the establishment and dissolution and/or the liquidation of investee companies;*
(vii) *represent the Company at the Shareholders' Meeting of Italian and foreign investee companies, in any jurisdiction;*
(viii) *carry out financial and operational purchasing and/or sale and/or trade and/or leasing activities, and in any case including through the signing of related lease and/or lease of use contracts and/or any contract, document or instrument required, of **(a)** movable assets (including those registered), **(b)** real estate, **(c)** services of any type and nature, **(d)** utilities, **(e)** rights and obligations of any nature and type, and as deemed necessary by the Director for the Company's management;*

*all this: **(a)** with the Company's representation for all purposes, within the scope of the powers conferred, in respect of any third party, including, without limitation, any national or international authority, including, without limitation, civil, administrative, judicial, social security and insurance Authorities or Entities of any level, as well as tax and registry offices and, in general, the State Financial Administration, the central and peripheral offices of the Cassa Depositi e Prestiti (Deposit and Loan Bank), State Treasuries, Regions, Provinces and Municipalities as well as regional or trade Industrial Associations; **(b)** with the power to confer mandates and grant powers of attorney, according to the terms deemed most suitable by the Director, for individual acts or categories of acts (or matters), within the scope of the powers conferred, as well as to revoke and/or modify them; **(c)** with all the necessary, useful or appropriate powers, without any limitation and including those not expressly mentioned, for the purposes of exercising the powers conferred, including, but not limited to, the power to sign, supplement and amend any and all deeds, attestations, declarations or documents and to perform all acts and actions that may be necessary, useful or even solely suitable for this purpose."*

4.4.2 Chairperson of the Board of Directors

On June 18, 2020, Giulio Bonazzi was confirmed as Chairperson of the Board of Directors.

In view of the composition of the Board of Directors in office and the conferment of the above offices and powers, the conditions set out in the Code have been satisfied, since the Director Giulio Bonazzi is the Chairperson of the Board of Directors and is principally responsible for company management.

In accordance with the Code, it was found necessary for the Board of Directors to designate Independent Director Simona Heidempergher as Lead Independent Director.

Under Article 12.4 of the By-Laws, the Chairperson of the Board of Directors is the legal representative of the Company in dealings with third parties and in legal matters (with the right to appoint lawyers and attorneys-of-record).

4.4.3 Executive Committee

Under Article 12.2 of the By-Laws, the Board may delegate some of its powers to an Executive Committee, determining the limits of the mandate, as well as the number of members and the operating procedures.

Pursuant to Article 2389 of the Civil Code, the remuneration of the Executive Committee members is to be decided by the Shareholders' Meeting.

At the Reporting date, an Executive Committee had not been established.

4.4.4 Reporting to the Board of Directors

Pursuant to Article 14.5 of the By-Laws, the Board of Directors and the Board of Statutory Auditors are kept informed, inter alia by the persons with delegated powers, about the performance of the Company, its prospects and the transactions of greatest significance for its profitability, financial position or assets and liabilities carried out by the Company or its subsidiaries; in particular, such persons report any transactions in which they have an interest, on their own behalf or on behalf of third parties, or that are influenced by the person, if any, who performs management and coordination activities. The communication shall be made in good time and, in any case, at least on a quarterly basis, either on the occasion of a meeting or by means of a written note.

From the beginning of their mandate, at least on a quarterly basis, the Chief Executive Officer and the Executive Directors reported in an adequate and timely manner to the Board of Directors and the Board of Statutory Auditors on the activities undertaken concerning the powers conferred and in a manner to permit the Board to express opinions in an informed manner on the matters under examination.

4.5 Other Directors with Delegated Duties

At the Reporting date, beyond the Chief Executive Officer and the Executive Directors, no other Directors have been assigned delegated duties.

4.6 Independent Directors

Pursuant to the combined provisions of Articles 147-*ter*, paragraph 4, and 148, paragraph 3, of the CFA and in accordance with the requirements of Article 2.2.3, paragraph 3, letter m) of the Stock Exchange Regulation and Article IA.2.10.6 of the Stock Exchange Instruction Regulation, four Independent Directors currently hold office on the Board of Directors, in the persons of Simona Heidempergher, Margherita Zambon, Ilaria Maria Dalla Riva and Francesco Profumo.

The Board of Directors assesses the existence and permanence of the requirements above, also applying all the criteria as per the Code, on the basis of the information that the parties are required to provide under their own responsibility, or of the information available to the Board of Directors.

With reference to the Board of Directors currently in office, on assuming office on June 18, 2020, at its meeting of February 17, 2021 and later at its meeting of February 9, 2022, the Board carried out the necessary checks on the fulfilment of the independence requirements of the aforementioned Directors.

The Board of Statutory Auditors verified the correct application of the criteria and procedures adopted by the Board of Directors to assess the independence of its members on March 8, 2022.

The meeting in December 2021 involved only Independent Directors - in the absence of other Directors - whereby considerations were developed and thereafter reported to the Board of Directors, concerning: ***(i)*** the organisation of Committee and Board works; ***(ii)*** their functioning, highlighting in particular the appreciation for increasing the teaching content of meetings; ***(iii)*** possible corporate governance improvements, in addition to ***(iv)*** how to integrate the stakeholders.

4.7 Lead Independent Director

We highlight that the composition of the Board of Directors means that the conditions for which - pursuant to the Code - it is necessary to appoint a Lead Independent Director have been met, and Ms. Simona Heidempergher is confirmed as Independent Director. In accordance with the provisions of the Code, the Lead Independent Director was tasked with the duties of collecting and co-ordinating the petitions and contributions of Non-Executive Directors, in particular of the Independent Directors, as well as working with the Chairperson of the Board of Directors to ensure that Directors receive adequate and timely information and may call meetings of the Independent Directors to discuss the functioning of the Board and corporate operations.

4.8 General Manager

As of the date of this Report, the Board of Directors has not appointed a General Manager.

5. PROCESSING OF CORPORATE INFORMATION

The Company carried out a review and updating of the procedures concerning the processing of corporate information, with the support of an outside legal consultant in order to take into consideration the new rules and the Consob Guidelines. On February 14, 2020, the Board of Directors adopted the new version of the following procedures: *(i)* the Relevant Information Processing Policy ("**RIL**"); and *(ii)* the Inside Information Processing Policy, reviewing the previous regulatory framework as approved by the Board of Directors on September 12, 2017 and entering into force on the Effective Merger Date.

It is indicated therefore that at the date of this Report, the following procedures are in force:
(i) Relevant Information Processing Policy;
(ii) Inside Information Processing Policy; and
(iii) Internal dealing code of conduct.

5.1 Relevant Information Processing Policy

The objective of the Relevant Information Processing Policy ("**Relevant Information Policy**") is to set the maximum level of confidentiality for information for which - as established by the Consob Guidelines and the Relevant Information Policy - there is a reasonable possibility that at a later date it may come at an inside nature.

The Relevant Information Policy therefore governs the identification of "Relevant Information" of Addressees (as therein defined) and the definition of the "List of Relevant Information".

A copy of the Inside Information Policy is available on the website of the Company www.aquafil.com in the *Procedures and Regulations* section.

5.2 Inside Information Processing Policy

The purpose of the Inside Information Processing Policy (the ***Inside Insider Information Processing Policy***) is to prevent the release of Inside Information (as defined below) in an untimely, incomplete or inadequate manner, or in any case in such a way as to cause asymmetric information within the market.

In particular, the dissemination of Inside Information, as governed by the afore-mentioned Inside Information Policy protects the market and investors, assuring them adequate knowledge of the events concerning the Issuer on which to base their investment decisions.

It is also the objective of the Policy to prevent certain persons or categories of persons from using information not known to the public to make speculative transactions on the markets to the detriment of the investors without knowledge of such information.

A copy of the Inside Information Policy is available on the website of the Company www.aquafil.com in the *Procedures and Regulations* section.

5.3 Internal Dealing Code

In compliance with the provisions of the MAR Regulation, the Company adopted an Internal Dealing Policy, which is available on the Company website www.aquafil.com in the *Procedures and Regulations* Section.

In accordance with the provisions of the Internal Dealing Policy, the Disclosure Officer is the person appointed for the implementation of the above-mentioned Policy and the updating of the list of Covered Persons.

In this regard, the Board of Directors of the Issuer confirmed the appointment of Ivan Roccasalva as Disclosure Officer on June 18, 2020.

6. INTERNAL COMMITTEES TO THE BOARD OF DIRECTORS (AS PER ARTICLE 123-*BIS*, PARAGRAPH 2, LETTER D), OF THE CFA)

The Board of Directors of Aquafil have set up the following committees:

- Control, Risks and Sustainability Committee
- Appointments and Remuneration Committee.

The Board has not indicated the need to currently establish a Related Party Transactions Committee, as such oversight is provided by the Control, Risks and Sustainability Committee.

7. APPOINTMENTS AND REMUNERATION COMMITTEE

7.1 Composition and operation (as per Article 123-*bis*, paragraph 2, letter d) of the CFA)

In accordance with Article 2.2.3, paragraph 3, letter n) of the Stock Exchange Regulation, applicable to issuers with shares traded on the MTA, STAR segment, as well as in accordance with the provisions of Article 6 of the Code, the Board of Directors of the Company set up an Appointments and Remuneration Committee.

Board of Directors motion of June 18, 2020 appointed as members of the Appointments and Remuneration Committee the following Non-Executive Directors, all of whom independent:

Chairperson	Francesco Profumo (*)
Member	Margherita Zambon
Member	Ilaria Maria Dalla Riva

(*) Person with adequate financial and remuneration policy knowledge and experience, as assessed by the Board of Directors meeting of June 18, 2020.

The meetings of the Appointments and Remuneration Committee are coordinated by its Chairperson and minutes of the meetings are kept. The Chairperson regularly provided information on the meetings held by the Committee at the next Board of Directors' meeting.

In 2021, the Appointments and Remuneration Committee met six times; the meetings lasted on average approx. one hour and fifteen minutes with full participation (i.e. 100% attendance).

The Chairperson of the Board of Statutory Auditors and at least one other member of the Board of Statutory Auditors always attended the Appointments and Remuneration Committee meetings.

In accordance with the combined provisions of Article 2.2.3, paragraph 3, letter n) of the Stock Exchange Regulation — applicable to the issuers with shares traded on the MTA, STAR segment — and the Code, no Director takes part in the meetings of the Appointments and Remuneration Committee in which the proposals to the Board of Directors relating to their remuneration are being discussed.

In 2022, at the Reporting Date, the Appointments and Remuneration Committee has met on three occasions - on February 8, March 8, and March 15. All members attended the meetings, with each meeting lasting 1 hour on average.

7.2 Appointments and remuneration committee duties and activities

The Regulations for the functioning of the Appointments and Remuneration Committee were updated, also in order to align them where necessary with the provisions of the new Corporate Governance Code, and were approved by the Board of Directors on March 11, 2021.

In accordance with the Regulation, the Committee comprises three Independent Directors, or alternatively, Non-Executive Directors, the majority of whom independent, from among whom the Chairperson will be chosen; as per this regulation, in addition, the members of the Committee should have appropriate expertise to execute the duties required of them and at least one member of the Appointments and Remuneration Committee should possess adequate knowledge and experience with regards to finance and remuneration policies, and as assessed by the Board of Directors on appointment.

The Appointments and Remuneration Committee, with regards to appointments, supports the Board of Directors with investigative, proposal and consultation duties. Specifically:

(i) it assists the Board in defining and preparing any criteria for the designation of the parties at point *(ii)* below, as well as the Board of Directors of the subsidiaries;

(ii) it draws up opinions for the Board of Directors in relation to the size and composition of the Board and expresses recommendations on the professional roles whose presence on the Board of Directors is considered beneficial, and also with regards to the following matters:

   a) maximum number of Director or Statutory Auditor positions in other companies compatible with the effective performance of the position of Director with the Company, taking account of the participation of Directors on internal Board Committees. It therefore sets out general criteria based on the commitment related to each role (Executive Director, non-executive or independent), also in relation to the nature and to the size of the companies, as well as whether belonging to the Group. The committee also carries out investigative work with regards to the relative periodic checks and assessments.

   b) assessments upon each matter or issue handled by the Board with regards to authorisation by the Shareholders' Meeting of any exceptions to the non-competition requirement under Article 2390 (non-competition requirement);

(iii) reports to the Board its assessment with regards to the appointment of Senior Executives and members of the Company's Boards and bodies, proposed by the Chief Executive Officer and/or by the Chairperson of the Board of Directors, appointed by the Board and oversees the relative succession plans. Where possible and appropriate, in relation to the ownership structure, proposes to the Board the Chief Executive Officer succession plan;

(iv) it supports the Board in drawing up, updating and implementing the succession plan, if any, for the Chief Executive Officer and Senior Executives of the Company, by examining and assessing the criteria underlying the plan;

(v) proposes to the Board directorship candidates where during the year one or more vacancies arises on the Board (Article 2386, first paragraph of the Civil Code), ensuring compliance with the minimum number of Independent Directors requirement and the under-represented gender quota;

(vi) proposes to the Board candidates for the position of Director to be submitted to the Shareholders' Meeting, taking into account any recommendation received from the shareholders, where it is not possible to obtain the required number of Directors from the slates submitted by the shareholders;

(vii) supervises the self-assessment of the Board and its Committees pursuant to the Corporate Governance Code, with regard to the size, composition and functioning of the Board of Directors and its committees, undertaking the preliminary investigation for the appointment, if necessary, of an external consultant for the self-assessment;

(viii) taking account of the results of the self-assessment, draws up opinions for the Board - in view of the renewal of the Board of Directors - with regards to its size and that of its Committees, and also with regards to the managerial and professional expertise and roles which would support the Board or the Committees to express their position to the shareholders before the appointment of the new Board;

(ix) undertakes the investigations required for the periodic verifications upon the independence and standing requirements of Directors and on the absence of reasons for incompatibility or ineligibility;

(x) draws up an opinion for the Board with regards to any activities carried out by Directors in competition with those of the Company;

(xi) reports to the next appropriate Board meeting, through the Chairperson of the Committee, on the main issues reviewed by the Committee at its meetings; in addition, reports to the Board, on at least a half-yearly basis and not beyond the deadline for approval of the annual and half-year financial reports, on the activities carried out, and also on the adequacy of the appointment system, at the Board meeting indicated by the Chairperson of the Board of Directors.

The Appointments and Remuneration Committee is also assigned the duty, with regards to remuneration, to assist the Board of Directors through investigative, proposal and consultation duties, for the evaluations and decisions concerning the remuneration policy of Senior Directors and Executives. Specifically:

(i) periodically assesses the suitability, overall consistency and real application of the remuneration policy for Directors and Senior Executives. In the latter regard, it makes use of information provided by the Chief Executive Officers; formulates proposals to the Board of Directors on this matter, also with reference to the Board of Directors of the subsidiaries;

(ii) presents proposals or expresses opinions to the Board of Directors on the remuneration of Executive Directors and other Senior Directors, as well as establishing the performance objectives related to the variable component of this remuneration; assesses the possibility of establishing long-term incentive plans for Executive Directors and Senior Executives; monitors the application of the decisions adopted by the Board verifying, in particular, the achievement of the performance objectives;

(iii) reviews in advance the annual remuneration report to be made available to the public at the Shareholders' Meeting for approval of the Annual Financial Statements;

(iv) carry out additional duties assigned by the Board of Directors;

The Appointments and Remuneration Committee may access all information and departments necessary for the undertaking of their duties, as well as utilising outside consultants within the budget approved by the Board of Directors. In this latter regard, where wishing to utilise the services of a consultant for information on remuneration policy market practice, the Committee in advance verifies that such consultants are not in a position whereby their independence of judgement may be affected.

8. REMUNERATION OF DIRECTORS AND SENIOR EXECUTIVES

The remuneration of the Directors is established by the Shareholders' Meeting. Pursuant to Article 15 of the By-Laws, the Shareholders' Meeting may determine the total amount of the remuneration of all of the Directors, including Senior Directors, whose division is established by the Board of Directors, having consulted with the Board of Statutory Auditors, for the remuneration of the Senior Directors pursuant to Article 2389 of the Civil Code.

On June 18, 2020, the Shareholders' Meeting set the remuneration of the entire Board of Directors at Euro 430,000.00.

On June 29, 2021, the Board of Directors, having received the approval of the Board of Statutory Auditors and the Appointments and Remuneration Committee, also resolved to grant - for the financial year 2021 - additional compensation for their specific roles to the Chairperson and Chief Executive Officer Giulio Bonazzi and the Executive Directors Adriano Vivaldi and Fabrizio Calenti.

For information on the remuneration policy adopted by the Issuer and the remuneration of the members of the Board of Directors and Senior Executives, reference should be made to the Remuneration Report prepared pursuant to Article 123-*ter* of the CFA and 84-*quater* of the Issuers' Regulation available on the company website at www.aquafil.com.

9. INCENTIVE MECHANISMS FOR THE INTERNAL AUDIT MANAGER AND THE EXECUTIVE OFFICER FOR FINANCIAL REPORTING

The incentive mechanisms for the Executive Officer are in line with the responsibilities assigned, as confirmed by the Board of Directors.

The incentive mechanisms for the Internal Audit Manager are in line with the responsibilities assigned, as confirmed by the Board of Directors.

10. CONTROL, RISKS AND SUSTAINABILITY COMMITTEE

10.1 Composition and operation (as per Article 123-*bis*, paragraph 2, letter d) of the CFA)

In accordance with the combined provisions of Article 2.2.3, paragraph 3, letter o) of the Stock Exchange Regulation, applicable to issuers with shares traded on the Italian Stock Exchange, STAR segment, as well as in accordance with the provisions of the Code, the Board of Directors internally set up a Control, Risks and Sustainability Committee.

Board of Directors motion of June 18, 2020 appointed as members of the Control, Risks and Sustainability Committee:

Chairperson	Simona Heidempergher (*)
Member	Francesco Profumo
Member	Ilaria Maria Dalla Riva

(*) Person with adequate accounting, financial and risk management knowledge and experience, as reviewed by the Board of Directors meeting of June 18, 2020.

On August 28, 2020, the Board of Directors supplemented the functions of the committee on sustainability issues by approving the new Committee Rules.

The meetings of the Control, Risks and Sustainability Committee were coordinated by its Chairperson and duly recorded in the minutes; the Chairperson of the Board of Statutory Auditors and at least one other member of the Board of Statutory Auditors attended these meetings.

In 2021, the Committee met seven times; the average duration of meetings was of approximately 1 hour and 40 minutes and all Committee members were in attendance.

During 2022, the Committee has already held three meetings — on February 9, March 8 and March 15.

10.2 Functions assigned to the committee and activities carried out

The Regulations for the functioning of the Control, Risks and Sustainability Committee was updated during 2020, in particular for the inclusion of the functions relating to sustainability, and approved by the Board of Directors on August 28, 2020.

The Regulations were subsequently updated, also to align them where necessary with the provisions of the new Corporate Governance Code, and approved by the Board of Directors on February 17, 2021.

In accordance with the Committee regulation, it supports the Board of Directors, with appropriate investigative activity, in their assessments and decisions concerning the Internal Control and Risk Management System, and with regards to the approval of the periodic financial reports.

The Committee also assists the Board of Directors with regard to its duties concerning (i) the drawing up of the Internal Control and Risk Management System guidelines, so as to ensure that the principal risks concerning the Company and its subsidiaries may be correctly identified, adequately measured, managed and monitored, establishing the basis for whether such risks are compatible with a sound and correct management of the company according to the identified strategic objectives; (ii) the periodic verification, undertaken at least annually, upon the adequacy and efficacy of the internal control and risk management system according to the specific characteristics of the Company and the risk profile assumed; (iii) the description, in the corporate governance report, of the principal characteristics of the internal control and risk management system and the means for co-ordination among the parties involved, to assess its adequacy; (iv) the assessment, having consulted the Board of Statutory Auditors, of the results of the Independent Auditors' Report and any letter of recommendations and in the report of fundamental questions established during the audit; (v) the management of risks from impacting events which the Board becomes aware of, supporting, through appropriate investigative actions, the assessments and decisions of the Board of Directors, (vi) the approval, at least annually, of the work plan drawn up by the Internal Audit Manager, having consulted the Board of Statutory Auditors and the Director in charge of the Internal Control and Risk Management System.

The Control, Risks and Sustainability Committee in accordance with the Self-Governance Code, in assisting the Board of Directors:

(i) evaluates, together with the Executive officer for financial reporting and having consulted the independent audit firm and the Board of Statutory Auditors, the correct application of the accounting standards and their uniformity for the preparation of the consolidated financial statements;
(ii) defines the control mechanisms to verify compliance with the duties allocated and periodically monitors their functioning, reporting in a timely manner any irregularities to the Board of Directors;
(iii) expresses opinions on specific aspects concerning the identification of the principal corporate risks;
(iv) examines the periodic reports, concerning the assessment of the Internal Control and Risk Management System, and those of particular importance, prepared by the Internal Audit Department;
(v) monitors the independence, adequacy, efficacy and efficiency of the Internal Audit department;
(vi) may request the Internal Audit department to carry out verifications on specific operational areas, simultaneously communicating such to the Chairperson of the Board of Statutory Auditors;
(vii) reports, at least every six months, on the approval of the annual and half-year accounts, to the Board of Directors on the work carried out and on the adequacy of the Internal Control and Risk Management System;
(viii) expresses opinions on the appointment, revocation, remuneration and budget made available to the Internal Audit Manager;
(ix) carry out additional duties assigned by the Board of Directors;

The Committee, in exercising its duties, may access the information and departments necessary to complete their tasks, as well as utilise, at the expense of Aquafil and to the extent of the budget approved by the Board of Directors, outside consultants where their independence of judgment is not affected.

Other duties assigned to the Control, Risks and Sustainability Committee functions are set out in paragraph 12 below, including the assigned duties of the Related Parties Committee under the Procedure for Related Party Transactions.

On March 8 and March 15, 2022, the Committee assessed the correct utilisation of the accounting policies and their uniformity in the preparation of the financial statements for the period and planned the constant review of the advancement of the projects for the review of the organisation systems and models of the Group, of the Internal Control and Risk Management System as well as in this context, the completion of the 2021 audit plan and the compliance controls undertaken in accordance with Law 262/2005 and Legislative Decree No. 231/2001 and subsequent amendments.

During the meetings held the Committee discussed the most appropriate initiatives in relation to its own remit and functions, within a progressive improvement of the Internal Control and Risk Management System in order to ensure maximum efficiency and security of the system.

The meetings of the Committee will largely be undertaken simultaneously with the meetings of the Board of Statutory Auditors of the Issuer and in the presence of the members of the Board of Statutory Auditors, of the Executive Officer for financial reporting and the Internal Audit Manager and, where beneficial, also with the participation of a representative from the independent audit firm. The presence of these control and oversight bodies is expected to permit the communication and discussion of the principal aspects relating to the identification of the business risks.

In the carrying out of its functions, the Committee has and will have full access to the information and to the corporate functions necessary for the carrying out of its remit.

11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM (AS PER ARTICLE 123-*BIS*, PARA. 2, LETTER 3) OF THE CFA)

The Internal Control and Risk Management System is the set of rules, procedures and organisational structures aimed at facilitating, through an adequate process of identification, measurement, management and monitoring of the main risks, a sound and correct management consistent with the established goals.

An effective Internal Control and Risk Management System contributes to ensuring the protection of corporate assets, the efficiency and effectiveness of business operations, the reliability of financial reporting and compliance with laws and regulations.

This system allows managers to have on a regular and timely basis a sufficient overview of the economic and financial situation of the Company and of the main companies of the Group and soundly and correctly facilitates: *(i)* the monitoring of the main key performance indicators and risk factors that relate to the Company and to the main Group companies; *(ii)* the collection of data and information with particular reference to financial information, in adequate quantities for analysis according to type of business activity, organisational complexity and specificity of the information needs of management; *(iii)* the development of prospective financial data for the business plan and the budget, as well as for the verification of the meeting of business objectives through an analysis of variances.

In 2021 the Board of Directors, among other issues:

- approved the work plan drawn up by the internal audit manager, after review by the Board of Statutory Auditors and the Director in charge of the Internal Control and Risk Management System (Director in charge);
- assessed, having consulted the Board of Statutory Auditors, the results presented by the independent audit firm.

In the exercise of these functions, the Board of Directors shall be supported by the Director in charge of the Internal Control and Risk Management System and the Control, Risks and Sustainability Committee.

On December 7, 2017, the Board of Directors approved the guidelines of the Executive Officer for Financial Reporting in compliance with Law 262/05, together with the procedure for collecting the related internal representations on behalf of the companies of the Group.

At the Reporting date, the Issuer had completed the drafting and formulisation of the company policies to guarantee compliance with the applicable regulation.

At the Reporting date, the Company:

- had renewed the following certifications:
  for the BCF sector:
  – REACH (Letter Conformity REACH);
  – ECONYL® Product Certificate (certification body: DNV);
  – ISO 14001: 2004;
  – ISO 9001: 2008 (Aquafil Quality management system);
  – ISO 9001: 2008 (Quality management system / TESSIL4);
  – ISO 9001: 2008 (*Quality Management System Certificate* / Group);
  – ECONYL® caprolactam certificate (certification body: DNV);
  – OEKO – TEX (Aqualeuna);
  – OHSAS 18001:2007;
  – EPD* (ECONYL® polymer);
  – EPD* (ECONYL® yarn (BCF Reprocessed));
  – ISO 9001 (AquafilUSA);
  – UL 2018 (AquafilUSA);
  – ISO 9001:2008 (AquafilAsia Pacific);
  – ISO 9001:2008 (Aqualeuna);
  – ISO 14001:2004 (Aqualeuna);
  – ISO 50001:2011 (Aqualeuna);
  – ISO 9001:2008 (Aquafil Jaxing English language);
  – ISO 9001:14001 (Aquafil Jaxing English language);
  – OHSAS 18001:2007 (Aquafil Jaxing English language);
  – OEKO – TEX (standard 100);
  for the NTF sector:
  – REACH (Letter Conformity REACH);
  – ECONYL® Product certificate (certification body: DNV);
  – ISO 14001 (AquafilSLO entire facility);
  – *Responsible care*, AquafilSLO – Ljubljana (certification body: ICCA);
  – OEKO - TEX Standard 100 Aquafil (standard 100);
  – EPD * (ECONYL® polymer);
  – EPD * (ECONYL® yarn);
  – ISO 14001_2004 (AquafilCRO d.o.o.);
  – ISO 50001_2011 (AquafilCRO d.o.o.);
  – IQNet SR 10:2015 – *Social Responsibility Management System* (AquafilCRO d.o.o.);
  – OHSAS 18001:2007 (AquafilCRO d.o.o.);
  – OEKO – TEX (standard 100 AquafilSLO);
  – OEKO TEX Standard 100 Aquafil S.p.A. ECONYL® (ECONYL® yarns);
- confirmed the adoption of the Code of Conduct and ensures the continual update of its Organisational and Management Model, with reference to the prevention of offences as per Legislative Decree No. 231/01 and subsequent amendments, under the constant guidance of the Supervisory Board in office;
- completed a comprehensive risk assessment activity with the support of an external consulting firm, as well as the IT Risk Management assessment and IT risk analysis.

One of the main elements of the Internal Control and Risk Management System is the internal control of the financial disclosure process. This aims to ensure integrity, accuracy, reliability and timeliness in the preparation and communication of disclosure (including financial).

Moreover, the strengthening of the Internal Control and Risk Management System continued in 2021. This process comprised the following macro-elements:

- definition of the procedures and risk control matrices for each business process for each Company falling within the consolidation scope;
- identification of corrective actions, follow-ups and reporting - definition and sharing of corrective actions with the management, assessment of the effective implementation of the same, preparation of reports to the Executive Officer for financial reporting and for the supervisory and control bodies;
- updating of the 262 Model and related documentation, on the basis of corporate, organisational and procedural changes made.

- self-assessment process to seek to capitalise on the contingency experience gained during the emergency phase of the pandemic.

The methodology followed for designing and for carrying out checks concerning the 262 Model were in line with best international practice and shall ensure full traceability in its implementation.

With reference to the identification and assessment of financial reporting risks, the Issuer carries out its analyses and audit activities on subsidiaries with levels of revenue and balance sheet assets in excess of a threshold of predefined materiality, as well as on the management of intercompany transactions. Following qualitative considerations, routine analyses and audits are performed also on other subsidiaries, regardless of their quantitative contribution to the consolidated financial statements.

The risks, measured and evaluated according to best practices in the field of international risk assessment, cover the operational processes relating to general accounting entries and the estimates and financial statement declarations, with a view to prevent errors of accuracy and completeness and to prevent fraud. The assessment of the 'inherency' of the risks is qualitative and is performed both with regard to the materiality and the nature of the accounting entries and with regard to the frequency of the operational processes.

In relation to the identification and the assessment of controls for identified risks, the 262 Model considers preventive, investigative and second level controls on processes relating to accounting entries and on the estimates. The assessment of the adequacy and effectiveness of controls to mitigate risks shall be qualitative, based on the outcome of the checks carried out in the course of the 262 Model monitoring activities.

The monitoring activities are concentrated on the operational processes relating to the material accounting items, which are identified annually via a preliminary scope analysis. In addition, ad-hoc checks were carried out on activities relating to accounts closures and consolidation entries, which the Company documented and which were allocated in terms of responsibilities and authorised via a dedicated computer program in order to guarantee completeness and accuracy of information.

The Executive Officer and the Internal Audit Manager report periodically to the Control, Risks and Sustainability Committee, the Board of Statutory Auditors and to the Director in charge of the Internal Control and Risk Management System and, to the extent of its remit, to the Supervisory Board concerning the management of the 262 Model, expressing an assessment of the adequacy of the administrative and accounting control system and corrective actions to be implemented.

The Board of Directors periodically monitors the adequacy of the Internal Control and Risk Management System in relation to the requirements of the business, as well as its efficiency, based on the periodic report received from the Director in charge of the Internal Control and Risk Management System, of the Control, Risks and Sustainability Committee, of the Internal Audit Manager, of the Supervisory Board and of the Board of Statutory Auditors.

11.1 Director in charge of the Internal Control and Risk Management System

As part of the structuring and strengthening of the risk management and control system, on June 18, 2020, the Board of Directors confirmed Adriano Vivaldi as the Director responsible for the establishment and maintenance of an effective Internal Control and Risk Management System (the ***Director in charge of the Internal Control and Risk Management System***) (who has since left office) also considering the provisions of the Code.

11.2 Internal Audit Manager

On August 28, 2020, having consulted with the Control, Risks and Sustainability Committee and the Board of Statutory Auditors, the Board of Directors confirmed Barbara Dalla Piazza as head of the internal audit department pursuant to the Self-Governance Code.

At the Reporting date, the internal audit function:
- fully implemented the activities set out in the 2021 Audit Plan, as approved by the Board of Directors in the meeting of March 11, 2021, with prior review by the Control, Risks and Sustainability Committee and the Director in charge of the Internal Control and Risk Management System and, among others, carried out direct and specific control activities within the Issuer and the most significant Group companies, in order to uncover any deficiencies in the Internal Control and Risk Management System in the various risk areas; the internal audit manager also audited and assessed the suitability, efficiency and the effective functioning of the internal control and risk management system on an ongoing basis in relation to specific needs and in compliance with international standards;

- prepared periodic reports containing sufficient information on activities, on the manner in which risk management is carried out, as well as compliance with defined plans for their containment, for the purposes of the appropriateness of the Internal Control and Risk Management System; these reports were sent to the Director in charge of the Internal Control and Risk Management System, the Chairperson of the Board of Statutory Auditors, the Chairperson of the Control, Risks and Sustainability Committee and, where required in relation to events under examination, to the Chairperson of the Board and the Supervisory Board;
- prepared the 2022 Audit Plan, approved by the Board of Directors meeting of March 15, 2022, with prior review by the Control, Risks and Sustainability Committee, the Director in charge of the Internal Control and Risk Management System and consulted with the Board of Statutory Auditors.

In particular, the internal audit manager, carried out the verifications on the Internal Control and Risk Management System, in line with the audit plan and undertaking the follow up activities (in particular with reference of the controls in compliance with the provisions of Law 262/2005 and Legislative Decree No. 231/2001).

In addition, during the Reporting Period, the results of the audit activities were analysed, discussed and shared, between the internal audit function, the head of the processes/departments involved from time to time and management of the Company in order to agree upon and undertake appropriate preventative/corrective action, whose realisation was constantly monitored until their complete execution.

The remuneration of the Internal Audit Manager was determined in accordance with company policies. The Board ensures that the Internal Audit Manager has adequate resources for the undertaking of his/her duties.

11.3 Organisational model as per Legislative Decree no. 231 Of 2001

The Issuer's Board of Directors, at its meeting of November 13, 2020, approved amendments to the Organisation, Management and Control Model comprising the Code of Conduct, the General Part, the Special Parts and the Governance System.

The Model provides for policies and measures to guarantee the performance of activities in accordance with law and to identify and eliminate situations of risk, as well as for a system of prevention designed to mitigate offence risk that is consistent with the organisational structure and with best practice.

It comprises a General Section and 1 Special Section (with 13 sub sections).

In particular, the Special Sections clarify the nature and the possible ways of committing the types of Relevant Offenses identified in the Risk areas, as well as the specific organisational controls implemented to prevent their commission.

Forming an integral part of the Model are the following documents attached thereto: (i) the Supervisory Board Regulation; (ii) the Governance System and (iii) the Code of Conduct.

The Code of Conduct is an integral part of the Model. It sets ethical principles and prescriptive rules of conduct for employees and other recipients, contributing to establish an appropriate control environment to ensure that the Issuer's activity is always based on the principles of fairness and transparency and to reduce the risk of the offenses covered under Legislative Decree No. 231/2001 and subsequent.

The requirement for exemption from administrative liability has led to the establishment of a Supervisory Board within the Issuer, which has independent powers of initiative and control, with the task of: *(i)* monitoring the effectiveness of the model, which is embodied in the verification of consistency between actual conduct and the model established; *(ii)* conducting the examination of the adequacy of the model, or rather its real capacity to prevent, in principle, undesirable conduct; *(iii)* carrying out an analysis of the maintenance over time of the soundness and functionality of the Model; *(iv)* ensuring the necessary dynamic update of the Model, through the formulation of specific suggestions, in the event that analyses performed require corrections and adjustments; *(v)* carrying out the so-called "follow-up", or rather verifying the implementation and the functionality of the solutions proposed.

On November 13, 2020, the Board of Directors renewed the appointment of the Supervisory Board for 3 years, composed of three members, in the persons of Fabio Egidi, external member, as Chairperson; Marco Sargenti, external member; and Karim Tonelli, internal member.

On March 15, 2022, the Supervisory Board presented a report to the Board of Directors on the controls and checks performed in the reference Year and their outcome.

The Supervisory Board, during 2021, met six times, in addition to holding meetings for training purposes.

The offenses covered by the Issuer's model are in line with current law and in particular the Model was latterly updated at the Board meeting of November 13, 2020 with the inclusion, among others, of fiscal offences.

The Model introduces an adequate system and sanctioning mechanisms for conduct in violation.

The Code of Conduct and Model may be consulted on the company website www.aquafil.com in the *Corporate Governance/Documents* section.

11.4 Independent audit firm

On January 30, 2018, the Shareholders' Meeting of Aquafil, *inter alia*: (i) approved, pursuant to Article 13 of Legislative Decree No, 39/2010 and Article 7 of the Regulation adopted with Ministerial Decree No. 261/2012, the mutual resolution of the audit appointment of KPMG S.p.A. for 9 years of which the last for the year ended December 31, 2024; and (ii) simultaneous appointed Pricewaterhousecoopers S.p.A. (***PwC***) for the duration of nine years (from 2017 to 2025), in accordance with Article 13 of Legislative Decree No. 39/2010.

Therefore, the audit for 2017-2025 period was awarded to PwC S.p.A.

11.5 Executive officer for financial reporting

In accordance with Article 16 of the By-Laws, the Board of Directors appoints, upon obligatory approval of the Board of Statutory Auditors, the Executive Officer for financial reporting pursuant to Article 154-*bis* of the CFA, providing him/her with adequate means and powers to carry out the role.

On June 18, 2020, the Board of Directors of the Issuer confirmed Mr. Sergio Calliari (Issuer employee in the role of Group Administration Director) as the Executive Officer for financial reporting as per Article 154-*bis* of the CFA.

The Executive Officer for financial reporting must be of a professional standard such as to have qualified experience of at least three years in the exercise of administration and control activities, or in executive or consultancy functions, with listed companies and/or relative groups of companies, or companies, entities and enterprises of large and significant size, including the preparation and control of accounting and corporate documents. The Executive Officer must also meet the requirements of good standing as provided for Statutory Auditors by the applicable legal provisions.

The Executive Officer has the primary duty to design, manage and monitor the processes concerning, in particular, administrative-accounting information flows, including automatic data processing and accounting recording systems, also to provide - in the legally and regulatory required forms - the declarations on their adequacy and effective application.

The Executive Officer, in addition, is required to identify and assess the financial disclosure risks, identify and implement the required controls to mitigate the possibility that these risks occur and monitor and assess the effectiveness of the controls within a risk management and internal control system, in relation to the financial disclosure process, which is adequate and functioning.

As per Article 154-*bis* of the CFA, the Executive Officer is required to: *(i)* declare that the deeds and communications of the Issuer communicated to the market and concerning accounting disclosure (including interim) of the Issuer corresponds to the underlying accounting records and entries; *(ii)* prepare appropriate administrative and accounting policies for the drafting of the statutory and consolidated financial statements, in addition to any other communications of a financial nature; and *(iii)* jointly with the Chief Executive Officer declare through a specific report attached to the statutory financial statements, the condensed half-year financial statements and the consolidated financial statements, among others, the adequacy and effective application of the procedures at point *(ii)*, during the period to which the documents refer and declare, in addition, the correspondence of such to the accounting records and entries and their suitability to provide a true and fair view of the Company's financial statements and any companies included in the consolidation, assigning for this purpose the following powers:
(a) full access to all information considered relevant for the execution of duties, both at the Company and at any parent companies;

(b) attend the meetings of the Board of Directors concerning matters within their scope;
(c) faculty for dialogue with all administrative and control boards of the Company and the subsidiaries;
(d) faculty to approve company policies with an impact on the financial statements, on the consolidated financial statements or on other documents requiring certification;
(e) involvement in the design of IT systems impacting the Company's financial statements;
(f) the possibility to utilise IT systems.

In order to permit the Board of Directors to properly execute its supervisory powers, the Executive Officer should, in addition, report at least quarterly to the Board with regards to activities carried out, in addition to any emerging critical issues.

The Executive Officer is provided with all the necessary powers and means for the execution of his duties.

The Executive Officer, together with the Chief Executive Officer, has the duty to provide instructions also to the subsidiaries belonging to the Group, to ensure adoption of all provisions, administrative and accounting procedures and all other acts and measures necessary for the correct drafting of the consolidated financial statements, in addition to all measures communicated by the Executive Officer in accordance with Law No. 262/05, which ensures the maximum reliability of information flows to the Executive Officer and concerning the preparation of the financial statements.

11.6 Coordination of the parties involved in the internal control and risk management system

The coordination procedures put in place by the Issuer between the different parties involved in the Internal Control and Risk Management System guarantee an efficient and effective coordination and sharing of information between the bodies involved. Specifically:

- the internal audit manager Ms. Barbara Dalla Piazza maintains periodic communication with the other company bodies and structures with oversight and monitoring functions upon the Internal Control and Risk Management System, such as the Executive Officer, the Supervisory Board as per Legislative Decree No. 231/01 and the independent audit firm, each within their respective scopes and responsibilities;
- the participation of the internal audit manager at the meetings of the Supervisory Board and at the meetings of the Control, Risks and Sustainability Committee enables the internal audit function to maintain adequate visibility of pressing company risks and managed by the Group and of issues emerging and brought to the attention of the various oversight and control boards;
- the Board of Statutory Auditors maintains periodic communication with the Board of Directors and with the Control, Risks and Sustainability Committee. In particular, the Chairperson and at least one member of the Board of Statutory Auditors always attend the meetings of the Control, Risks and Sustainability Committee; the Board of Statutory Auditors also meets periodically (during its meetings or jointly with the Control, Risks and Sustainability Committee) with the Internal Audit Manager, the Supervisory Board and the independent audit firm;
- the members of the Supervisory Board may attend, on invitation, the meetings of the Board of Directors and the Control, Risks and Sustainability Committee, reporting half-yearly on the activities undertaken;
- the independent audit firm attends, where invited, the meetings of the Control, Risks and Sustainability Committee so as to be constantly up to date on activities and on that decided by the Committee, and also for the purposes of reporting on planning and on the outcome of audit activities.

12. DIRECTORS INTERESTS AND RELATED PARTY TRANSACTIONS

12.1 Composition and appointment

12.1.1 Composition and operation (as per Article 123-*bis*, paragraph 2, letter d) of the CFA)

The Board of Directors allocated these functions to the Control, Risks and Sustainability Committee.

The meetings of the Control, Risks and Sustainability Committee are coordinated by its Chairperson and minutes of the meetings are kept. The Chairperson regularly provided information on the meetings held by the Committee at the next Board of Directors' meeting.

The Chairperson of the Board of Statutory Auditors and at least one other member of the Board of Statutory Auditors always attended the Committee meetings.

In 2021, the Control, Risks and Sustainability Committee met 3 to serve as the Related Party Transactions Committee, on February 12, May 13 and December 21.

12.1.2 Functions assigned to the Control, Risks and Sustainability Committee with regards to Related Party Transactions and activities carried out

At the date of this Report, the Related Party Transactions Committee executed its functions in compliance with the Procedure for Related Party Transactions. In particular, the Related Party Transactions Committee, in the undertaking of its duties, reviewed the relationships and transactions with related parties which existed prior to the Merger and took note of these.

In 2021, in addition to reviewing the updated Procedure for Related Party Transactions (which was approved by the Board of Directors on May 13, 2021), the Committee reviewed two new Related Party Transactions regarding, respectively, the agreements with Executive Director Fabrizio Calenti and the agreements with Executive Director Adriano Vivaldi.

12.2 Related party transactions policy

On September 12, 2017, the Board of Directors approved a draft of the Procedure for Related Party Transactions, in accordance with Article 2391-*bis* of the Civil Code (with effect from the Effective Merger Date). In line with that established by the Related Parties Regulation, a draft of this policy, subsequent to the Effective Merger Date, was submitted to the Control and Risks Committee (in execution of its role as the Related Parties Committee), which issued a favourable opinion upon the policy, which was thereafter definitively approved by the Board of Directors on December 7, 2017.

On January 30, 2018, the Shareholders' Meeting also approved an amendment to the By-Laws which is functional to incorporate Consob indications regulating Related Party Transactions.

The Procedure for Related Party Transactions and its annexes, as applied by the Issuer, can be consulted on the Issuer's website at www.aquafil.com in the *Corporate Governance/Procedures and Regulations* section, also as amended by the Board motion of May 13, 2021, in light of the amendments to the Consob Related Party Transactions Regulation, passed with Consob Resolution No. 21624 of December 11, 2020.

13. APPOINTMENT OF STATUTORY AUDITORS

In accordance with Article 17 of the By-Laws, the Board of Statutory Auditors is comprised of 3 statutory auditors and 2 alternate auditors, appointed by the Shareholders' Meeting on the basis of slates presented by shareholders.

As per Article 17 of the By-Laws, shareholders may present a slate for the appointment of Statutory Auditors who, alone or together with other presenting shareholders, hold a percentage in the share capital at least equal to that determined by Consob in accordance with applicable legislation and regulations (which for the Company, for 2021, was 2.5% of the share capital for such purposes referring to the share capital represented by listed shares). Ownership of the minimum shareholding is determined according to the shares that are registered in favour of the shareholder on the day in which the slates are filed with the Issuer; certification can also be presented subsequent to the filing provided that it is within the deadline for the publication of the slates.

Slates are filed at the registered office in accordance with applicable law, at least twenty-five days prior to the date of the Shareholders' Meeting called to approve the election of the Statutory Auditors. The slates must be made available to the public by the Company at least twenty-one days prior to the Shareholders' Meeting in accordance with the manner prescribed by current regulations.

The slates must include the names of one or more candidates for the position of Statutory Auditor and one or more candidates for the position of Alternate Auditor. The names of the candidates are divided between each section (Statutory Auditors section, Alternate Auditors section) by progressive numbering and in any event with a number not exceeding the Board members to be elected. The slates, if they contain, in both sections, a number of candidates equal to or greater than 3, must contain a number of candidates in both sections to ensure that the composition of the Board of Statutory Auditors, both for statutory auditors and alternate auditors, complies with the legal and regulatory provisions that are in force in relation to gender balance (male and female), provided that if the application of the criterion for the gender balance quota does not result in a full number, this should be rounded up to the next unit.

The following documents must be attached to each slate, at the risk of ineligibility: (i) information on the identity of shareholders who have presented them, with an indication of the total percentage of shares held; (ii) a declaration by shareholders other than those who hold, even jointly, a controlling or majority shareholding, attesting to the absence of any relationship with these latter in accordance with applicable law; (iii) detailed information about the personal and professional characteristics of the candidates, as well as a declaration by the candidates certifying that they meet the statutory requirements, and acceptance of the candidature, accompanied by a list of administrative and control positions held with other companies; (iv) any additional or differing declaration, information, and/or documents provided for by applicable law and regulations.

Each shareholder, shareholders who belong to the same group of companies, as well as shareholders involved in a shareholder agreement in accordance with Article 122 of Legislative Decree No. 58/1998, may not present or participate in presenting, even through a nominee or trust company, more than one slate nor can they vote for differing slates; in addition, each candidate may be present in only one slate, at the risk of ineligibility.

In the case where only one slate is filed at the expiry date of the term for presentation of the slates, or slates are only presented by related shareholders pursuant to the applicable directives, slates can be presented up to the third day subsequent to such date. In this case, the percentage threshold established for the presentation of the slate is reduced by half.

The Statutory Auditors are elected as follows: (i) from the slate that obtained the largest number of votes (Majority Slate) taken in the progressive order in which they appear in the slate, two Statutory Auditors and one Alternate Auditor; (ii) from the slate that obtained the second largest number of votes and are not connected, even indirectly, with the shareholders who presented or voted for the Majority Slate in accordance with the applicable provisions and taken in the progressive order in which they appear on the slate, the third Statutory Auditor will be chosen (Minority Statutory Auditor), who will chair the Board of Statutory Auditors, and the second Alternate Auditor (Minority Alternate Auditor). Should two slates receive the same number of votes, a second vote of the entire Shareholders' Meeting shall decide, with the candidate being elected by means of a simple majority of the votes.

Where the result of voting does not satisfy the applicable gender balance law and regulations that are in force (including the rounding up to the next unit if the application of the criterion for the gender equality quota does not result in a full number), the candidate for the office of Statutory or Alternate Auditor from the over-represented gender elected as last in progressive order from the Majority Slate will be excluded and will be replaced by the next candidate for the office of standing or alternate auditor from the same slate belonging to the other gender.

Where only one slate is presented, the Shareholders' Meeting will vote on that slate and, where this slate receives the majority of the votes, all the Statutory Auditors and Alternate Auditors will be taken from this slate in accordance with the law and regulations in place, including in terms of gender balance (male and female).

The Statutory Auditors are appointed for a period of three years (and may be re-elected), which expires on the date of the Shareholders' Meeting called for the approval of the financial statements relating to the final year in office.

Subject to compliance with the applicable law and regulations in force in relation to gender balance, in cases where, for whatever reason, *(i)* a statutory auditor from the Majority Slate leaves office, the alternate auditor elected from the Majority Slate will take their place, *(ii)* a Minority Statutory Auditor leaves office, they will be replaced by the Minority Alternate Auditor. If, for whatever reason, it is not possible to proceed as indicated above, the Shareholders' Meeting must be called in order to supplement the Board through statutory majority, without the application of slate voting, subject to compliance with the applicable law and regulations in relation to the gender balance quotas.

Finally, in the absence of slates, or where it is not possible for whatever reason to appoint the Board of Statutory Auditors with the procedures indicated in this Article, the three Statutory Auditors and the two Alternate Auditors will be appointed by the Shareholders' Meeting through the majority provided for by law, in accordance with the laws and regulations in force also in relation to the gender balance quota.

14. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS (EX ARTICLE 123-*BIS*, PARAGRAPH 2, LETTER D) OF THE CFA)

On April 28, 2021, the Shareholders' Meeting appointed the following members to the Board of Statutory Auditors of the Company:

Office	Name	Date of Appointment
Chairperson	Stefano Poggi Longostrevi	April 28, 2021
Statutory Auditor	Bettina Solimando	April 28, 2021
Statutory Auditor	Beatrice Bompieri	April 28, 2021
Alternate Auditor	Marina Manna	April 28, 2021
Alternate Auditor	Davide Barbieri	April 28, 2021

Messrs. Bettina Solimando, Beatrice Bompieri and Marina Manna came from the slate filed by the shareholder Aquafin Holding (obtaining 47,429,299 votes, equal to at 89.073% of the voting share capital), while Messrs. Stefano Poggi Longostrevi and Davide Barbieri came from the slate filed jointly by a group of asset management companies and international and domestic institutional investors (obtaining 5,816,633 votes, equal to 10.924% of the voting share capital).

The Board of Statutory Auditors will remain in office until the Shareholders' Meeting called for the approval of the 2023 Annual Accounts.

For further information on the slates filed for the appointment of the Board on April 28, 2021, reference should be made to the Company's website www.aquafil.com, in the *Investor Relations/Shareholders' Meetings* section, where the professional curriculum vitae of each Statutory Auditor is available.

TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Board of Statutory Auditors									
Office	**Members**	**Year of birth**	**Date first appointment(*)**	**In office from**	**In office until**	**Slate (**)**	**Ind. Code**	**Attendance at Board meetings (***)**	**No. other offices (****)**
Chairperson	Poggi Longostrevi Stefano	1965	January 30, 2018	April 28, 2021	Approv. 2023 Accounts	2	x	100%	17
Statutory Auditor	Solimando Bettina	1974	January 30, 2018	April 28, 2021	Approv. 2023 Accounts	1	x	100%	11
Statutory Auditor	Bompieri Beatrice	1968	April 24, 2021	April 28, 2021	Approv. 2023 Accounts	1	x	100%	4
Alternate Auditor	Manna Marina	1960	January 30, 2018	April 28 2021	Approv. 2023 Accounts	1	x	N/A	5
Alternate Auditor	Barbieri Davide	1984	January 30, 2018	April 28, 2021	Approv. 2023 Accounts	2	x	N/A	8
Quorum required for the presentation of slates by minority shareholders for the election of one or more members (pursuant to Article 148 CFA): 2.5%									

NOTES

(*) The first appointment of each Statutory Auditor refers to the date on which the Statutory Auditor was appointed for the first time to the Board of Statutory Auditors of the Issuer.

(**) This column indicates the slate from which each Statutory Auditor originated ("M": Majority Slate; "m": Minority Slate).

(***) This column indicates the percentage of attendance of the Statutory Auditors in relation to the number of meetings of the Board of Statutory Auditors (indicates the number of meetings attended compared to the amount they could have attended; e.g. 6/8; 8/8 etc.).

(****) This column indicates the number of offices of Director or Statutory Auditor in accordance with Article 148-*bis* of the CFA and the relative enacting provisions in the Consob Issuers' Regulation. The complete list of offices held is published by Consob on its website pursuant to Article 144-*quinquiesdecies* of the Consob Issuers' Regulation.

Meetings of the Board of Statutory Auditors may be held with participants located in several places, near or far, linked by audio or video, provided that: *(i)* the Chairperson of the meeting is able to verify the identity and the legitimacy of the participants, direct the proceedings of the meeting and witness and announce the results of the vote; *(ii)* the person taking the minutes is able to adequately observe the events of the meeting that is to be minuted; *(iii)* the participants are able to follow the discussion and vote simultaneously on the matters on the Agenda, as well as view, receive or transmit documents. If all the aforementioned conditions are complied with, the meeting shall be deemed to have been held in the place where the Chairperson is present and where the secretary of the meeting must be present, to permit the minute-taking of the meeting (subject to specific exceptions provided for by the law in connection with the COVID-19 pandemic).

In 2021, the Board of Statutory Auditors held 15 meetings (including individual meetings and meetings in joint session with the Control, Risks and Sustainability Committee), on January 18, February 12, , March 5, March 11, March 23, March 26, April 28, May 13, June 24, July 20, August 30, October 5, November 11, November 23 and December 21. The average duration of meetings was approx. 1 hours and 50 minutes, with 100% attendance.

At the meeting of March 8, 2022, the Board of Statutory Auditors assessed the correct application - by the Board of Directors - of the procedures to assess the independence of the Independent Directors according to the Code.

In addition, on March 8, 2022, the Board of Statutory Auditors also assessed the independence of its members, already assessed on appointment, and also in accordance with the requirements for independence of Directors by the Self-Governance Code, while also undertaking its self-assessment. The result of these assessments was communicated to the Board of Directors in the Board meeting of March 15, 2022 and announced to the market through the publishing of this Report, available on the company website www.aquafil.com.

The Board of Statutory Auditors reviewed and shall review the independence of the independent audit firm, ensuring compliance with regulatory provisions, and the nature and extent of the various services provided to the Issuer and its subsidiaries by the Audit Firm and its network.

The Board of Statutory Auditors has constantly maintained normal coordination initiatives with the Control, Risks and Sustainability Committee, the Internal Audit Department and the Supervisory Board, as well as meeting periodically with the independent audit firm. For information on the manner of the coordination reference should be made to paragraph 11.6.

Legislative Decree No. 39/2010 *("Implementation of EU Directive No. 43/2006, relating to the audit of separate and consolidated annual accounts, which modifies EU Directive 78/660 and EU Directive 83/349, and which revokes EU Directive 84/253)* attributed to the Board of Statutory Auditors the functions of the Internal Control and Audit Committee and, in particular the oversight functions on ***(i)*** the financial disclosure process; ***(ii)*** the efficiency of the internal control system, internal audit, where applicable, and risk management; ***(iii)*** the audit of the separate and consolidated annual accounts; ***(iv)*** the independence of the independent audit firm, in particular in relation to non-audit services by the party providing audit services.

For the entire duration of the admission to trading of the Company's shares on an Italian regulated market, the Board of Statutory Auditors in addition exercises all other duties and powers established by the special laws; with regards to mandatory reporting, the Directors are required to report on a quarterly basis, in accordance with Article 150 of the CFA.

The Chairperson of the Board of Directors ensured that the Statutory Auditors received adequate information on the sector in which the Issuer operates, on the business operations and their performances, of the principles of correct risk management as well as the relative regulatory framework. In particular, during the Board meetings held at the headquarters of the Company, the Statutory Auditors regularly received detailed information on the sector in which the Issuer undertakes its activities, in order to fully understand the underlying business operations and the relative developments during the year.

We also note that during the first visit of the new members of the Board of Statutory Auditors to the Company's headquarters, the Statutory Auditors of Aquafil were able to make an extended visit to the Arco (Trento) production facility in order gain adequate knowledge of the sector in which the Issuer operates, in addition to company and production dynamics.

The remuneration of the Statutory Auditors is commensurate with the commitment required, the importance of the role covered, in addition to the size and sector of the Company.

The Issuer does not provide a specific obligation for the Statutory Auditors to promptly inform the other members of the Board of Statutory Auditors and the Chairperson of the Board on the nature, terms, origin and size of their interest, where the Statutory Auditor have, on their own behalf or on behalf of third parties, an interest in a transaction of the Issuer; this is due to the fact that the Issuer considers this disclosure information a normal duty for the parties which hold the position of Statutory Auditor.

In accordance with the By-Laws, the Chief Executive Officer shall report adequately and promptly to the Board of Directors and the Board of Statutory Auditors on the activities undertaken, on the general operating performance and outlook, as well as on major operations for their size or nature by the Issuer and its subsidiaries, in accordance with the provisions of law and the By-Laws, and therefore on a quarterly basis.

15. RELATIONS WITH SHAREHOLDERS

The disclosure with shareholders is ensured by making available the most relevant corporate documents in a timely and continuous manner on the Issuer's website www.aquafil.com in the Investor Relations, Corporate Governance and News&Media sections and, where required by the applicable regulations, on the authorised storage mechanism eMarket STORAGE at www.emarketstorage.com.

In particular, all press releases issued to the market and the Issuer's periodic financial reports are available on the aforementioned website as soon as they have been approved by the corporate boards (annual report, interim report, quarterly report).

Also available on the aforementioned website are the main Corporate Governance documents, the Organisation, Management and Control Model in accordance with Legislative Decree No. 231/2001 and subsequent and the Code of Conduct.

In accordance with the Code, relations with institutional investors are managed by the Investor Relator.

The duty of the Investor Relator is to constantly ensure that senior management are updated on the financial market disclosure obligations and, in particular, those concerning investors.

The Investor Relator represents, therefore, the point of contact between the Issuer and the market and has the duty to liaise with company structures to maintain and incentivise compliance with corporate disclosure regulations. Investor relation activities are shared with and supported by management.

On June 18, 2020, the Board of Directors confirmed Mr. Karim Tonelli as Aquafil's Investor Relator (contact: investor.relations@aquafil.com), for the maintenance of relations with shareholders and institutional investors and to undertake any specific tasks for the management of price sensitive information and relations with Consob and Borsa Italiana.

The Board of Directors will assess the implementation of any further initiatives to ensure shareholders more timely and straightforward access to essential information upon the Issuer.

On November 11, 2021, the Board approved the *Shareholder Communication Policy*, which is being prepared for publication on the Company's website.

16. SHAREHOLDERS' MEETINGS (AS PER ARTICLE 123-*BIS*, PARAGRAPH 2 OF LETTER C) OF THE CFA)

16.1 Shareholders' meeting call

As per Article 8 of the By-Laws, the Shareholders' Meeting deliberates upon matters reserved to it by law and the By-Laws. Shareholders' Meeting motions, taken in accordance with law and the By-Laws, are binding on all shareholders. The Shareholders' Meeting takes place in single call.

For the purposes of calculating the quorum required by law and the By-Laws for the holding of an ordinary and extraordinary Shareholders' Meeting and for passing of the relevant motions, the number of votes represented by the shares, and not the number of shares, will be counted. Motions for the amendment of Articles 5.6, 5.8 and 8.3 of the By-Laws are passed with majorities of at least 70% of the total number of votes devolving to the issued shares.

As per Article 8.3 of the By-Laws, the Related Party Transactions Policy of the Company may establish (i) that the Board of Directors approves the "significant transactions", as defined by the RPT Regulation, despite an opinion to the contrary issued by the Independent Directors Committee responsible for issuing an opinion on the aforementioned transactions, provided that the execution of such transactions are authorised by the Shareholders' Meeting in accordance with Article 2364, paragraph 1, No. 5 of the Civil Code. In this case, the Shareholders' Meeting will resolve by statutory majority, provided that, where the unrelated shareholders present at the Shareholders' Meeting account for at least 10% of the voting share capital, considering every ordinary share and every multi-vote share individually, without consideration of the right to multiple votes attributed to the special shares, the majority of unrelated shareholders voting at the Shareholders' Meeting do not vote against.

Pursuant to Article 9 of the By-Laws, the Shareholders' Meeting for the approval of the financial statements must be called by the Board of Directors at least once a year, within one hundred and twenty days from the end of the year or, in the cases provided for by Article 2364, paragraph 2, of the Civil Code, within one hundred and eighty days from the end of the year, pursuant to the provision of Article 154-*ter* of the CFA.

The Shareholders' Meeting may be called in Italy, even outside the municipality in which the registered office is located, or in other countries of the European Union, in Switzerland or in the United Kingdom.

The Shareholders' Meeting shall be called by publishing a notice on the Company website, in addition to the other manners established by applicable law, and shall contain the information required by applicable law, also by reason of the subjects covered.

As per Article 126-*bis* of the CFA, shareholders who represent, even jointly, at least one-fortieth of the share capital may request - except for matters within the remit of the Board or based on projects or a report prepared by them - within ten days of publication of the Call Notice, or within five days in the case of calling as per Article 125-*bis*, paragraph 3, of the CFA or Article 104, paragraph 2, of the CFA, a supplementation to the matters on the Agenda, indicating in the request the further matters to be included on the Agenda, or present proposals on matters already on the Agenda.

In accordance with Article 2367 of the Civil Code, the Directors shall call without delay the Shareholders' Meeting where requested by shareholders collectively representing at least one-twentieth of the share capital.

Pursuant to Article 127-*ter* of the CFA establishes that shareholders may submit questions on the matters on the Agenda, also before the Shareholders' Meeting. For questions submitted before the Shareholders' Meeting, responses will be made, at the latest, during the Meeting itself. The Company may provide a single reply to questions with the same subject matter. The call notice indicates the deadline by which questions submitted before the Shareholders' Meeting should reach the Company. The deadline may not be more than three days in advance of the Shareholders' Meeting in first or single call, or five days where the call notice establishes that the Company provides, before the Shareholders' Meeting, a response to the questions received. In this case, the responses are provided at least two days before the Shareholders' Meeting, also through publication in a separate section of the company website.

16.2 Right to attend Shareholders' Meetings

As per Article 10 of the By-Laws, those with voting rights have a right to attend the Shareholders' Meeting.

The right to attend the Shareholders' Meeting and the right to vote is verified by a notice to the Company, effected by the authorised intermediary in accordance with law, based on the accounting records at the end of the seventh trading day prior to the date fixed for the Shareholders' Meeting in single call, and submitted to the Company in accordance with law.

Those who have the right to vote in the Shareholders' Meeting can be represented by a proxy in accordance with law. Electronic notification of proxy may be made, in the manner indicated in the call notice, by sending a message addressed to the certified email address indicated in the notice itself or by using the appropriate section of the Company's website.

For each Shareholders' Meeting, the Company may designate, through notification in the call notice, a person to whom shareholders can confer proxy, with voting instructions on all or some of the proposals on the Agenda, in the terms and manner provided by law (as per Article 135-*undecies* of the CFA).

16.3 Holding of the Shareholders' Meeting

The Shareholders' Meeting shall be chaired by the Chairperson of the Board of Directors, or in such absence or impediment or at the request of the Chairperson him/herself, by another person elected by the Shareholders' Meeting, including the Chief Executive Officer (if elected). The Chairperson shall be assisted by a Secretary elected on his proposal by majority of those present. In the Extraordinary Shareholders' Meeting and, in any case, when the Chairperson considers it appropriate, the functions of the Secretary shall be carried out by a Notary appointed by the Chairperson.

For the valid constitution of the Shareholders' Meeting, both ordinary and extraordinary, and resolutions thereof, the legal and statutory provisions are applied. For the purposes of calculating the quorum required by law and the By-Laws for the holding - in a single notice - of an ordinary and extraordinary Shareholders' Meeting and for passing of the relevant motions, the number of votes represented by the shares, and not the number of shares, will be counted.

The Shareholders' Meeting may be held in several locations, via audio/video link, on the condition that a collective approach is taken and the principles of good faith and of equal treatment of shareholders are upheld and, in particular, provided that: *(a)* the Chairperson of the Shareholders' Meeting may (i) ascertain the identity and right to attend of all present, (ii) govern the business of the meeting, in addition to (iii) verify and declare the voting results; *(b)* the minutes-taker is able to adequately note all the matters pertaining to the Shareholders' Meeting; *(c)* attendees may participate in the discussions and vote simultaneously on the matters on the Agenda; *(d)* this method is contained in the call notice of the Shareholders' Meeting which also indicates the locations. The meeting shall be considered to have been held in the place where there are, simultaneously, the Chairperson and the person taking the minutes.

Pursuant to Article 7 of the By-Laws, shareholders may withdraw in accordance with the mandatory cases provided for by law.

The opposition of Shareholders to motions regarding the extension of the duration of the Company or the introduction or the removal of provisions concerning the circulation of shares does not constitute a right to withdrawal.

As per Article 20 of the By-Laws, the net profit for the period, excluding the 5% share allocated to the legal reserve until the reaching of one-fifth of the share capital, is divided among the shareholders, as resolved by the Shareholders' Meeting.

* * *

The Shareholders' Meetings of the Issuer adopted Shareholder Meeting regulations, approved on December 23, 2016 by the Shareholders' Meeting of Space 3. This Shareholders' Meeting Regulation establishes, among other matters, that:

- the Chairperson (the Chairperson of the Board of Directors or, in his/her absence or impediment the person designated by the Shareholders' Meeting) may adopt any provision considered appropriate to ensure the correct execution of Shareholders' Meeting business and the exercise of the rights of participants;
- in the discussion of such matters and proposals, the Chairperson, where a majority of the share capital is not in opposition, may follow a different order of consideration from that stated in the call notice of the meeting and may call for some or all of the matters on the Agenda to be discussed together;
- the Chairperson conducts the discussion, giving the floor to Directors, to Statutory Auditors and any parties so requesting. Those holding the right to vote and the bondholders' joint representative may request the floor on only one occasion for each matter on the agenda, making observations and requesting information. Those persons entitled to vote may also draw up proposals. Requests to contribute may be made from the constitution of the Shareholders' Meeting until the time at which the Chairperson has not declared the discussion of the matter closed. In order to ensure the orderly conduct of the Meeting, the Chairperson has the power to determine, at the opening of or during the discussion of individual matters, a deadline for the submission of requests to contribute. The Chairperson establishes the manner in which contribution requests are made and the order in which they are heard. The Chairperson and, on his/her invitation, those assisting him/her respond to speakers at the end of all contributions under discussion, or after each contribution, taking account also of any questions drawn up by shareholders before the Shareholders' Meeting, which have not been responded to by the Company. Those who have requested the floor have the right to a brief reply;
- before voting commences, the Chairperson readmits to the Shareholders' Meeting any persons excluded during the discussion in accordance with the regulation;
- the Chairperson shall decide the order in which the proposals on the individual matters on the Agenda are put to the vote, generally giving priority to those formulated by the Board of Directors.

In 2021, two Shareholders' Meetings were held, on April 28, 2021 and October 20, 2021.

With regards to the rights of shareholders not outlined in this Report, reference should be made to the applicable *pro tempore* laws and regulations.

17. FURTHER CORPORATE GOVERNANCE ACTIVITIES

At the Reporting date, no additional corporate governance practices effectively applied by the Issuer outside of the obligations established by legislation or regulations exist.

18. CHANGES SINCE THE END OF THE REPORTING PERIOD

Since the end of the Reference Year no changes have been made to the corporate governance structure.

19. CONSIDERATIONS ON THE LETTER OF DECEMBER 2021 OF THE CHAIRPERSON OF THE CORPORATE GOVERNANCE COMMITTEE

The considerations formulated in the letter of December 2021 of the Chairperson of the Corporate Governance Committee were brought to the attention of the Board of Directors and the Committees.

These were of particular interest to the Chairpersons of the Board of Directors and the Appointments and Remuneration Committee who, respectively, took account of these recommendations during the preparation of the self-assessment questionnaire and in the meeting of February 9, 2022, focusing in detail on the recommendations and invitations contained therein, concerning in particular the following aspects: • sustainable success: integration of sustainability into strategies, the control system and remuneration; • assessment of independence; • pre-advisory information; • gender equality; • remuneration policies.

Arco (Trento), March 15, 2022

Aquafil S,p,A,

On behalf of the Board of Directors

Mr. Giulio Bonazzi
Chairperson

Consolidated Financial Statements at December 31,2021

Consolidated Financial Statements at December 31, 2021

CONSOLIDATED BALANCE SHEET

(in thousands of Euro)	Note	At December 31, 2021	At December 31, 2020
Intangible assets	*7.1*	23,551	23,578
Goodwill	*7.2*	14,735	13,600
Property, plant & equipment	*7.3*	240,489	229,495
Financial assets	*7.4*	710	650
of which parent companies, related parties, associates		*318*	*318*
Investments valued at equity	*7.4*	1,018	0
Other assets	*7.5*	626	1,336
Deferred tax assets	*7.6*	12,269	14,563
Total non-current assets		**293,398**	**283,223**
Inventories	*7.7*	177,243	150,920
Trade receivables	*7.8*	31,233	22,015
of which parent companies, related parties		*71*	*66*
Financial assets	7.4	860	834
Tax receivables	7.9	423	1,772
Other assets	*7.10*	12,853	11,981
of which parent companies, related parties		*3,152*	*3,187*
Cash and cash equivalents	7.11	152,656	208,954
Total current assets		**375,268**	**396,475**
Total assets		**668,666**	**679,698**
Share capital	*7.12*	49,722	49,722
Reserves	*7.12*	91,708	76,579
Group net result	*7.12*	10,670	595
Total Parent Company net equity		**152,101**	**126,897**
Minority interest net equity	*7.12*	1	1
Minority interest net profit	*7.12*	0	0
Total consolidated net equity		**152,102**	**126,897**
Employee benefits	*7.13*	5,910	5,969
Financial liabilities	*7.14*	263,421	352,560
of which parent companies, related parties		*6,359*	*5,406*
Provisions for risks and charges	*7.15*	1,929	1,506
Deferred tax liabilities	*7.6*	11,158	11,761
Other liabilities	*7.16*	10,813	11,848
Total non-current liabilities		**293,230**	**383,644**
Financial liabilities	*7.14*	69,438	75,964
of which parent companies, related parties		*2,240*	*3,361*
Current tax payables	*7.18*	1,721	1,189
Trade payables	*7.17*	126,566	69,168
of which parent companies, related parties		*352*	*403*
Other liabilities	*7.16*	25,608	22,835
of which parent companies, related parties		*230*	*230*
Total current liabilities		**223,334**	**169,157**
Total net equity and liabilities		**668,666**	**679,698**

CONSOLIDATED INCOME STATEMENT

(in thousands of Euro)	Note	At December 31, 2021	of which non-recurring	At December 31, 2020	of which non-recurring
Revenues	8.1	569,701	*784*	436,602	*458*
of which related parties		*52*		*53*	
Other revenue and income	8.2	4,612	*751*	10,265	*213*
of which related parties		*0*		*0*	
Total revenues and other revenues and income		**574,313**	***1,535***	**446,867**	***671***
Cost of raw materials and changes to inventories	8.3	(283,622)	*(150)*	(209,825)	*(101)*
of which related parties		*0*		*0*	
Service costs and rents, leases and similar costs	8.4	(112,567)	*(1,820)*	(86,067)	*(2,087)*
of which related parties		*(414)*		*(446)*	
Labour costs	8.5	(114,228)	*(1,700)*	(101,867)	*(3,056)*
of which related parties		*0*		*0*	
Other costs and operating charges	8.6	(3,420)	*(354)*	(4,430)	*(828)*
of which related parties		*(70)*		*(70)*	
Amortisation and write-downs	8.7	(44,964)		(43,600)	
Provisions & write-downs	8.8	(254)		(632)	
(Write-down)/recovery of financial assets (receivables)	8.8	125		(346)	
Increase in internal work capitalised	8.9	6,099		5,830	
Operating profit		**21,482**	***(2,489)***	**5,929**	***(5,402)***
Financial income	8.10	915		352	
Financial charges	8.11	(7,550)		(7,982)	
of which related parties		*(159)*		*(226)*	
Exchange gains/losses	8.12	(243)		1,780	
Profit before taxes		**14,604**	***(2,489)***	**79**	***(5,402)***
Income taxes	8.13	(3,934)		517	
Profit for the year		**10,670**	***(2,489)***	**595**	***(5,402)***
Minority interest net profit		**0**		**0**	
Group Net Profit		**10,670**	***(2,489)***	**595**	***(5,402)***
Basic earnings per share	*8.15*	*0.21*		*0.01*	
Diluted earnings per share	*8.15*	*0.21*		*0.01*	

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(in thousands of Euro)	Note	At December 31, 2021	At December 31, 2020
Profit for the year		**10,670**	**595**
Actuarial gains/(losses)		(94)	(344)
Tax effect from actuarial gains and losses		23	5
Other income items not to be reversed to income statement in subsequent periods		**(72)**	**(340)**
Currency difference from conversion of financial statements in currencies other than the Euro		17,128	(15,666)
Other income items to be reversed to income statement in subsequent periods		**17,056**	**(16,006)**
Total comprehensive income	**7.12**	**27,725**	**(15,411)**
Minority interest comprehensive income		0	0
Group comprehensive income	**7.12**	**27,726**	**(15,411)**

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CONSOLIDATED CASH FLOW STATEMENT

(in Euro thousands)	*Note*	At December 31, 2021	At December 31, 2020
Operating activities			
Profit for the year	7.12	10,670	595
of which related parties:		*(591)*	*(689)*
Income taxes	7.13	3,934	(517)
Financial income	7.10	(914)	(352)
Financial charges	7.11	7,550	7,982
of which related parties:		*(159)*	*(226)*
Exchange gains/(losses)	7.12	243	(1,780)
Asset disposal (gains)/losses		(210)	(162)
Provisions & write-downs	7.8	254	632
Write-downs of financial assets (receivables)	7.8	(126)	346
Amortisation, depreciation & write-downs of tangible and intangible assets	7.7	44,975	43,600
Cash flow from operating activities before working capital changes		**66,376**	**50,344**
Decrease/(Increase) in inventories	7.7	(26,323)	34,187
Increase/(Decrease) in trade payables	7.17	57,398	(6,920)
of which related parties:		*(51)*	*276*
Decrease/(Increase) in trade receivables	7.8	(9,092)	2,599
of which related parties:		*(5)*	*3*
Changes to assets and liabilities		8,149	(7,510)
of which related parties:		*35*	*(1,076)*
Net paid financial charges		(6,636)	(7,631)
Income taxes paid		(237)	(326)
Utilisation of provisions		(587)	(945)
Cash flow generated/(absorbed) from Operating Activities (A)		**89,048**	**63,798**
Investing activities			
Investments in tangible assets	7.2	(34,632)	(21,851)
Disposal of tangible assets	7.2	353	1,121
Investments in intangible assets	7.1	(4,977)	(6,020)
Disposal of intangible assets	7.1	28	80
Business combinations		0	(2,771)
of which fixed assets		*0*	*(922)*
of which goodwill		*0*	*(1,673)*
of which liquidity		*0*	*0*
of which current assets		*0*	*(176)*
Investments in financial assets	7.4	(1,018)	(5)
Cash flow generated by investing activities (B)		**(40,246)**	**(29,445)**
Financing activities			
Drawdown non-current bank loans and borrowings	7.14	30,000	105,000
Repayment non-current bank loans and borrowings	7.14	(123,457)	(12,485)
Net changes in current and non-current financial assets and liabilities (including IFRS 16)	7.14	(2,295)	(4,774)
of which related parties:		*(168)*	*(4,428)*
Non-monetary change IFRS 16	7.3	(6,803)	(3,541)
of which related parties:		*(3,095)*	
Distribution of dividends		0	0
of which related parties:		*0*	*0*
Acquisition of treasury shares	7.12	(2,545)	0
Cash flow from generated/(absorbed) by financing activities (C)		**(105,100)**	**84,200**
Net cash flow in the year (A) + (B) + (C)		**(56,298)**	**118,554**
Opening cash and cash equivalents	7.11	208,954	90,400
Closing cash and cash equivalents	7.11	152,656	208,954

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(in Euro thousands)	Share capital	Legal reserve	Translation reserve	Share premium reserve	Listing cost reserve	FTA Reserve
December 31, 2019	**49,723**	**517**	**(9,514)**	**19,975**	**(3,287)**	**(2,389)**
Sale minority interest						
Other changes						
Allocation of prior-year result		148				
Distribution dividends						
Result for the year						
Actuarial gains/(losses) employee benefits						
Translation difference			(15,666)			
Comprehensive income			**(15,666)**			
At December 31, 2020	**49,723**	**665**	**(25,180)**	**19,975**	**(3,287)**	**(2,389)**
Sale minority interest						
Other changes						
Allocation of prior-year result		35				
Distribution dividends						
Share capital increase						
Result for the year						
Actuarial gains/(losses) employee benefits						
Translation difference			17,128			
Comprehensive income			**17,128**			
At December 31, 2021	**49,723**	**700**	**(8,052)**	**19,975**	**(3,287)**	**(2,389)**

IAS 19 Reserve	Treasury shares	Retained earnings	Net result	Total parent share. equity	Min. interest share. equity	Total consol. share. equity
(649)	**0**	**78,956**	**9,005**	**142,335**	**1**	**142,336**
				0		0
		(25)		(25)		(25)
		8,857	(9,005)	0		
				0		0
			595	595		595
(340)				(340)		(340)
				(15,666)		(15,666)
(340)			**595**	**(15,411)**		**(15,411)**
(989)	**0**	**87,787**	**595**	**126,897**	**1**	**126,897**
				0		0
	(2,545)	23		(2,522)		(2,522)
		560	(595)	0		0
				0		0
				0		0
			10,670	10,670		10,670
(72)				(72)		(72)
				17,128		17,128
(72)	**0**		**10,670**	**27,726**		**27,726**
(1,061)	**(2,545)**	**88,347**	**10,670**	**152,101**	**1**	**152,102**

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

1.1 Introduction

Aquafil S.p.A. ("Aquafil", "Company" or "Parent company" and, together with its subsidiaries, "Group" or "Aquafil Group") is a joint stock company listed on the Italian Stock Exchange, STAR Segment since December 4, 2017, resulting from the business combination through merger by incorporation of Aquafil S.p.A. (pre-merger), founded in 1969 in Arco (TN) and renowned for the production and distribution of fibres and polymers, principally polyamide, into Space3 S.p.A., as an Italian registered Special Purpose Acquisition Company (SPAC), with efficacy from December 4, 2017.

The majority shareholder of Aquafil S.p.A. is Aquafin Holding S.p.A., with registered office in Via Leone XIII No. 14, 20145 Milan, Italy, which however does not exercise management and co-ordination activities. The ultimate parent company, which draws up specific consolidated financial statements, is GB&P S.r.l. with registered office in Via Leone XIII No. 14, 20145 Milan, Italy.

The Aquafil Group produces and sells fibres and polymers, principally polyamide 6, on a global scale through the:
(i) BCF Product Line (carpet fibres), or synthetic yarns mainly intended for the textile flooring sector and used in "contract" segments (hotels, airports, offices, etc.), residential buildings and the automotive market;
(ii) NTF Product Line (clothing fibres), or synthetic yarns mainly intended for the clothing sector (sportswear, classic, technical or specialist apparel);
(iii) Polymers Product Line, or plastic raw materials, mainly targeting the engineering plastics sector for subsequent use in the moulding industry.

Group products are also sold on the market under the ECONYL® brand, which offers the Group's products obtained by regenerating industrial waste and end-of-life products.

The Group enjoys a consolidated presence in Europe, the United States and Asia.

1.2 Consolidated Financial Statement Presentation

These consolidated financial statements were prepared for the year ended December 31, 2021 ("**Consolidated Financial statements"**) in accordance with EU Regulation 809/2004, in compliance with International Financial Reporting Standards, issued by the International Accounting Standards Board and endorsed by the European Union ("**IFRS"**).

The Consolidated Financial Statements were approved by the Board of Directors of the company on March 15, 2022 and audited by PricewaterhouseCoopers S.p.A., statutory auditors of the company.

2. ACCOUNTING POLICIES AND MEASUREMENT CRITERIA

The main accounting policies adopted in the preparation of the Consolidated Financial Statements are reported below. These accounting policies were applied in line with the year 2020 and those applied at December 31, 2021.

2.1 Basis of preparation

As previously indicated, these consolidated financial statements were prepared in accordance with IFRS, i.e. all "International Financial Reporting Standards", all "International Accounting Standards" ("IAS"), all interpretations of the International Reporting Interpretations Committee ("IFRIC"), previously called the Standards Interpretations Committee ("SIC") which, at the approval date of the Consolidated Financial Statements, were endorsed by the European Union pursuant to EU Regulation No. 1606/2002 of the European Parliament and European Council of July 19, 2002.

These consolidated financial statements were prepared:
- on the basis of extensive knowledge on the IFRS and taking into account best practice; any further orientations and interpretative updates will be reflected in subsequent years, in accordance with the provisions of the accounting standards;
- on a going-concern basis of the Group, as the directors verified the absence of financial, operating or other indicators which may suggest difficulties with regards to the Group's capacity to meet its obligations in the foreseeable future and in particular in the next 12 months;
- under the historical cost convention, except for the measurement of financial assets and liabilities where the obligatory application of the fair value criterion is required.

2.2 Form and content of the financial statements

The Consolidated Financial Statements were prepared in Euro, which corresponds to the principal currency of the economic activities of the entities within the Group. All the amounts included in the present document are presented in thousands of Euro, unless otherwise specified.

The financial statements and the relative classification criteria adopted by the Group, within the options permitted by IAS 1 "Presentation of financial statements" ("**IAS 1**") are illustrated below:
- the *consolidated balance sheet* is presented with separation between "current and non-current" assets and liabilities;
- the *consolidated income statement* was prepared separately from the comprehensive income statement, and was prepared classifying operating costs by expense type;
- the *comprehensive income statement* which includes, in addition to the result for the period, also the changes to equity relating to income items which, in accordance with International Accounting Standards, are recognised under equity;
- the *cash flow statement* was prepared in accordance with the "indirect method".

The financial statements utilised are those which best represent the result, equity and financial position of the Group.

2.3 Consolidation scope and basis of consolidation

The Consolidated Financial Statements includes the equity and financial position and results of the subsidiaries and/or associated companies, approved by the respective boards and prepared on the basis of the relative accounting entries and, where applicable, appropriately adjusted in line with international accounting standards IAS/IFRS.

The following table summarises, with reference to the subsidiaries and associated companies, details on company name, registered office, share capital, result from draft financial statements prepared for approval, direct and indirect holding, of the company and the consolidation method applied at December 31, 2021:

Company	Registered office	Share capital	Net profit/(loss)	Currency	Group holding	% of votes	Method of consolidation
Parent Company:							
Aquafil S.p.A.	Arco (IT)	49,722,417	11,153,279	Euro			
Subsidiary companies:							
Aquafil SLO d.o.o.	Ljubjiana (SLO)	50,135,728	2,699,854	Euro	100.00%	100.00%	Line-by-line
Aquafil USA Inc.	Cartersville (USA)	77,100,000	5,610,174	US Dollar	100.00%	100.00%	Line-by-line
Tessilquattro S.p.A.	Arco (IT)	3,380,000	(227,462)	Euro	100.00%	100.00%	Line-by-line
Aquafil Jiaxing Co. Ltd.	Jiaxing (CHN)	355,093,402	29,311,237	Chinese Yuan	100.00%	100.00%	Line-by-line
Aquafil UK Ltd.	Ayrshire (UK)	3,669,301	(687,162)	UK Sterling	100.00%	100.00%	Line-by-line
Aquafil CRO d.o.o.	Oroslavje (CRO)	71,100,000	6,279,855	Croatian Kuna	100.00%	100.00%	Line-by-line
Aquafil Asia Pacific Co. Ltd.	Rayoung (THA)	53,965,000	46,449,950	Baht	99.99%	99.99%	Line-by-line
Aqualeuna GmbH	Berlin (GER)	2,325,000	(1,840,355)	Euro	100.00%	100.00%	Line-by-line
Aquafil Engineering GmbH	Berlin (GER)	255,646	1,296,527	Euro	100.00%	100.00%	Line-by-line
Aquafil Tekstil Sanayi Ve Ticaret A.S.	Istanbul (TUR)	1,512,000	3,028,785	Turkish Lira	99.99%	99.99%	Line-by-line
Aquafil Benelux France B.V.B.A.	Harelbake (BEL)	20,000	179,323	Euro	100.00%	100.00%	Line-by-line
Cenon S.r.o.	Zilina (SLO)	26,472,682	(1,469,851)	Euro	100.00%	100.00%	Line-by-line
Aquafil Carpet Recycling #1, Inc.	Phoenix (USA)	250,000	(6,594,899)	US Dollar	100.00%	100.00%	Line-by-line
Aquafil Carpet Recycling #2, Inc.	Woodland California (USA)	250,000	(2,850,421)	US Dollar	100.00%	100.00%	Line-by-line
Aquafil Oceania Ltd.	Melbourne (AUS)	49,990	228,313	Australian Dollar	100.00%	100.00%	Line-by-line
Aquafil India Private Ltd.	New Delhi (IND)	85,320		Indian Rupee	99.97%	99.97%	Line-by-line
Aquafil O'Mara Inc.	North Carolina (USA)	36,155,327	2,207,350	US Dollar	100.00%	100.00%	Line-by-line
Aquafil Carpet Recycling	Phoenix (USA)	3,400,000	(385,358)	US Dollar	100.00%	100.00%	Line-by-line
Aquafil Japan	Chiyoda (JP)	150,000,000	(44,609,670)	Japanese Yen	100.00%	100.00%	Line-by-line
Associated companies:							
Nofir	Bodo (NO)	663,700	1,192,747	Corona Norvegese	31.66%	31.66%	Shareholders' Equity

The changes in the Aquafil Group consolidation scope for the year concerned:

- the company Aquafil Japan Co., Ltd., based in Tokyo (Japan) and a wholly owned subsidiary of Aquafil S.p.A., was established on February 12, 2021, and will be responsible for the transformation and commercialisation of synthetic fibres and polymers for the Japanese market;
- Aquafil Carpet Recycling LLC was renamed Aquafil Carpet Collection LLC;
- on October 10, 2021, Aquafil S.p.A. acquired a 32% interest in the Norwegian firm Nofir, which now joins the consolidation scope as an associated company. For details on this operation, see section 7.4, "Current and non-current financial assets", below.

The main criteria adopted by the Group for the definition of the consolidation scope and the relative consolidation principles did not change compared to those applied for the consolidated financial statements at December 31, 2020.

The main criteria adopted by the Group for the definition of the consolidation scope and the relative consolidation principles are illustrated below.

Subsidiaries

A party controls an entity when it is: i) exposed, or has the right to participate, in the relative variable economic returns and ii) able to exercise its decisional power on the activities relating to the entity in order to influence these returns. The existence of control is verified where events or circumstances indicate an alteration to one of the above-mentioned factors determining control. Subsidiaries are consolidated under the line-by-line method from the date control is acquired and ceases to be consolidated from the date in which control is transferred to third parties. The year-end of the subsidiary companies coincides with that of the Parent Company. The criteria adopted for line-by-line consolidation were as follows:

- the assets and liabilities, and the charges and income of the companies are recorded line-by-line, attributing to the minority shareholders, where applicable, the share of net equity and net result for the period pertaining to them; this share is recorded separately in the net equity and in the income statement;

- the gains and losses, with the relative fiscal effect, deriving from operations between fully consolidated companies and not yet realised with third parties, are eliminated, except for losses which are not eliminated where the transaction indicates a reduction in the value of the asset transferred. The effects deriving from reciprocal payables and receivables, costs and revenues, as well as financial income and charges are also eliminated;
- with regard to equity investments acquired subsequent to the acquisition of control (non-controlling interest acquisitions), any difference between the acquisition cost and the corresponding portion of equity acquired is recognised to Group equity; similarly, the effects from the sale of the non-controlling share without loss of control are recognised to equity. Conversely, the sale of a share in investments which results in the loss of control are recognised in the comprehensive income statement:
  (i) of any gains/losses calculated as the difference between the payment received and the corresponding share of consolidated net equity sold;
  (ii) of the effect of the remeasurement of any residual investment in line with the relative fair value;
  (iii) of any values recorded under other items of the comprehensive income statement relating to the investee which is no longer controlled and which must be reversed through the comprehensive income statement, or where the amount should not be reversed through the comprehensive income statement, to the net equity account “Retained earnings”.

The value of any investment maintained, aligned to the relative fair value at the date of loss of control, represents the new initial recognition value of the investment, which also constitutes the value for subsequent measurement in accordance with the measurement criteria applicable.

Associated companies

Associated companies are companies in which the Group has a significant influence, which is presumed to exist when the percentage held is between 20% and 50% of the voting rights. Associated companies are measured under the equity method and are initially recorded at cost. The equity method is as described below:
- the book value of these investments is aligned to the net equity of the company adjusted, where necessary, to reflect the application of IFRS and includes the recognition of the higher value attributed to the assets and liabilities and to any goodwill, identified on acquisition; in line with a similar process to that previously described for business combinations;
- the profits and losses pertaining to the Group are recognised when the significant influence begins and until the significant influence ceases to exist. In the case where, due to losses, the company valued under this method indicates a negative net equity, the carrying value of the investment is written down and any excess pertaining to the Group, where this latter is committed to comply with legal or implicit obligations of the investee, or in any case to cover the losses, is recorded in a specific provision; the equity changes of the companies valued under the equity method, not recorded through the income statement, are recorded directly in the comprehensive income statement;
- the gains and losses not realised, generated on transactions between the Company/Subsidiaries and investments measured under the equity method are eliminated based on the share pertaining to the Group in the investee, except for losses, when they represent a reduction in value of the underlying asset, and dividends which are fully eliminated.

When there is objective evidence of an impairment, the recovery is verified comparing the carrying value with the relative recoverable value adopting the criteria indicated in the paragraph “Impairments of tangible and intangible assets”. When the reasons for the impairment no longer exist, the investments are revalued within the limits of the write-downs, with effects recognised to the income statement.

The transfer of shareholdings resulting in the loss of joint control or significant influence over the investee company determines the recognition in the comprehensive income statement:
- of any gain/loss calculated as the difference between the amount received and the corresponding fraction of the carrying amount transferred;
- of the effect of the remeasurement of any residual investment in line with the relative fair value;
- of any values recorded under other comprehensive items related to the investee for which reclassification to the comprehensive income statement is envisaged.

The value of any equity investment aligned to its fair value at the date of the loss of joint control or significant influence, represents the new carrying amount and, therefore, the reference value for the subsequent valuation according to the applicable valuation criteria.

Once an equity investment, or a share of this equity, measured under the equity method is classified as held for sale in so far as it meets the criteria for such classification, the equity investment or share of equity, is no longer measured under the equity method.

Translation of foreign companies' financial statements

The financial statements of subsidiaries are prepared in the primary currency in which they operate. The rules for the translation of financial statements of companies in currencies other than the functional currency of the Euro are as follows:

- the assets and the liabilities were translated using the exchange rate at the balance sheet date;
- the costs and revenues were translated at the average exchange rate for the period;
- the "translation reserve" recorded among comprehensive income and, therefore, directly within shareholders' equity, includes both the currency differences generated from the translation of foreign currency transactions at a different rate from that at the reporting date and those generated from the translation of the opening shareholders' equity at a different rate from that at the reporting date;
- the goodwill, where existing, and the fair value adjustments related to the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate at the reporting date.

The exchange rates utilised for the conversion of these financial statements are shown in the table below:

	December 2021		December 2020	
	Period-end rate	Average rate	Period-end rate	Average rate
US Dollar	1.13	1.18	1.23	1.14
Croatian Kuna	7.52	7.53	7.55	7.54
Chinese Yuan	7.19	7.63	8.02	7.87
Turkish Lira	15.23	10.51	9.11	8.05
Baht	37.65	37.84	36.73	35.70
UK Sterling	0.84	0.86	0.90	0.89
Australian Dollar	1.56	1.57	1.59	1.65
Japanese Yen	130.38	129.88		

Translation of accounts in foreign currencies

Transactions in currencies other than the Euro are recognised at the exchange rate at the date of the transaction. Assets and liabilities denominated in currencies other than the Euro are subsequently adjusted to the exchange rate at the reporting date. Exchange differences are recognised to the income statement under "Exchange gains and losses".

Business combinations

Business combinations are recognised in accordance with IFRS 3 (2008), and IFRS 3 Revised. Specifically, business combinations are recognised using the acquisition method, where the purchase cost (consideration transferred) is equal to the fair value, at the acquisition date, of the assets sold and of the liabilities incurred or assumed, as well as any equity instruments issued by the purchaser. The purchase cost includes the fair value of any potential assets and liabilities.

The costs directly attributable to the acquisition are recorded in the income statement. The consideration transferred and allocated recognises the identifiable assets, liabilities and contingent liabilities of the purchase at their fair value at the acquisition date. Any positive difference between the consideration transferred, measured at fair value at the acquisition date, compared to the net value of the identifiable assets and liabilities of the purchase measured at fair value, is recognised as goodwill or, if negative, in the Income statement. Where the business combination was undertaken in several steps, on the acquisition of control the previous holdings are remeasured at fair value and any difference (positive or negative) recorded in the Income statement. Any potential consideration is recognised at fair value at the acquisition date. Subsequent changes in the fair value of the potential consideration, classified as an asset or a liability, or as a financial instrument as per IFRS 9, are recorded in the Income statement. Potential consideration not within the scope of IFRS 9 is measured based on the specific IFRS/IAS standard. Potential consideration which is classified as an equity instrument is not remeasured, and, consequently is recorded under equity.

Where the fair value of the assets, liabilities and contingent liabilities may only be determined provisionally, the business combination is recorded utilising these provisional values. Any adjustments, deriving from the completion of the valuation process, are recorded within 12 months from the acquisition date, restating the comparative figures.

Impairment test

The impairment test assesses whether there exist any indications that an asset may have incurred a reduction in value. For goodwill and any other indefinite useful life intangible assets an assessment should be made at least annually that their recoverable value is at least equal to the book value and, when considered necessary, or rather in the presence of trigger events (IAS 16 paragraph 9), the impairment test must be undertaken more frequently.

The goodwill arising from the business combination described in the previous paragraph, along with other goodwill arising from prior operations, was therefore subject to a recoverability test as per IAS 36 as indicated also in note 7.2 “Goodwill” below. In particular, it is noted that the recoverable value of a non-current asset is based on the estimates and on the assumptions utilised for the determination of the cash flows and of the discount rate applied. Where it is considered that the book value of a non-current asset has incurred a loss in value, the asset is written-down up to the relative recoverable value, estimated with reference to its utilisation and any future disposal, based on the most recent business plans.

In assessing the recoverable value of property, plant and equipment, of investment property, of intangible assets and of goodwill, the Group generally applies the criterion of the value in use.

The value in use is the present value of the expected future cash flows to be derived from an asset. In defining the value in use, the expected future cash flows are discounted utilising a pre-tax rate that reflects the current market assessment of the time value of money, and the specific risks of the asset.

The estimated future cash flows utilised to determine the value in use is based on the most recent business plans, approved by management and containing forecasts for volumes, revenues, operating costs and investments.

These forecasts cover the period of the next two years; consequently, the cash flows relating to the subsequent years are determined on the basis of a growth rate which does not exceed the average growth rate for the sector and the country.

Where the book value of an asset is higher that its recoverable value a loss in value is recognised which is recorded in the income statement under “Amortisation, depreciation and write-downs”.

The loss in value of a cash-generating unit (the Aquafil Group has only one CGU) are firstly attributed to the reduction in the carrying value of any goodwill allocated and, thereafter, to a reduction of other assets, in proportion to their carrying value.

When the reasons for the write-down no longer exist, the carrying value of the asset is restated through the income statement, in the account “Amortisation, depreciation & write-downs”, up to the value at which the asset would be recorded if no write-down had taken place and amortisation or depreciation had been recorded.

The original value of the goodwill is not restated even when in subsequent years the reasons for the reduction in value no longer exist.

2.4 Accounting principles and policies

The most significant accounting policies adopted in the preparation of the Consolidated Financial Statements are reported below.

CLASSIFICATIONS OF CURRENT AND NON-CURRENT ASSETS AND LIABILITIES

The Group classifies an asset as current when:

- it is held for sale or consumption, in the normal operating cycle;
- it is principally held for trading;
- it is expected to be realised within 12 months from the reporting date; or
- it comprises cash or cash equivalents whose use is not restricted or restrictions such as to impede its use for at least 12 months from the reporting date.

All assets that do not meet the conditions listed above are classified as non-current.

The Group classifies a liability as current when:

- it is expected to be settled within the normal operating cycle;
- it is principally held for trading;
- it must be settled within twelve months of year-end; or
- the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

All the liabilities which do not satisfy the above-mentioned conditions are classified as non-current.

INTANGIBLE ASSETS

An intangible asset is an asset without physical substance, identifiable, controlled by the Group and capable of generating future economic benefits. The requisite of identifiability is normally met when an intangible asset is:

- attributable to a legal or contractual right; or
- separable, that is, it can be sold, transferred, leased or exchanged independently.

Control over an intangible asset consists of the right to take advantage of future economic benefits arising from the asset and the possibility of limiting its access to others.

Intangible assets are initially recognised at purchase and/or production cost, including the costs of bringing the asset to its current use. All other subsequent costs are expensed in the income statement in the year incurred. Research expenses are recorded as costs when incurred.

An intangible asset, generated during a project's development phase, which complies with the definition of development on the basis of IAS 38, is recognised as an asset if:

- the cost can be measured reliably;
- the product/process is technically feasible;
- it is likely that the company will obtain the future economic benefits that are attributable to the asset developed, and
- where the company intends to complete the project's development and has sufficient resources to do so.

The following main intangible assets can be identified within the Group:

INTANGIBLE ASSETS WITH DEFINITE USEFUL LIFE

Intangible assets with definite useful lives are recognised as cost, as previously described, net of accumulated amortisation and any impairment.

Amortisation begins when the asset is available for use and is recognised on a straight-line basis in relation to the residual possibility of use and thus over the estimated useful life of the asset; for the amount to be amortised and its recoverability the criteria to be utilised is that outlined, respectively, in the paragraphs "Property, plant and equipment" and "Impairment of property, plant and equipment and intangible assets" below.

The estimated useful life for the Group of the various categories of intangible assets is as follows:

	Estimated useful life
Concessions, licences & trademarks	10 years
Development costs	5 years
Industrial patents & intellectual property rights	10 years
Other intangible assets	Duration of contract

The Group also recognises under intangible assets in progress development costs incurred for the research of specific new products and raw materials, whose commercial production or use has not yet commenced.

These costs are capitalised only when all of the following conditions set out in IAS 38 are met:
- the technical feasibility of developing new products and raw materials which will then be available for sale or use respectively;
- the Group's willingness to complete development, its ability to reliably assess the costs necessary for development and therefore the availability of sufficient technical and financial resources to execute it;
- the forecast likely future economic benefits that new products and new raw materials will be able to generate through sale and use for commercial purposes, in order to at least ensure the full recovery of costs incurred.

Once the development project is completed and the related finished product begins to be sold or the raw material used, these costs will begin to be amortised over the foreseeable period over which they will generate economic benefits.

PROPERTY, PLANT & EQUIPMENT

Property, plant and equipment are measured at purchase or production cost, net of accumulated depreciation and any impairments. The purchase or production cost includes charges directly incurred for bringing the asset to their condition for use, as well as dismantling and removal charges which will be incurred consequent of contractual obligations, which require the asset to be returned to its original condition. The financial charges directly attributable to the acquisition, incorporation or production of property, plant and equipment whose realisation requires timeframes above one year, are capitalised and depreciated based on the useful life of the asset to which they refer.

The expenses incurred for the maintenance and repairs of an ordinary nature are charged to the income statement when they are incurred. The capitalisation of costs relative to the expansion, modernisation or improvement of the structural elements whether owned or leased, is solely made within the limits established to be separately classified as assets or part of an asset. The assets recorded in relation to leasehold improvements are amortised based on the duration of the rental contract, or on the basis of the specific useful life of the asset, if lower.

Depreciation is charged on a straight-line basis, which depreciates the asset over its economic/technical useful life. Applying the principle of the component approach, when the asset to be depreciated is composed of separately identifiable elements whose useful life differs significantly from the other parts of the asset, the depreciation is calculated separately for each part of the asset.

The estimated useful life of the main categories of property, plant and equipment is as follows:

	Estimated useful life
Buildings and light constructions	10 - 17 - 33 - 40 years
General plant and machinery	7 - 8 - 10 - 13 years
Industrial and commercial equipment	2 - 4 - 8 years
Other assets	4 - 5 - 8 years
Right-of-Use	Duration of contract

Land, including that adjacent to production facilities, is not depreciated. The useful life of property, plant and equipment is reviewed and updated, where necessary, at least at the end of each year.

A tangible fixed asset is eliminated from the financial statements when the asset is sold or when no expected economic benefits exist from its use or disposal. Any gains or losses (calculated as the difference between net income from sales and the net book value of the asset sold) are recognised in the income statement in the year of disposal.

LEASED ASSETS

International Accounting Standard IFRS 16 identifies the principles for the recognition, measurement and presentation in the financial statements of leasing contracts, as well as enhancing the relative disclosure requirements.

Specifically, IFRS 16 defines leasing as a contract which assigns to the client (lessee) the right-of-use of an asset for a set period of time in exchange for consideration, without distinguishing finance leases from operating leases such as rental and hire.

The definition of a contractual agreement as a lease transaction (or containing a lease transaction) is based on the substance of the agreement and requires an assessment of whether fulfilment of the agreement depends on the use of one or more specific assets and if the agreement transfers the right to use them.

Companies that operate as lessee therefore recognise in their financial statements, at the effective date of the lease, an asset representing the right to use of the asset (defined as the “Right-of-Use”) and a liability, attributable to the obligation to make the payments provided for in the contract. The lessee should subsequently recognise the interest concerning the lease liability separate from the depreciation of the right-of-use assets. IFRS 16 also requires lessees to restate the amounts of the lease liability on the occurrence of certain events (e.g. a change to the duration of the lease, a change to the value of the future payments due to a change in an index or rate utilised to determine these payments). In general, the restatement of the amount of the lease liability implies an adjustment also to the right-of-use asset.

Differing from that required for lessees, for the purposes of the preparation of the financial statements of lessors (the lessor), the new International Accounting Standard maintains the distinction between operating and finance leases as per IAS 17.

IMPAIRMENT OF INTANGIBLE AND TANGIBLE ASSETS

Intangible and tangible assets with definite useful life

A verification is carried out at each reporting date to establish whether there are indicators that tangible and intangible assets may have suffered an impairment. To this end, both internal and external sources of information are considered. With regard to the former (internal sources), obsolescence or the asset’s physical deterioration and any significant changes in the asset’s use and the asset’s economic performance in comparison to projections are taken into consideration. As regards external sources, the trend in the assets’ market prices, any technological, market or regulatory discontinuities, the trend in market rate interest rates or the cost of capital used to evaluate investments are considered.

Where these indicators exist, an estimate of the recoverable value of the above-mentioned assets is made, recording any write-down compared to the relative book value in the income statement. The recoverable value of an asset is the higher between the fair value, less costs to sell, and its value, determined discounting the estimated future cash flows for this asset, including, where significant and reasonably determinable, those deriving from the sale at the end of the relative useful life, net of any transaction costs. In defining the value in use, the expected future cash flows are discounted utilising a pre-tax rate that reflects the current market assessment of the time value of money, and the specific risks of the asset. For an asset that does not generate independent cash flows, the recoverable value is determined in relation to the cash generating unit to which the asset belongs.

A loss in value is recognised in the income statement when the carrying value of the asset, or of the relative CGU to which it is allocated, is higher than its recoverable value. The loss in value of CGU`s are firstly attributed to the reduction in the carrying value of any goodwill allocated and, thereafter, to a reduction of other assets, in proportion to their carrying value and in the limit of the relative recoverable value. When the reasons for the write-down no longer exist, the book value of the asset is restated through the income statement, up to the value at which the asset would be recorded if no write-down had taken place and amortisation or depreciation had been recorded.

SECURITIES OTHER THAN EQUITY INVESTMENTS

Any securities other than equity investments, included under "Financial assets", are held in portfolio until maturity. They are recognised at acquisition cost (with reference to the "trading date") including transaction costs.

LOANS, RECEIVABLES AND FINANCIAL ASSETS HELD-TO-MATURITY

The financial assets are measured based on IFRS 9.

The Group assesses at each reporting date whether a financial asset or a group of financial assets have incurred a loss in value.

IMPAIRMENT OF FINANCIAL ASSETS

At each reporting date, all financial assets are analysed in order to verify whether they have suffered a loss in value. An impairment loss is recognised if, and only if, this evidence exists as a result of one or more events that have an impact on the asset's expected future cash flows, occurring after its initial recognition.

In the valuation account is also taken of future economic conditions.

For financial assets accounted for through the amortised cost criterion, when a loss in value has been identified, its value is measured as the difference between the asset's carrying amount and the present value of expected future cash flows, discounted on the basis of the original effective interest rate. This value is recognised in the income statement under the item "Provisions and write-downs". When, in subsequent periods, the reasons for the write-down no longer exist, the value of the financial assets are restated up to the value deriving from the application of the amortised cost criterion.

INVENTORIES

Inventories are recorded at the lower of purchase or production cost and realisable value represented by the amount that the Group expects to obtain from their sale in the normal course of operations of the assets, net of accessory costs. The cost of raw material inventories is calculated using the weighted average cost method. The value of finished or semi-finished product inventories includes direct or indirect processing costs. To determine the weighted average cost of production or processing, the Group considers the weighted average cost of the raw material and the direct and indirect production costs, generally taken as a percentage of direct costs.

The value of inventories was recorded net of any impairment provisions.

TRADE AND OTHER RECEIVABLES (CURRENT AND NON-CURRENT)

Trade receivables and other current and non-current receivable are considered financial instruments, principally relating to customer receivables, non-derivative, not listed on an active market, from which fixed or determinable payments are expected. Trade receivables and other receivables are classified in the consolidated balance sheet under current assets, except for amounts due beyond 12 months from the reporting date, which are classified as non-current. These financial assets are recorded in the balance sheet when the Group becomes part of the related contracts and are derecognised when the right to receive the cash flow is transferred together with all the risks and benefits associated with the asset sold.

Trade and other current and non-current receivables are initially recorded at their fair value, and subsequently with the amortised cost method using the effective interest rate, reduced for any impairment.

Impairments on receivables are recognised in the income statement when there is objective evidence that the Group will not be able to recover the credit on the basis of contractual conditions.

The write-down amount is measured as the difference between the asset's carrying amount and the present value of expected future cash flows.

The value of receivables is shown net of the corresponding doubtful debt provision.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, on-demand deposits and financial assets with an original maturity of three months or less, readily convertible into cash and subject to an insignificant risk of changes in value. The items included in cash and cash equivalents are measured at fair value and the relative changes are recorded in the consolidated income statement.

EMPLOYEE BENEFITS

For the defined benefit plans, which include post-employment benefit provisions due to employees pursuant to Article 2120 of the Italian Civil Code, the amount to be paid to employees is quantifiable only after the termination of the employment service period, and is related to one or more factors such as age, years of service and remuneration. Therefore, the relative charge is recorded in the income statement based on actuarial calculations. The liability recorded in the accounts for defined benefit plans corresponds to the present value of the obligation at the reporting date. The obligations for the defined benefit plans are determined annually by an independent actuary utilising the projected unit credit method. The present value of the defined benefit plan is determined discounting the future cash flows at an interest rate equal to the obligations (high-quality corporate) issued in Euro and takes into account the duration of the relative pension plan. The actuarial gains and losses deriving from these adjustments and the changes in the actuarial assumptions are recognised in the comprehensive income statement.

From January 1, 2007, the Finance Act 2007 and relative decrees enacted introduced important amendments in relation to post-employment benefits, among which was the choice given to the employee to determine where the benefit matured in the period is invested. In particular, the new post-employment benefits can be utilised by the employee for their own chosen pension scheme or they may choose to leave the amount in the company; in this case, when the company has more than 50 employees, those matured from 2007 are paid into INPS. In the case of allocation to external pension funds, the company is only liable to pay a defined contribution to the selected fund and as from that date, the newly matured portion are in the nature of defined contribution plans and are therefore not subject to actuarial valuation.

TRADE AND OTHER PAYABLES (CURRENT AND NON-CURRENT)

Financial liabilities (with the exclusion of derivative financial instruments) relate to trade and other payables and are initially recorded at fair value, net of directly allocated accessory costs. After initial recognition, they are measured at amortised cost, recording any differences between cost and repayment amount in the income statement over the duration of the liability, in accordance with the effective interest rate method. When there is a change in the expected cash flows, the value of the liabilities is recalculated to reflect this change, based on the new present value of the expected cash flows and on the effective internal rate initially determined.

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets (or, where applicable, part of a financial asset or part of a group of similar financial assets) are derecognised from the financial statements when:

- the right to receive the financial flows of the asset terminate;
- the Group retains the contractual right to receive the cash flows from the asset, but assumes a contractual obligation to pay the cash flows fully and without delay to a third party;
- the Group has transferred its right to receive the cash flows from the asset and (a) has transferred substantially all of the risks and rewards of ownership of the financial asset or (b) has not transferred or retained substantially all of the risks and rewards of the asset, but has transferred control over same.

A financial liability is derecognised from the financial statements when the underlying liability is settled, cancelled or fulfilled.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are only used by the Aquafil Group for the hedging of financial risks related to interest rate fluctuations on bank debt.

A derivative is a financial instrument or other contract:
- whose value changes in response to changes in an underlying defined parameter such as the interest rate, the price of a security or commodity, foreign currency exchange rate, the index of prices or rates, credit rating or another variable;
- that requires a zero initial net investment, or lower than what would be required for contracts with a similar response to changes in market conditions;
- which is settled at a future date.

The Group's financial derivative instruments are undertaken to hedge against the interest rate risk. In accordance with IAS 39, which remains applicable optionally with respect to IFRS 9 in the case of the hedging of interest rate exposure, derivative financial instruments are accounted for in accordance with the procedures established for hedge accounting only when:
- the hedging instrument is formally designated and documented at the start of hedging;
- the hedge is expected to be highly effective;
- such efficacy can be reliably measured;
- the hedge is highly effective during the various accounting periods for which it is designated.

It should be noted that the derivative instruments currently in place (IRS- Interest Rate Swaps), although subscribed for hedging purposes with regard to changes in interest rates, have been treated, for accounting purposes and consistently with the past, as non-hedging instruments (and therefore the relative fair value is recognised in the income statement), as it is very complex to prepare the mandatory hedging relationship and considering that the overall fair value of these derivatives is in any case not significant, as commented on in the respective notes.

MEASUREMENT OF THE FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value measurement of the financial instruments is undertaken applying IFRS 13 "Fair value measurement" (IFRS 13). Fair value concerns the price that will be received for the sale of an asset or which will be paid for the transfer of a liability in an ordinary transaction settled between market operators, at the measurement date.

Fair value measurement is based on the assumption that the sale of the asset or transfer of the liability is undertaken on the principal market, or rather the market in which the largest volume and levels of transaction take place for the asset or liability. In the absence of a principal market, it is assumed that the transaction takes place on the most advantageous market to which the Group has access, or rather the market which would maximise the results of the sales transaction of the asset or minimise the amount to be paid for the transfer of the liability.

The fair value of an asset or of a liability is determined considering the assumptions which the market participants would use to define the price of the asset or of the liability, under the presumption that they act in accordance with their best economic interests. Market participants are independent knowledgeable acquirers or sellers able to enter into a transaction for the asset or the liability and motivated but not obliged or coerced into making the transaction.

In the fair value measurement, the Group takes into account the specific characteristics of the asset or the liability, in particular, for the non-financial assets, the capacity of a market operator to generate economic benefits utilising the asset to its maximum and best use or by selling to another market operator that would utilise the asset to its maximum or best use. The fair value measurement of assets and liabilities utilises appropriate techniques for the circumstances and for which sufficient data is available, maximising the use of observable inputs.

IFRS 13 identifies the following fair value hierarchy which reflect the importance of the inputs used in the relative measurement:
- Level 1 Quoted Price (active market): data used in valuations are represented by prices quoted on markets in which identical assets and liabilities are traded with those being valued.

- Level 2 Use of Observable Market Parameters (for example, for derivatives, the exchange rates recorded by the Bank of Italy, market interest rate curves, volatility provided by qualified providers, credit spreads calculated on the basis of CDS', etc.) other than level 1 quoted prices.
- Level 3 Use of Non-Observable Market Parameters (internal assumptions, for example, financial flows, risk-adjusted spreads, etc.).

WARRANTS

The company has issued warrants, that is, financial instruments that give the holder the right to purchase (call warrants) a determined quantity of ordinary shares (underlying) at a predefined price (strike-price) within a set deadline. The "Market Warrants" which are also quoted, and non-quoted "Sponsor Warrants".

These financial instruments can have different terms and characteristics and, on the basis of these, can be alternatively considered as: (i) a financial liability that must therefore be measured at fair value at the time of issue and any subsequent variation recorded directly in the income statement, or as (ii) an equity instrument and therefore classified in a specific equity reserve from which they will be released only at the time they are exercised or on their maturity as indicated by IAS 32.

Warrants issued by the company have the characteristics to be considered as equity instruments since both instruments contain a pre-set execution value (defined as the "fixed for fixed criteria").

In particular, in the case of execution of Sponsor Warrants, an exchange between equity and cash instruments at a pre-set value is envisaged and, in the case of Market Warrants, an exchange based on a pre-defined formula. Information on these instruments is available in the paragraph on shareholders' equity.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges relate to costs and charges of a defined nature and of certain or probable existence whose amount or date of occurrence are uncertain at the reporting date. Accruals to provisions are recorded when:
- the existence of a present obligation, legal or implicit, deriving from a past event is probable;
- it is probable that compliance with the obligation will result in a charge;
- the amount of the obligation can be estimated reliably.

Provisions are recorded at the value representing the best estimate of the amount that the entity would reasonably pay to discharge the obligation or to transfer it to a third party at the reporting date. When the financial effect of the passing of time is significant and the payment dates of the obligations can be reliably estimated, the provision is determined by discounting the expected cash flows taking into account the risks associated with the obligation; the increase of the provision due to the passing of time is recorded in the income statement in the account "Financial charges".

The provisions are periodically updated to reflect the changes in the estimate of the costs, of the time period and of the discounting rate; the revision of estimates is recorded in the same income statement accounts in which the provision was recorded.

REVENUES AND COSTS

Revenues from the sale of goods and services as well as the purchase costs of goods and services are recognised on the transfer of the risks and rewards connected to the ownership or completion of the service.

Revenues are shown net of discounts, allowances and returns; they are recorded at fair value to the extent in which it is possible to reliably determine such value and the likelihood that the relative economic benefits will be enjoyed. Revenues are recognised in accordance with IFRS 15 and therefore as per the following 5 steps:
1) Identification of the contract with the customer. The standard contains specific provisions to assess whether two or more contracts should be combined and to identify the accounting implications of any contractual amendments;
2) Identification of the contractual obligations contained in the contract;

3) Calculation of the transaction price, which should be made taking into consideration, among others, the following elements: any amounts paid on behalf of third parties, which must be excluded from the consideration, variable price components (such as performance bonuses, penalties, discounts, reimbursements, incentives, etc...) and any financial component, present where the payment terms granted to the customer contain a significant extension period;
4) Allocation of the transaction price to the contractual obligations, on the basis of the stand-alone sales price of each good or service; separately;
5) Recognition of the revenue, when (or if) each contractual obligation is satisfied through the transfer of the goods or service, which occurs when the customer obtains the control and therefore has the capacity to decide upon and/or control its use and substantially obtain all the benefits. Control may be transferred at a specific point in time or over time.

The analysis undertaken indicated that the obligations arising for the Group companies to its clients mainly concern the production and supply of finished products according to the terms and conditions requested, and in particular:

- payment deadlines are on average between 45 and 60 days, in line with generally applied market averages. "Cash discounts" are contractually granted in the case of early settlement and were recognised as a direct reduction in revenues. No payment deferments are granted which could be considered as qualifying as a loan;
- the finished product is sold without the granting of warranty periods and/or without return and/or suspension of ownership clauses. Any returns and reimbursements are agreed among the parties on a case by case basis following critical analysis of the reasons which may have resulted in any non-compliance issues.

It is therefore considered that:

(i) the moment of transfer of control to clients of their products coincides with the transfer of the associated risks and benefits, as contractually defined by the delivery terms applied and which are in line with those generally accepted within the sector;
(ii) the consideration does not include any financial component, with the exception of the cash discounts which are recognised as a reduction in revenues, while the component of the transport service and insurance (applicable only with specific delivery terms) is however completed in the same period as the transfer of control of the goods and therefore accrues to the same period;
(iii) no contractual obligations are in place which suspend the transfer of control of the goods and therefore only the returns/ reimbursements that may be agreed (concerning the goods sold in the year) may be recognised as a reduction of the relative revenues.

FINANCIAL INCOME AND CHARGES

Financial income and charges are recognized in the income statement in the period in which they are earned or incurred according to IFRS 9.

DIVIDENDS

Dividends received are recognised when (i) shareholders become entitled to receive the payment, which coincides with the date of the investee company's shareholders' meeting approving distribution, (ii) it is probable that the economic benefits associated with the dividend will flow to the entity and (iii) the amount of the dividend can be measured reliably.

The distribution of dividends to Aquafil S.p.A.'s shareholders is represented as a movement of shareholders' equity and recorded as a liability in the financial year in which this distribution is approved by the Shareholders' Meeting.

INCOME TAXES

Current taxes are determined on the basis of estimated taxable income, in compliance with tax regulations applicable to Group companies and are recorded in the consolidated income statement under the item "Income taxes for the year", with the exception of those relating to items directly debited or credited to a shareholders' equity reserve; in such cases, the relative tax effect is directly recognised in the respective shareholders' equity reserves. The consolidated comprehensive income statement shows the amount of income taxes for each item included in the "other components of the consolidated comprehensive income statement".

Deferred tax assets and liabilities are calculated in accordance with the balance sheet liability method. Deferred taxes are calculated on temporary differences between the values recorded in the consolidated financial statements and the corresponding values recognised for tax purposes. The deferred tax assets, including those relating to any tax losses carried forward, are recognised only for those amounts for which it is probable there will be future assessable income to recover the amounts. Tax assets and liabilities are offset, separately for current taxes and for deferred taxes, when the income tax is applied by the same fiscal authority, there is a legal right of compensation and the payment of the net balance is expected. Deferred tax assets and liabilities are calculated utilising the tax rates which are expected to be applied in the years when the temporary differences will be realised or settled, taking into account current tax regulations or substantially in force at the reporting date. Other taxes not related to income, such as indirect taxes and duties are included under "Other operating costs and charges".

From the year 2018, Aquafil S.p.A. was included in the tax consolidation regime with the parent company Aquafin Holding S.p.A. This was interrupted in 2017 due to its merger by incorporation into Space3 S.p.A. The tax consolidation regime is also confirmed for the year 2021.

Therefore, the consolidated financial statements take account of the effects of the transfer of tax positions arising from the "tax consolidation" and specifically recognise the consequent credit/debit relationships towards the tax consolidating company.

In addition, in relation to the Parent Company, it should be noted that Article 12 of Legislative Decree No. 142 of 29/11/2018 defined the concept of "non-financial holding companies" (*"Industrial Holdings"*), for which, "the prevalent exercise of acquiring investments in parties other than financial intermediaries exists when, based on the figures of the last approved year-end financial statements, the total amount of investments in these parties and other equity elements undertaken between them, considered as a whole, is higher than 50 per cent of the total assets on the balance sheet", with effect from the year 2018.

Due to this amendment by Legislative Decree 142/2018, therefore, as of the year 2018, previously excluded companies fall under "industrial holdings" and particularly those which have holdings but whose financial income predominantly comprises revenues from industrial activity.

The Parent Company which qualifies as an "Industrial Holding" must calculate the Irap taxable base in accordance with Article 6, paragraph 9 of the Irap Decree, that is, by adding to the normally determinable taxable base, 100% of the interest income and other financial income and subtracting 96% of the interest expense and similar charges; in addition, the increased rate envisaged for banks and other financial institutions must be applied to the value of production relevant for IRAP purposes. Nationally, this rate is 4.65% versus the ordinary rate of 3.9%. Nationally, this rate is 4.65% versus the ordinary rate of 3.9%. It should be noted that for 2021, the IRAP rate applicable to non-financial holding companies and similar entities pursuant to paragraph 9 of Article 6 of Legislative Decree No. 446/97 has been reduced to 4.65%, and the benefits normally granted to industrial companies are not applied.

ASSETS AND LIABILITIES AVAILABLE FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets and current assets and non-current assets of discontinued operations are classified as held-for-sale where their book value will principally be recovered through sale. This condition exists when the sale is highly probable and the asset or discontinued operation is available for an immediate sale in its current conditions. Non-current assets held-for-sale, current assets and non-current assets of discontinued operations and the liabilities directly related to them are recorded separately to company assets and liabilities in the balance sheet.

Any non-current assets held-for-sale are not depreciated and are valued at the lower of the subscription value and their fair value, less selling costs.

Any difference between the book value and the Fair Value less selling costs is recorded in the income statement as a write-down; any subsequent recoveries in value are recognised for the amount of the write-downs previously recorded, including those recognised before the definition of the asset as held-for-sale.

Non-current assets and current and non-current assets of disposal groups classified as held-for-sale constitute discontinued operations if, alternatively:

- they represent a significant autonomous branch of activity or a significant geographical area of activity; or
- is part of a disposal programme of an important independent activity or geographical area of activity;
- are a subsidiary acquired exclusively for the purpose of sale.

The results of discontinued operations, as well as any capital gain/loss realised following disposal, are shown separately in the income statement under a specific account, net of the related tax effects; the income statement values of discontinued operations are also presented for the comparative years.

If there is a plan to sell a subsidiary that results in the loss of control, all the assets and liabilities of that subsidiary are classified as held-for-sale.

It should be noted that at December 31, 2021, the Aquafil Group had only assets held-for-sale consisting of machinery and equipment and had no discontinued operations.

EARNINGS PER SHARE

a) Basic earnings per share
The basic earnings per share is calculated by dividing the result of the Group by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares.

b) Diluted earnings per share
The diluted earnings per share is calculated by dividing the result of the Group by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares. In order to calculate the diluted earnings per share, the average weighted number of shares outstanding is adjusted assuming the exercise of all the rights which have potential dilution effect, while the result of the Group is adjusted to take into account the effects, net of income taxes, of the exercise of these rights.

USE OF ACCOUNTING ESTIMATES

The preparation of the financial statements requires the directors to apply accounting principles and methods that, in some circumstances, are founded on difficult and subjective valuations and estimates, based on historical experience and assumptions which are from time to time considered reasonable and realistic under the relative circumstances. The application of these estimates and assumptions impact upon the amounts reported in the financial statements, the balance sheet, the income statement, the comprehensive income statement, the cash flow statement, the statement of changes to shareholders' equity and the notes to the accounts. The final outcome of the accounts in the financial statements which use the above-mentioned estimates and assumptions may differ, even significantly from those reported in the financial statements due to the uncertainty which characterises the assumptions and the conditions upon which the estimates are based.

Numerous items in the financial statements are subject to estimates and while not all of these accounts are individually significant, they are significant on an overall basis. The accounting policies which require greater subjectivity by the directors in the preparation of the estimates and for which a change in the underlying conditions or the assumptions may have a significant impact on the financial results of the Group are briefly described below.

Impairments

The tangible and intangible assets with definite useful lives and goodwill are verified to ascertain if there has been a loss in value, which is recorded by means of a write-down, when it is considered there will be difficulties in the recovery of the relative net book value through use. The verification of such difficulties requires the directors to make valuations based on the information available within the Group and on the market, as well as from historical experience. In addition, when it is determined that there may be a potential reduction in value, the Group determines this through using the most appropriate technical valuation methods available. The correct identification of the indicators of a potential reduction in value of tangible and intangible assets, as well as the estimates for their determination depends on factors which may vary over time, impacting upon the valuations and estimates made by the directors.

Amortisation & Depreciation

The cost of property, plant and equipment and intangible assets is depreciated or amortised on a straight-line basis over the estimated useful life of the asset. The useful life of these assets is determined by the directors when the assets are purchased. This is based on the historical experience for similar assets, market conditions and considerations relating to future events which could have an impact on the useful life, such as changes in technology. Therefore, the effective useful life may differ from the estimated useful life.

Inventories

Inventories of products which are obsolescence or slow moving are periodically subject to valuation tests and written down when the recoverable value is lower than the carrying amount. The write-downs are made based on assumptions and estimates of the directors deriving from experience and historic results.

Doubtful debt provision

the recoverability of receivables is valued taking account of the non-payment risk, of aging of receivables and of the losses recorded in the past on similar receivables.

Provisions for risks and charges

Provisions for risks and charges are recorded to cover known or likely losses or liabilities, the timing and extent of which are not known with certainty at the reporting date.

They are recorded only where a present obligation exists (legal or implicit) for a future payment resulting from past events and it is probable that the obligation will be settled. This amount represents the best estimate of the costs required to settle the obligation. The rate used in the determination of the present value of the liability reflects the current market values and the specific risk associated to each liability.

If the financial effect of the period is significant and the payment dates of the obligations can be reliably estimated, the provisions are valued at the present value of the expected payment, utilising a rate which reflects market conditions, the change in the cost of money in the period and the specific risk related to the obligation. The increase in the value of the provision from changes in the cost of money in the period is recognised as a financial expense.

Possible risks that may result in a liability are disclosed in the notes on potential liabilities without any provision.

Deferred tax assets

Deferred tax assets are recognized with respect to deductible temporary differences between the values of assets and liabilities expressed in the financial statements compared to the corresponding tax value and tax losses that can be carried forward, to the extent that the existence of adequate future taxable profit is likely, with respect to which these losses may be used. A discretionary assessment is required of the directors to determine the amount of deferred tax assets that can be accounted for, which depends on the estimate of probable timing and the amount of future taxable profits.

2.5 Accounting standards not yet applicable

The developments in the IFRS and the relative interpretations (IFRIC) applicable from periods subsequent to December 31, 2021 are outlined below.

Document title	Issue date	Effective entry date	Date approved	EU Regulation and publication date
Improvements to IFRS (2018-2020 cycle) [Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41]	May 2020	January 1, 2022	June 28, 2021	(EC) 2021/1080 July 2, 2021
Property, plant and equipment - Income before use (Amendments to IAS 16)	May 2020	January 1, 2022	June 28, 2021	(EC) 2021/1080 July 2, 2021
Onerous contracts - Costs necessary to fulfil a contract (Amendments to IAS 37)	May 2020	January 1, 2022	June 28, 2021	(EC) 2021/1080 July 2, 2021
Reference to the Conceptual Framework (Amendments to IFRS 3)	May 2020	January 1, 2022	June 28, 2021	(EC) 2021/1080 July 2, 2021
IFRS 17 - Insurance contracts (including amendments published in June 2020)	May 2017 June 2020	January 1, 2023	November 19, 2021	(EC) 2021/2036 November 23, 2021

At the reporting date, the European Union had not yet completed its endorsement process for the adoption of the following standards and amendments:

Document title	Effective entry date of the IASB document	Expected endorsement date by EU
Principles		
IFRS 14 Regulatory Deferral Accounts	January 1, 2016	Endorsement process suspended pending new accounting standard on “rate-regulated activities”.
Enebdanebtu		
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Deferred until the completion of the IASB project on the equity method	Endorsement process suspended pending the conclusion of the IASB project on the equity method
Classification of Liabilities as Current or Non-current (Amendments to IAS 1), including subsequent amendment issued in July 2020	January 1, 2023	TBD
Disclosure of Accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2)	January 1, 2023	TBD
Definition of Accounting Estimates (Amendments to IAS 8)	January 1, 2023	TBD
Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)	January 1, 2023	TBD
Initial Application of IFRS 17 and IFRS 9— Comparative Information (Amendment to IFRS 17)	January 1, 2023	TBD

3. FINANCIAL RISK MANAGEMENT

The principal business risks identified, monitored and, as illustrated below, actively managed by the Group are as follows:

- market risk, deriving from fluctuations in exchange rates between the Euro and the other currencies in which the Group operates, the interest rate and raw material prices;
- Counterparty default risk;
- liquidity risk, deriving from insufficient financial resources to meet financial commitments.

The Group’s objective is to maintain a balanced management of its financial exposure over time to ensure a liability structure that is in equilibrium with the composition of assets and capable of ensuring the necessary operational flexibility through the use of liquidity generated by current operating activities and recourse to bank financing.

The ability to generate liquidity from ordinary operations and debt capacity allow the Group to adequately meet its operational requirements, the financing of operating working capital and investment capital, and to meet its financial obligations.

The Group’s financial policy and management of the relative financial risks are guided and monitored at central level. In particular, the central finance function is tasked with evaluating and approving forecast financial needs, monitoring the trend and, where necessary, implementing suitable corrective actions.

The following section provides qualitative and quantitative information on the impact of these risks on the Group.

3.1 Market risk

3.1.1 Currency risk

Exposure to the risk of exchange rate variations arises from the Group's commercial activities which are also carried out in currencies other than the Euro. Revenues and costs denominated in foreign currencies may be influenced by exchange rate fluctuations with an impact on trade margins (economic risk), just as trade and financial payables and receivables denominated in foreign currency may be affected by the conversion rates used, with an effect on the economic result (transaction risk). Finally, exchange rate fluctuations also reflect on the consolidated results and shareholders' equity since the financial statements of certain Group companies are drawn up in currencies other than the Euro and are subsequently converted (translation risk).

The principal exchange rates the Group is exposed to are:
- EUR/USD, in relation to transactions carried out in US Dollars;
- EUR/GBP, in relation to transactions carried out in UK Sterling;
- EUR/CNY, in relation to transactions carried out in renminbi mainly on the Asian market.

The Group does not generally adopt specific policies to hedge exchange rate fluctuations, with the exception of contracts occasionally entered into due to the contingent requirements of its commercial activities. It should be noted that there is periodic massive offsetting between the values of purchase components in foreign currencies, mainly US dollars, and the values of sales in the same currency, which significantly mitigates the Group's currency risk. Many Group companies are however exposed to a contained level of exchange rate risk stemming from operations as, in the individual countries, a portion of cash flows, sales and also costs are denominated in the same accounting currency of the country (natural hedging).

3.1.2 Analysis of sensitivity of exchange rate risk

For the purposes of an exchange rate sensitivity analysis, balance sheet items as at December 31, 2021 (financial assets and liabilities) denominated in a currency other than the functional currency of each Group company were identified. In assessing the potential effects arising from changes in exchange rates, inter-company payables and receivables in currencies other than the account currency were also taken into consideration.

Two scenarios were considered for the purposes of the analysis which respectively reflect a 10% appreciation and depreciation of the nominal exchange rate between the currency in which the balance sheet item is denominated and the accounting currency.

The table below highlights the results of the analysis:

(in Euro thousands)	Consolidated financial statements	Exposition to currency risk (aggregated)	+10% Gains/(Losses)	-10% Gains/(Losses)
Financial assets				
Cash and cash equivalents	152,656	24,944	(2,494)	2,494
Trade receivables	31,233	4,750	(475)	475
Tax effect			713	(713)
Total financial assets			**(2,256)**	**2,256**
Financial liabilities				
Trade payables	(126,566)	(4,049)	405	(405)
Tax effect			(97)	97
Total financial liabilities			**308**	**(308)**
Total			**(1,949)**	**1,949**

Note: the plus sign indicates a higher profit and an increase in shareholders' equity; the minus sign indicates a lower profit and a decrease in shareholders' equity.

It should also be noted that, for the purposes of consolidated reporting, the Company recognises currency differences generated by the year-end translation of the financial statements of foreign subsidiaries prepared in a currency other than the Euro among comprehensive income and, therefore, directly within the shareholders' equity "translation reserve".

Therefore, there is the risk that fluctuations in exchange rates in countries where the Group's subsidiaries operate (esp. the USA and China) could have an impact on consolidated shareholders' equity. In 2021 specifically, this translation had a positive effect of Euro 17,128 thousand as shown in the statement of changes in shareholders' equity and in the consolidated comprehensive income statement.

3.1.3 Interest rate risk

The Group uses external debt funding and places available liquidity in market instruments. Changes in the interest rates impact on the cost and return of the various forms of loans and uses, with an effect therefore on the consolidated financial charges. The Group policy seeks to limit interest rate fluctuation risk through undertaking fixed or variable rate medium/long-term loans linked to hedging derivatives; hedging is carried out through the trading of derivative instruments (e.g. IRS- Interest Rate Swaps), utilised only for hedging purposes and not for speculative purposes. These contracts, although subscribed for hedging purposes relating to the financial exposure of the Group, were not treated as hedges for accounting purposes, given the technical complexity of the accounting demonstration of the hedging relationship and the relative effectiveness, and therefore with end-of-period Mark to Market (MTM) adjustment effects recognised directly in the consolidated income statement.

The following tables summarise the main information concerning hedging derivatives on interest rates as at December 31, 2021:

(in Euro thousands)	**Contract opening date**	**Contract maturity date**	**Notional value at signing date in foreign currency**	**Notional currency**	**Fair value at December 31, 2021**
IRS Intesa San Paolo	28/12/2021	31/12/2027	30,000	Euro	(82)
IRS Credit Agricole	29/05/2017	28/06/2024	10,000	Euro	(43)
IRS Intesa San Paolo	19/06/2018	31/01/2024	15,000	Euro	(70)
IRS Banca Popolare Milano	20/06/2018	30/06/2025	25,000	Euro	(206)
IRS Banca Popolare Milano	06/06/2019	30/06/2025	15,000	Euro	(65)
IRS Credit Agricole	09/08/2019	28/12/2025	10,000	Euro	(2)
IRS Intesa San Paolo	25/09/2019	31/12/2024	20,000	Euro	25
Total			**125,000**		**(443)**

3.1.4 Sensitivity analysis related to interest rate risk

With reference to interest rate risk, a sensitivity analysis was carried out to determine the effect on the consolidated income statement and consolidated shareholders' equity resulting from a hypothetical positive and negative change of 100 bps in interest rates compared to those actually recorded in each period.

The analysis was carried out by primarily focusing on the following items:
- cash and cash equivalents;
- short and medium/long-term financial liabilities.

With reference to cash and cash equivalents, reference was made to the average funds held and the average rate of return for the period. For short and medium/long-term financial liabilities, the impact was calculated on an actual basis. Financial payables settled at a fixed rate and those hedged through derivative instruments were not included in this analysis.

The table below highlights the results of the analysis:

(in Euro thousands)	Impact on Net Profit		Effect on Net Equity	
Change	+ 100 bps	- 100 bps	+ 100 bps	- 100 bps
FY 2021	(446)	446	(446)	446

Note: the plus sign indicates a higher profit and an increase in shareholders' equity; the minus sign indicates a lower profit and a decrease in shareholders' equity.

3.1.5 Raw material price risk

The Group's production costs are influenced by the price trends of the main raw materials used. The price of these materials varies depending on a wide range of factors, to a large extent uncontrollable by the Group and difficult to predict.

Specifically, the Group implements a strategy to offset the price volatility risk of the main production factors used through contractual hedging which limits changes to the prices of raw materials, energy sources and partly, selling prices.

3.2 Credit risk

The Group's exposure to credit risk relates to the possibility of insolvency (default) and/or in the deterioration of the credit rating of a counterparty and is managed through adequate valuation instruments of all counterparties by a dedicated department, utilising the appropriate instruments to carry out constant monitoring, on a daily basis, of the behaviour and credit rating of clients. The Group hedges its credit risk through insurance policies on the client exposure, undertaken with primary debt insurance companies. External companies providing corporate information are utilised both to initially evaluate the reliability and for on-going monitoring of the economic and financial situation of clients.

The top 10 clients on the total Group trade receivables at December 31, 2021 was 34% (41% at December 31, 2020).

The following table provides a breakdown of trade receivables at December 31, 2021, grouped by due date and net of the doubtful debt provision:

(in Euro thousands)	At December 31, 2021	Not overdue	Overdue within 30 days	Overdue between 31 and 90 days	Overdue between 91 and 120 days	Overdue beyond 120 days
Guaranteed trade receivables (a)	26,806	20,660	4,508	1,039	228	371
Non-guaranteed trade receivables (b)	5,954	4,826	546	41	9	532
Non-guaranteed trade receivables impaired (c)	240	15	0	0	0	225
Trade receivables before doubtful debt provision (a + b + c)	**33,000**	**25,501**	**5,054**	**1,080**	**237**	**1,128**
Doubtful debt provision	(1,767)	(1,129)	(344)	(44)	(7)	(243)
Trade receivables	**31,233**	**24,372**	**4,710**	**1,036**	**230**	**885**

3.3 Liquidity risk

Liquidity risk relates to the risk of the Group being unable to meet its payment obligations due to the inability to source new funds or liquidate assets on the market. This results in a negative impact on economic performance if it is obliged to incur additional costs to meet its commitments or insolvency.

The liquidity risk to which the Group is exposed relates to the inability to source sufficient funding for operations, in addition to industrial and commercial operations. The principal factors which determine the liquidity situation of the Group are, on the one hand, the resources generated and absorbed by the operating and investment activities and on the other the maturity dates and the renewal of the payable or liquidity of the financial commitments and also market conditions.

The Group can avail of on-demand liquidity of Euro 153 million at December 31, 2021, and has a significant availability of credit lines granted by a number of leading Italian and international banks. The directors consider that the funds and credit lines currently available, in addition to those that will be generated from operating and financial activities, will permit the satisfaction of its requirements deriving from investment activities, working capital management and the repayment of debt in accordance with their maturities.

The total Group bank credit lines at year-end amount to Euro 78.4 million, completely unutilised.

The table below shows an analysis of amounts due, based on contractual repayment obligations relating to the convertible bond, leasing contracts, trade payables and other liabilities as at December 31, 2021:

(in Euro thousands)	December 2021	Within 1 year	Between 1 and 5 years	Beyond 5 years
Bond loan	90,670	7,459	51,782	31,429
Other current and non-current financial liabilities	242,190	61,979	169,110	11,100
Trade payables	126,566	126,566	0	0
Other current and non-current liabilities	36,421	25,610	10,811	0
Total	**495,847**	**221,614**	**231,703**	**42,529**

All the amounts in the table above refer to the nominal amounts not discounted, stated with regards to the residual contractual maturities, both in terms of the capital and interest portions. The Group expects to meet these commitments by liquidating financial assets and through cash flows that will be generated by operations.

In this risk analysis, we add the more detailed conclusions of the Directors' Report on the impact of the spread of Covid-19 (coronavirus). In particular, it can be stated that - overall and in view of the information currently available and the health emergency in progress - no impact and/or effect is seen (i) on the value of the assets shown in the financial statements (ii) on the recoverability of trade receivables (iii) on the net realisable value of inventories. As mentioned previously, the impact on the business thus far has remained, on the whole, limited. Therefore, no specific risks have been identified in terms of the Group's ability to meet its future commitments (including compliance with the "covenants" set out in certain loan agreements) and/or which may impact the Group's ability to continue as a going concern.

With regards to the recent conflict between Russia and Ukraine, it is confirmed that this situation does not have direct impacts on the company, as currently not having (i) any investment in either of the countries, nor (ii) financial instruments or liquidity in Roubles.

4. MANAGEMENT OF CAPITAL

The Group's capital management is aimed at ensuring a solid credit rating and adequate levels of capital indicators to support investment plans, in accordance with contractual obligations entered into with lenders.

The Group acquires the necessary capital to finance the needs for business development and operations; financing sources are divided into a balanced mix of risk capital and debt capital to ensure a balanced financial structure and the minimisation of the total cost of capital, for the consequent benefit of all stakeholders.

The remuneration of risk capital is monitored on the basis of the market trend and business performance, once all other obligations have been met, including the debt service; therefore, in order to ensure an adequate remuneration of capital, the safeguarding of business continuity and business development, the Group constantly monitors the development of the debt level in relation to shareholders' equity, business performance and forecasts of expected cash flows in the short and medium/long-term.

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5. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

The tables below illustrate the breakdown of financial assets and liabilities of the Group required by IFRS 7, as per the categories identified by IAS 39, at December 31, 2021:

(in Euro thousands)	Financial assets and liabilities measured at fair value through P&L	Loans and receivables	AFS financial assets	Financial liabilities at amortised cost	Total
Current and non-current financial assets	25	2,563	0	0	**2,589**
Trade receivables		31,233			**31,233**
Current tax receivables	0	423	0	0	**423**
Other current & non-current assets	0	13,479	0	0	**13,479**
Cash and cash equivalents	0	152,656	0	0	**152,656**
Total	**25**	**200,355**	**0**	**0**	**200,380**
Current and non-current financial liabilities	468	0	0	332,391	**332,859**
Trade payables	0	0	0	126,566	**126,566**
Other current and non-current liabilities	0	0	0	36,421	**36,421**
Total	**468**	**0**	**0**	**495,379**	**495,847**

The other financial assets and liabilities are short-term and regulated at market interest rates and therefore the book value is considered to reasonably approximate fair value.

5.1 Measurement of the fair value

In relation to financial instruments measured at fair value, the table below reports information on the method chosen to measure the fair value. The methods applied are broken down into the following levels, based on the information available, as follows:

- Level 1: fair value determined with reference to listed prices (not adjusted), on active markets for identical financial instruments;
- Level 2: fair value determined with valuation techniques with reference to observable variables on active markets;
- Level 3: fair value determined with valuation techniques with reference to non-observable variables on markets.

The fair value calculation is determined in accordance with the methods classified in Level 2 and the general criterion utilised for this calculation is the present value of the expected future cash flows of the instrument subject to measurement — a method commonly applied in financial practice. There were no transfers between hierarchical levels of the fair value in the periods considered.

The table below summarises the assets and liabilities measured at fair value at December 31, 2021, on the basis of the level which reflects the inputs utilised in the determination of the fair value.

(in Euro thousands)	December 2021	December 2020
Derivative financial instruments — assets	25	0
Derivative financial instruments — Liabilities	(468)	(1,042)
Total	**(443)**	**(1,042)**

6. DISCLOSURE BY OPERATING SEGMENT

For the purposes of IFRS 8 – Operating Segments, Group activity is identifiable in a single operating segment.

In fact, the Group structure identifies a strategic and singular vision of the business and this representation is consistent with the manner in which management takes its decisions, allocates resources and defines the communication strategy. Dividing the business into separate divisions is therefore currently viewed as detrimental to its economic interests.

7. NOTES TO THE CONSOLIDATED BALANCE SHEET

7.1 Intangible assets

The breakdown in the account and changes in the period were as follows:

(in Euro thousands)	Development costs	Patents & property rights	Trademarks, concessions and licenses	Other intangible assets	Intangible assets in progress	Non Contractual Customer relationships	Total
Balance at December 31, 2019	**1,812**	**356**	**535**	**4,070**	**9,760**	**4,568**	**21,101**
Historical cost	*1,812*	*5,218*	*4,868*	*15,327*	*9,760*	*5,770*	***42,756***
Acc. amort.		*(4,863)*	*(4,332)*	*(11,257)*		*(1,202)*	***(21,655)***
Reclassifications	0	0	41	609	(607)	0	**43**
Increases	2,227	0	66	453	3,272	0	**6,018**
Decreases			(77)	0	(3)		**(80)**
Amortisation	(581)	(304)	(160)	(1,622)		(716)	**(3,383)**
Exchange differences - Historic cost	0	(8)	(11)	(31)	0	(145)	**(195)**
Exchange differences - Acc. amort.	0	8	10	14	0	44	**74**
Balance at December 31, 2020	**3,459**	**52**	**405**	**3,491**	**12,422**	**3,750**	**23,578**
Historic cost	*4,039*	*5,211*	*4,751*	*16,355*	*12,422*	*5,625*	***48,403***
Acc. amort.	*(581)*	*(5,159)*	*(4,346)*	*(12,863)*		*(1,875)*	***(24,825)***
Reclassifications	0	0	39	1,923	(1,906)	0	**55**
Increases	2,330	0	7	1,212	1,429	0	**4,977**
Decreases			0	(28)	0		**(28)**
Amortisation	(1,129)		(91)	(1,823)		(739)	**(3,782)**
Write-down provision					(1,650)		**(1,650)**
Exchange differences - Historic cost	0	2	1	27	0	647	**677**
Exchange differences - Acc. amort.	0	(2)	(1)	(13)	0	(260)	**(276)**
Balance at December 31, 2021	**4,660**	**52**	**359**	**4,789**	**10,295**	**3,397**	**23,551**
Historic cost	*6,370*	*5,213*	*4,767*	*19,485*	*10,295*	*6,272*	***52,401***
Acc. amort.	*(1,710)*	*(5,162)*	*(4,408)*	*(14,696)*		*(2,875)*	***(28,850)***

Other intangible assets primarily include the costs for Information and Communication Technology incurred by the Parent Company.

Intangible assets in progress mainly include (for approx. Euro 8 million) the costs incurred for the development of new products and processes, including the "Effective" project (bio-caprolactam) coordinated by Aquafil S.p.A. and funded by the Bio-Based Industries Joint Undertaking (BBI JU) as part of the European Horizon 2020 research programme, as outlined in the "Research and development" paragraph of the Directors' Report

The increases in the year, overall amounting to Euro 5 million, principally relate to:

- for approx. Euro 2.3 million new product development costs; in particular, these costs principally concern the labour and raw materials used to develop the new types of yarn demanded by customers;
- for approx. Euro 0.7 million relating to the development of a bio-caprolactam production process and consequently of bio-nylon 6 from renewable raw materials, as well as their validation through the creation of prototypes;
- for approx. Euro 1.3 million the Information and Communication Technology activities represented by the costs of developing specific software implementation projects;
- for Euro 0.5 million the non-competition agreement signed with a departing executive.

The amount of Euro 1.65 million recognised under write-downs of "Intangible assets in progress" is primarily due to a number of prudent reductions in the value of previously capitalised expenses, the recoverability of which has not yet been assessed.

7.2 Goodwill

Goodwill was Euro 14,735 thousand at December 31, 2021. This figure includes the goodwill recognised on the Aquafil O'Mara business combination in 2019 and the goodwill on the acquisition in 2020 of Aquafil Carpet Recycling, now Aquafil Carpet Collection LLC.

It should also be noted that the goodwill related to Aquafil O'Mara and Aquafil Carpet Collection LLC, having been recognised by the direct subsidiary Aquafil USA, was positively affected by the translation from Dollars to Euro as part of the consolidation process.

This value represents the excess between the consideration transferred, measured at fair value at the acquisition date, as subsequently updated, compared to the net value of the identifiable assets and liabilities of the purchase measured at fair value.

After initial recognition the goodwill is not amortised but subject to an annual impairment test as described in the previous paragraph "Impairment test- verification of recoverability".

In accordance with the provisions of IAS 36 the Group therefore undertook a specific impairment test in order to verify the recoverability of the goodwill recognised.

The impairment test was carried out determining the value in use with the discounted cash flow method (DCF) net of income taxes in line with the post-tax discount rate utilised.

The cash flows used to apply the DCF are those included in the Group's 2022- 2023 business plan approved by the parent company's board of directors on February 9, 2022.

The growth rate (g) applied was 3.5%, which is equal to the expected global average growth beginning in 2023.

The discounting of the cash flows was carried out on the basis of a weighted average cost of capital which reflects the current market assessment of the cost of money. The value identified was 7.10%.

A sensitivity analysis was also carried out in order to determine the change to the value assigned to the base assumptions which, after having considered any amendments as a result of this change on the other variables utilised, renders the recoverable value of the CGU equal to its carrying amount.

This analysis indicated that only significant deviations in the achievement of the Group's business objectives, interest rates and perpetual growth rates would reduce the recoverable value to a level close to the book value, so it is not necessary, as required by IAS 36, to report in this note the effects of a sensitivity simulation.

From the impairment test carried out therefore no adjustments are required to the value of the goodwill.

7.3 Property, plant & equipment

The breakdown in the account and changes in the period were as follows:

(in Euro thousands)	Land and buildings	Plant & equipment	Industrial and commercial equipment	Other assets	Assets in progress	Investment property	Total before Right-of-Use	Right of-Use	Total
Balance at December 31, 2019	**61,214**	**136,734**	**482**	**2,778**	**26,602**	**368**	**228,177**	**23,314**	**251,492**
Historical cost	*114,516*	*442,257*	*10,984*	*7,399*	*26,602*	*793*	***602,552***	*28,676*	***631,228***
Acc. deprec.	*(53,303)*	*(305,523)*	*(10,503)*	*(4,621)*		*(425)*	***(374,375)***	*(5,362)*	***(379,736)***
Change in consolidation scope		922					**922**	0	**922**
Reclassifications	867	10,363	26	57	(11,354)	0	**(43)**		**(43)**
Increase	401	7,847	74	396	13,132	0	**21,851**	8,930	**30,781**
Decreases	1	(153)	(1)	(360)	(18)	(2)	**(533)**	(5,400)	**(5,933)**
Depreciation	(4,161)	(27,824)	(178)	(664)		(12)	**(32,839)**	(7,393)	**(40,233)**
Exchange differences - Historic cost	(772)	(10,839)	(32)	(373)	(1,372)	0	**(13,388)**	(1,082)	**(14,470)**
Exchange differences - Acc. deprec.	139	6,323	26	214	0	0	**6,703**	274	**6,977**
Balance at December 31, 2020	**57,689**	**123,373**	**396**	**2,048**	**26,990**	**356**	**210,852**	**18,643**	**229,495**
Historic cost	*115,010*	*438,306*	*11,027*	*5,179*	*26,990*	*793*	***597,304***	*29,619*	***626,924***
Acc. deprec.	*(57,321)*	*(314,933)*	*(10,631)*	*(3,131)*		*(437)*	***(386,452)***	*(10,976)*	***(397,429)***
Reclassifications	1,198	11,895	13	67	(13,228)	0	**(55)**		**(55)**
Increases	205	4,342	84	138	29,863	0	**34,632**	7,062	**41,694**
Decreases	0	(121)	0	(4)	(38)		**(163)**	(259)	**(422)**
Depreciation	(4,237)	(25,338)	(113)	(628)		(12)	**(30,328)**	(7,913)	**(38,240)**
Write-down provision	(1,016)	(276)					**(1,292)**		**(1,292)**
Exchange differences - Historic cost	1,245	13,864	0	402	1,433		**16,944**	1,145	**18,089**
Exchange differences - Acc. deprec.	(316)	(7,805)	1	(248)	0	0	**(8,368)**	(413)	**(8,781)**
Balance at December 31, 2021	**54,769**	**119,935**	**381**	**1,775**	**45,020**	**344**	**222,224**	**18,265**	**240,489**
Historic cost	*116,642*	*463,174*	*10,503*	*5,708*	*45,020*	*793*	***641,841***	*35,855*	***677,696***
Acc. deprec.	*(61,874)*	*(343,239)*	*(10,122)*	*(3,933)*		*(449)*	***(419,616)***	*(17,591)*	***(437,207)***

The increases for the period, excluding the effect of changes in right-of-use, came to Euro 34.6 million and principally refer to:

- for Euro 6.7 million, the technological improvement and upgrading of the existing plants and equipment, of which:
  - Euro 3.4 million relating to the Parent Company;
  - Euro 1.6 million relating to AquafilSLO;
  - Euro 0.7 million relating to Aquafil Fibers and Polymers;

  these increases are posted for Euros 5 million to assets in progress;
- for Euro 5.0 million the increase in efficiency of the ECONYL® regenerated caprolactam production plant at AquafilSLO (Euro 4.1 million) as well as of the carpet recovery technology in the USA; these amounts have been recognised almost entirely as assets in progress;
- for Euro 9.7 million, projects to improve production and industrial efficiency, of which:
  - Euro 3.7 million relating to AquafilSLO;
  - Euro 1.4 million relating to the Parent Company;
  - Euro 1.2 million relating to Aquafil Fibers and Polymers;
  - Euro 1 million relating to US companies;
  - Euro 2.2 million relating to Tessilquattro;
  - these increases have been recognised almost entirely as assets in progress;
- for Euro 10.0 million the increase in the production capacity of the various product lines and regions in which the Group operates; these increases have been recognised almost entirely as assets in progress;
- for Euro 2.0 million the creation of a demo plant for the production of bio-nylon 6 from renewable raw materials at AquafilSLO, recognised entirely as assets in progress.

All assets in progress concern industrial investments that are either incomplete or not fully operational, but for which full operability is certain and currently envisaged in the Group's strategic plans.

The write-down of Euro 1.3 million of the assets of the subsidiary Cenon S.r.o., which have been aligned with the figure for the sale to third parties on January 12, 2022.

The recoverability of both intangible assets and property, plant and equipment has been assessed by way of impairment testing as described in the paragraph "Goodwill" above, and no issues concerning their recoverability have been identified.

The table below, in accordance with IFRS 16, presents the right-of-use of the non-current asset subject to the leasing contract. In particular this refers to buildings, equipment and transport and motor vehicles as illustrated in the table below.

(in Euro thousands)	Right-of-use buildings	Right- of-use equipment and transport vehicles	Right-of-use motor vehicles	Right-of-use	Total
Balance at December 31, 2019	**18,817**	**3,837**	**580**	**81**	**23,314**
Historical cost	*22,865*	*5,047*	*679*	*85*	***28,676***
Acc. deprec.	*(4,047)*	*(1,211)*	*(100)*	*(4)*	***(5,362)***
Increase	6,424	2,144	344	18	**8,930**
Decreases	(4,349)	(1,031)	(9)		**(5,390)**
Depreciation	(5,750)	(1,404)	(230)	(20)	**(7,405)**
Exchange differences - Historic cost	(943)	(116)	(14)	(8)	**(1,082)**
Exchange differences - Acc. deprec.	230	40	2	2	**274**
Balance at December 31, 2020	**14,428**	**3,470**	**673**	**72**	**18,643**
Historic cost	*22,548*	*5,982*	*995*	*94*	***29,619***
Acc. deprec.	*(8,120)*	*(2,511)*	*(322)*	*(23)*	***(10,976)***
Increases	5,392	822	848	0	**7,062**
Decreases	(107)	(17)	(135)		**(259)**
Depreciation	(6,111)	(1,453)	(329)	(20)	**(7,913)**
Exchange differences - Historic cost	981	124	32	8	**1,145**
Exchange differences - Acc. deprec.	(346)	(59)	(6)	(3)	**(413)**
Balance at December 31, 2021	**14,237**	**2,887**	**1,084**	**57**	**18,265**
Historic cost	*28,417*	*5,720*	*1,616*	*102*	***35,855***
Acc. deprec.	*(14,180)*	*(2,833)*	*(532)*	*(45)*	***(17,591)***

The increases mainly refer to the renewal by the Parent Company and by the subsidiary Tessilquattro S.p.A. of property lease agreements with the affiliate Aquaspace S.p.A. concerning the warehouse in Via del Garda 40 for Euro 1.2 million and Euro 1.9 million, respectively, as well as the signing by the subsidiary Aquafil Jiaxing Co. Ltd of a lease agreement for industrial buildings for Euro 1.5 million, and the renewal and signing by companies of the group of lease agreements for company cars and internal transport vehicles for Euro 1.6 million.

7.4 Current and non-current financial assets and investments valued at equity

The breakdown of the account is shown below (including current and non-current):

(in Euro thousands)	December 2021	December 2020
Receivables from parent companies	234	234
Equity investments in Group companies	6	6
Investments in other companies	18	18
Investments valued at equity	1,018	0
Escrow bank deposits	901	875
Current and non-current financial assets	308	272
Receivables from related parties	79	79
Derivative financial instruments	25	0
Total	**2,588**	**1,484**
of which current	*860*	*834*
of which non-current	*1,728*	*650*

"Receivables from parent companies" refer to guarantee deposits paid by Aquafil S.p.A. to the parent company Aquafin Holding S.p.A. over the multi-year leasing contract for the industrial and logistical use property located in Viale dell'Industria No. 5 – Verona.

Investments in other companies relates to minor holdings.

The “Escrow bank deposits”, amounting to Euro 0.9 million, are held by the Group companies Aquafil Jiaxing Co Ltd and Aquafil USA Inc. These are short-term, interest-bearing deposits.

“Receivables from other related parties” refer to guarantee deposits paid by Tessilquattro S.p.A. and Aquafil S.p.A. to Aquaspace S.p.A. over a multi-year leasing contract for the industrial and logistical use property located in Via del Garda 40 – Rovereto.

Equity investments valued at equity concern the acquisition of a 32% interest in the Norwegian firm Nofir AS, based in Mørkved, Bodø, Norway (which, based on IFRS 3 B5 and B6, is not a business combination), a European leader in the collection and treatment of end-of-life fish netting (see the Directors’ Report for more information).

7.5 Other non-current assets

The amount of Euro 626 thousand includes Euro 426 thousand for the receivables of Aquafil S.p.A. and Aquafil SLO d.o.o. from the European Union for the “EFFECTIVE” research project co-ordinated by Aquafil and funded by Bio-Based Industries Joint Undertaking (BBI JU) as part of the European Horizon 2020 research programme, with the entire chain (from raw material manufacturers to brands) involved in validating the use of bio-Nylon 6 and other bio-polymer consumer market products; reference should be made also to the Directors’ Report for more details on the project. In particular, with the signing of the agreement between the partners and other lenders, an overall amount of Euro 3.3 million was stipulated, with deferred income recognised under Other liabilities (Note 7.16) which was equal to Euro 2.4 million at December 31, 2021. The receivable is reduced for the amounts effectively paid by the European Union, substantially recognised on the basis of the convention rules which provides for payment based on the state of advancement. At December 31, 2021, the residual receivable amounted to Euro 0.4 million.

The remaining Euro 200 thousand concerns prepaid expenses related to the provisioning agreement with Domo Engineering Plastics.

7.6 Deferred tax assets and liabilities

The breakdown of the items “Deferred tax assets” and “Deferred tax liabilities” is shown below:

(in Euro thousands)	December 2021	December 2020
Deferred tax assets	12,269	14,563
Deferred tax liabilities	(11,158)	(11,761)
Total	**1,111**	**2,802**

The relative movement is comprised of:

(in Euro thousands)	Values at January 1, 2021	Provisions/ releases to net equity	Provisions/ releases to income P&L	Provisions/ releases to comprehensive income statement	At December 31, 2021
Deferred tax assets					
Provision for risks and charges	133	0	0		133
Doubtful debt provision	303	10	10		324
Measurement of employee benefits as per IAS 19	612	55	63		730
Intangible and tangible fixed assets	3,919	9	367		4,294
Tax losses	5,747	183	(1,031)		4,900
Inventories	1,513	7	(160)		1,360
Other provisions	2	0	(2)		0
Derivative financial instruments	250	0	(250)		0
Ace	1,195	0	(1,195)		0
Other	889	23	(382)		528
Total deferred tax assets	**14,563**	**286**	**(2,580)**	**0**	**12,269**
Deferred tax liabilities					
Financial liabilities	0	0	0		0
Intangible and tangible fixed assets	8,297	596	421		9,314
Other	3,464	39	(1,660)		1,844
Total deferred tax liabilities	**11,761**	**635**	**(1,239)**	**0**	**11,158**
Total net deferred tax assets	**2,802**	**(349)**	**(1,341)**	**0**	**1,111**
Receivables from holding companies			**(35)**		
Total deferred tax assets and liabilities recognised to the income statement			**(1,376)**		

With regard to deferred tax assets:

- deferred tax assets on tangible and intangible assets which amount to Euro 4,3 million principally refer for Euro 1.13 million to the reversal of the gains realised among Group companies, for Euro 2.48 million to the reversal of amortisation on revaluations and depreciation carried out on the financial statements of the individual companies but not reported in the consolidated financial statements, for Euro 0.10 million to the reversal of intangible assets due to the adoption of IAS accounting principles, for Euro 0.18 million to the reversal of amortisation on brands and patents and for Euro 0.39 million the write-down of intangible assets in progress previously capitalised, who recoverability is not certain;
- deferred tax assets on tax losses, amounting to Euro 4.9 million, refer to the effect of accumulated losses recorded: (i) by the American subsidiaries for Euro 2.0 million; (ii) by Aqualeuna GmbH for Euro 1.2 million; (iii) by AquafilSlo for Euro 0.6 million; and (iv) by Aquafil S.p.A. for Euro 1.0 million related to the joint audit of fiscal year 2017; all tax losses are deemed fully recoverable;
- Deferred tax assets on inventories, which amount to Euro 1.36 million, mainly refer to the adjustment between HGB and IFRS accounting standards concerning the engineering contracts of the subsidiary Aquafil Engineering GmbH and the reversal of the value of intercompany profits and losses included in the warehouse value.

The decrease is mainly related to: (i) utilisation of past ACE (tax relief) by the Parent Company; and (ii) utilisation of fiscal losses by Aqualeuna.

With regard to Deferred tax liabilities, the item Property, plant and equipment and intangible assets mainly refers for Euro 7.37 million to the tax effect calculated on the temporary differences between book and tax depreciation.

The "Other" account mainly refers to the effects of deferred taxation on consolidation adjustments. The main effect relates to the recognition of development costs as described in note 7.1 above.

The decrease mainly concerns the absorption of timing differences related to Aquafil Engineering GmbH.

7.7 Inventories

The changes in the account were as follows:

(in Euro thousands)	December 2021	December 2020
Raw materials, ancillary and consumables	75,902	51,222
Finished products and goods	100,889	99,408
Advances to suppliers	452	289
Total	**177,243**	**150,920**

Inventories are recorded net of the obsolescence provision amounting to Euro 0.3 million and relates to slow moving prior stock.

The significant increase is mainly due to the increased cost of raw materials and of components of industrial costs.

7.8 Trade receivables

The changes in the account were as follows:

(in Euro thousands)	December 2021	December 2020
Trade receivables	32,929	24,101
Parent, associates and other related parties	71	66
Doubtful debt provision	(1,767)	(2,153)
Total	**31,233**	**22,015**

The following table shows the movement of the doubtful debt provision:

(in thousands of Euro)	December 2021	December 2020
Balance at January 1, 2021	(2,153)	(1,838)
Provisions	126	(354)
Decrease	290	6
Change in consolidation scope	(30)	34
Other changes	**(1,767)**	**(2,153)**
December 31, 2021		

The change in trade receivables is due mainly to the increase in sales.

Reference should be made to the previous paragraph 3.2 for details on the credit risk management policy.

7.9 Current tax receivables

Current tax receivables of Euro 423 thousand refer to advances paid for current tax by Aquafil Engineering GmbH and Aquafil Carpet Recycling #1 Inc.

7.10 Other current assets

The changes in the account were as follows:

(in Euro thousands)	December 2021	December 2020
Tax receivables	3,119	3,255
Supplier advances	834	679
Pension and social security institutions	195	374
Employee receivables	298	298
Tax receivables from parent	3,152	3,187
Other receivables	1,868	1,279
Prepayments and accrued income	3,387	2,910
Total	**12,853**	**11,980**

The following is specified in relation to the above items:

- tax receivables: refer mainly to an amount of Euro 2.6 million receivables for Value Added Tax (VAT) and Euro 0.5 million in tax credits determined pursuant to Article 1, paragraph 35, of Law No. 190 of 23/12/2014 and successive amendments;
- tax receivables from parent: these refer to tax receivables from Aquafin Holding S.p.A. generated by the transfer of the tax losses of Tessilquattro S.p.A. to tax consolidation, with Aquafin Holding S.p.A. as the consolidating entity, but through Aquafil S.p.A., which per the tax consolidation agreement remains responsible for netting in the calculation of tax receivables and payables relating to IRES (company income tax) as per Article 228 et seq. of the Income Tax Law for the latter and the companies Aquafil S.p.A. and Tessilquattro S.p.A.;
- other receivables: these mainly concern, for Euro 0.78 thousand, receivables from the company Domo Chemicals Italy S.p.A. for the financial support provided within the fiscal dispute relating to the sale of shares of Domo Engineering Plastics S.p.A. on May 31, 2013, and, for Euro 309 thousand, the European CISUFLO project within the scope of Ecodesign activities: CIrcularSUstainableFLOorcovering with 17 consortium members in which Aquafil participates as PA6 producer & recycler with the specific role of verifying in pilot and industrial tests the recyclability of the carpets developed with the new design criteria; the project kick-off meeting of all consortium members took place on June 16, 2021, for a total development of approx. 4 years, as well as Euro 0.4 million for a refund of the export tax by the Chinese company Aquafil Synthetic Fiber and Polymers (Jiaxing) Co. Ltd.;
- prepayments and accrued income: these mainly refer to amounts arising from procedures for the recovery of duties paid and recorded in the Income Statement but not yet collected, prepayments on the purchase of maintenance materials and consultancy expenses for Information and Communication Technology.

7.11 Cash and cash equivalents

The account is comprised of:

(in Euro thousands)	December 2021	December 2020
Cash and equivalents	18	24
Bank and postal deposits	152,638	208,930
Total	**152,656**	**208,954**

The item relates to the current account balances of the different Group companies. The breakdown of cash and cash equivalents in Euro of foreign currencies is illustrated in the table below:

(in Euro thousands)	At December 31, 2021
EUR	102,718
HRK	100
TRL	34
USD	34,897
THB	1,296
CNY	9,103
AUD	273
GBP	2
JPY	3,746
JPY	487
Total	**152,656**

The Group's financial structure has shown a significant decrease in liquidity, which had increased sharply in the previous year in a prudent manner in response to the needs to reduce liquidity risk in order to combat the possible effects of a continuation of the Covid-19 pandemic. The measures implemented during the year were as follows:

(a) early repayment by Aquafil S.p.A. of three loans backed by SACE guarantees:
  - BNL Eur. 20.000.000 dd 27/04/2021;
  - Banco BPM Eur. 10.000.000 dd 19/10/2021;
  - Intesa Sanpaolo Eur. 30.000.000 dd 31/12/2021;

(b) new medium-term, unsecured loan signed by Aquafil S.p.A. for a total of Euro 30 million;

(c) repayments of outstanding loans totalling Euro 123.5 million, including early repayments of Euro 61.5 million and ordinary repayments of Euro 62 million.

As a result of these measures, liquidity at year end, including the current accounts of the various companies of the Group, went from Euro 209.0 million to Euro 152.7 million.

There were no restrictions on liquidity.

7.12 Shareholders' Equity

Share capital

At December 31, 2021, the Parent Company Aquafil S.p.A.'s authorised share capital amounted to Euro 50.7 million, whose subscribed and paid-up capital amounts to Euro 49.72 million, while the unsubscribed and unpaid portion relates to: (i) an amount of Euro 0.15 million as the residual capital increase in service of Aquafil Market Warrants and (iii) an amount of Euro 0.80 million for the capital increase in service of Aquafil Sponsor Warrants.

The subscribed and paid-up share capital is divided into 51,218,794 shares without nominal value divided into:

- 42,822,774 ordinary shares, identified by the ISIN Code IT0005241192;
- 8,316,020 special Class B shares, identified by the ISIN Code IT0005285330 which, in compliance with any legal limits, assign 3 exercisable voting rights pursuant to Art. 127-sexies of Legislative Decree No. 58/1998 in shareholders' meetings of the company and which may be converted into ordinary shares under specific conditions and circumstances as regulated by the By-Laws, at the rate of one ordinary share for each Class B share;
- 80,000 special Class C shares, identified by the ISIN Code IT0005241747, without voting rights in the ordinary and extraordinary shareholders' meetings of the company and excluded from the right to receive profits which the company resolves to distribute as an ordinary, non-transferable dividend until April 5, 2022 and automatically converted into ordinary shares in the conversion ratio of 4.5 ordinary shares for each Class C share according to specific conditions and circumstances laid down by the By-Laws.

The breakdown of Aquafil S.p.A.'s subscribed and paid-up share capital at December 31, 2021 is shown below:

Type of shares	No. shares	% of share capital	Listing
Ordinary	42,822,774	83.61%	MTA, STAR Segment
Class B	8,316,020	16.24%	Non-listed
Class C	80,000	0.15%	Non-listed
Total	**51,218,794**	**100%**	

On the basis of communications sent to the National Commission for Companies and the Stock Exchange "CONSOB", and received by the Company pursuant to Article 120 of Legislative Decree No. 58 of February 24, 1998, as well as the effect of the conversion of Market Warrants in the year, holders of a significant shareholding as at December 31, 2021- i.e. considering Aquafil S.p.A.'s qualification as an SME pursuant to Article 1(w-quater.1) of the CFA and with a shareholding greater than 5% of the Aquafil S.p.A. voting share capital- are as follows:

The declarant or subject at the top of the equity chain	Direct Shareholder	Type of shares	No. shares	No. of voting rights
GB&P S.r.l.	Aquafin Holding S.p.A.	Ordinary	21,487,016	21,487,016
		Class B	8,316,020	24,948,060
Total			**29,803,036**	**46,435,076**
Holding			**58.19%**	**68.52%**

Warrants

The following were initially issued on listing:

(i) 7,499,984 Aquafil Market Warrant, listed identified by the ISIN Code IT0005241200, which incorporate the right to the allocation of Aquafil S.p.A. shares of Conversion Market Warrants and are exercisable under the conditions set out in the relative regulation approved by the Space3 extraordinary shareholders' meeting by resolution of December 23, 2016;

(ii) 800,000 Aquafil Sponsor Warrants, identified by the ISIN Code IT0005241754, non-listed and exercisable within ten years from the date of December 4, 2017, payable at the unit exercise price of Euro 13.0 (on achieving a "Strike Price" of Euro 13.0), in response to the allocation of an Aquafil share of Aquafil Conversion Sponsor Warrants for each Sponsor Warrant exercised.

On December 31, 2021, 2,014,322 Aquafil Market Warrants were converted (with the assignment of 498,716 Conversion Shares) and therefore the number of Market Warrants still in circulation totalled 5,485,662.

No Aquafil Sponsor Warrants were converted during 2021.

Legal reserve

The legal reserve at December 31, 2021 was equal to Euro 0.7 million; the increase of Euro 0.03 million was approved by the Shareholders' Meeting of April 28, 2021 which allocated to this reserve one twentieth of the profit for the year 2020.

Translation reserve

The translation reserve, negative at December 31, 2021 for Euro 8.1 million (increased by a positive effect of Euro 17.1 million in the year), includes all the differences arising from the translation into Euro of the subsidiaries' financial statements included in the consolidation scope expressed in foreign currency.

In 2021 specifically, this translation had a positive effect of Euro 17,128 thousand due to fluctuations in exchange rates in countries in which subsidiaries operate (esp. the USA and China).

This is the effect of statement translation, so it had no impact on profits for the year, but is recognised on the consolidated comprehensive income statement as reserves to be carried forward.

Share premium reserve

The item amounted to Euro 19.98 million at December 31, 2021 and is derived from the merger transaction between Aquafil S.p.A. and Space 3 S.p.A. on December 4, 2017.

Listing costs/Share capital increase reserve

The item amounted to Euro 3.29 million at December 31, 2021 as a decrease in shareholders' equity and relates to the costs incurred in 2017 for the listing and thereafter the share capital increase.

"First Time Adoption" Reserve (FTA)

The item amounts to Euro 2.39 million and represents the conversion effects from Italian GAAP to IFRS.

IAS 19 Reserve

At December 31, 2021, it was equal to a Euro 1.1 million reduction in shareholders' equity and includes the actuarial effects at that date of severance indemnities and all the other benefits for employees of Group companies.

Negative reserve for treasury shares in portfolio

The negative reserve for treasury shares in portfolio totalled Euro 2.5 million at December 31, 2021.

It should be noted that, on October 20, 2021, Aquafil S.p.A. announced that the Company's Shareholders authorised the purchase of treasury shares in accordance with Article 2357 of the Italian Civil Code. This authorisation by Shareholders has a duration of 18 months from the date of the authorising resolution. The operation is aimed at enabling the Company to purchase and/or make use of the Company's ordinary shares for: (i) making investments and limiting anomalous changes in share prices so as to promote regular trading outside of normal fluctuations tied to market trends, while, in any event, observing applicable laws and regulations; and (ii) establishing a securities reserve for future uses in accordance with the strategies that the Company intends to pursue as payment in corporate transactions with other parties or other extraordinary uses. The Shareholders authorised the purchase, in one or more tranches, of ordinary shares up to a maximum number which, taking account of the ordinary shares which may be held in portfolio by the company and by its subsidiary, does not total more than 3% of share capital.

On December 31, 2021, following the purchases made, Aquafil held 331,761 treasury shares, equal to 0.6477% of share capital.

Retained earnings

At December 31, 2021, the account amounts to Euro 88.3 million and represents the results generated by the Aquafil Group in previous years (including pre-merger with Space3 S.p.A.) net of the distribution of dividends.

Minority interest shareholders' equity

As illustrated in paragraph 2.3, "Consolidation scope", and consolidation criteria, the minority interests shareholders' equity substantially reduced to zero.

7.13 Employee benefits

The account is comprised of:

(in Euro thousands)	
Balance at December 31st 2020	**5,969**
Financial charges	11
Advances and settlements	(164)
Actuarial gains/(losses)	94
Balance at December 31, 2021	**5,910**

The post-employment benefits provision includes the effects of discounting as required by the IAS 19 accounting standard. The following is a breakdown of the main economic and demographic assumptions used for actuarial valuations:

	December 31, 2021
Financial assumptions	
Discount rate	0.44%
Rate of inflation	1.75%
Annual increase in employee leaving indemnity	2.81%
Demographic assumptions	
Death	The RG48 mortality tables published by the General State Controller
Disability	INPS tables by age and gender
Retirement	100% on satisfying AGO requirements
Annual frequency of Turnover and leaving indemnity advances	
Frequency advances	4.50%
Frequency turnover	2.50%

It should be noted that the bond's financial average duration at December 31, 2021 is approximately 8 years.

7.14 Current and non-current financial liabilities

The account is comprised of:

(in Euro thousands)	**December 2021**	*of which current portion*	**December 2020**	*of which current portion*
Medium/long term bank loans	215,248	*48,932*	308,630	*67,690*
Accrued interest and accessory charges on medium/long-term bank loans	(549)	*(549)*	(518)	*(518)*
Total medium/long-term bank loans	**214,699**	***48,384***	**308,112**	***67,172***
Bond loans	90,353	*7,143*	90,406	*0*
Accrued interest and charges on bonds	316	*316*	308	*308*
Total bond loan	**90,670**	***7,459***	**90,713**	***308***
Leasing and RoU financial payables	26,820	*13,393*	28,524	*8,353*
Liabilities for derivative financial instruments	468	*0*	1,042	*0*
Other lenders and banks – short term	203	*203*	131	*131*
Total	**332,859**	***69,438***	**428,524**	***75,964***

Medium/long term bank loans

This item refers to payables relating to financing agreements obtained from credit institutions.

These agreements envisage the payment of interest at a fixed rate or, alternatively, at a variable rate typically linked to the Euribor rate for the period plus a spread.

With reference to the loans granted, there are no mortgages or guarantees registered on company assets.

(in Euro thousands)	Original amount	Granting date	Maturity date	Loan repayments	Rate applied	At December 31, 2021	*of which current portion*
Medium/long term bank loans - fixed rate							
Banca Intesa (*) (**)	15,000	2018	2024	Half-yearly from 31/07/2019	Until 19/06/2018 eu + 0.95% - from 20/06 1.15% fixed	7,714	*2,571*
Mediocredito Trentino Alto Adige	3,000	2017	2022	Half-yearly from 28/12/2018	0.901% fixed	506	*506*
Banca Nazionale del Lavoro (*)	7,500	2018	2025	Half-yearly from 31/12/2019	1.4% fixed	4,773	*1,364*
Banca Nazionale del Lavoro (*)	12,500	2018	2025	Half-yearly from 31/12/2019	1.25% fixed	7,955	*2,273*
Credito Valtellinese (*)	15,000	2018	2024	Quarterly from 05/10/2018	1% fixed	11,830	*4,264*
Banca di Verona	3,000	2019	2024	Quarterly from 06/08/2021	1.30% fixed	2,636	*727*
Cassa Centrale Banca – Credito Cooperativo del Nord Est (ex Casse rurali trentine) (*)	15,000	2019	2026	Quarterly from 30/09/2021	1.25% fixed from July 1, 2024, 3 mo. Euribor + 1	13,543	*2,944*
Cassa Depositi e Prestiti (*)	20,000	2020	2027	Half-yearly from 20/06/2023	Fixed rate 1.48	20,000	*0*
Total Medium/long term bank loans - fixed rate						**68,957**	***14,649***
Medium/long term bank loans - variable rate				Quarterly from 31/03/2020	Euribor 3 months + 0.90%		
Banca Popolare di Milano (*) (**)	25,000	2018	2025	Quarterly from 31/03/2020	Euribor 3 months + 0.85%	20,493	*4,525*
Cassa Risparmio di Bolzano (*)	20,000	2018	2025	Half-yearly from 31/12/2017	Euribor 6 months + 1.50%	16,069	*3,966*
Cassa Centrale Banca – Credito Cooperativo del Nord Est (ex Casse rurali trentine)	5,000	2016	2022	Quarterly from 30/06/2017	Euribor 3 months + 1.80%	638	*638*
Banca di Verona	3,500	2016	2023	Quarterly from 30/06/2017	Euribor 3 months + 2%	989	*656*
Banca di Verona	15,000	2017	2024	Quarterly from 15/01/2019	Euribor 3 months + 1.20%	8,348	*3,146*
Deutsche Bank (*)	5,000	2018	2024	Quarterly from 31/03/2019	Euribor 3 months + 1.30%	3,438	*1,250*
Credit Agricole Friuladria (ex Banca Popolare Friuladria) (*) (**)	10,000	2017	2025	Quarterly from 05/07/2017	Euribor 3 months + 0.90%	6,422	*1,818*
Credito Valtellinese	3,000	2017	2023	Quarterly from 31/05/2017	Euribor 6 months + 0.90%	1,065	*607*
Banca Intesa (ex Veneto Banca)	3,000	2017	2021	Half-yearly from 31/12/2019	Euribor 6 months + 0.80%		
Monte dei Paschi (*)	15,000	2018	2025	Monthly from 26/11/2018	Euribor 1 month + 0.65%	13,125	*3,750*
Crediti Emiliano	5,000	2018	2022	Quarterly from 30/06/2018	Euribor 3 months + 0.90%	1,393	*1,393*
Cassa Rurale Raiffeisen Alto Adige	3,000	2017	2023	Monthly from 31/08/2018	Euribor 1 month + 0.80%	949	*758*
Banca Popolare di Sondrio	5,000	2017	2023	Quarterly from 30/09/2020	Euribor 3 months + 1.05%	1,988	*1,259*
Banca Popolare di Milano (*) (**)	15,000	2019	2025	Monthly from 26/09/2020	Euribor 3 months + 0.75%	12,034	*2,985*
Banca Popolare Emilia Romagna (*) (**)	10,000	2019	2025	Half-yearly from 28/12/2020	Euribor 6 months + 1.05%	9,178	*2,478*
Credit Agricole (*) (**)	10,000	2019	2025	Quarterly from 09/11/2020	Euribor 1 month + 1.20%	7,273	*1,818*
Banca del Mezzogiorno (*) (**)	10,000	2019	2026	Half-yearly from 30/06/2023	Euribor at 3 months + 1.10%	8,500	*2,000*
Banca Intesa	30,000	2021	2027	Quarterly from 30/09/2021	Euribor 3 months + 1.40%	30,000	*0*
Credito Valtellinese	5,000	2020	2025		Euribor 3 mesi + 1.40%	4,386	*1,237*
Total Medium/long term bank loans - variable rate						**146,291**	***34,284***
Accrued interest on medium/long term bank loans						(549)	*(549)*
Medium/long term bank loans - fixed and variable rate						**214,699**	***48,384***

(*) Loans that provide for compliance with financial covenants.

(**) Loan to which an interest rate swap contract is linked under which interest to be paid to the bank is fixed and equal to the value shown in the table.

In 2020, in order to manage any risk that could have arisen out of a continuation of the health crisis, Aquafil, which acts as the parent company also in managing relationships with banks for the entire Group, had taken steps to increase financial resources and significantly improve the ability to handle any contingencies. In 2021, Aquafil S.p.A. made early full repayment of financing totalling Euro 61.5 million, Euro 60 million of which backed by SACE guarantees. This concerned financing with BNL for Euro 20 million, with Intesa Sanpaolo for Euro 31.5 million, and with Banco BPM for Euro 10 million.

The parent company also obtained new medium/long-term financing in the amount of Euro 30 million from Intesa Sanpaolo, which is tied to specific, non-financial KPIs of the company.

Certain loan agreements provide for compliance with financial and equity covenants, as summarised below:

Loan	Period	Parameter	Reference	Limit
Banca Friuladria	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net debt/EBITDA net of lease costs		≤ 3.75
Banca Intesa	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Cassa di Risparmio di Bolzano	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Banca Nazionale del Lavoro	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Banca Popolare di Milano	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Credito Valtellinese	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Deutsche Bank	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Monte dei paschi	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Casse Centrali C.R. Trentine	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Banca Pop. Emilia Romagna	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
MCC/Banca del Mezzogiorno	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Cassa Depositi e Prestiti	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
	Annually	Net Debt/Net Equity		≤ 2.50

In relation to the financial covenants established in the Group's bond and loan agreements detailed above, the Group had obtained at December 31, 2020:

- from the bond subscribers the revision of the consolidated "Leverage Ratio NFP/EBITDA" financial covenant as follows:
  a) 4.50 as of 31.12.2020;
  b) 4.25 as of 30.06.2021;
  c) 3.75 as of 31.122021, the date of return to contractual status;
- from the lending banks, the temporary suspension ("covenant holiday") of the consolidated "Leverage Ratio NFP/EBITDA" covenant calculated on the consolidated financial statements for the year ended December 31, 2020.

As at December 31, 2021, all convenants were met.

With reference to the loans granted, there are no mortgages registered on Group assets.

Bond loans

The Company had issued two fixed-rate bond loans for an original total value of Euro 90 million:

1. a first bond loan ("A"), initially issued on June 23, 2015 and subscribed by companies belonging to the US Group Prudential Financial Inc., with a value equal to Euro 50 million, to be repaid in 7 equal instalments of Euro 7.1 million, of which the first with maturity on September 20, 2022 and the last on September 20, 2028, subject to a fixed interest rate of 3.70% with the application of a "margin ratchet" condition which provides for a gradual increase in the rate up to a maximum of 1% on the fluctuation of the NFP/EBITDA ratio of the Group. With effect from September 20, 2019, as a result of the variation in the NFP/EBITDA ratio in the first half of 2019, the interest rate increased to 4.70%. Application of this interest rate was confirmed until September 30, 2021. The NFP/EBITDA ratio resulting from approval of the financial statements at June 30, 2021 led to a reduction in the interest rate applicable for the period September 2021 to March 2022 to 4.20%. With the ratio reported at December 31, 2021, the margin ratchet has been brought to zero, bringing the interest rate for the six months subsequent to March 2022 to 3.70%;

2. in addition to the line of credit used for the "A" bond loan, the Prudential Group has granted the company a so-called "Shelf Facility" available on request and usable up to a maximum amount of approx. USD 90 million. This line was partially used to cover the issuance of the second bond ("B") and remains available at current market conditions for approx. USD 50 million. Bond B was issued on May 24, 2019 to finance the business combination of Aquafil O'Mara Inc., and subscribed by companies belonging to the US Group Prudential Financial Inc. for a total of Euro 40 million; the terms provide for repayment in 7 annual instalments from May 24, 2023, a fixed interest rate equal to 1.87%, with the application of the same margin ratchet condition as for bond A, which brought the rate to 2.87% until November 24, 2021, whereas, from November 25, 2021, to May 24, 2022, following changes in the NFP/EBITDA ratio, the rate will be 2.37%. With the ratio reported at December 31, 2021, the margin ratchet has been brought to zero, bringing the interest rate for the six months subsequent to May 2022 to 1.87%.

The following table summarises the main characteristics of the aforementioned bond loans:

Bond loan	Total nominal value	Issue date	Maturity date	Capital portion repayment plan	Interest rate applied
Bond loan A	50,000,000	23/06/2015	20/09/2028	7 annual instalments from 20/09/2022	4.20%
Bond loan B	40,000,000	24/05/2019	24/05/2029	7 annual instalments from 24/05/2023	2.37%

Bond loans envisage compliance with the following financial covenants, as contractually defined, to be calculated on the basis of the Group's consolidated financial statements:

Bond loan A - B

Financial parameters	Parameter	Covenant limit
Interest Coverage Ratio	EBITDA/Net financial charges	> 3.50
Leverage Ratio (*)	Net Debt/EBITDA	< 3.75
Net Debt Ratio	Net Debt/Net Equity	Minimum Net Equity threshold levels

(*) This indicator must be calculated with reference to the 12-month period which terminates on December 31 and June 30 for all years applicable.

Non-compliance with just one of the above financial parameters, where not resolved within the contractual deadlines provided, would constitute a circumstance for the bond loan's compulsory early repayment. The terms and conditions of the above bond loans also envisage, as is customary for financial transactions of this type, a structured series of commitments to be borne by the Company and Group companies ("Affirmative Covenants") and a series of limitations on the possibility of carrying out certain transactions, if not in compliance with certain financial parameters or specific exceptions provided for by the agreement with the bondholders ("Negative Covenants"). Specifically, there are in fact certain limitations on the assumption of financial debt, on carrying out certain investments and on acts of disposal of corporate assets. To ensure the timely and correct fulfilment of obligations arising on account of the Parent Company from the issue of securities, the companies Aquafil Usa Inc. and Aquafil SLO d.o.o. have issued joint corporate guarantees in favour of underwriters:

As specified previously, the covenants at December 31, 2021 have been met for bond loans also. It should also be noted that on the basis of the Group's earnings and debt forecasts, to date there are no elements to consider compliance with the above covenants to be at risk in the near future.

Lease liability

The lease liability, which amounts to Euro 26.8 million, includes Euro 19.8 million relating to the effects of application of IFRS 16. The lease liability also includes the finance lease contract with the company Trentino Sviluppo S.p.A., involving the building in Arco (TN). The contract in question was entered into in December 2007 and expires in November 2022. At December 31, 2021, the residual capital relating to financial leasing contracts totalled Euro 6.9 million (including the redemption payable of Euro 5.5 million). The contract is regulated at the 6-month Euribor rate plus a spread of 0.50%.

7.15 Provisions for risks and charges

The account is comprised of:

(in Euro thousands)	December 2021	December 2020
Agents' supplementary indemnity provision and others	1,361	1,113
Guarantee fund on client engineering orders	567	392
Total	**1,929**	**1,506**

7.16 Other current and non-current liabilities

The account is comprised of:

(in Euro thousands)	December 2021	*of which current portion*	December 2020	*of which current portion*
Employee payables	12,824	*12,824*	9,356	*9,356*
Social security payables	3,103	*3,103*	2,939	*2,939*
Payables to parent for income taxes	230	*230*	230	*230*
Tax payables	2,535	*2,535*	2,450	*2,450*
Other payables	2,514	*2,514*	3,457	*3,457*
Accrued liabilities and deferred income	15,215	*4,402*	16,251	*4,403*
Total	**36,421**	***25,608***	**34,683**	***22,836***

"Employee payables" include amounts payable to employees at year-end by companies of the Group, and they increased mainly due to the recovery in revenues and margins and therefore of bonuses.

"Social security payables" mainly includes the amount owed at year-end by the Group companies and their employees to social security institutions.

"Payables to parent for income taxes" entirely refer to Tessilquattro S.p.A. payables to the parent company Aquafin Holding S.p.A. as per the tax consolidation regime.

The item "Tax payables" mainly includes VAT payables, withholding taxes and other tax payables.

"Other payables" refer primarily to the outstanding debt of Aquafil Carpet Collection LCC for the acquisition of the business unit in December 2020; the balance was paid on January 4, 2022.

Accrued liabilities and deferred income comprise:

- the commercial contract with the US group Interface, involving a worldwide collaboration for supply and product development. In particular, Aquafil SpA undertook an obligation until 2026 to guarantee Interface conditions of supply, against which the client, in addition to committing to annual minimum volumes, paid to Aquafil USD 24 million in advance. At December 31, 2021, this deferred revenue (recognised to deferred income) amounts to Euro 9.8 million;
- the deferral of the portion pertaining to future years of the contribution obtained from the European Union for the "EFFECTIVE" research project, described in the Directors' Report and also commented on in notes 7.1 and 7.5 above. The original deferred income recognised for Euro 3.3. million which concerns the overall contribution recorded at the signing date of the agreement with lending banks (with counter-entry to Other non-current assets), amounts to Euro 2.4 million at December 31, 2021. It should be noted that from 2019 onwards, costs relating to the EFFECTIVE project are capitalised under intangible assets in progress for the portion eligible under IAS 38. Therefore, the residual contribution relating to the capitalised portion will be charged to the income statement from the moment the capitalised asset starts to be used and then amortised.

7.17 Trade payables

The account is comprised of:

(in Euro thousands)	December 2021	December 2020
Trade payables	122,507	62,134
Payables to parent, associates and other related parties	352	403
Payments on account	3,707	6,631
Total	**126,566**	**69,168**

The increase in trade payables derives from higher purchases for production as revenues increased and to an increase in prices (particularly for raw materials and energy).

At December 31, 2021 there were no commercial debts falling due over five years in the balance sheet.

7.18 Current tax payables

Current tax payables of Euro 1.7 million mainly refer to amounts owed by Aquafil S.p.A. and by the subsidiaries Aquafil Synthetic Fibres and Polymers Co Ltd, Aquafil O'Mara Inc., AquafilSLO d.o.o., Aqualeuna GmbH, and Aquafil Asia Pacific Co Ltd.

8. NOTES TO THE CONSOLIDATED INCOME STATEMENT

8.1 Revenues

The breakdown of revenues is shown below:

	December 2021		December 2020		Change	
	in Euro millions	%	in Euro millions	%	in Euro millions	%
EMEA	345.37	61%	247.90	57%	97.47	39%
North America	128.26	23%	111.30	25%	16.96	15%
Asia and Oceania	93.29	16%	75.70	17%	17.59	23%
Rest of the world	2.78	0%	1.80	0%	0.98	55%
Total	**569.70**	**100%**	**436.70**	**100%**	**133.00**	**30%**

Revenues almost entirely include the value of the sale of goods of the three Group product lines described above, that is, the BCF Product Line (carpet fibres), the NTF Product Line (clothing fibres) and the Polymers Product Line.

The breakdown of revenues by product line are described in the Directors' Report:

In accordance with IFRS 15, revenues include, as a direct reduction in their amount, cash discounts, which amount to Euro 3.0 million at December 31, 2021.

8.2 Other revenues and income

"Other revenues and income" amounts to Euro 4.6 million and refers mainly to:
- Euro 0.5 million of contributions obtained by Aquafil Jiaxing on investments;
- Euro 2.8 million grants received from the U.S. activities for the recovery of end-of-life carpets;
- Euro 0.1 million to the amount accruing in the year of the UE grant for the Effective project, concerning Aquafil and AquafilSlo;
- Euro 0.2 million to the tax credit accrued on research and development expenses incurred by the parent company in 2021 and determined pursuant to Article 1, paragraph 35 of Law No. 190 23/12/2014;
- Euro 0.4 million of other extraordinary income of Aquafil USA related to the indemnification on the acquisition of Aquafil O'Mara.

The decrease from the previous year is due to the fact that 2020 included:
- Euro 4.8 million for the PPP loans received by the American subsidiaries, based on US regulations, that suffered a reduction in turnover due to Covid-19; and
- Euro 2.9 million of social security grants received by the overseas subsidiaries AquafilSlo, AquafilCro and Aquafil UK, from the State against the Covid-19 emergency.

8.3 Raw material costs

The account includes raw materials and consumables costs, in addition to changes in inventories.

The account is comprised of:

(in Euro thousands)	December 2021	December 2020
Raw materials and semi-finished goods	250,103	187,209
Ancillaries and consumables	28,433	19,641
Other purchases and finished products	5,086	2,975
Total	**283,622**	**209,825**

Raw materials, ancillaries and consumables increased by 35.2%, or Euro 73.8 million, to Euro 283.6 million compared to Euro 209.8 million in 2020 and are in line with increases in volumes.

8.4 Service costs

The account is comprised of:

(in Euro thousands)	December 2021	December 2020
Transport, shipping & customs	21,626	14,812
Electricity, propulsive energy, water and gas	44,048	32,523
Maintenance	9,092	8,511
Services for personnel	3,820	2,787
Technical, ICT, commercial, legal & tax consultancy	9,405	8,459
Insurance	2,455	2,320
Marketing and advertising	3,739	3,079
Cleaning, security and waste disposal	3,619	2,910
Warehousing and external storage	3,913	2,740
External processing	4,401	1,745
Other sales expenses	201	99
Statutory auditors fees	166	157
Other service costs	3,866	3,667
Rentals and hire	2,217	2,259
Total	**112,567**	**86,067**

The increase in service costs follows the increase in production and sales volumes.

8.5 Labour costs

These costs are broken down as follows:

(in Euro thousands)	December 2021	December 2020
Wages and salaries	88,415	76,951
Social security charges	18,837	17,720
Post-employment benefit	1,944	1,990
Other non-recurring costs	1,700	3,056
Director fees	3,332	2,151
Total	**114,228**	**101,867**

Other non-recurring costs principally refer for Euro 1.1 million to the start-up of the companies Aquafil Carpet Recycling #1 and Aquafil Carpet Recycling #2, for Euro 0.2 million the restructuring process implemented by AquafilSlo and for Euro 0.3 million leaving incentives of the Parent Company.

Senior management bonuses were recognised as the operating objectives were achieved. The change is also attributable to the greater number of hours worked in 2021 in response to increased production.

The number of employees, broken down by category, is as follows:

	2021	2020	Media
Managers	52	48	51
Middle managers	154	139	145
White-collar	433	432	428
Blue-collar	2,166	2,079	2,124
Total	**2,805**	**2,698**	**2,748**

8.6 Other operating costs and charges

These costs are broken down as follows:

(in Euro thousands)	December 2021	December 2020
Taxes, duties & sanctions	2,533	2,688
Losses on asset sales	102	374
Other operating charges	785	1,368
Total	**3,420**	**4,430**

The item "Taxes, duties and sanctions" mainly includes the costs for local taxes on real estate.

"Other operating charges" mainly include the share related to the provisioning agreement with Domo Engineering Plastics and costs related to previous years.

8.7 Amortisation, depreciation and write-downs of tangible and intangible assets

The account is comprised of:

(in Euro thousands)	December 2021	December 2020
Amortisation	3,782	3,069
Depreciation	30,327	33,123
RoU (Right-of-Use) depreciation	7,913	7,405
Write-down of intangible assets	1,650	0
Impairment - other tangible assets	1,292	0
Total	**44,964**	**43,600**

For comments on the write-downs, reference should be made to the Directors' Report and to paragraphs 7.1 and 7.3 above.

8.8 Provisions and write-downs

The account is comprised of:

(in Euro thousands)	December 2021	December 2020
Doubtful debt provision	(126)	346
Provisions for risks and charges	254	632
Total	**129**	**978**

As shown in the table, the net impact of allocations to and releases from the doubtful debt provision for the year was a net positive of Euro 126 thousand, mainly for the release recognised by the subsidiary Aquafil O'Mara for receivables that are now deemed to be collectable.

8.9 Costs for internal work capitalised

For the year 2021, this item amounting to Euro 6,1 thousand refers to the capitalisations made in relation to the following projects:

- Euro 2.3 million for new product development, as described in note 7.1;
- Euro 3.5 million related to technology adaptation and upgrade projects and projects to expand the Group's production capacity;
- Euro 0.3 million for the Effective research project described in the Directors' Report and in note 7.1.

8.10 Financial income

The account is comprised of:

(in Euro thousands)	December 2021	December 2020
Derivative financial instruments	599	0
Other interest	7	2
Interest income current accts.	308	350
Total	**914**	**352**

8.11 Financial charges

The account is comprised of:

(in Euro thousands)	December 2021	December 2020
Interest on bank loans and borrowings	2,478	2,587
Interest on bonds	3,454	3,599
Interest exp. on current accounts	846	687
Write-down of derivative financial instruments	0	249
Financial charges and interest expense	772	861
Total	**7,550**	**7,982**

8.12 Exchange gains and losses

The breakdown of the account is as follows:

(in Euro thousands)	December 2021	December 2020
Total exchange gains	5,220	7,998
Total exchange losses	(5,463)	(6,218)
Total exchange differences	**(243)**	**1,780**

The amount, equal to a loss of Euro 0.2 million for the year ended December 31, 2021, is the net balance between exchange rate gains (realised and unrealised) and exchange rate losses (realised and unrealised).

8.13 Income taxes

The breakdown of the account is as follows:

(in Euro thousands)	December 2021	December 2020
Current taxes	2,557	379
Deferred taxes	1,376	(896)
Total	**3,934**	**(517)**

Current taxes amounting to Euro 2.55 million at December 31, 2021, include Euro 1.96 million in taxes paid by foreign subsidiaries and Euro 0.59 million for IRAP paid by Aquafil S.p.A..

Aquafil S.p.A. and Tessilquattro S.p.A. opted for the group taxation procedure as chosen by Aquafin Holding S.p.A. in accordance with Article 117 and subsequent of the Income Tax Code. Therefore, the consolidated financial statements take account of the effects of the transfer of tax positions arising from the “tax consolidation” and specifically recognise the consequent credit/debit relationships towards the consolidating company. For 2021, taxable income was transferred to the consolidating company, generating deferred tax liabilities (i.e. costs from tax consolidation) of Euro 0.035 million.

The table below shows the reconciliation of the theoretical rate of income tax with the actual impact on the result:

(in Euro thousands)	December 2021	%	December 2020	%
Pre-tax profit	**14,604**		**79**	
Tax calculated on applicable rate	3,505	24.00%	19	24.00%
Effect difference between local and actual rates	2,464	16.87%	(558)	(710.76%)
Prior year taxes	(662)	(4.53%)	(1,221)	(1,554.81%)
Tax losses carried forward for which no deferred tax asset recorded	(1,999)	(13.69%)	2,093	2,665.29%
Tax effect other changes	(1,073)	(7.35%)	296	377.25%
Other income taxes (IRAP) and other minor effects	322	2.20%	(250)	(318.47%)
Total current income taxes	**2,557**	**17.51%**	**379**	**482.51%**
Deferred tax income & charges	1,376	9.42%	(896)	(1,140.47%)
Total income taxes	**3,934**	**26.94%**	**(517)**	**(657.96%)**

8.14 Non-recurring items

The account is comprised of:

(in Euro thousands)	December 2021	December 2020
Non-recurring charges	235	684
Expansion costs Aquafil Group	275	363
ACR1 and ACR2 non-recurring costs	1,623	2,957
Restructuring and other personnel costs	505	2,069
Tax disputes	276	
Total non-recurring costs	**2,915**	**6,073**
Extraordinary income	(426)	(671)
Total non-recurring income	**(426)**	**(671)**
Non-operating income and charges	**2,489**	**5,402**

The item “Non-recurring charges” mainly refers to costs relating to previous years.

The item “Expansion costs Aquafil Group” refers mainly to costs incurred for the incorporation of the new company, Aquafil Japan Co Ltd., for which reference should be made to the Directors’ Report and costs for the start-up of operations in India, as well as other potential initiatives.

“ACR1 and ACR2 non-recurring costs” mainly refer to the costs incurred over the development activities of the carpet recovery technology of Aquafil Carpet Recycling #2 Inc. as well as costs incurred by Aquafil Carpet Recycling #1 Inc. due to extraordinary system downtime.

“Restructuring and other personnel costs” refer mainly to the provisions of AquafilSlo for its restructuring process and the leaving incentive settled by the parent company.

The tax dispute refers to costs for fiscal consulting incurred by the parent company in relation to the joint audit consequent to the position paper received by Aqualeuna GmbH on the tax audit by the “Bundeszentralamt fur Steuern” office responsible for intercompany transactions in the region.

“Extraordinary income” refers to the net indemnity for Aquafil USA regarding the acquisition of Aquafil O’Mara.

The percentage of the non-recurring items of the result, of cash flows, of the equity position, and of the net debt, are reported below.

		of which non-recurring	*Percentage*	
Net profit/(loss)	10,670	(2,489)	(23%)	
Net cash flow in the year	118,554	(2,261)	(1.9%)	(*)
Total assets	668,521	(559)	(0.1%)	(**)
Net financial debt	(179,318)	(2,261)	1.3%	(*)

(*) This amount concerns the non-recurring items paid in the year.

(**) Amount of non-recurring income statement items yet to be paid at year-end.

8.15 Earnings per share

The breakdown of the account is as follows:

(in Euro thousands)	December 2021	December 2020
Profit attributable to the owners of the Parent	10,670	595
Weighted average number of shares	50,945	50,991
Earnings per share (in Euro)	**0.21**	**0.01**
Earnings per share – diluted (in euro)	**0.21**	**0.01**

We point out that diluted earnings per share is equal to the above-mentioned earnings per share because there are no stock option plans.

9. NET FINANCIAL DEBT

Below is the breakdown of the net financial debt at June 31, 2021 and December 31, 2020, determined in accordance with the ESMA Guidelines (32-382-1128):

(in thousands of Euro)	December 2021	December 2020
A. Liquidity	152,656	208,954
B. Cash and cash equivalents		
C. Other current financial assets	860	834
D. Liquidity (A + B + C)	**153,516**	**209,787**
E. Current financial debt (including debt instruments but excluding the current portion of non-current financial debt)	(203)	(131)
F. Current portion of non-current financial debt	(69,236)	(75,833)
G. Current financial debt (E + F)	**(69,438)**	**(75,964)**
H. Net current financial debt (G - D)	**84,078**	**133,824**
I. Non-current financial debt (excluding current portion and debt instruments)	(180,185)	(262,154)
J. Debt instruments	(83,210)	(90,406)
K. Trade payables and other non-current payables		
L. Non-current financial debt (I + J + K)	**(263,396)**	**(352,560)**
M. Total financial debt (H + L)	**(179,318)**	**(218,736)**

The net financial reconciliation between the beginning and end of the year are presented below. The effects indicated include the currency effects.

(in Euro thousands)		*current portion*	*non-current portion*
Net Debt at December 31, 2020	**(218,736)**	***133,824***	***(352,560)***
Net cash flow in the year	(56,298)	*(56,298)*	
Decrease in liquidity subject to restrictions	26	*26*	
New bank loans and borrowings	(30,000)		*(30,000)*
Repayment/reclass. bank loans and borrowings	123,457	*11,637*	*111,820*
Repayment/reclass. lease liability	1,704	*(5,040)*	*6,744*
Change in fair value derivatives	599		*599*
Other changes	(71)	*(71)*	
Net Debt at December 31, 2021	**(179,318)**	***84,078***	***(263,396)***

10. RELATED PARTY TRANSACTIONS

Transactions and balances with related parties are illustrated in the tables below. The companies indicated are considered related parties as directly or indirectly related to the majority shareholder of the Aquafil Group. Transactions with related parties were undertaken in line with market conditions.

Payables and receivables of the Group with related parties are illustrated in the table below:

(in Euro thousands)	Parent companies	Subsidiaries	Associates	Related parties	Total	Total book value	% on total account items
Non-current financial assets							
At December 31, 2021	234	6	1,018	79	**1,336**	1,729	77.27%
At December 31, 2020	234	6		79	**318**	650	48.92%
Trade receivables							
At December 31, 2021				71	**71**	31,233	0.23%
At December 31, 2020				66	**66**	22,015	0.30%
Other current assets							
At December 31, 2021	3,152				**3,152**	12,853	24.52%
At December 31, 2020	3,187				**3,187**	11,980	26.60%
Non-current financial liabilities							
At December 31, 2021	(1,370)			(4,989)	**(6,359)**	263,421	(2.41%)
At December 31, 2020	(2,180)			(3,226)	**(5,406)**	(352,560)	1.53%
Current financial liabilities							
At December 31, 2021	(524)			(1,716)	**(2,240)**	(69,438)	3.23%
At December 31, 2020	(513)			(2,848)	**(3,361)**	(75,964)	4.42%
Trade payables							
At December 31, 2021				(352)	**(352)**	(126,566)	0.28%
At December 31, 2020	(62)			(341)	**(403)**	(69,168)	0.58%
Other current liabilities							
At December 31, 2021	(230)				**(230)**	(25,608)	0.90%
At December 31, 2020	(230)				**(230)**	(22,836)	1.01%

The transactions of the Group with related parties are illustrated in the table below:

(in Euro thousands)	Parent companies	Other related parties	Total	Book value	% on total account items
Revenues					
December 2021		52	**52**	569,701	0.01%
December 2020		53	**53**	436,602	0.01%
Service costs and rent, lease and similar costs					
December 2021		(414)	**(414)**	(112,567)	0.37%
December 2020		(446)	**(446)**	(86,094)	0.52%
Other operating costs and charges					
December 2021		(70)	**(70)**	(3,420)	2.05%
December 2020		(70)	**(70)**	(4,430)	1.57%
Financial charges					
December 2021	(43)	(116)	**(159)**	(7,550)	2.11%
December 2020	(53)	(173)	**(226)**	(7,982)	2.83%

The following table summarises cash flows with related parties of the Group and their percentage out of the cash flow indicated in the cash flow statement:

(in Euro thousands)	Total cash flow statement account	*of which related parties*	% on total account items
Result for the year	10,670	*(591)*	(6%)
Increase/(Decrease) in trade payables	57,398	*(51)*	(0%)
Increase/(Decrease) in trade receivables	(9,092)	*(5)*	0%
Changes to assets and liabilities	8,149	*35*	0%
Net change in financial assets and liabilities	(2,295)	*(168)*	7%

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11. OTHER INFORMATION

11.1 Commitments and risks

Other commitments

1. At December 31, 2021, the parent company provided sureties in favour of credit institutions in the interest of subsidiaries for a total of Euro 20.0 million.
2. On December 21, 2021, the executive director Adriano Vivaldi submitted his resignation as member of the Group's board of directors effective December 31, 2021, and as senior manager of the company effective August 31, 2022, in accordance with established contract terms. At the same time, a non-compete agreement was signed for a period of 48 months beginning on September 1, 2022, for which the company has agreed to pay Euro 500 thousand by September 10, 2022.

Contingent liabilities

Provided below is a list of fiscal positions and disputed defined and pending as at the balance sheet date that concern the Parent Company, Aquafil S.p.A. We are not aware of the existence of further disputes or proceedings that are likely to have significant repercussions on the Group's economic and financial situation.

(i) *Tax audit Aqualeuna GmbH*

The company Aqualeuna GmbH was involved in a tax audit by the competent German federal tax office in Leuna concerning inter-company transactions. On July 15, 2021, the company was notified by the German tax administration's audits unit in Halle of the conclusion of the tax audits for fiscal years 2013-2017. The increases to taxable income for Aqualeuna were as follows: (a) for the period 2013-2015, non subject to international cooperation with the Italian tax administration, for Euro 735 thousand, offset by uses of the company's past losses for the same amount; (b) for 2016, subject to joint audit by the two tax administrations, €1.4 million with corresponding adjustment in the same amount to the benefit of Aquafil in Italy; (c) for 2017, not subject to joint audit by the two administrations, Euro 3.7 million increase for Aqualeuna and filing of acknowledgement of the decrease in taxable income for IRES and IRAP by Aquafil on January 21, 2022. Given the use of past losses of Aqualeuna, the increased taxes for the company for 2013-2017 came to Euro 207 thousand. For fiscal years 2018 and 2019, not the subject of the aforementioned audits and during which Aqualeuna recognised further tax losses, the German tax administration began another audit in September 2021, requesting that the Italian tax administration launch a joint audit similar to the one conducted for 2016. For these years, too, in the event of either a joint audit or the start of out-of-court settlement followed by arbitration, any increases demanded in Germany are expected to be adjusted in Italy. Therefore, given all of the above, and as supported by the opinion of tax consultants, this potential liability is not deemed to be measurable and is, in any event, not probable. For this reason, no allocation to provisions for risks has been recognised.

(ii) *"ACE" tax deduction appeal*

Aquafil S.p.A. declared 2019 revenues for corporate income taxation using the Economic Growth Assistance ("ACE") deduction allowed by law, as was done for 2018 revenues. Given potential doubts in the interpretation of 2019 revenues, on October 30, 2020, the company filed a specific brief describing the situation, as was done for the 2018 fiscal year. On February 25, 2021, the Large Contributions office of the Italian tax authority confirmed its opinion in favour of using the ACE deduction as proposed by the company.

(iii) *Settlement notice for registry tax on sale of Aquafil EP S.p.A.*

On December 21, 2017, the Trento provincial office of the Italian tax administration issued Aquafil S.p.A. and Domo Chemicals Italy S.r.l. a settlement notice for registration tax, demanding a proportionate tax of 3% on the sale of the share package of Aquafil EP S.p.A. (later becoming Domo Engineering Plastic S.p.A.) on May 31, 2013, in the amount of Euro 1.3 million plus interest of Euro 210 thousand. Domo Chemicals Italy S.r.l. has provided for the payment of 100% of the tax plus interest, to which Aquafil contributed half of the total sum. On September 27, 2021, prior to the hearing, the Trento office notified the companies of the self-protection nullification of the notice and of the decision to refund the amount paid. On January 11, 2022, the Trento Provincial Commission issued notice that the matter was declared closed. At present, the office has yet to issue the refund, having suspended it until the Aquafil tax assessment for 2015 has been completed; nonetheless, the companies intend to issue a request for the refund.

(iv) *Audit of income tax and IRAP for 2015*

In February 2019, the Trento Office of the Italian tax authority launched a general audit of the 2015 tax period for Aquafil S.p.A., which concluded with the notification, on June 14, 2019, of a tax assessment, funnelled into the assessments notified on October 8, 2021, and November 16, 2021, that revealed a number of findings in relation to transfer pricing for a potential risk for the Company of approx. Euro 876 thousand, without penalties given that the transfer pricing documentation was deemed to be sufficient. At present, as we await the response from the office to discuss the issues and/or assess the activation of conventional MAPs concerning the double taxation at the Group level, the company, supported by the opinions of its consultants, deems that it is currently too early to quantify the contingent liability, which is currently seen as merely possible, not probable, and cannot, in any event, be quantified, and estimates that the maximum risk is Euro 91 thousand, including penalties, related to income tax and IRAP issues other than transfer pricing.

(v) *Suspension of VAT refund – 2019 fiscal year*

On June 22, 2020, the Company filed for a VAT refund in the amount of Euro 488,147 by way of the 2020 tax return (for 2019 income). The reason given was the lower excess credit not transferable for the payment of group VAT (as per Articles 33 and 73 of Italian Presidential Decree 633/1972). After examining the documentation provided by the Company during the procedures for disbursing the refund, the tax office, during a meeting held on October 13, 2020, at the Trento Office, raised certain doubts concerning the VAT payable by Space3 up to the moment of its merger into Aquafil and, consequently, the right to VAT deduction. With regard to these doubts, in November 2020, the Company issued clarifications in order to obtain recognition of the right to deduct the VAT paid by Space3 (now Aquafil) during the period prior to the merger and, consequently, settlement of the VAT credit to be refunded. Within this context, and given the assessment on the 2015 fiscal year (as described at the previous point), on November 6, 2020, the tax office issued an order suspending the VAT refund in order to defer execution of the refund in accordance with Article 69 of Italian Royal Decree No. 2440/1923.

11.2 Remuneration of senior management

The remuneration and benefits in favour of members of the Board of Directors and Senior Executives and the compensations due to the members of the Board of Statutory Auditors are presented below:

Name	Office	State	Emoluments Office	Emoluments Committees	Bonuses & Other Incentives	Remune-ration Employee (1)	Remune-ration Subsidiaries (2)	Other emoluments (3)	Total
Giulio Bonazzi	Chairman BoD & Chief Executive Officer	In office	1,210,000		371,192		143,000		**1,724,192**
Adriano Vivaldi	Executive Director & CFO of the Group	In office	90,000		185,596	288,298	43,000		**606,894**
Fabrizio Calenti	Executive Director & Chairman NTF & ECONYL®	Departed	45,000			187,518		500,000	**732,518**
Franco Rossi	Executive Director & Chairman BCF USA	In office	40,000		185,596		294,570		**520,166**
Simona Heidempergher	Lead Independent Director & Member Risk Control Committee & Appointments and Remuneration Committee	In office	40,000	25,000					**65,000**
Francesco Profumo	Independent Director Member Risk Control Committee & Appointments and Remuneration Committee	In office	40,000	25,000					**65,000**
Ilaria Maria dalla Riva	Member Risk Control Committee & Appointments and Remuneration Committee	In office	40,000	20,000					**60,000**
Margherita Elena Maria Zambon	Independent Director Member Appointments and Remuneration Committee	In office	40,000	10,000					**50,000**
Silvana Bonazzi	Director	In office	40,000						**40,000**
Stefano Giovanni Loro	Executive Director & Chairman BCF EMEA & APAC	In office	20,000		185,596	336,406	50,000		**592,002**
Sergio Calliari	Vice Chairperson Finance Dept. Executive Officer ex 262/2005	In office			74,238	155,533	18,000		**247,771**
Karim Tonelli	Controlling & Performance Director and Investor Relations	In office			74,238	168,778			**243,016**
Mark Kruger	Group Sales Manager – Polymers	In office			74,238	174,813			**249,051**
Alessandro Milholo Coelho	Industrial Operations Manager BCF EMEA	In office			74,238	144,835			**219,073**
Denis Jahic	General Manager AquafilSLO & NTF Industrial Operations Manager	In office			74,238		209,551		**283,789**
Gregor Kranjc	Executive Director & Chief Financial Officer AquafilSLO	In office			74,238		152,795		**227,033**
Sasa Muminovic	Executive Director & Human Resources Manager AquafilSLO	In office			74,238		179,941		**254,179**
Andrea Pugnali	AquafilUSA CFO Area USA	In office			74,238		247,746		**321,984**
Poggi Longostrevi Stefano	Chairman Board of Statutory Auditors	In office	60,000						**60,000**
Bompieri Beatrice	Statutory Auditor	In office	40,000						**40,000**
Solimando Bettina	Statutory Auditor	In office	40,000						**40,000**
Total			**1,745,000**	**80,000**	**1,521,884**	**1,456,180**	**1,338,602**	**500,000**	**6,641,667**

(1) Employee remuneration is to be understood as disbursed by Aquafil S.p.A.. The total amounts of business & other incentives are accrued at December 31, 2021 but not payed.

(2) Remuneration by subsidiaries includes both employment income, directors' emoluments and any bonuses disbursed by Aquafil S.p.A. subsidiaries;

(3) The other emoluments are related to the non-compete agreement.

The following members of the Board of Directors or Senior Executives, Adriano Vivaldi, Fabrizio Calenti, Stefano Loro, Sergio Calliari, Karim Tonelli, and Alessandro Miholo Coelho are guaranteed policies for the reimbursement of medical expenses, injury and death that are as a minimum in line with the provisions of the National Collective Labour Agreement for Industrial Executives; moreover, Fabrizio Calenti, Stefano Loro, and Alessandro Miholo Coelho are granted the use of apartments for residential purposes.

11.3 Significant events after December 31, 2021

1. As published on the company's website on December 21, 2021, Adriano Vivaldi, **executive director** of Aquafil S.p.A., resigned for personal reasons effective December 31, 2021. Following his resignation, in accordance with Article 2386(1) of the Italian Civil Code and with the approval of the Board of Statutory Auditors, the Board of Directors approved the replacement of the outgoing member by co-opting Attilio Annoni to the board as executive director, effective January 1, 2022, granting him similar powers to those previously held by Mr Vivaldi, thereby ensuring complete operational continuity. Adriano Vivaldi submitted his resignation as an executive director for the Company in concert with termination of all duties within the subsidiaries effective December 31, 2021, and of his role in management to be held through August 31, 2022.

2. With regard to the **purchase of treasury shares** as approved by the Aquafil S.p.A. shareholders on October 20, 2021, which brought total treasury shares purchased to Euro 2,544,855, as detailed above, it should be noted that, in January 2022, Aquafil continued to purchase shares up to a total of 457,090 treasury shares held, equal to 0.8924% of share capital for a total value of Euro 3,469,250.53. The authorisation by shareholders has a validity of 18 months from the date of the related resolution and authorises the purchase, in one or more tranches, of ordinary shares up to a maximum number which, taking account of the ordinary shares which may be held in portfolio by the company and by its subsidiary, does not total more than 3% of share capital.

3. On January 25, 2022, Aquafil S.p.A. received new **unsecured financing** in the amount of Euro 20 million from Cassa Depositi e Prestiti S.p.A. at an all-in no-floor variable rate equal to the 6-month Euribor rate plus 155 bps and with a duration of 6 years, including a 2-year grace period. The purpose of the financing is to maintain the Group's liquidity and support the investment plan for 2022 and beyond.

4. On January 12, 2022, the subsidiary **Cenon S.r.o.** sold assets held in Slovakia to third parties at a value of near zero, which matches their market value given the charges to dismantle fixed plant, including the evaporation tower. The sale of these assets did not generate a capital loss for the Group, given that the assets had been fully depreciated in the 2021 consolidated financial statements. Not currently operational, the company will likely be the subject of voluntary liquidation.

5. Concerning the loan received by Tessilquattro S.p.A. from Credito Valtellinese for Euro 4,386 thousand, a contract change was made in early 2022 by which the final payment was moved up by one year from the original date of June 30, 2025.

6. On February 20, 2022, it was announced that the U.S. company **Invista**, a major producer of nylon 6.6 polymers and fibres based in Wichita, Kansas, and a former spin-off of DuPont Textiles & Interiors sold in 2004 to Koch Industries, has decided to sell its entire production of nylon 6.6 fibre by July 2022. In the announcement, the company informed its customers that the market for flooring fibre continues to be made up of the integrated U.S. producers Shaw, Mohawk and Beaulieu, on the one hand, which will be continuing their production to serve their own business and, on the other, four independent providers of carpet filaments, which are Aquafil (only nylon 6), Ascend, Universal Fibers, and Syntec. The expectation is that these producers will be able to absorb the share of production no longer done by Invista, although shifting from nylon 6.6 to nylon 6. This confirms that fact that nylon 6 fibres have been definitively confirmed to provide equal or often greater performance than the 6.6 fibre invested by DuPont over 70 years ago and leaves significant room for growth for the Aquafil Group over the short term, specifically in the U.S. market for BCF fibres from both traditional fibre and ECONYL®.

7. On February 24, 2022, Russia announced a military operation in the Ukrainian region of Donbas, which was followed by an invasion of Ukraine as a whole. The conflict involving the two countries has led to the application of international sanctions against Russia, which do not currently entail particular restrictions or prohibitions to the commercial activities of the Aquafil Group, as we have no direct exposure to the nations involved in the conflict. In particular, the business relationships that occurred with Russian suppliers during 2021 have been replaced without additional costs nor impacts for the Group. There are no direct sales relationships with customers from Russia and/or Ukraine.
   Forecasts for the future of the conflict are not currently possible, but a continuation of military action could drive inflation higher in Europe, including rising prices for raw materials and, above all, energy, and this could have an impact on the profitability of the Group, as well as for most industries in Europe.

8. On March 4, Aquafil S.p.A. announced the signing of a partnership agreement with Salmon de Chile, the Chilean Salmon Marketing Council, and Atando Cabos S.p.A., a clean-tech enterprise focused on the recycling of plastics to help protect the ecosystem of Patagonia. The goal of this partnership is to collect and recycle old fish netting, thereby mitigating one of the greatest problems for fishing and fish farming, particularly in Chile, which provides nearly one-third of the world's farmed salmon. This partnership agreement represents a major step forward in reducing pollution and the carbon footprint of the industry and in ensuring that most

of the material used in its processes is recycled and does not add to the waste produced. The partnership is based on a four-year plan, which will include the processes of collection, recycling, measurement, and reporting.

11.4 Disclosure as per Article 1, paragraph 125, of Law No. 124 of August 4, 2017

With regards to that required by Article 1, paragraph 125 of Law 124/17, the companies of the Group recorded in 2021 the following:
(i) Euro 90,933 of Aquafil S.p.A. relating to the sale of the external electricity distribution network produced by the photovoltaic plant
(ii) Euro 126,675 relating to training grants for Aquafil S.p.A. of Euro 48,025 and Tessilquattro S.p.A. of Euro 78,650
(iii) Euro 13,333 of Aquafil S.p.A. relating to De Minimis grants on rentals

With regards to any subventions, contributions or other financial benefits received by the parent company in 2021 from the Tax Agency, reference should be made to the preceding paragraphs covering the tax items.

We also report that during the year the Group also recorded EU grants as described in the Directors' Report.

Attachment 1 – Disclosure pursuant to Article 149 of the Consob Issuer's Regulation

The following table, drawn up pursuant to Art. 149-duodecies of the Consob Issuers' Regulation, highlights the fees charged in the year 2021 for auditing and non-auditing services rendered by this appointed independent audit firm and by the companies in its network.

Company providing service	Recipient of service	Type of services	Fees 2021
PwC S.p.A.	Aquafil S.p.A.	Audit separate financial statements	128,969
		Audit consolidated financial statements	40,628
		ESEF accounts audit	20,000
PwC S.p.A.	Italian subsidiary companies	Audit separate financial statements and Group Reporting Package	25,249
PwC (1)	Foreign subsidiaries	Audit separate financial statements and Group Reporting Package	123,520
PwC S.p.A.	Aquafil S.p.A.	Limited Audit of the 2021 consolidated half-year report	29,100
PwC S.p.A.	Italian subsidiary companies	Limited Audit 2021 half-year Group Reporting Package	10,900
PwC (1)	Foreign subsidiaries	Limited Audit 2021 half-year Group Reporting Package	60,800
Total Audit services provided in 2021 to the Aquafil Group by Worldwide Audit firm			**439,166**
PwC S.p.A.	Aquafil S.p.A.	Limited Audit of Consolidated Non-Financial Report	22,000
PwC S.p.A.	Aquafil S.p.A.	Audit of the statement of the 2020 R&D costs for the purposes of the tax credit Law 145/18	4,800
PwC (1)	Foreign subsidiaries	Other assistance services allowed	5,980
Total other audit services provided in 2021 to Aquafil Group by Audit Firm			**32,780**
PwC (1)	Foreign subsidiaries	Altre prestazioni di assistenza consentiti	2,000
Total services provided in 2021 to companies of the Aquafil Group by entities belonging to PwC network			**2,000**

(1) Other companies belonging to the same PwC SpA network

Arco, March 15, 2022

The Chairperson of the Board of Directors
Mr. Giulio Bonazzi

The Executive Officer
Mr. Sergio Calliari

Statement of the Principal Financial Officer and the Delegated Bodies

Aquafil S.p.A.
Via Linfano 9 - Arco (TN) – Italy
P.I.: 09652170961

STATEMENT OF THE PRINCIPAL FINANCIAL OFFICER AND THE DELEGATED BODIES (art. 154-bis, comma 5) ABOUT THE CONSOLIDATED YEAR END FINANCIAL STATEMENTS OF AQUAFIL GROUP CLOSED ON 2021/12/31 IN ACCORDANCE WITH ART 81-TER OF CONSOB REGULATION N. 11971 OF 14 MAY 1999 AND ANY SUBSEQUENT AMENDEMENTS AND ADDITIONS

1. The **undersigned** Attilio Annoni, Managing Director, and Sergio Calliari, Principal Financial Officer ex Law 262/05 of Aquafil SpA, certify, based on art. 154-bis, commas 3-4, and Legislative Decree 58/98:

   - the adequacy in relation to the firm characteristics and
   - the effective implementation

   of the administrative - accountability procedures aimed at preparing the consolidated financial statements as of December 31st, 2021.

2. No relevant issues arose.

3. It is also certified that the consolidated financial statements as of December 31st, 2021:

   a) are drafted based on the International Financial Reporting Standards (I.F.R.S.), recognized in the European Community in accordance with Regulation (EC) n. 1606/2002 of the European Parliament and of the Council of 19 July 2002;

   b) match with the results of the accountability books and registrations;

   c) are appropriate to give a truthful and correct representation of the statement of the assets, liabilities, and capital of the Company and of the group of companies included in the consolidation process.

Arco, March 15th, 2022

Managing Director
Attilio Annoni

Principal Financial Officer
Sergio Calliari

Board of Statutory Auditor's Report

AQUAFIL S.p.A.
Via Linfano, 9 - Arco (TN) - 38062 - Italy
Fiscal Code and Trento Company's Registration Office 09652170961

BOARD OF STATUTORY AUDITORS' REPORT
TO THE SHAREHOLDERS' MEETING OF AQUAFIL S.p.A.
IN ACCORDANCE WITH ARTICLE 153 OF LEGISLATIVE DECREE 58/1998
AND ARTICLE 2429 OF THE CIVIL CODE
YEAR ENDED DECEMBER 31, 2021

Dear Shareholders,

This Report was drawn up by the Board of Statutory Auditors of **Aquafil** S.p.A. (hereafter also the "**Company**"), appointed by the Shareholders' Meeting of April 28, 2021 for the three-year period, until the approval of the 2023 Annual Accounts and comprising the Chairman of the Board of Statutory Auditors Stefano Poggi Longostrevi and the Statutory Auditors Bettina Solimando and Beatrice Bompieri (in addition to 2 alternate auditors).

The Chairman Stefano Poggi Longostrevi and the Statutory Auditor Bettina Solimando held office for all of 2021, as members of the previous Board of Statutory Auditors, while the Statutory Auditor Beatrice Bompieri entered office on April 28, 2021.

Pursuant to Article 153, paragraph 1 of Legislative Decree No. 58 of February 24, 1998 (Consolidated Finance Act, hereinafter, the "**CFA**"), the Board of Statutory Auditors is reporting on the supervisory and control activities provided for by applicable legislation, with particular regard to the provisions of the Civil Code, Arts. 148 et seq. of the CFA, Legislative Decree No. 39 of 2010 as amended by Legislative Decree No. 135 of July 17, 2016 and Legislative Decree No. 254/2016. Instructions contained in the CONSOB communications concerning corporate controls and the activity of the Board of Statutory Auditors, indications contained in the new Corporate Governance Code of listed companies, as well as the "Standards of conduct for the boards of statutory auditors of publicly listed companies" issued by the National Council of Accountants and Accounting Professionals are also taken into consideration.

This Board of Statutory Auditors' Report is being provided to the Shareholders of Aquafil S.p.A. in view of the Shareholders' Meeting called for April 28, 2022, to approve the Annual Financial Statements and the Consolidated Financial Statements as at December 31, 2021.

It is issued by the Board of Statutory Auditors according to the terms of Article 154-*ter* of Legislative Decree No. 58 of February 24, 1998 and taking account of the Markets Regulation of Borsa Italiana (Article 2.2.3, paragraph 3, letter a) for STAR listed companies.

***

Activities carried out by the Board of Statutory Auditors in 2021 and up to the date of this report are presented below, also with reference to the requirements of Consob Communication No. DEM/1025564 of April 6, 2001 and subsequent amendments.

1. Significant economic, financial and equity transactions.

The following are the significant economic, financial and equity transactions and events that occurred in financial year 2021.

1

2021 was again impacted by the ongoing COVID-19 outbreak, whose impacts however have been offset by the vaccination campaigns in many countries; the Aquafil Group has closely focused on the developing pandemic, maintaining unchanged its prevention, control and containment measures introduced from the initial months of 2020 across all operating offices globally, while maintaining uninterrupted operations: the Directors continue to monitor the effects and potential impacts on the business, on the financial situation, on credit risk, on liquidity risk and on the overall operating performances, stating in the Directors' Report and in the notes that the continuation of the health crisis has not significantly impacted the results for the year, nor has generated particular criticalities with regards to the specific risks which may arise with regards to the Group's capacity to fulfil its future commitments (including satisfaction of the "covenants" under a number of loan contracts) and/or which may impact the Group's going concern.

The Parent Company's efforts to raise funds in 2020 following the outbreak of the pandemic placed the various Group companies in a position of liquidity in excess of the ordinary needs of their businesses; in order to reduce cash balances in 2021, the Group made advance payments on medium-term financing compared to their ordinary repayment plans in the amount of Euro 61.5 million, Euro 60 million of which backed by the SACE guarantee, in addition to the ordinary instalments on outstanding loans in the amount of Euro 62 million, for a total of Euro 123.5 million. In December 2021, Aquafil received a new medium-term loan from the lender Intesa Sanpaolo in the amount of Euro 30 million, not backed by guarantees and at conditions aimed at improving the circular economy indicators.

On February 12, 2021, the parent company announced a memorandum of understanding with the Japanese group ITOCHU Corporation for a strategic partnership aimed at promoting and expanding business based on circular polyamide 6, ranging from the recycling of nylon waste to the development, production and sale of nylon products under the ECONYL® brand.

On October 11, 2021, a 32% interest was acquired in the company Nofir AS, a European leader in the collection and treatment of end-of-life fish netting based in Norway. The company has facilities in Lithuania, and has collected more than 48,000 tonnes of netting in 20 countries on 5 continents thanks to an advanced system of collecting and tracking waste netting from the fishing and fish farming industries.

On October 20, 2021, the Shareholders Meeting of Aquafil S.p.A. approved the purchase of treasury shares, in accordance with Article 2357 and subsequent of the Civil Code, over a period of 18 months, up to a maximum number overall not exceeding 3% of the share capital; the purchase resolution is for the carrying out of potential investments and/or for establishing a "securities reserve" and, at December 31, 2021, the Company had acquired a total of 331,761 shares (0.6477% of the share capital), for a total value of Euro 2,544,855.

2021 also saw the restructuring of the Board of Directors: the parent company's Executive Director Mr. Fabrizio Calenti, responsible for the "NTF" product line, resigned for personal reasons with effect from June 30, 2021, with Mr. Stefano Giovanni Loro co-opted in his place with effect from July 1, 2021; in addition, on December 21, 2021, the Executive Director Adriano Vivaldi resigned for non-professional reasons, with effect December 31, 2021, with the Board co-opting Mr. Attilio Annoni in his place as an Executive Director, with effect from January 1, 2022.

For the other significant events in the year, reference should be made to the Directors' Report.

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The Board of Statutory Auditors received information from Directors with due periodicity on the activities and significant economic, financial and equity transactions carried out by the Company and its subsidiaries. The Directors have reported these transactions in the Directors' Report, to which reference should be made, also as regards the nature of the transactions and their economic effects.

The Board of Statutory Auditors acquired adequate information on these transactions which has made it reasonably possible to believe that these transactions were compliant with the law, the By-Laws and the principles of correct administration and are not imprudent, risky or inconsistent with the resolutions passed by the Shareholders' meeting or, in any case, such as to compromise the integrity of corporate assets.

The Directors reported the increase in the year of energy costs, which rose from Euro 32.5 million in 2020 to Euro 44.1 million in 2021, and of raw material costs, with an increase of 35.2% in 2021 (against revenue growth of 30%), due to the increased procurement of production factors in relation to recovering revenues and the increase in raw material prices.

The Directors, in the Report, disclosed upon the outlook, including the effects of the conflict between Russia and Ukraine, which will bring further inflationary pressures to Europe, which are likely to be temporary, with further increases in the prices of raw materials and energy, which will have an impact - as in the case of most European production sectors - on demand and the Group's margins, on which we are already keenly focused on recovering.

2. Third party, intragroup or related party atypical and/or unusual transactions.

The Board of Statutory Auditors has not come across or received instructions from the Board of Directors, the Independent Audit Firm or the Internal Audit Manager concerning the existence of atypical and/or unusual transactions undertaken with third parties, related parties or intragroup, as defined by the CONSOB Communication DEM/6064293 of July 28, 2006.

In the notes to the financial statements, Directors have given an account of ordinary transactions carried out during the year with Group companies and related parties, to which reference is made, also as regards the nature of the transactions and their economic effects.

Their examination revealed no critical issues with regard to adequacy, congruity and compliance with the company's interests.

The Board of Statutory Auditors has verified the effective implementation and the practical functioning of the procedure for transactions with related parties adopted by the company, including periodic information from the Board of Directors in the event such transactions are carried out.

In this regard, we highlight that the Board of Directors on May 13, 2021 approved the updated RPT Policy, with effect from July 1, 2021, having received the favourable opinion of the Related Party Transactions Committee, in order to take account of the provisions of Consob motion No. 21624 of December 10, 2020. This policy, which may be found on the Company's website, provides (among other matters) for exemptions – under certain conditions – for resolutions concerning the remuneration of directors and senior executives.

Transactions involving Directors' interests or with other related parties were subject to transparency procedures envisaged by applicable legislation. In this regard, it should be noted that, following the resignation of the Executive Director, Adriano Vivaldi, effective as of December 31, 2021, with the specific intent to safeguard company value and business continuity and having received the favourable opinion of the Control, Risks & Sustainability Committee serving as the Related Parties Committee concerning this minor transaction, on December 31, 2021 the Company defined a remunerated agreement with Adriano Vivaldi with a 4-year non-compete clause.

3. Observations and proposals on the findings and requests for disclosure contained in the independent audit firm's report.

The independent audit firm PricewaterhouseCoopers S.p.A. on March 25, 2022 issued its reports as per Article 14 of Legislative Decree 39/2010 and Article 10 of Regulation EC 537/2014, in which the independent audit firm declared in its judgment that:

- *the separate and consolidated financial statements as at December 31, 2021 provide a true and fair view of the equity and financial situation of the company and of the Group, of the result for the year and of the cash flows for the year ending at that date, in compliance with International Financial Reporting Standards, adopted by the European Union, in addition to the implementation provisions of Article 9 of Legislative Decree 38/2005;*
- *the directors' report and certain specific information contained in the corporate governance and ownership structure report indicated in Article 123-bis, paragraph 4 of Legislative Decree 58/1998, are consistent with the separate and consolidated financial statements of the Company and of the Group at December 31, 2021 and are drawn up in accordance with law;*
- *with regards to the statement as per Article 14, paragraph 2, letter e) of Legislative Decree No. 39/2010, issued on the basis of its knowledge and understanding of the company and the relative overview acquired during the audit activities, we do not have any matters to report.*

The auditors' report of PricewaterhouseCoopers S.p.A. on the financial statements at December 31, 2021, does not contain any "Request for information".

The independent audit firm PricewaterhouseCoopers S.p.A. on March 25, 2022, in addition issued its additional report on the Internal Control and Audit Committee, as per Article 11 of Regulation EC 537/2014.

On the compliance of the consolidated financial statements with the provisions of Delegated Regulation (EU) 2019/815 of the European Union on the obligation to use the single electronic reporting format (ESEF - European Single Electronic Format) approved by ESMA, the Independent Audit Firm has certified that the consolidated financial statements included in the annual financial report has been prepared in XHTML format and has been "marked", in all significant aspects, in accordance with Delegated Regulation ESEF. Similarly, the Audit Firm certified that the separate financial statements have been prepared in XHTML format in accordance with the provisions of the Delegated Regulation.

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4. Statements pursuant to Article 2408 of the Civil Code and submission of petitions. Initiatives taken by the Board of Statutory Auditors and related outcomes.

No statements or matters reported were received from Shareholders during the year 2021. No petitions were submitted to the Board of Statutory Auditors during the year 2021.

In this regard, we highlight that the company has adopted a "whistleblowing" procedure, providing for the setting up of appropriate disclosure channels to ensure the receipt, analysis and handling of reports, regarding internal control, corporate disclosure, administrative responsibility of the company, fraud or other matters, sent by employees, members of the corporate boards or third parties and also confidentially or anonymously.

5. Conferment of appointments to the independent audit firm and associated costs.

The Board of Statutory Auditors was provided with evidence of the following fees accruing to the independent audit firm PricewaterhouseCoopers S.p.A. and the companies belonging to its network for services in 2021 (amounts in Euro):

Company providing service	Recipient of service	Type of services	Fees 2021
PwC SpA	Aquafil SpA	Audit separate financial statements	128,969
		Audit consolidated financial statements	40,628
		ESEF accounts audit	20,000
PwC SpA	Italian subsidiary companies	Audit separate financial statements and Group Reporting Package	25,249
PwC (1)	Foreign subsidiaries	Audit separate financial statements and Group Reporting Package	123,520
PwC SpA	Aquafil SpA	Limited Audit of the 2021 consolidated half-year report	29,100
PwC SpA	Italian subsidiary companies	Limited Audit 2021 half-year Group Reporting Package	10,900
PwC (1)	Foreign subsidiaries	Limited Audit 2021 half-year Group Reporting Package	60,800
Total Audit services provided in 2021 to the Aquafil Group by Worldwide Audit firm			**439,166**
PwC SpA	Aquafil SpA	Limited Audit of Consolidated Non-Financial Report	22,000
PwC SpA	Aquafil SpA	Audit of the statement of the 2020 R&D costs for the purposes of the tax credit Law 145/18	4,800
PwC (1)	Foreign subsidiaries	Other permitted support services	5,980
Total other audit services provided in 2021 to Aquafil Group by Audit Firm			**32,780**
PwC (1)	Foreign subsidiaries	Other permitted support services	2,000
Total services provided in 2021 to companies of the Aquafil Group by entities belonging to PwC network			**2,000**

(1) Other companies belonging to the same PwC SpA network

Pursuant to the provisions of Article 6, paragraph 2; letter a) of EU Regulation 537/2014, PricewaterhouseCoopers S.p.A. has provided the Board of Statutory Auditors with a statement that, up to this date, it is has taken account of the activities performed, has maintained its position of independence and objectivity in respect of the Company and of the Aquafil Group,

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and has provided timely communication of non-audit services to the company by PricewaterhouseCoopers. S.p.A. and/or entities in its network.

The conferment of the above-mentioned appointments for non-audit services was approved by the Board of Statutory Auditors in advance, taking account of the declarations of independence issued by PricewaterhouseCoopers S.p.A. on these appointments.

6. Main opinions issued by the Board of Statutory Auditors in accordance with applicable legislation.

During 2021, the Board of Statutory Auditors provided the following opinions:

- on June 24, 2021, favourable opinion - as per Article 2389, paragraph 3 of the Civil Code - on the fees in favour of the Directors holding specific offices for the year 2021, which were then approved by the Board of Directors on June 29, 2021;
- on June 24, 2021, favourable opinion - as per Article 2386 of the Civil Code - on the proposal of co-opting Mr. Stefano Giovanni Loro as a new Board member following the resignation of the Executive Director Fabrizio Calenti;
- on December 21, 2021, favourable opinion - as per Article 2386 of the Civil Code - on the proposal of co-opting Mr. Attilio Annoni as a new Board member from January 1, 2022 following the resignation of the Executive Director Adriano Vivaldi;
- on December 21, 2021, favourable opinion - as per Article 2389, paragraph 3 of the Civil Code - on the remuneration for specific offices of the new Executive Director Attilio Annoni, which was then approved by the Board of Directors on the same date.

On March 15, 2022 to date, the Board of Statutory Auditors issued a favourable opinion regarding the objectives and targets of the variable component of the remuneration of the Chairman and Chief Executive Officer for the financial year 2022.

It should be underlined that, during the year 2021 in the period up to April 28, 2021, the Board of Statutory Auditors - in the composition in office at that time - also:

- verified the correct application of the criteria and procedures adopted by the Board of Directors to assess the independence of the Independent Directors, at the Board of Statutory Auditors' meeting of March 5, 2021;
- examined and positively assessed, together with the Control, Risks & Sustainability Committee (hereinafter the "**CRSC**"), the 2021 Audit Plan drawn up by the Internal Audit Manager and approved by the Board of Directors in the meeting of March 11, 2021;
- examined and positively assessed the Remuneration Policy for the year 2021 as per the proposal approved by the Appointments and Remuneration Committee, as well as the Remuneration Report's text approved by the Board of Directors in the meeting of March 11, 2021 and verified that this contains the information required by Article 123-ter of the CFA and Article 84-quater of Consob Regulation 11971/1999;
- examined and positively assessed the Corporate Governance and Ownership Structure Report approved by the Board of Directors in the meeting of March 11, 2021, and verified that this contains the information required by Article 123-bis of the CFA and Article 84-quater of Consob Regulation No. 11971/1999.

In 2022 and until the date of this report, the Board of Statutory Auditors:

- verified the correct application of the criteria and procedures adopted by the Board of Directors to assess the independence of the Independent Directors, at the Board of Statutory Auditors' meeting of March 8, 2022;
- examined and positively assessed, together with the Control, Risks & Sustainability Committee, the 2022 Audit Plan drawn up by the Internal Audit Manager and approved by the Board of Directors in the meeting of March 15, 2022;
- examined and positively assessed the Remuneration Policy for the year 2022 as per the proposal approved by the Appointments and Remuneration Committee, as well as the Remuneration Report's text approved by the Board of Directors in the meeting of March 15, 2022 and verified that this contains the information required by Article 123-ter of the CFA and Article 84-quater of Consob Regulation 11971/1999;
- examined and positively assessed the Corporate Governance and Ownership Structure Report approved by the Board of Directors in the meeting of March 15, 2022, and verified that this contains the information required by Article 123-bis of the CFA and Article 84-quater of Consob Regulation No. 11971/1999.

Following the supervisory activities carried out in the year and outlined above, which did not indicate any omissions or reportable events, the Board of Statutory Auditors does not indicate any observations to be reported to the Shareholders' Meeting in accordance with Article 153 of the CFA.

7. Attendance of the meetings of the corporate bodies

As widely reported, the 2021 financial year was again affected by the continuing COVID-19 pandemic, although its impacts were mitigated by the vaccination policy adopted by the Government. Following the pandemic and the governmental measures to protect health, which have imposed measures to limit the spread of the virus throughout Italy also for 2021, the supervisory activities of the Board of Statutory Auditors were carried out partly at the Company's headquarters in Arco (TN) - in all the periods in which "in-person" access to the Company's offices was possible - and partly "remotely", through the acquisition of data and information in electronic format and the holding of its meetings in video/audio conference.

Given the Company's reliability and timeliness in ensuring meetings could be properly held and information could be exchanged adequately, the Board of Statutory Auditors believes that working remotely in this way did not diminish or otherwise compromise the reliability of the information received or the efficacy of the work conducted.

In 2021, the Board of Statutory Auditors attended all 8 sessions of the Board of Directors' meetings of Aquafil (6 of which after the Shareholders' Meeting of April 28, 2021), during which it was informed of activities performed and significant transactions made by the Company and its subsidiaries. In this context, the Board has received the periodic disclosure on powers conferred from the Chief Executive Officer.

The Board of Statutory Auditors in 2021 held 18 meetings (including meetings of the Board alone and those together with the Control, Risks & Sustainability Committee), during which frequent exchanges of information with the independent audit firm also took place to ensure that no transactions occurred that were imprudent, risky, with a potential conflict of interest, in breach of the law or the By-Laws or Shareholders' meeting resolutions or such as to compromise the integrity of the company's assets.

With regards to the meetings of the internal Board Committees, the Board of Statutory Auditors attended in 2021, through its Chairman and at least one other member, 7 Control, Risks and Sustainability Committee meetings (of which 4 since April 28, 2021), 6 Appointments and Remuneration Committee meetings (of which 3 since April 28, 2021) and 3 Control, Risks and Sustainability Committee meetings, acting as the Related Party Transactions Committee (of which 2 since April 28, 2021), acquiring knowledge on the work carried out by these Committees during the year.

The Board of Statutory Auditors also attended the Shareholders' Meetings of April 28, 2021 and October 20, 2021.

The Board of Statutory Auditors in 2022 has thus far held 5 meetings (between meetings of the Board alone and together with the Control, Risks & Sustainability Committee). The Board of Statutory Auditors also attended (with all members present) 2 Board of Directors meetings, 3 Control, Risks & Sustainability Committee meetings and 3 meetings of the Appointments and Remuneration Committee.

8. Observations on compliance with the principles of correct administration.

Following its supervisory activities, the Board of Statutory Auditors has no observations to make concerning compliance with the principles of correct administration and has confirmed that directors of Aquafil S.p.A. are aware of the risk involved and the effects of transactions made.

In particular, the Board of Statutory Auditors verified that the operating choices were adopted in the interest of the Company, compatible with the resources and capital available and adequately supported by disclosure, documentation, analysis and verification processes, also making recourse, where considered necessary, to consultation with the Committees and outside consultants.

9. Observations on the suitability of the organisational structure.

The Board of Statutory Auditors gathered ongoing information on the organisational structure of the Company and on any changes, in particular in relation to the replacement of the Executive Director Fabrizio Calenti (on June 30, 2021) and the Executive Director Adriano Vivaldi (from January 1, 2022), including through meetings with the executive director responsible for coordinating the organisation and with the heads of a number of key corporate functions (i.e. human resources, legal and corporate affairs, administration, finance and control, information technology, and investor relations).

With regards to the Internal Audit function structure, given that the 2021 Audit Plan was carried out and completed according to schedule, the company continued to strengthen its internal structure, currently comprising the Internal Audit Manager and a full-time support staff member, maintaining also the assistance of outside consultants, who mainly provide operating support.

With regards to the strategically important subsidiaries, as identified by the Board of Directors with motion of February 14, 2020 and with regards to the provisions of Article 15 of the Consob Markets Regulation (motion No. 20249 of December 28, 2017), concerning significant subsidiaries set up and governed according to the laws of non-European Union member States, the Board of Statutory Auditors indicates that the Aquafil Group companies applying this provision are included among the entities for the purposes of Internal Control on Financial disclosure, with regards to which no significant deficiencies are reported.

In light of what has been confirmed, the Board of Statutory Auditors considers that the company's organisational structure, procedures, competences and responsibilities are suitable for the size of the company and the type of activity performed.

10. Suitability of the Internal Control and Risks Management System.

The Board of Statutory Auditors has monitored the suitability of Aquafil S.p.A.'s Internal Control and Risks Management System through:

a. the gathering of information, including during meetings of the Control, Risks & Sustainability Committee, as well as through meetings with the Internal Audit Manager and with the managers of other functions, activities performed, mapping of risks related to activities in progress, audit plans and the internal control system's implementation projects, with the acquisition of associated documentation;

b. regular participation in the work of the Control, Risks & Sustainability Committee set up in accordance with the Corporate Governance Code for listed companies and, where considered appropriate for the matters covered, the joint collaboration of such with the Committee;

c. the review of the Annual Report of the Control, Risks & Sustainability Committee issued on March 15, 2022;

d. the review of the Internal Audit Manager reports, concerning the checks on the various company areas established by the 2021 Audit Plan, in addition to the follow-ups of the previous Audit Plan and the risk assessment carried out by the Internal Audit function with the support of an outside consultancy firm;

e. the review of the Internal Audit Manager's annual report together with the Internal Audit Manager's positive assessment of the suitability of the company's internal control and risk management system with respect to the company's characteristics and risk profile assumed.

In this regard, the Board of Statutory Auditors agreed with the favourable assessment of the Control, Risks & Sustainability Committee on: (i) the suitability, efficacy and effective functioning of the company's internal control and risk management system with respect to its characteristics and risk profile assumed; and (ii) the company's organisational, administrative and accounting structure with particular reference to the internal control and risk management system.

The Board of Statutory Auditors in addition:

- confirmed that the company has an Organisation, Management and Control Model that is compliant with the principles contained in Legislative Decree 231/01 and the guidelines drawn up by Trade Associations, as last approved by the Board of Directors on November 13, 2020, in order to include also "tax crimes";

- reviewed the periodic reports at June 30 and December 31, 2021 of the Supervisory Body as per Legislative Decree 231/2001, which summarised the activities carried out during the year, and periodically met with its members;
- met the Director in charge of the internal control and risk management system, in joint session with the Control, Risks and Sustainability Committee;
- met the representatives of the Board of Statutory Auditors of the only Italian subsidiary that is part of the Aquafil Group;
- obtained information from the corporate boards (without Board of Statutory Auditors) of the main overseas subsidiaries, as per Article 151, paragraphs 1 and 2 of Legislative Decree 58/1998.

In conclusion, in the process of performing the above activities, the Board of Statutory Auditors:

a) did not find any critical situations or facts suggesting that Aquafil S.p.A.'s internal control and risk management system is inadequate;

b) took note of the information provided by the Chairman of the Supervisory Body and of the above-mentioned reports concluding that there were no reprehensible facts or violations of the Model in the year 2021;

c) took note of the positive assessment delivered by the Board of Directors on the suitability and effective functioning of the Internal Control and Risk Management System for the financial year 2021.

11. Suitability of the administrative and accounting system and its reliability.

The Board of Statutory Auditors, for all aspects falling within its competence, supervised the administrative and accounting system's suitability and its reliability in correctly representing accounting data and activities performed under the coordination of the Executive Officer for Financial Reporting, for the purposes of the requirements referred to in Law 262/2005 "Provisions for the protection of savings and the regulation of financial markets" and subsequent amendments and additions through:

a) the acquisition of information from the Executive Officer for Financial Reporting and managers of other business functions, including during participation in the work of the Control, Risks & Sustainability Committee;

b) the acquisition of information on procedures adopted and instructions issued by Aquafil S.p.A. for the preparation of the Group's Annual Financial Report as at 31.12.2021;

c) the review of the report drawn up by the Executive Officer on Financial Reporting on the suitability of administrative and accounting procedures as per Law 262/2005 and on the outcome of the related tests performed;

d) the meetings with the Independent Audit Firm and the results of the work it performed.

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The Board of Statutory Auditors also noted that the impairment test applied by the company in preparing the financial statements at December 31, 2021 was that approved by the Board of Directors on February 15, 2019, following the favourable opinion issued by the Control and Risks Committee, a procedure which was applied for the preceding financial statements. The Board of Statutory Auditors oversaw the results of the impairment tests conducted by management, which for the financial statements at December 31, 2021 did not indicate problems regarding the recoverability of tangible and intangible assets, except for the write-down of Euro 1.3 million concerning the assets of the subsidiary Cenon S.r.o. (in line with the sales value to third parties of January 2022) and minor write-downs of the investments in the Turkish and Slovak subsidiaries.

While performing the above activities, the Board of Statutory Auditors did not find any critical situations or facts suggesting that Aquafil S.p.A. administrative and accounting system for the year 2021 was inadequate and/or unreliable.

12. Suitability of instructions imparted to subsidiaries.

The Board of Statutory Auditors considers the instructions imparted by the Company to its subsidiaries pursuant to Art. 114, paragraph 2 of the CFA suitable to fulfil the communication requirements envisaged by law.

13. Any relevant aspects relating to meetings with the auditors.

The Board of Directors met periodically with the independent audit firm to:

a) exchange information on the audits performed by the latter, pursuant to Legislative Decree 39/2010 and Article 150, paragraph 3 of the CFA, on the company's accounting records and on the correct recording of accounting data in the accounting records. No critical issues or anomalies emerged from these meetings;

b) for the acquisition of information on the planning of activities of the independent audit firm concerning the audit on the Annual Financial Report at 31.12.2021, in addition to the separate financial statements of Aquafil S.p.A. and the consolidated financial statements of the Aquafil Group;

c) for the review and assessment of the compilation process, including the evaluation of the correct application of accounting principles and their homogeneity, and the Aquafil Group's Annual Financial Report as at 31.12.2021, together with the results of the audit activities and evaluation of these documents.

The Board of Statutory Auditors held various meetings with the independent audit firm, with 5 meetings in 2021 (of which 3 jointly with the CRSC) and 3 in 2022 (of which 2 jointly with the CRSC) as of the date of this report, reviewing the effects of the continued COVID-19 pandemic in the year and the methodological aspects in view of the Annual Financial Report.

In addition to what is reported in paragraph 3, the Board of Statutory Auditors also:

a) received the independent audit firm's report, pursuant to Art. 11, paragraph 2 of EU Regulation No. 537/2014, also highlighting the fundamental issues that emerged during the audit and any significant shortcomings detected in the internal control system on the financial reporting process, in which no significant shortcomings were found;

b) noted the statement concerning the independence of PricewaterhouseCoopers S.p.A., as per Article 6 of Regulation (EC) No. 537/2014, annexed to the additional report, which does not indicate any situations which may compromise its independence;

c) discussed with the independent audit firm, pursuant to the provisions of Art. 6, paragraph 2(b) of EU Regulation No. 537/2014, the risks associated with the firm's independence and the measures adopted by it to limit these risks.

In particular, the Board of Statutory Auditors, with regards to the activities of the independent audit firm, noted that the methodologies and planning for the audit work, the audit approach utilised for the various significant areas of the financial statements and regarding corporate risks and the planned response by the auditor with the profiles, structures and risk, of the company and of the Group.

14. Compliance with Corporate Governance Code for listed companies

The Board of Statutory Auditors verified that the company - which previously complied with the Self-Governance Code for listed companies - with Board of Directors' motion of February 17, 2021 subscribed to the new Corporate Governance Code (the "Code"), in force since 2021. With regards to new Code, the company in 2021:

- approved the updated Regulations of the Control, Risks and Sustainability Committee and of the Appointments and Remuneration Committee;
- approved the Regulations for the functioning of the Board of Directors;
- approved the Investor Communication Policy.

In this regard, the Board of Statutory Auditors acknowledges that, in the Regulations of the Board of Directors and the Committees, an advance deadline (3 days) has been included for the sending of the pre-meeting information.

The Board of Statutory Auditors therefore oversaw, as per Article 149, paragraph 1(c-bis) of the CFA, the practical implementation methods of the corporate governance rules envisaged by the Code, with particular regard to:

- the correct application of criteria and assessment procedures adopted by the Board of Directors to assess the independence of its members;
- the procedures with which the Internal Committees to the Board of Directors are composed, in particular with reference to directors' independence requirements, noting also that a meeting of only the Independent Directors was held;
- the manner by which the annual self-assessment activities of the Board of Directors and its Internal Committee were undertaken;
- the Corporate Governance structure of the company, examining in addition the Annual Corporate Governance and Ownership Structure Report.

In 2021, the Induction of directors and statutory auditors continued, with a meeting concerning the Company's business and the competitive environment. For FY 2022, the Board of Statutory Auditors made the suggestion that a specific Induction session be conducted on risk analysis and assessment.

The Board of Statutory Auditors oversaw the activities carried out by the Control, Risks & Sustainability Committee (also acting as the Related Party Transactions Committee) and the Appointments and Remuneration Committee, through the attendance of the Chairman of the Board of Statutory Auditors and at least one other member at all meetings of these Committees.

The Board of Statutory Auditors also noted that the recommendations of the Corporate Governance Code contained in the letter of December 3, 2021, addressed to the Chairman of the Committee, Lucia Calvosa, to the Chairpersons of the Boards of Directors of listed Italian companies and, on their behalf, to the relative Chief Executive Officers and Chairpersons of the Control bodies, were brought to the attention of the Board of Directors and the Appointments and Remuneration Committee, the Control, Risks and Sustainability Committee for the undertaking of the appropriate decisions in this regard.

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In addition to the above, the Board of Statutory Auditors:

- on March 8, 2022, concluded the self-assessment of the Board, confirming the consistency of its composition with the applicable legal provisions, in addition to its adequacy in terms of diversity of age and training and professional experience of its members and compliance with the provisions regarding the accumulation of statutory auditor positions. The self-assessment of the Board of Statutory Auditors was disclosed to the Board of Directors on March 15, 2022, which communicated such to the Market in the press release issued on the same date and in the Annual Corporate Governance and Ownership Structure Report for 2021;
- within the self-assessment process of the Board of Statutory Auditors, it positively verified the compliance of independence criteria for each of its members, as required by the Code. The results of the self-assessment checks of the Board are reported in the Corporate Governance and Ownership Structure Annual Report drawn up for the year 2021.

15. Consolidated Non-Financial Report

The Board of Statutory Auditors has overseen observance of Legislative Decree No. 254 of December 30, 2016, and of Consob Regulation No. 20267 of January 18, 2018, regarding the consolidated non-financial report prepared by the Company, which describes the Sustainable Operating Model of the Aquafil Group.

The Board of Statutory Auditors notes that the Company, as the Parent Company, has prepared the consolidated non-financial report in accordance with Articles 3 and 4 of Legislative Decree No. 254/2016 and with the Global Reporting Initiative (GRI) Sustainability Reporting Standards, which the Company's directors have adopted as described in the "Methodological Note" section of the non-financial report.

The Board of Statutory Auditors has overseen observance of Legislative Decree No. 254 of 2016 and verified that the non-financial report allows for an understanding of Group business, trends, performance, and impact and describes the environmental and social issues concerning personnel, the observance of human rights, and the fight against corruption, as well as the characteristics of the enterprise and the activities performed, in accordance with Article 3 of Legislative Decree No. 254 of 2016.

The Board of Statutory Auditors points out that, in the Non-Financial Report, the Company indicated specific targets for the year 2025, with regard to certain sustainability indicators specifically indicated therein.

The Board of Statutory Auditors discussed with the Audit Firm with reference to its control activities carried out on the Non-Financial Report, receiving confirmation that no critical issues emerged from them to report.

The Board of Statutory Auditors has also verified the Board of Directors approval of March 15, 2022, of the Consolidated Non-Financial Report and the release, on March 25, 2022, by the Audit Firm of its related report, which attests the conformity of the information provided in the Non-Financial Report in accordance with Articles 3 and 4 of Legislative Decree 254/2016 and with the GRI standards.

Final evaluations on the supervisory activity performed and proposed to the Shareholders' Meeting

Having regard to the above and having:

- monitored the observance of the law and the By-Laws, compliance with the principles of correct administration and, in particular, the suitability of the organisational, administrative and accounting structure adopted by the company and its practical functioning;
- monitored compliance with disclosure obligations on insider information;
- monitored the functioning and effectiveness of the internal control system and the administrative and accounting system, in order to assess their adequacy in meeting corporate needs and their reliability for representing accounting data;
- monitored compliance with legal provisions concerning the formation and preparation of the company's Annual Financial Statements and the Group's Consolidated Financial Statements and the Directors' Report for the financial year 2021 (which also contains information on significant events occurring after December 31, 2021), including by means of direct audits and information gathered by the independent audit firm;
- monitored that, in compliance with Regulation (EC) No. 1606/2002 and Legislative Decree No. 38/2005, Aquafil S.p.A.'s financial statements at December 31, 2021, and the Group consolidated financial statement were drawn up in accordance with IAS/IFRS international accounting standards approved by the European Commission and supplemented by the related interpretations issued by the International Accounting Standard Board (IASB);
- overseen observance of the preparation and presentation to the Shareholders of the separate and consolidated financial reports and acknowledged that the Company has, in accordance with Article 106 of Decree Law No. 18/2020, established that the meeting of Shareholders is to take place solely by way of designated agent in accordance with Article 135-undecies of the CFA;
- overseen observance of Legislative Decree 254/2016 and Consob Regulation No. 20267/2018 concerning the Consolidated non-financial report included in the Consolidated financial report.
- noted the proposal for the allocation of the net profit for the year and the dividend distribution proposal, to be submitted to the Shareholders' Meeting.

Therefore, the Board of Statutory Auditors declares that, during its supervisory activity, as described above, no reprehensible facts, omissions or irregularities emerged that would require a statement to be made to the competent bodies.

In consideration of the above, the Board of Statutory Auditors of Aquafil S.p.A. invites you to approve the financial statements at December 31, 2021, as presented by the Board of Directors together with the Directors' Report and the allocation proposal for the year's result.

..*

Milan - Verona, March 25, 2022

The Board of Statutory Auditors

Mr. Stefano Poggi Longostrevi – Chairman

Ms. Bettina Solimando – Statutory Auditor

Ms. Beatrice Bompieri - Statutory Auditor

Report on the Audit of the Consolidated Financial Statement

Independent auditor's report
in accordance with article 14 of Legislative Decree n° 39
of 27 January 2010 and article 10 of Regulation (EU) n° 537/2014

Aquafil SpA

Consolidated Financial Statements
as of 31 dicembre 2021

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Independent auditor's report

in accordance with article 14 of Legislative Decree n° 39 of 27 January 2010 and article 10 of Regulation (EU) n° 537/2014

To the shareholders of
Aquafil SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Aquafil Group (the Group), which comprise the statement of financial position as of 31 December 2021, the income statement, the statement of comprehensive income and the statement of changes in equity, the statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2021, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/05.

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 *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Aquafil SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were

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addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Revenue recognition *Paragraph 2.4 "Accounting standards and valuation methods" item "Revenues and costs"* At 31 December 2021, revenues of the Aquafil Group amounted to Euro 569.701 thousand, mainly due to the sale of finished products. These revenues are recognised in the financial statements when control of the goods produced is transferred to the customer and only if all criteria under IFRS 15 ("Revenue from contracts with customers") are met. As part of our audit procedures on the consolidated financial statements, the correct recognition of revenues was considered as a key area, since it represents the most significant P&L item and an incorrect recognition of them would cause a considerable alteration of the result for the year.	The audit approach preliminarily consisted in understanding and assessing the internal control system and the procedures set by the Parent Company for the recognition of revenues from sale. The audit approach then provided to perform compliance testing on key controls, which might have been put in place by the Group companies as part of the above-mentioned procedures, in order to verify the operating efficacy of such controls in the context of the revenue recognition process, with particular reference to the existence of such revenues and their recognition in the correct accrual period. Taking into account the understanding, assessment and validation of the internal controls mentioned above, validity tests were planned and performed on the relevant financial statement item. In particular, in relation to a sample of transactions deemed representative in the context of each individual consolidated entity, procedures were carried out on the existence and accuracy of revenues recognised in the financial statements, by examining the information included in the available documentation as supporting evidence. In addition, we verified the reconciliation of the intercompany balances and their being correctly written off in the consolidated financial statements.

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Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/05 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, management uses the going concern basis of accounting unless management either intends to liquidate Aquafil SpA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (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 the consolidated financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained 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;

- we obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- we concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as 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 identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) n° 537/2014

On 30 January 2018, the shareholders of Aquafil SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2017 to 31 December 2025.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) n° 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion on compliance with the provisions of Commission Delegated Regulation (EU) 9/815

The directors of Aquafil SpA are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 concerning regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter, the "Commission Delegated Regulation") to the consolidated financial statements, to be included in the annual report.

We have performed the procedures specified in auditing standard (SA Italia) No. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Commission Delegated Regulation.

In our opinion, the consolidated financial statements have been prepared in XHTML format and have been marked up, in all significant respects, in compliance with the provisions of the Commission Delegated Regulation.

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree n° 39/10 and Article 123-bis, paragraph 4, of Legislative Decree n° 58/98

Management of Aquafil SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Aquafil Group as of 31 December 2021, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) n° 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree n° 58/98, with the consolidated financial statements of the Group as of 31 December 2021 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of Aquafil Group as of 31 December 2021 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree n° 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree n° 254 of 30 December 2016

Management of Aquafil SpA is responsible for the preparation of the non-financial statement pursuant to Legislative Decree n° 254 of 30 December 2016.
We have verified that management approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree n° 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Trento, 25 March 2022

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Signed by

Alberto Michelotti
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.

Indipendent Auditor’s Report on the Non Financial Report

AQUAFIL SPA

INDEPENDENT AUDITOR’S REPORT ON THE CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT TO ARTICLE 3, PARAGRAPH 10, OF LEGISLATIVE DECREE NO. 254/2016 AND ARTICLE 5 OF CONSOB REGULATION NO. 20267 OF JANUARY 2018

YEAR ENDED 31 DECEMBER 2021

Independent auditor’s report on the consolidated non-financial statement

pursuant to article 3, paragraph 10, of Legislative Decree no. 254/2016 and article 5 of CONSOB regulation no. 20267

To the board of directors of Aquafil SpA

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016 (the “Decree”) and article 5 of CONSOB Regulation No. 20267/2018, we have undertaken a limited assurance engagement on the consolidated non-financial statement of Aquafil S.p.A. and its subsidiaries (the “Group”) for the year ended 31st December 2021 prepared in accordance with article 4 of the Decree, and approved by the board of directors on 15th March 2021 (the “NFS”).

Our review does not extend to the information set out in “the European taxonomy” paragraph of the NFS, required by article 8 of European Regulation 2020/852.

Responsibilities of the Directors and the Board of Statutory Auditors for the NFS

The directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and with the “Global Reporting Initiative Sustainability Reporting Standards” defined in 2016, and updated to 2020, from GRI – Global Reporting Initiative (hereafter the “GRI Standards”), identified by them as the reporting standard.

The directors are also responsible, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

Moreover, the directors are responsible for identifying the content of the NFS, within the matters mentioned in article 3, paragraph 1, of the Decree, considering the activities and characteristics of the Group and to the extent necessary to ensure an understanding of the Group’s activities, its performance, its results and related impacts.

Finally, the directors are responsible for defining the business and organisational model of the Group and, with reference to the matters identified and reported in the NFS, for the policies adopted by the Group and for the identification and management of risks generated and/or faced by the Group.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, compliance with the Decree.

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Auditor's Independence and Quality Control

We are independent in accordance with the principles of ethics and independence set out in the *Code of Ethics for Professional Accountants* published by *the International Ethics Standards Board for Accountants*, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. Our audit firm adopts *International Standard on Quality Control 1 (ISQC Italia 1)* and, accordingly, maintains an overall quality control system which includes processes and procedures for compliance with ethical and professional principles and with applicable laws and regulations.

Auditor's responsibilities

We are responsible for expressing a conclusion, on the basis of the work performed, regarding the compliance of the NFS with the Decree and the GRI Standards. We conducted our work in accordance with *International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information ("ISAE 3000 Revised")*, issued by the *International Auditing and Assurance Standards Board (IAASB)* for *limited assurance* engagements. The standard requires that we plan and apply procedures in order to obtain limited assurance that the NFS is free of material misstatement. The procedures performed in a limited assurance engagement are less in scope than those performed in a *reasonable assurance engagement* in accordance with ISAE 3000 Revised, and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFS were based on our professional judgement and consisted in interviews, primarily of company personnel responsible for the preparation of the information presented in the NFS, analyses of documents, recalculations and other procedures designed to obtain evidence considered useful.

In detail, we performed the following procedures:

1. Analysis of the relevant matters reported in the NFS relating to the activities and characteristics of the Group, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree and with the reporting standard adopted.

2. Analysis and assessment of the criteria used to identify the consolidation area, in order to assess their compliance with the Decree.

3. Comparison of the financial information reported in the NFS with the information reported in the Group's consolidated financial statements.

4. Understanding of the following matters:

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a. business and organisational model of the Group with reference to the management of the matters specified by article 3 of the Decree;
b. policies adopted by the Group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;
c. key risks generated and/or faced by the Group with reference to the matters specified in article 3 of the Decree.

With reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 5 a) below.

5. Understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS.
In detail, we held meetings and interviews with the management of Aquafil SpA and with the personnel Tessilquattro SpA (manufacturing plant of Cares) and Aquafil CRO d.o.o. (manufacturing plant of Oroslavje), and we performed limited analyses of documentary evidence, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.

Moreover, for material information, considering the activities and characteristics of the Group:

- at a group level,
  a) with reference to the qualitative information included in the NFS, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify its consistency with available evidence;
  b) with reference to quantitative information, we performed analytical procedures as well as limited tests, in order to assess, on a sample basis, the accuracy of consolidation of the information;
- for the following companies and the related plants, Aquafil SpA (manufacturing plant of Arco di Trento), Tessilquattro SpA (manufacturing plant of Cares) and Aquafil CRO d.o.o. (manufacturing plant of Oroslavje), which were selected on the basis of their activities, their contribution to the performance indicators at a consolidated level and their location, we carried out drill down activities with local management and gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of Aquafil Group for the year ended as of 31st December 2021 is not prepared, in all material respects, in accordance with articles 3 and 4 of the Decree and with the GRI Standards.

Our conclusions on the NFS of Aquafil Group do not extend to the information set out in "the European taxonomy" paragraph of the NFS, required by article 8 of European Regulation 2020/852.

Trento, 25th March 2022

PricewaterhouseCoopers SpA

Signed by

Alberto Michelotti (Partner)	Paolo Bersani (Authorised signatory)

This report has been translated from the Italian original solely for the convenience of international readers. We have not performed any controls on the NFS 2021 translation.

Separate
Financial Statements
at December 31, 2021

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Separate Financial Statements at December 31, 2021

BALANCE SHEET

(in Euro)	*Note*	At December 31, 2021	At December 31, 2020
Intangible assets	7.1	14,269,602	15,337,566
Property, plant & equipment	7.2	37,128,840	38,398,483
Financial assets	7.3	311,828,809	330,129,118
of which parent companies, related parties		*3,812,976*	*24,093,848*
Other assets	7.4	503,660	662,949
Deferred tax assets	7.5	2,058,856	2,541,726
Total non-current assets		**365,789,767**	**387,069,841**
Inventories	7.6	53,644,502	45,534,782
Trade receivables	7.7	84,123,145	41,129,875
of which parent companies, related parties		*79,120,012*	*38,652,769*
Financial assets	7.3	6,200,000	12,100,000
of which parent companies, related parties		*6,200,000*	*12,100,000*
Tax receivables	7.8	0	154,281
Other assets	7.9	6,712,799	7,453,415
of which parent companies, related parties		*3,152,454*	*3,187,403*
Cash and cash equivalents	7.10	79,697,664	136,584,797
Assets held-for-sale	7.11	1,885,944	1,932,434
Total current assets		**232,264,055**	**244,889,584**
Total assets		**598,053,823**	**631,959,425**
Share capital	7.12	49,722,417	49,722,417
Reserves	7.12	55,215,528	57,114,057
Profit for the year	7.12	11,153,279	694,036
Total shareholders' equity		**116,091,225**	**107,530,510**
Employee benefits	7.13	2,176,221	2,370,623
Financial liabilities	7.14	258,357,023	338,434,914
of which parent companies, related parties		*10,522,931*	*2,382,666*
Provisions for risks and charges	7.15	819,422	672,920
Deferred tax liabilities	7.5	929,116	929,201
Other liabilities	7.16	9,226,450	10,553,049
Total non-current liabilities		**271,508,231**	**352,960,708**
Financial liabilities	7.14	62,830,227	69,732,465
of which parent companies, related parties		*673,357*	*710,437*
Current tax payables	7.18	593,102	0
Trade payables	7.17	133,076,719	91,143,373
of which parent companies, related parties		*52,288,648*	*47,971,289*
Other liabilities	7.16	13,954,319	10,592,369
of which parent companies, related parties		*1,289,505*	*920,905*
Total current liabilities		**210,454,367**	**171,468,207**
Total shareholders' equity & liabilities		**598,053,823**	**631,959,425**

INCOME STATEMENT

(in Euro)	Note	At December 31, 2021	*of which non-recurring*	At December 31, 2020	*of which non-recurring*
Revenues	8.1	569,834,692		429,253,787	
of which related parties		*238,480,330*		*184,717,318*	
Other revenue and income	8.2	372,432	*28,798*	388,929	*11,106*
of which related parties		*0*		*0*	
Total revenues and other revenues and income		**570,207,124**	***28,798***	**429,642,716**	***11,106***
Cost of raw materials and changes to inventories	8.3	(462,799,467)	*(29,600)*	(356,913,610)	*0*
of which related parties		*(290,792,688)*		*(245,346,427)*	
Service costs and rents, leases and similar costs	8.4	(44,907,503)	*(447,153)*	(32,545,337)	*(194,639)*
of which related parties		*(3,171,282)*		*(2,829,544)*	
Labour costs	8.5	(38,085,855)	*(393,493)*	(31,473,185)	*(348,018)*
of which related parties		*172,553*		*141,576*	
Other costs and operating charges	8.6	(738,548)	*(163,855)*	(790,870)	*(464,875)*
of which related parties		(26,000)		(26,000)	
Depreciation and amortisation	8.7	(10,797,594)		(9,150,554)	
Provisions & write-downs	8.8	(146,502)		(42,742)	
Write-downs of financial assets (receivables)					
Increase in internal work capitalised	8.9	1,647,112		1,512,668	
EBIT		**14,378,767**	***(1,005,303)***	**239,085**	***(996,425)***
Investment income/charges	8.10	6,794,358		5,685,302	
of which related parties		*6,794,147*		*5,685,302*	
Financial income	8.11	1,056,584		1,224,078	
of which related parties		*448,979*		*1,145,310*	
Financial charges	8.12	(9,983,114)		(9,436,551)	
of which related parties		*(3,331,910)*		*(2,307,375)*	
Exchange gains/losses	8.13	401,186		2,094,351	
Profit/(loss) before taxes		**12,647,782**	***(1,005,303)***	**(193,735)**	***(996,425)***
Income taxes	8.14	(1,494,502)	*0*	887,771	
Profit for the year		**11,153,279**	***(1,005,303)***	**694,036**	***(996,425)***

COMPREHENSIVE INCOME STATEMENT

(in Euro)	*Note*	At December 31, 2021	At December 31, 2020
Profit for the year		**11,153,279**	**694,036**
Actuarial gains/(losses)		(62,776)	(11,990)
Tax effect from actuarial gains and losses		15,066	2,878
Other income items not to be reversed to income statement in subsequent periods		**(47,709)**	**(9,113)**
Currency difference from conversion of financial statements in currencies other than the Euro		0	0
Other income items to be reversed to income statement in subsequent periods		0	0
Total comprehensive income	**7.12**	**11,105,570**	**684,923**

CASH FLOW STATEMENT

(in Euro)	*Note*	At December 31, 2021	At December 31, 2020
Operating activities			
Profit for the year		11,153,279	694,036
Income taxes	8.14	1,494,502	(887,771)
Investment charges	8.10	(6,794,358)	(5,685,302)
of which related parties:		*(6,794,147)*	*(5,685,302)*
Financial income	8.11	(1,056,584)	(1,224,078)
of which related parties:		*(448,979)*	*(1,145,310)*
Financial charges	8.12	9,983,114	9,436,551
of which related parties:		*3,331,910*	*(2,307,375)*
Exchange gains/(losses)	8.13	(401,186)	(2,094,351)
Asset disposal (gains)/losses		(56,558)	(53,401)
Provisions & write-downs	8.8	146,502	42,742
Amortisation, depreciation and write-downs of tan. assets	8.7	10,797,594	9,150,554
Cash flow from operating activities before working capital changes		**25,266,304**	**9,378,980**
Decrease/(Increase) in inventories	7.6	(8,109,721)	8,024,215
Increase/(Decrease) in trade payables	7.17	56,733,346	(7,883,605)
of which related parties:		*19,117,359*	*(6,116,065)*
Decrease/(Increase) in trade receivables	7.7	(44,275,345)	5,916,407
of which related parties:		*(41,749,318)*	*5,268,062*
Changes to assets and liabilities		3,210,386	(2,114,376)
of which related parties:		*403,550*	*(535,665)*
Net paid financial charges		(8,926,530)	(8,212,473)
Income taxes paid		0	0
Dividends received		7,000,000	4,048,423
Utilisation of provisions		(380,392)	(295,640)
Cash flow generated/(absorbed) from operating activities (A)		**30,518,049**	**8,861,931**
Investing activities			
Investments in tangible assets	7.2	(5,008,340)	(6,799,648)
Disposal of tangible assets	7.2	694,805	368,372
Investments in intangible assets	7.1	(2,407,493)	(3,523,191)
Disposal of intangible assets	7.1	14,400	1,600
Investments in financial assets	7.3	(2,159,905)	(52,703,292)
Disposal of financial assets	7.3	211	6,000,000
Cash flow generated by investing activities (B)		**(8,866,322)**	**(56,656,159)**
Financing activities			
Drawdown non-current bank loans and borrowings		30,000,000	100,000,000
Repayment non-current bank loans and borrowings		(122,835,240)	(12,472,041)
Net changes in current and non-current financial assets and liabilities (including IFRS 16)		18,491,547	52,527,958
of which related parties:		*20,766,132*	*(53,906,736)*
Non-monetary increase/decrease IFRS 16		(1,650,311)	(772,106)
of which related parties:		*(1,152,982)*	
Distribution of dividends	7.12		
of which related parties:			
Acquisition of minority interests			
Acquisition of treasury shares		(2,544,855)	
Cash flow from generated/(absorbed) by financing activities (C)		**(78,538,859)**	**139,283,811**
Net cash flow in the year (A) + (B) + (C)		**(56,887,132)**	**91,489,583**
Opening cash and cash equivalents	7.10	136,584,797	45,095,214
Closing cash and cash equivalents	7.10	79,697,665	136,584,797

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in Euro)	Share capital	Legal reserve	Share premium reserve	Negative reserve for treasury shares in portfolio	Non-distributable reserve for listing costs
At January 1, 2020	**49,722,417**	**516,971**	**19,975,348**		**(3,287,529)**
Share capital increase					
Allocation of prior-year result		147,500			
Distribution dividends					
Profit for the year					
Actuarial gains/(losses) employee benefits					
Comprehensive income	**0**	**0**	**0**		**0**
At December 31, 2020	**49,722,417**	**664,471**	**19,975,348**	**0**	**(3,287,529)**
Share capital increase					
Allocation of prior-year result		34,702			
Distribution dividends					
Treasury share purchases				(2,544,855)	
Profit for the year					
Actuarial gains/(losses) employee benefits					
Comprehensive income	**0**	**0**	**0**		**0**
At December 31, 2021	**49,722,417**	**699,173**	**19,975,348**	**(2,544,855)**	**(3,287,529)**

FTA Reserve	IAS 19 Reserve	Other reserves	Retained earnings	Net result	Total reserves	Total Net Equity
(2,156,097)	**(297,906)**	**22,484,182**	**16,938,192**	**2,950,007**	**57,123,169**	**106,845,586**
					0	0
			2,802,507	(2,950,007)	0	
					0	
				694,036	694,036	694,036
	(9,113)				(9,113)	(9,113)
0	**(9,113)**	**0**	**0**	**694,036**	**684,924**	**684,924**
(2,156,097)	**(307,019)**	**22,484,182**	**19,740,699**	**694,036**	**57,808,092**	**107,530,510**
					0	0
			659,334	(694,036)	0	
					0	0
					(2,544,855)	(2,544,855)
				11,153,279	11,153,279	11,153,279
	(47,709)				(47,709)	(47,709)
0	**(47,709)**	**0**	**0**	**11,153,279**	**11,105,570**	**11,105,570**
(2,156,097)	**(354,728)**	**22,484,182**	**20,400,033**	**11,153,279**	**66,368,807**	**116,091,224**

Notes to the Financial Statements

1. GENERAL INFORMATION

1.1 Introduction

Aquafil S.p.A. ("Aquafil", "Company" or "Parent company" and, together with its subsidiaries, "Group" or "Aquafil Group") is a joint stock company listed on the Italian Stock Exchange, Euronext STAR Segment since December 4, 2017, resulting from the business combination through merger by incorporation of Aquafil S.p.A. (pre-merger), founded in 1969 in Arco (TN) and renowned for the production and distribution of fibres and polymers, principally polyamide, into Space 3 S.p.A., as an Italian registered Special Purpose Acquisition Company (SPAC), with efficacy from December 4, 2017.

The majority shareholder of Aquafil S.p.A. is Aquafin Holding S.p.A., with registered office in Via Leone XIII No. 14, 20145 Milan, Italy, which however does not exercise management and co-ordination activities. The ultimate parent company, which draws up specific consolidated financial statements, is GB&P S.r.l. with registered office in Via Leone XIII No. 14, 20145 Milan, Italy.

Aquafil produces and sells fibres and polymers, principally polyamide 6, on a global scale through the:
(i) BCF Product Line (carpet fibres), or synthetic yarns mainly intended for the textile flooring sector and used in "contract" segments (hotels, airports, offices, etc.), residential buildings and the automotive market;
(ii) NTF Product Line (clothing fibres), or synthetic yarns mainly intended for the clothing sector (sportswear, classic, technical or specialist apparel);
(iii) Polymers Product Line, or plastic raw materials, mainly targeting the engineering plastics sector for subsequent use in the moulding industry.

The Company's products are also sold on the market under the ECONYL® brand, which offers the Company's products obtained by regenerating industrial waste and end-of-life products.

The Company enjoys a consolidated presence in Europe, the United States and Asia.

1.2 Financial Statement Presentation

These financial statements were prepared for the year ended December 31, 2021, in accordance with EU Regulation 809/2004, in compliance with International Financial Reporting Standards, issued by the International Accounting Standards Board and endorsed by the European Union (IFRS).

The Financial Statements were approved by the Board of Directors of the company on March 15, 2022, and audited by PricewaterhouseCoopers S.p.A., statutory auditors of the company.

1.3 Non-Financial Report

Aquafil S.p.A., as an Entity of Significant Public Interest ("EIPR") and the parent company of the Aquafil Group, prepares and presents, from financial year 2017, the "Consolidated Non-Financial Report", as per Article 5 "Placement of the report and communication" as per Legislative Decree 254/2016 concerning the communication of non-financial and diversity disclosure by certain large enterprises and groups. Therefore, Aquafil, as per Article 6 exemptions and special cases, is not subject to the obligation to prepare an individual non-financial report.

2. ACCOUNTING POLICIES AND MEASUREMENT CRITERIA

The main accounting policies adopted in the preparation of the Separate Financial Statements are reported below. These accounting policies were applied in line with the year 2020 presented for comparative purposes and those applied at December 31, 2021.

2.1 Basis of preparation

As previously indicated, these financial statements were prepared in accordance with IFRS, i.e. all "International Financial Reporting Standards", all "International Accounting Standards" ("IAS"), all interpretations of the International Reporting Interpretations Committee ("IFRIC"), previously called the Standards Interpretations Committee ("SIC") which, at the approval date of the Financial Statements, were endorsed by the European Union pursuant to EU Regulation No. 1606/2002 of the European Parliament and European Council of July 19, 2002.

These financial statements were prepared:
- on the basis of extensive knowledge on the IFRS and taking into account best practice; any further orientations and interpretative updates will be reflected in subsequent years, in accordance with the provisions of the accounting standards;
- on a going-concern basis of the company, as the directors verified the absence of financial, operating or other indicators which may suggest difficulties with regards to the company's capacity to meet its obligations in the foreseeable future and in particular in the next 12 months.
- under the historical cost convention, except for the measurement of financial assets and liabilities where the obligatory application of the fair value criterion is required.

2.2 Form and content of the financial statements

The financial statements of Aquafil S.p.A. have been prepared in euro. The financial statements and the relative classification criteria adopted by the company, within the options permitted by IAS 1 "Presentation of financial statements" ("IAS 1") are illustrated below:
- the *balance sheet* is presented with separation between "current and non-current" assets and liabilities;
- the *income statement* was prepared separately from the comprehensive income statement, and was prepared classifying operating costs by expense type;
- the *comprehensive income statement* which includes, in addition to the result for the period, also the changes to equity relating to income items which, in accordance with International Accounting Standards, are recognised under equity;
- the *cash flow statement* prepared in accordance with the "indirect method".

The financial statements utilised are those which best represent the result, equity and financial position of the company.

Subsidiaries

A party controls an entity when it is: (i) exposed, or has the right to participate, in the relative variable economic returns and (ii) able to exercise its decisional power on the activities relating to the entity in order to influence these returns. The existence of control is verified where events or circumstances indicate an alteration to one of the above-mentioned factors determining control. The year-end of the subsidiary companies coincides with that of Aquafil S.p.A..

Associated companies

Associated companies are companies in which the Company has a significant influence, which is presumed to exist when the percentage held is between 20% and 50% of the voting rights.

Business combinations

The company did not undertake in the year any business combinations as defined by IFRS 3.

Impairment test

The impairment test assesses whether there exist any indications that an asset may have incurred a reduction in value. For indefinite useful life intangible assets an assessment should be made at least annually that their recoverable value is at least equal to the book value and, when considered necessary, or rather in the presence of trigger events (IAS 16 paragraph 9), the impairment test must be undertaken more frequently.

In assessing the recoverable value of its property, plant and equipment, investment property and intangible assets, the Group generally applies the criterion of the value in use, where required, i.e. the presence of trigger events.

The value in use is the present value of the expected future cash flows to be derived from an asset. In defining the value in use, the expected future cash flows are discounted utilising a pre-tax rate that reflects the current market assessment of the time value of money, and the specific risks of the asset.

The estimated future cash flows utilised to determine the value in use is based on the most recent business plans, approved by management and containing forecasts for volumes, revenues, operating costs and investments.

These forecasts cover the period of the next three years; consequently, the cash flows relating to the subsequent years are determined on the basis of a growth rate which does not exceed the average growth rate for the sector and the country.

Where the book value of an asset is higher that its recoverable value a loss in value is recognised which is recorded in the income statement under "Amortisation, depreciation and write-downs".

When the reasons for the write-down no longer exist, the carrying value of the asset is restated through the income statement, in the account "Amortisation, depreciation & write-downs", up to the value at which the asset would be recorded if no write-down had taken place and amortisation or depreciation had been recorded.

Translation of accounts in foreign currencies

Transactions in currencies other than the Euro are recognised at the exchange rate at the date of the transaction. Assets and liabilities denominated in currencies other than the euro are subsequently adjusted to the exchange rate at the reporting date. Exchange differences are recognised to the income statement under "Exchange gains and losses".

Non-monetary assets and liabilities denominated in currencies other than the euro are recorded at historical cost, utilising the exchange rate on the initial recording of the transaction.

The primary exchange rates adopted for the translation of the monetary assets and liabilities in foreign currencies with the euro are shown in the table below:

	December 2021		December 2020	
	Year-end rate	Average rate	Year-end rate	Average rate
US Dollar	1.13	1.18	1.23	1.14
Croatian Kuna	7.52	7.53	7.55	7.54
Chinese Yuan	7.19	7.63	8.02	7.87
Turkish Lira	15.23	10.51	9.11	8.05
Baht	37.65	37.84	36.73	35.70
UK Sterling	0.84	0.86	0.90	0.89
Australian Dollar	1.56	1.57	1.59	1.65
Japanese Yen	130.38	129.88	126.49	121.83

2.3 Accounting standards

The most significant accounting policies adopted in the preparation of the Financial Statements are reported below.

CLASSIFICATIONS OF CURRENT AND NON-CURRENT ASSETS AND LIABILITIES

The company classifies an asset as current when:

- it is held for sale or consumption, in the normal operating cycle;
- it is principally held for trading;
- it is expected to be realised within 12 months from the reporting date; or
- it comprises cash or cash equivalents whose use is not restricted or restrictions such as to impede its use for at least 12 months from the reporting date.

All assets that do not meet the conditions listed above are classified as non-current.

The Company classifies a liability as current when:

- it is expected to be settled within the normal operating cycle;
- it is principally held for trading;
- it must be settled within twelve months of year-end; or
- the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

All the liabilities which do not satisfy the above-mentioned conditions are classified as non-current.

INTANGIBLE ASSETS

An intangible asset is an asset without physical substance, identifiable and capable of generating future economic benefits. The requisite of identifiability is normally met when an intangible asset is:

- attributable to a legal or contractual right; or
- separable, that is, it can be sold, transferred, leased or exchanged independently.

Control over an intangible asset consists of the right to take advantage of future economic benefits arising from the asset and the possibility of limiting its access to others.

Intangible assets are initially recognised at purchase and/or production cost, including the costs of bringing the asset to its current use. All other subsequent costs are expensed in the income statement in the year incurred. Research expenses are recorded as costs when incurred.

An intangible asset, generated during a project's development phase, which complies with the definition of development on the basis of IAS 38, is recognised as an asset if:

- the cost can be measured reliably;
- the product/process is technically feasible;
- it is likely that the company will obtain the future economic benefits that are attributable to the asset developed, and
- where the company intends to complete the project's development and has sufficient resources to do so.

INTANGIBLE ASSETS WITH DEFINITE USEFUL LIVES

Intangible assets with definite useful lives are recognised as cost, as previously described, net of accumulated amortisation and any impairment.

Amortisation begins when the asset is available for use and is recognised on a straight-line basis in relation to the residual possibility of use and thus over the estimated useful life of the asset; for the amount to be amortised and its recoverability the criteria to be utilised is that outlined, respectively, in the paragraphs "Property, plant and equipment" and "Impairment of property, plant and equipment and intangible assets".

The estimated useful life of the various categories of intangible assets is as follows:

	Estimated useful life
Concessions, licences & trademarks	10 years
Development costs	5 years
Industrial patents & intellectual property rights	10 years
Other intangible assets	Duration of contract

PROPERTY, PLANT & EQUIPMENT

Property, plant and equipment are measured at purchase or production cost, net of accumulated depreciation and any impairments. The purchase or production cost includes charges directly incurred for bringing the asset to their condition for use, as well as dismantling and removal charges which will be incurred consequent of contractual obligations, which require the asset to be returned to its original condition. The financial charges directly attributable to the acquisition, incorporation or production of property, plant and equipment whose realisation requires timeframes above one year, are capitalised and depreciated based on the useful life of the asset to which they refer.

The expenses incurred for the maintenance and repairs of an ordinary nature are charged to the income statement when they are incurred. The capitalisation of costs relative to the expansion, modernisation or improvement of the structural elements whether owned or leased, is solely made within the limits established to be separately classified as assets or part of an asset. The assets recorded in relation to leasehold improvements are amortised based on the duration of the rental contract, or on the basis of the specific useful life of the asset, if lower.

Depreciation is charged on a straight-line basis, which depreciates the asset over its economic/technical useful life. Applying the principle of the component approach, when the asset to be depreciated is composed of separately identifiable elements whose useful life differs significantly from the other parts of the asset, the depreciation is calculated separately for each part of the asset.

The estimated useful life of the main categories of property, plant and equipment is as follows:

	Estimated useful life
Buildings and light constructions	10 - 17 - 33 years
General plant and machinery	7 - 8 - 10 - 13 years
Industrial and commercial equipment	2 - 4 - 8 years
Other assets	4 - 5 - 8 years
Right-of-Use	Duration of contract

Land, including that adjacent to production facilities, is not depreciated. The useful life of property, plant and equipment is reviewed and updated, where necessary, at least at the end of each year.

A tangible fixed asset is eliminated from the financial statements when the asset is sold or when no expected economic benefits exist from its use or disposal. Any gains or losses (calculated as the difference between net income from sales and the net book value of the asset sold) are recognised in the income statement in the year of disposal.

LEASED ASSETS

International Accounting Standard IFRS 16 identifies the principles for the recognition, measurement and presentation in the financial statements of leasing contracts, as well as enhancing the relative disclosure requirements.

Specifically, IFRS 16 defines leasing as a contract which assigns to the client (lessee) the right-of-use of an asset for a set period of time in exchange for consideration, without distinguishing finance leases from operating leases such as rental and hire.

The definition of a contractual agreement as a lease transaction (or containing a lease transaction) is based on the substance of the agreement and requires an assessment of whether fulfilment of the agreement depends on the use of one or more specific assets and if the agreement transfers the right to use them.

Companies that operate as lessee therefore recognise in their financial statements, at the effective date of the lease, an asset representing the right to use of the asset (defined as the “Right-of-Use”) and a liability, attributable to the obligation to make the payments provided for in the contract. The lessee should subsequently recognise the interest concerning the lease liability separate from the depreciation of the right-of-use assets. IFRS 16 also requires lessees to restate the amounts of the lease liability on the occurrence of certain events (e.g. a change to the duration of the lease, a change to the value of the future payments due to a change in an index or rate utilised to determine these payments). In general, the restatement of the amount of the lease liability implies an adjustment also to the right-of-use asset.

Differing from that required for lessees, for the purposes of the preparation of the financial statements of lessors (the lessor), the new International Accounting Standard maintains the distinction between operating and finance leases as per IAS 17.

IMPAIRMENT OF INTANGIBLE AND TANGIBLE ASSETS

Intangible and tangible assets with definite useful life

A verification is carried out at each reporting date to establish whether there are indicators that tangible and intangible assets may have suffered an impairment. To this end, both internal and external sources of information are considered. With regard to the former (internal sources), obsolescence or the asset's physical deterioration and any significant changes in the asset's use and the asset's economic performance in comparison to projections are taken into consideration. As regards external sources, the trend in the assets' market prices, any technological, market or regulatory discontinuities, the trend in market rate interest rates or the cost of capital used to evaluate investments are considered.

Where these indicators exist, an estimate of the recoverable value of the above-mentioned assets is made, recording any write-down compared to the relative book value in the income statement. The recoverable value of an asset is the higher between the fair value, less costs to sell, and its value in use, determined discounting the estimated future cash flows for this asset, including, where significant and reasonably determinable, those deriving from the sale at the end of the relative useful life, net of any transaction costs. In defining the value in use, the expected future cash flows are discounted utilising a pre-tax rate that reflects the current market assessment of the time value of money, and the specific risks of the asset. For an asset that does not generate independent cash flows, the recoverable value is determined in relation to the cash-generating unit to which the asset belongs.

A loss in value is recognised in the income statement when the carrying value of the asset, or of the relative CGU to which it is allocated, is higher than its recoverable value. The loss in value of CGU's are firstly attributed to the reduction in the carrying value of any goodwill allocated and, thereafter, to a reduction of other assets, in proportion to their carrying value and in the limit of the relative recoverable value. When the reasons for the write-down no longer exist, the book value of the asset is restated through the income statement, up to the value at which the asset would be recorded if no write-down had taken place and amortisation or depreciation had been recorded.

EQUITY INVESTMENTS

In subsidiaries:

Investments in subsidiaries are recorded at acquisition or subscription cost.

Where there is an indication of a loss in value, the recoverability of the recognition value is verified through a comparison between the carrying amount and the higher between the value in use, determined discounting the future cash flows of the investment and, where possible, the hypothetical sales value determined based on recent transactions or market multiples.

The share of the loss exceeding the carrying amount is recorded in a specific provision for the amount that the company considers there exists legal or implied obligations to cover the losses or in any case within the limits of the book net equity. Where there is a subsequent improvement in the performance of the investee subject to the write-down such as to consider the reasons for the impairment no longer existing, the investments are revalued within the limits of the write-downs recognised in previous years. The dividends from subsidiaries are recorded in the income statement in the year in which they are approved.

In associates:

Associated companies are companies in which the Company has a significant influence, which is presumed to exist when the percentage held is between 20% and 50% of the voting rights. Associated companies are measured under the equity method and are initially recorded at cost. The equity method is as described below:

- the book value of these investments is aligned to the net equity of the company adjusted, where necessary, to reflect the application of IFRS and includes the recognition of the higher value attributed to the assets and liabilities and to any goodwill, identified on acquisition; in line with a similar process to that previously described for business combinations;
- the profits and losses pertaining to the Company are recognised when the significant influence begins and until the significant influence ceases to exist. In the case where, due to losses, the company valued under this method indicates a negative net equity, the carrying value of the investment is written down and any excess pertaining to the Company, where this latter is committed

to comply with legal or implicit obligations of the investee, or in any case to cover the losses, is recorded in a specific provision; the equity changes of the companies valued under the equity method, not recorded through the income statement, are recorded directly in the comprehensive income statement;
- the gains and losses not realised, generated on transactions between the Company/Subsidiaries and investments measured under the equity method are eliminated based on the share pertaining to the investee, except for losses, when they represent a reduction in value of the underlying asset, and dividends which are fully eliminated.

When there is objective evidence of an impairment, the recovery is verified comparing the carrying value with the relative recoverable value adopting the criteria indicated in the paragraph “Impairments of tangible and intangible assets”. When the reasons for the impairment no longer exist, the investments are revalued within the limits of the write-downs, with effects recognised to the income statement.

The transfer of shareholdings resulting in the loss of joint control or significant influence over the investee company determines the recognition in the comprehensive income statement:
- of any gain/loss calculated as the difference between the amount received and the corresponding fraction of the carrying amount transferred;
- of the effect of the remeasurement of any residual investment in line with the relative fair value;
- of any values recorded under other comprehensive items related to the investee for which reclassification to the comprehensive income statement is envisaged.

The value of any equity investment aligned to its fair value at the date of the loss of joint control or significant influence, represents the new carrying amount and, therefore, the reference value for the subsequent valuation according to the applicable valuation criteria.

Once an equity investment, or a share of this equity, measured under the equity method is classified as held for sale in so far as it meets the criteria for such classification, the equity investment or share of equity, is no longer measured under the equity method.

SECURITIES OTHER THAN EQUITY INVESTMENTS

Securities other than equity investments, included under “Financial assets”, are held in portfolio until maturity. They are recognised at acquisition cost (with reference to the “trading date”) including transaction costs.

LOANS, RECEIVABLES AND FINANCIAL ASSETS HELD-TO-MATURITY

The financial assets are measured based on IFRS 9.

Company assesses at each reporting date whether a financial asset or a group of financial assets have incurred a loss in value.

IMPAIRMENTS OF FINANCIAL ASSETS

At the reporting date, all the financial assets, other than those measured at fair value through the comprehensive income statement, are analysed in order to verify whether there is evidence of a loss in value. An impairment loss is recognised if, and only if, this evidence exists as a result of one or more events that have an impact on the asset’s expected future cash flows, occurring after its initial recognition.

In the valuation account is also taken of future economic conditions.

For financial assets accounted for through the amortised cost criterion, when a loss in value has been identified, its value is measured as the difference between the asset’s carrying amount and the present value of expected future cash flows, discounted on the basis of the original effective interest rate. This value is recognised in the income statement under the item “Provisions and write-downs”. When, in subsequent periods, the reasons for the write-down no longer exist, the value of the financial assets are restated up to the value deriving from the application of the amortised cost criterion.

INVENTORIES

Inventories are recorded at the lower of purchase or production cost and realisable value represented by the amount that the Company expects to obtain from their sale in the normal course of operations of the assets, net of accessory costs. The cost of inventories is calculated using the weighted average cost method. The value of finished or semi-finished product inventories includes direct or indirect processing costs. To determine the weighted average cost of production or processing, the Company considers the weighted average cost of the raw material and the direct and indirect production costs, generally taken as a percentage of direct costs.

The value of inventories was recorded net of any impairment provisions.

TRADE AND OTHER RECEIVABLES (CURRENT AND NON-CURRENT)

Trade receivables and other current and non-current receivable are considered financial instruments, principally relating to customer receivables, non-derivative, not listed on an active market, from which fixed or determinable payments are expected. Trade receivables and other receivables are classified in the balance sheet under current assets, except for amounts due beyond 12 months from the reporting date, which are classified as non-current. These financial assets are recorded in the balance sheet when the company becomes part of the related contracts and are derecognised when the right to receive the cash flow is transferred together with all the risks and benefits associated with the asset sold.

Trade and other current and non-current receivables are initially recorded at their fair value, and subsequently with the amortised cost method using the effective interest rate, reduced for any impairment.

Impairments on receivables are recognised in the income statement when there is objective evidence that the Company will not be able to recover the credit on the basis of contractual conditions.

The write-down amount is measured as the difference between the asset's carrying amount and the present value of expected future cash flows.

The value of receivables is shown in the balance sheet net of the corresponding doubtful debt provision.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, on-demand deposits and financial assets with an original maturity of three months or less, readily convertible into cash and subject to an insignificant risk of changes in value. The items included in cash and cash equivalents are measured at fair value and the relative changes are recorded in the income statement.

EMPLOYEE BENEFITS

For the defined benefit plans, which include post-employment benefit provisions due to employees pursuant to Article 2120 of the Italian Civil Code, the amount to be paid to employees is quantifiable only after the termination of the employment service period, and is related to one or more factors such as age, years of service and remuneration. Therefore, the relative charge is recorded in the income statement based on actuarial calculations. The liability recorded in the accounts for defined benefit plans corresponds to the present value of the obligation at the reporting date. The obligations for the defined benefit plans are determined annually by an independent actuary utilising the projected unit credit method. The present value of the defined benefit plan is determined discounting the future cash flows at an interest rate equal to the obligations (high-quality corporate) issued in euro and takes into account the duration of the relative pension plan. The actuarial gains and losses deriving from these adjustments and the changes in the actuarial assumptions are recognised in the comprehensive income statement.

From January 1, 2007, the 2007 Finance Act and relative decrees enacted introduced important amendments in relation to post-employment benefits, among which was the choice given to the employee to determine where the benefit matured in the period is invested. In particular, the new post-employment benefits can be utilised by the employee for their own chosen pension scheme or they may choose to leave the amount in the company. In the case of allocation to external pension funds, the Company is only liable to pay a defined contribution to the selected fund and as from that date, the newly matured portion are in the nature of defined contribution plans and are therefore not subject to actuarial valuation.

TRADE AND OTHER PAYABLES (CURRENT AND NON-CURRENT)

Financial liabilities (with the exclusion of derivative financial instruments) relate to trade and other payables and are initially recorded at fair value, net of directly allocated accessory costs. After initial recognition, they are measured at amortised cost, recording any differences between cost and repayment amount in the income statement over the duration of the liability, in accordance with the effective interest rate method. When there is a change in the expected cash flows, the value of the liabilities is recalculated to reflect this change, based on the new present value of the expected cash flows and on the effective internal rate initially determined.

ELIMINATION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets (or, where applicable, part of a financial asset or part of a group of similar financial assets) are derecognised from the financial statements when:

- the right to receive the financial flows of the asset terminate;
- the company retains the contractual right to receive the cash flows from the asset, but assumes a contractual obligation to pay the cash flows fully and without delay to a third party;
- the company has transferred its right to receive cash flows from the asset and (a) has transferred substantially all of the risks and rewards of ownership of the financial asset or (b) has not transferred or retained substantially all of the risks and rewards of the asset, but has transferred control over same.

A financial liability is derecognised from the financial statements when the underlying liability is settled, cancelled or fulfilled.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are only used by Aquafil for the hedging of financial risks related to interest rate fluctuations on bank debt.

A derivative is a financial instrument or other contract:

- whose value changes in response to changes in an underlying defined parameter such as the interest rate, the price of a security or commodity, foreign currency exchange rate, the index of prices or rates, credit rating or another variable;
- that requires a zero initial net investment, or lower than what would be required for contracts with a similar response to changes in market conditions;
- which is settled at a future date.

The financial instruments are undertaken to hedge against the interest rate risk. In accordance with IAS 39, which remains applicable optionally with respect to IFRS 9 in the case of the hedging of interest rate exposure, derivative financial instruments are accounted for in accordance with the procedures established for hedge accounting only when:

- the hedging instrument is formally designated and documented at the start of hedging;
- the hedge is expected to be highly effective;
- such efficacy can be reliably measured;
- the hedge is highly effective during the various accounting periods for which it is designated.

It should be noted that the derivative instruments currently in place (IRS - Interest Rate Swaps), although subscribed for hedging purposes with regard to changes in interest rates, have been treated, for accounting purposes and consistently with the past, as non-hedging instruments (and therefore the change in the relative fair value is recognised in the income statement), as it is very complex to prepare the mandatory hedging relationship and considering that the overall fair value of these derivatives is in any case not significant, as commented on in these notes.

MEASUREMENT OF THE FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value measurement of the financial instruments is undertaken applying IFRS 13 “Fair value measurement” (IFRS 13). Fair value concerns the price that will be received for the sale of an asset or which will be paid for the transfer of a liability in an ordinary transaction settled between market operators, at the measurement date.

Fair value measurement is based on the assumption that the sale of the asset or transfer of the liability is undertaken on the principal market, or rather the market in which the largest volume and levels of transaction take place for the asset or liability. In the absence of a principal market, it is assumed that the transaction takes place on the most advantageous market to which the company has access, or rather the market which would maximise the results of the sales transaction of the asset or minimise the amount to be paid for the transfer of the liability.

The fair value of an asset or of a liability is determined considering the assumptions which the market participants would use to define the price of the asset or of the liability, under the presumption that they act in accordance with their best economic interests. Market participants are independent knowledgeable acquirers or sellers able to enter into a transaction for the asset or the liability and motivated but not obliged or coerced into making the transaction.

In the fair value measurement, the company takes into account the specific characteristics of the asset or the liability, in particular, for the non-financial assets, the capacity of a market operator to generate economic benefits utilising the asset to its maximum and best use or by selling to another market operator that would utilise the asset to its maximum or best use. The fair value measurement of assets and liabilities utilises appropriate techniques for the circumstances and for which sufficient data is available, maximising the use of observable inputs.

IFRS 13 identifies the following fair value hierarchy which reflect the importance of the inputs used in the relative measurement:
- level 1 Quoted Price (active market): data used in valuations are represented by prices quoted on markets in which identical assets and liabilities are traded with those being valued;
- level 2 Use of Observable Market Parameters (for example, for derivatives, the exchange rates recorded by the Bank of Italy, market interest rate curves, volatility provided by qualified providers, credit spreads calculated on the basis of CDS', etc.) other than level 1 quoted prices;
- level 3 Use of Non-Observable Market Parameters (internal assumptions, for example, financial flows, risk-adjusted spreads, etc.).

WARRANTS

The company has issued warrants, that is, financial instruments that give the holder the right to purchase (call warrants) a determined quantity of ordinary shares (underlying) at a predefined price (strike-price) within a set deadline. Two types of warrants are issued: "Market Warrants" which are also quoted, and non-quoted "Sponsor Warrants".

These financial instruments can have different terms and characteristics and, on the basis of these, can be alternatively considered as: (i) a financial liability that must therefore be measured at fair value at the time of issue and any subsequent variation recorded directly in the income statement, or as (ii) an equity instrument and therefore classified in a specific equity reserve from which they will be released only at the time they are exercised or on their maturity as indicated by IAS 32.

Warrants issued by the company have the characteristics to be considered as equity instruments since both instruments contain a pre-set execution value (defined as the "fixed for fixed criteria").

In particular, in the case of execution of Sponsor Warrants, an exchange between equity and cash instruments at a pre-set value is envisaged and, in the case of Market Warrants, an exchange based on a pre-defined formula. Information on these instruments is available in the paragraph on shareholders' equity.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges relate to costs and charges of a defined nature and of certain or probable existence whose amount or date of occurrence are uncertain at the reporting date. Accruals to provisions are recorded when:
- the existence of a present obligation, legal or implicit, deriving from a past event is probable;
- it is probable that compliance with the obligation will result in a charge;
- the amount of the obligation can be estimated reliably.

Provisions are recorded at the value representing the best estimate of the amount that the entity would reasonably pay to discharge the obligation or to transfer it to a third party at the reporting date. When the financial effect of the passing of time is significant and the payment dates of the obligations can be reliably estimated, the provision is determined by discounting the expected cash flows taking into account the risks associated with the obligation; the increase of the provision due to the passing of time is recorded in the income statement in the account “Financial charges”.

The provisions are periodically updated to reflect the changes in the estimate of the costs, of the time period and of the discounting rate; the revision of estimates is recorded in the same income statement accounts in which the provision was recorded.

REVENUES AND COSTS

Revenues from the sale of goods and services as well as the purchase costs of goods and services are recognised on the transfer of the risks and rewards connected to the ownership or completion of the service.

Revenues are shown net of discounts, allowances and returns; they are recorded at fair value to the extent in which it is possible to reliably determine such value and the likelihood that the relative economic benefits will be enjoyed.

Revenues are recognised in accordance with IFRS 15 and therefore as per the following 5 steps:
1) identification of the contract with the customer. The standard contains specific provisions to assess whether two or more contracts should be combined and to identify the accounting implications of any contractual amendments;
2) identification of the contractual obligations contained in the contract;
3) calculation of the transaction price, which should be made taking into consideration, among others, the following elements: any amounts paid on behalf of third parties, which must be excluded from the consideration, variable price components (such as performance bonuses, penalties, discounts, reimbursements, incentives, etc...) and any financial component, present where the payment terms granted to the customer contain a significant extension period;
4) allocation of the transaction price to the contractual obligations, on the basis of the stand-alone sales price of each good or service; separately;
5) recognition of the revenue, when (or if) each contractual obligation is satisfied through the transfer of the goods or service, which occurs when the customer obtains the control and therefore has the capacity to decide upon and/or control its use and substantially obtain all the benefits. Control may be transferred at a specific point in time or over time.

The analysis undertaken indicated that the obligations arising for the Parent Company to its clients mainly concern the production and supply of finished products according to the terms and conditions requested, and in particular:
- payment deadlines are on average between in line with generally applied market averages. “Cash discounts” are contractually granted in the case of early settlement and were recognised as a direct reduction in revenues. No payment deferments are granted which could be considered as qualifying as a loan;
- the finished product is sold without the granting of warranty periods and/or without return and/or suspension of ownership clauses. Any returns and reimbursements are agreed among the parties on a case by case basis following critical analysis of the reasons which may have resulted in any non-compliance issues.

It is therefore considered that:
(i) the moment of transfer of control to clients of their products coincides with the transfer of the associated risks and benefits, as contractually defined by the delivery terms applied and which are in line with those generally accepted within the sector;
(ii) the consideration does not include any financial component, with the exception of the cash discounts which are recognised as a reduction in revenues, while the component of the transport service and insurance (applicable only with specific delivery terms) is however completed in the same period as the transfer of control of the goods and therefore accrues to the same period;
(iii) no contractual obligations are in place which suspend the transfer of control of the goods and therefore only the returns/reimbursements that may be agreed (concerning the goods sold in the year) may be recognised as a reduction of the relative revenues.

FINANCIAL INCOME AND CHARGES

Financial income and charges are recognized in the income statement in the period in which they are earned or incurred according to IFRS 9.

DIVIDENDS

Dividends received are recognised when (i) shareholders become entitled to receive the payment, which coincides with the date of the investee company's shareholders' meeting approving distribution, (ii) it is probable that the economic benefits associated with the dividend will flow to the entity and (iii) the amount of the dividend can be measured reliably.

The distribution of dividends to Aquafil S.p.A.'s shareholders is represented as a movement of shareholders' equity and recorded as a liability in the financial year in which this distribution is approved by the Shareholders' Meeting.

INCOME TAXES

Current taxes are determined on the basis of estimated taxable income, in compliance with tax regulations applicable to companies and are recorded in the income statement under the item "Income taxes for the year", with the exception of those relating to items directly debited or credited to a shareholders' equity reserve; in such cases, the relative tax effect is directly recognised in the respective shareholders' equity reserves. The income statement shows the amount of income taxes for each item included in the "other components of the consolidated comprehensive income statement".

Deferred tax assets and liabilities are calculated in accordance with the balance sheet liability method. Deferred taxes are calculated on temporary differences between the values recorded in the financial statements and the corresponding values recognised for tax purposes. The deferred tax assets, including those relating to any tax losses carried forward, are recognised only for those amounts for which it is probable there will be future assessable income to recover the amounts. Tax assets and liabilities are offset, separately for current taxes and for deferred taxes, when the income tax is applied by the same fiscal authority, there is a legal right of compensation and the payment of the net balance is expected. Deferred tax assets and liabilities are calculated utilising the tax rates which are expected to be applied in the years when the temporary differences will be realised or settled, taking into account current tax regulations or substantially in force at the reporting date. Other taxes not related to income, such as indirect taxes and duties are included under "Other operating costs and charges".

From the year 2018 Aquafil S.p.A. was included in the tax consolidation regime with the parent company Aquafin Holding S.p.A., interrupted in 2017 due to the merger by incorporation of Aquafil S.p.A. into Space 3 S.p.A.. The tax consolidation regime is also confirmed for the year 2021.

In addition, it should be noted that Article 12 of Legislative Decree No. 142 of 29/11/2018 defined the concept of "non-financial holding companies" (*"Industrial Holdings"*), for which, "the prevalent exercise of acquiring investments in parties other than financial intermediaries exists when, based on the figures of the last approved year-end financial statements, the total amount of investments in these parties and other equity elements undertaken between them, considered as a whole, is higher than 50 per cent of the total assets on the balance sheet", with effect from the year 2018.

Due to this amendment by Legislative Decree 142/2018, therefore, as of the year 2018, previously excluded companies fall under "industrial holdings" and particularly those which have holdings but whose financial income predominantly comprises revenues from industrial activity.

The company which qualifies as an "Industrial Holding" must calculate the Irap taxable base in accordance with Article 6, paragraph 9 of the IRAP Decree, that is, by adding to the normally determinable taxable base, 100% of the interest income and other financial income and subtracting 96% of the interest expense and similar charges; in addition, *the increased rate envisaged for banks* and other financial institutions *must be applied to the value of production relevant for IRAP purposes*. It should be noted that also for 2021, the IRAP rate for the industrial holding companies in the province of Trento, applicable to non-financial holding companies and similar entities pursuant to paragraph 9 of Article 6 of Legislative Decree No. 446/97 is 4.65%, and the benefits normally granted to industrial companies are not applied.

ASSETS AND LIABILITIES AVAILABLE FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets and current assets and non-current assets of discontinued operations are classified as held-for-sale where their book value will principally be recovered through sale. This condition exists when the sale is highly probable and the asset or discontinued operation is available for an immediate sale in its current conditions. Non-current assets held-for-sale, current assets and non-current assets of discontinued operations and the liabilities directly related to them are recorded separately to company assets and liabilities in the balance sheet.

Non-current assets held-for-sale are not depreciated and are valued at the lower of the subscription value and their fair value, less selling costs.

Any difference between the book value and the Fair Value less selling costs is recorded in the income statement as a write-down; any subsequent recoveries in value are recognised for the amount of the write-downs previously recorded, including those recognised before the definition of the asset as held-for-sale.

Non-current assets and current and non-current assets of disposal groups classified as held-for-sale constitute discontinued operations if, alternatively:
- they represent a significant autonomous branch of activity or a significant geographical area of activity; or
- is part of a disposal programme of an important independent activity or geographical area of activity;
- are a subsidiary acquired exclusively for the purpose of sale.

The results of discontinued operations, as well as any capital gain/loss realised following disposal, are shown separately in the income statement under a specific account, net of the related tax effects; the income statement values of discontinued operations are also presented for the comparative years.

If there is a plan to sell a subsidiary that results in the loss of control, all the assets and liabilities of that subsidiary are classified as held-for-sale.

At December 31, 2021, Aquafil SpA did not have any assets or liabilities held for sale or discontinued operations.

USE OF ACCOUNTING ESTIMATES

The preparation of the financial statements requires the directors to apply accounting principles and methods that, in some circumstances, are founded on difficult and subjective valuations and estimates, based on historical experience and assumptions which are from time to time considered reasonable and realistic under the relative circumstances. The application of these estimates and assumptions impact upon the amounts reported in the financial statements, the balance sheet, the income statement, the comprehensive income statement, the cash flow statement, the statement of changes to shareholders' equity and the notes to the accounts. The final outcome of the accounts in the financial statements which use the above-mentioned estimates and assumptions may differ, even significantly from those reported in the financial statements due to the uncertainty which characterises the assumptions and the conditions upon which the estimates are based.

Numerous items in the financial statements are subject to estimates and while not all of these accounts are individually significant, they are significant on an overall basis.

The accounting policies which require greater subjectivity by the directors in the preparation of the estimates and for which a change in the underlying conditions or the assumptions may have a significant impact on the financial results of the Company are briefly described below.

Impairments

The tangible and intangible assets with definite useful lives are verified to ascertain if there has been a loss in value, which is recorded by means of a write-down, when it is considered there will be difficulties in the recovery of the relative net book value through use. The verification of such difficulties requires the directors to make valuations based on the information available within the company and on the market, as well as from historical experience. In addition, when it is determined that there may be a potential reduction in value, the company determines this through using the most appropriate technical valuation methods available. The correct identification of the indicators of a potential reduction in value of tangible and intangible assets, as well as the estimates for their determination depends on factors which may vary over time, impacting upon the valuations and estimates made by the directors.

Amortisation & Depreciation

The cost of property, plant and equipment and intangible assets is depreciated or amortised on a straight-line basis over the estimated useful life of the asset. The useful life of these assets is determined by the directors when the assets are purchased. This is based on the historical experience for similar assets, market conditions and considerations relating to future events which could have an impact on the useful life, such as changes in technology. Therefore, the effective useful life may differ from the estimated useful life.

Inventories

Inventories of products which are obsolescence or slow moving are periodically subject to valuation tests and written down when the recoverable value is lower than the carrying amount. The write-downs are made based on assumptions and estimates of management deriving from experience and historic results.

Doubtful debt provision

the recoverability of receivables is valued taking account of the non-payment risk, of aging of receivables and of the losses recorded in the past on similar receivables.

Provisions for risks and charges

Provisions for risks and charges are recorded to cover known or likely losses or liabilities, the timing and extent of which are not known with certainty at the reporting date.

They are recorded only where a present obligation exists (legal or implicit) for a future payment resulting from past events and it is probable that the obligation will be settled. This amount represents the best estimate of the costs required to settle the obligation. The rate used in the determination of the present value of the liability reflects the current market values and the specific risk associated to each liability.

If the financial effect of the period is significant and the payment dates of the obligations can be reliably estimated, the provisions are valued at the present value of the expected payment, utilising a rate which reflects market conditions, the change in the cost of money in the period and the specific risk related to the obligation. The increase in the value of the provision from changes in the cost of money in the period is recognised as a financial expense.

Possible risks that may result in a liability are disclosed in the notes on potential liabilities without any provision.

Deferred tax assets

Deferred tax assets are recognized with respect to deductible temporary differences between the values of assets and liabilities expressed in the financial statements compared to the corresponding tax value and tax losses that can be carried forward, to the extent that the existence of adequate future taxable profit is likely, with respect to which these losses may be used. A discretionary assessment is required of the directors to determine the amount of deferred tax assets that can be accounted for, which depends on the estimate of probable timing and the amount of future taxable profits.

2.4 Accounting standards not yet applicable as not yet approved by the European Union

The developments in the IFRS and the relative interpretations (IFRIC) applicable from periods subsequent to December 31, 2021 are outlined below.

Document title	Issue date	Effective entry date	Date approved	EU Regulation and publication date
Improvements to IFRS (2018-2020 cycle) [Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41]	May 2020	January 1, 2022	June 28, 2021	(EC) 2021/1080 July 2, 2021
Property, plant and equipment - Income before use (Amendments to IAS 16)	May 2020	January 1, 2022	June 28, 2021	(EC) 2021/1080 July 2, 2021
Onerous contracts - Costs necessary to fulfil a contract (Amendments to IAS 37)	May 2020	January 1, 2022	June 28, 2021	(EC) 2021/1080 July 2, 2021
Reference to the Conceptual Framework (Amendments to IFRS 3)	May 2020	January 1, 2022	June 28, 2021	(EC) 2021/1080 July 2, 2021
IFRS 17 - Insurance contracts (including amendments published in June 2020)	May 2017 June 2020	January 1, 2023	November 19, 2021	(EC) 2021/2036 November 23, 2021

At the reporting date, the European Union had not yet completed its endorsement process for the adoption of the following standards and amendments:

Document title	Effective entry date of the IASB document	Expected endorsement date by EU
Principles		
IFRS 14 Regulatory Deferral Accounts	January 1, 2016	Endorsement process suspended pending new accounting standard on “rate-regulated activities”.
Enebdanebtu		
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Deferred until the completion of the IASB project on the equity method	Endorsement process suspended pending the conclusion of the IASB project on the equity method
Classification of Liabilities as Current or Non-current (Amendments to IAS 1). including subsequent amendment issued in July 2020	January 1, 2023	TBD
Disclosure of Accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2)	January 1, 2023	TBD
Definition of Accounting Estimates (Amendments to IAS 8)	January 1, 2023	TBD
Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)	January 1, 2023	TBD
Initial Application of IFRS 17 and IFRS 9 — Comparative Information (Amendment to IFRS 17)	January 1, 2023	TBD

3. FINANCIAL RISK MANAGEMENT

The principal business risks identified, monitored and, as illustrated below, actively managed by the Company are as follows:
- market risk, deriving from fluctuations in exchange rates between the euro and the other currencies in which the Company operates, the interest rate and raw material prices;
- credit risk, deriving from the possibility of default by a counterparty;
- liquidity risk, deriving from insufficient financial resources to meet financial commitments.

The Company’s objective is to maintain a balanced management of its financial exposure over time to ensure a liability structure that is in equilibrium with the composition of assets and capable of ensuring the necessary operational flexibility through the use of liquidity generated by current operating activities and recourse to bank financing.

The ability to generate liquidity from ordinary operations and debt capacity allow the Company to adequately meet its operational requirements, the financing of operating working capital and investment capital, and to meet its financial obligations.

The Company’s financial policy and management of the relative financial risks are guided and monitored at central level. In particular, the central finance function is tasked with evaluating and approving forecast financial needs, monitoring the trend and, where necessary, implementing suitable corrective actions.

The following section provides qualitative and quantitative information on the impact of these risks on the company.

E-MARKET SDIR CERTIFIED

3.1 Market risk

Currency risk

Exposure to the risk of exchange rate variations arises from the Company's commercial activities which are also carried out in currencies other than the euro. Revenues and costs denominated in foreign currencies may be influenced by exchange rate fluctuations with an impact on trade margins (economic risk), just as trade and financial payables and receivables denominated in foreign currency may be affected by the conversion rates used, with an effect on the economic result (transaction risk).

The principal exchange rates the Company is exposed to are:
- EUR/USD, in relation to transactions carried out in US Dollars;
- EUR/GBP, in relation to transactions carried out in UK sterling.

The Company does not adopt specific policies to hedge exchange rate fluctuations.

Analysis of sensitivity of exchange rate risk

For the purposes of an exchange rate sensitivity analysis, balance sheet items as at December 31, 2021 (financial assets and liabilities), denominated in a currency other than the functional currency of the Company were identified. In assessing the potential effects arising from changes in exchange rates, inter-company payables and receivables in currencies other than the account currency were also taken into consideration.

Two scenarios were considered for the purposes of the analysis which respectively reflect a 10% appreciation and depreciation of the nominal exchange rate between the currency in which the balance sheet item is denominated and the accounting currency.

The table below highlights the results of the analysis:

(in Euro thousands)	**Book value**	**Exposition to currency risk**	**+10% Gains/(Losses)**	**-10% Gains/(Losses)**
Financial assets				
Cash and cash equivalents	79,698	8,598	(860)	860
Trade receivables	84,123	16,833	(1,683)	1,683
of which related parties	*79,120*	*17,547*	*(1,755)*	*1,755*
Tax effect			610	(610)
Total financial assets			**(1,933)**	**1,933**
Financial liabilities				
Trade payables	(133,077)	(7,625)	763	(763)
of which related parties	*(52,289)*	*(5,783)*	*578*	*(578)*
Tax effect			(183)	183
Total financial liabilities			**580**	**(580)**
Total			**(1,353)**	**1,353**

Note: the plus sign indicates a higher profit and an increase in shareholders' equity; the minus sign indicates a lower profit and a decrease in shareholders' equity.

Interest rate risk

The Company uses external funding and utilises on-demand liquidity from market instruments. Changes in the interest rates impact on the cost and return of the various forms of loans and uses, with an effect therefore on the financial charges. The Company policy seeks to limit interest rate fluctuation risk through undertaking fixed or variable rate medium/long-term loans; hedging is carried out through the trading of derivative instruments (e.g. IRS - Interest Rate Swaps), utilised only for hedging purposes and not for speculative purposes. These contracts, although subscribed for hedging purposes relating to the financial exposure of the Company, were not treated as hedges for accounting purposes, given the technical complexity of the accounting demonstration of the hedging relationship and the relative effectiveness, and therefore with end-of-period Mark to Market (MTM) adjustment effects recognised directly in the income statement.

The following tables summarise the main information concerning hedging derivatives on interest rates as at December 31, 2021:

(in Euro thousands)	Contract opening date	Contract maturity date	Notional value at signing date in foreign currency	Notional currency	Fair value at December 31, 2021
IRS Intesa San Paolo	28/12/2021	31/12/2027	30,000	Euro	(82)
IRS Credit Agricole	29/05/2017	28/06/2024	10,000	Euro	(43)
IRS Intesa San Paolo	19/06/2018	31/01/2024	15,000	Euro	(70)
IRS Banca Popolare Milano	20/06/2018	30/06/2025	25,000	Euro	(206)
IRS Banca Popolare Milano	06/06/2019	30/06/2025	15,000	Euro	(65)
IRS Credit Agricole	09/08/2019	28/12/2025	10,000	Euro	(2)
IRS Intesa San Paolo	25/09/2019	31/12/2024	20,000	Euro	25
Total			**125,000**		**(443)**

Sensitivity analysis related to interest rate risk

With reference to interest rate risk, a sensitivity analysis was carried out to determine the effect on the income statement and shareholders' equity resulting from a hypothetical positive and negative change of 100 bps in interest rates compared to those actually recorded in each period.

The analysis was carried out by primarily focusing on the following items:
- cash and cash equivalents;
- short and medium/long-term financial liabilities.

With reference to cash and cash equivalents, reference was made to the average funds held and the average rate of return for the period. For short and medium/long-term financial liabilities, the impact was calculated on an actual basis. Financial payables settled at a fixed rate and those hedged through derivative instruments were not included in this analysis.

The table below highlights the results of the analysis:

(in Euro thousands)	Impact on Net Profit		Effect on Net Equity	
Change	+ 100 bps	- 100 bps	+ 100 bps	- 100 bps
FY 2021	(410)	410	(410)	410

Note: the plus sign indicates a higher profit and an increase in shareholders' equity; the minus sign indicates a lower profit and a decrease in shareholders' equity.

Raw material price risk

The Company's production costs are influenced by the price trends of the main raw materials used. The price of these materials varies depending on a wide range of factors, to a large extent uncontrollable by the company and difficult to predict.

Specifically, the company implements a strategy to offset the price volatility risk of the commodities used through contractual hedging which are limited to price changes for raw materials, energy sources and partly, selling prices.

3.2 Credit risk

The Company's exposure to credit risk relates to the possibility of insolvency (default) and/or in the deterioration of the credit rating of a counterparty and is managed through adequate valuation instruments of all counterparties by a dedicated department, utilising the appropriate instruments to carry out constant monitoring, on a daily basis, of the behaviour and credit rating of clients.

The company hedges its credit risk through insurance policies on the client exposure, undertaken with primary debt insurance companies. External companies providing corporate information are utilised both to initially evaluate the reliability and for on-going monitoring of the economic and financial situation of clients.

The top 10 clients on total trade receivables at December 31, 2021, was 63.34%.

The following table provides a breakdown of trade receivables from third parties at December 31, 2021, grouped by due date and net of the doubtful debt provision:

(in Euro thousands)	At December 31, 2021	Not overdue	Overdue within 30 days	Overdue between 31 and 90 days	Overdue between 91 and 120 days	Overdue beyond 120 days
Guaranteed trade receivables (a)	5,280	3,527	1,095	110	6	542
Non-guaranteed trade receivables (b)	777	515	94	8	0	159
Non-guaranteed trade receivables impaired (c)	199					199
Trade receivables before doubtful debt provision (a + b + c)	**6,256**	**4,043**	**1,189**	**118**	**6**	**901**
Doubtful debt provision	(1,218)	(787)	(231)	(23)	(1)	(175)
Trade receivables	**5,038**	**3,255**	**957**	**95**	**5**	**725**

3.3 Liquidity risk

Liquidity risk relates to the risk of the company being unable to meet its payment obligations due to the inability to source new funds or liquidate assets on the market. This results in a negative impact on economic performance if it is obliged to incur additional costs to meet its commitments or insolvency.

The liquidity risk to which the company is exposed relates to the inability to source sufficient funding for operations, in addition to industrial and commercial operations. The principal factors which determine the liquidity situation are, on the one hand, the resources generated and absorbed by the operating and investment activities and on the other the maturity dates and the renewal of the payable or liquidity of the financial commitments and also market conditions.

The company can avail of on-demand liquidity and has a significant availability of credit lines granted by a number of leading Italian and international banks. The company considers that the funds and credit lines currently available, in addition to those that will be generated from operating and financial activities, will permit the satisfaction of its requirements deriving from investment activities, working capital management and the repayment of debt in accordance with their maturities.

The table below shows an analysis of amounts due, based on contractual repayment obligations, relating to financial liabilities, trade payables and other current and non-current liabilities as at December 31, 2021:

(in Euro thousands)	December 31, 2021	Within 1 year	Between 1 and 5 years	Beyond 5 years
Bond loan	90,670	7,459	51,782	31,429
Other current and non-current financial liabilities	219,321	54,698	154,287	10,336
Liabilities for intercompany RoU	3,250	673	2,577	0
Loans from subsidiaries	7,946	0	7,946	0
Trade payables	80,786	80,786	0	0
Intercompany trade payables	52,290	52,290	0	0
Other current and non-current liabilities	21,891	12,665	9,226	0
Other current and non-current intercompany liabilities	1,290	1,290	0	0

All the amounts in the table above refer to the nominal amounts not discounted, stated with regards to the residual contractual maturities, both in terms of the capital and interest portions. The company expects to meet these commitments through cash flows generated from operating activities and where necessary, through medium-term financing operations.

In this risk analysis, we add the more detailed conclusions of the Directors' Report on the impact of the spread of Covid-19 (corona-virus). In particular, it can be stated that - overall and in view of the information currently available and the health emergency in progress - no impact and/or effect is seen (i) on the value of the assets shown in the financial statements (ii) on the recoverability of trade receivables (iii) on the net realisable value of inventories. As mentioned previously, the impact on the business thus far has remained, on the whole, limited. Therefore, no specific risks have been identified in terms of the ability of the Group and of Aquafil S.p.A. to meet its future commitments (including compliance with the "covenants" set out in certain loan agreements) and/or which may impact the Group's ability to continue as a going concern.

With regards to the recent conflict between Russia and Ukraine, it is confirmed that this situation does not have direct impacts on the company, as currently not having (i) any investment in either of the countries, nor (ii) financial instruments or liquidity in Roubles.

4. MANAGEMENT OF CAPITAL

The Company's capital management is aimed at ensuring a solid credit rating and adequate levels of capital indicators to support investment plans, in accordance with contractual obligations entered into with lenders.

The Company acquires the necessary capital to finance the needs for business development and operations; financing sources are divided into a balanced mix of risk capital and debt capital to ensure a balanced financial structure and the minimisation of the total cost of capital, for the consequent benefit of all stakeholders.

The remuneration of risk capital is monitored on the basis of the market trend and business performance, once all other obligations have been met, including the debt service; therefore, in order to ensure an adequate remuneration of capital, the safeguarding of business continuity and business development, the Company constantly monitors the development of the debt level in relation to shareholders' equity, business performance and forecasts of expected cash flows in the short and medium/long-term.

5. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

The tables below illustrate the breakdown of financial assets and liabilities of the company required by IFRS 7, as per the categories identified by IAS 39, at December 31, 2021:

	Financial assets and liabilities measured at fair value through P&L	Loans and receivables	AFS financial assets	Financial liabilities at amortised cost	Total
Current and non-current financial assets	25				**25**
Current and non-current intercompany financial assets	0				**0**
Equity investments in group companies		307,865	0		**307,865**
Investments in other companies		14			**14**
Financial receivables from third parties		112			**112**
Current and non-current financial receivables from group companies		10,013			**10,013**
Other current financial assets		0			**0**
Trade receivables - third parties		5,003			**5,003**
Trade receivables from group companies		79,120			**79,120**
Non-current tax receivables		0			**0**
Other current and non-current receivables and assets		4,064			**4,064**
Other intercompany current and non-current receivables and assets		0			**0**
Intercompany tax receivables		3,152			**3,152**
Cash and cash equivalents		79,698			**79,698**
Total	**25**	**489,041**	**0**	**0**	**489,066**
Current and non-current financial liabilities	468			309,523	**309,991**
Current and non-current intercompany RoU payables				3,250	**3,250**
Current and non-current intercompany financial liabilities				7,946	**7,946**
Trade payables				80,788	**80,788**
Intercompany trade payables				52,289	**52,289**
Other current and non-current liabilities				21,891	**21,891**
Other current and non-current intercompany liabilities				1,290	**1,290**
Total	**468**	**0**	**0**	**476,976**	**477,445**

The other financial assets and liabilities are short-term and regulated at market interest rates and therefore the book value is conside-red to reasonably approximate fair value.

5.1 Measurement of the fair value

In relation to financial instruments measured at fair value, the table below reports information on the method chosen to measure the fair value. The methods applied are broken down into the following levels, based on the information available, as follows:

- Level 1: fair value determined with reference to listed prices (not adjusted), on active markets for identical financial instruments;
- Level 2: fair value determined with valuation techniques with reference to observable variables on active markets;
- Level 3: fair value determined with valuation techniques with reference to non-observable variables on markets;

The fair value calculation is determined in accordance with the methods classified in Level 2 and the general criterion utilised for this calculation is the present value of the expected future cash flows of the instrument subject to measurement - a method commonly applied in financial practice. There were no transfers between hierarchical levels of the fair value in the periods considered.

The table below summarises the assets and liabilities measured at fair value at December 31, 2021, on the basis of the level which reflects the inputs utilised in the determination of the fair value.

(in Euro thousands)	December 2021	December 2020
Derivative financial instruments – Assets	25	0
Derivative financial instruments – Liabilities	(468)	(1,042)
Total	**(443)**	**(1,042)**

6. DISCLOSURE BY OPERATING SEGMENT

For the purposes of IFRS 8 – Operating Segments, company activity is identifiable in a single operating segment.

In fact, the Company structure identifies a strategic and singular vision of the business and this representation is consistent with the manner in which management takes its decisions, allocates resources and defines the communication strategy. Dividing the business into separate divisions is therefore currently viewed as detrimental to its economic interests.

7 NOTES TO THE BALANCE SHEET

7.1 Intangible assets

The breakdown in the account and changes in the period were as follows:

(in Euro thousands)	Patents & property rights - Know-how	Trademarks, concessions, licenses and similar	Other intangible assets	Intangible assets in progress	Total
Balance at December 31, 2019	**0**	**145**	**3,568**	**9,757**	**13,470**
Historic cost	*203*	*4,349*	*14,553*	*9,757*	***28,863***
Acc. amort.	*(203)*	*(4,204)*	*(10,985)*		***(15,393)***
Increase		27	224	3,272	**3,523**
Reclassifications			607	(607)	**0**
Decrease			(2)		**(2)**
Amortization		(75)	(1,579)		**(1,654)**
Balance at December 31, 2020	**0**	**97**	**2,818**	**12,422**	**15,338**
Historic cost	*203*	*4,376*	*15,382*	*12,422*	***32,383***
Acc. amort.	(203)	(4,279)	(12,564)		**(17,046)**
Increase			979	1,429	**2,407**
Reclassifications			1,906	(1,906)	**0**
provision				(1,650)	**(1,650)**
Decrease			(14)	0	**(14)**
Amortization		(21)	(1,790)		**(1,811)**
Balance at December 31, 2021	**0**	**76**	**3,899**	**10,295**	**14,270**
Historic cost	*203*	*4,376*	*18,249*	*10,295*	***33,123***
Acc. amort.	*(203)*	*(4,300)*	*(14,350)*		***(18,853)***

The increases in the year, overall amounting to Euro 2,407 thousand, principally relate to:

- for Euro 1,450 thousand to the Information and Communication Technology activities represented by the costs of developing specific software implementation projects;
- for Euro 367 thousand relating to the development of a bio-caprolactam production process and consequently of bio-nylon 6 from renewable raw materials, as well as their validation through the creation of prototypes;
- for Euro 500 thousand relating to the non-competition agreement with a previous manager.

The amount of Euro 1.6 million recognised under write-downs of "Intangible assets in progress" is primarily due to a number of prudent reductions in the value of previously capitalised expenses, the recoverability of which has not yet been assessed.

7.2 Property, plant & equipment

The breakdown in the account and changes in the period were as follows:

(in Euro thousands)	Land and buildings	Plant & equipment	Equipment	Other assets	Assets in progress and advances	Total before RoU	Right-of-Use	Total
Balance at December 31, 2019	**15,285**	**17,746**	**159**	**70**	**1,853**	**35,112**	**5,007**	**40,120**
Historic cost	*31,705*	*132,776*	*4,934*	*1,719*	*1,853*	*172,988*	5,628	***178,615***
Acc. deprec.	*(16,420)*	*(115,031)*	*(4,775)*	*(1,649)*		*(137,875)*	(620)	***(138,496)***
Increase	260	2,430	60	20	2,248	5,018	861	**5,879**
Reclassifications	148	1,144	14		(1,305)	0		**0**
Decrease		0	0		(15)	(15)	(89)	**(104)**
Depreciation	(2,003)	(3,977)	(44)	(21)		(6,046)	(1,451)	**(7,497)**
Balance at December 31, 2020	**13,689**	**17,342**	**188**	**69**	**2,781**	**34,070**	**4,329**	**38,398**
Historical cost	*32,113*	*135,437*	*4,989*	*1,739*	*2,781*	*177,059*	*6,189*	***183,248***
Acc. deprec.	*(18,424)*	*(118,095)*	*(4,800)*	*(1,670)*		*(142,989)*	*(1,861)*	***(144,850)***
Increase	8	1,376	61	26	3,537	5,008	1,885	**6,893**
Reclassifications	129	1,506	11	8	(1,653)	0		**0**
Decrease	0	(164)	0	0	(428)	(592)	(234)	**(826)**
Depreciation	(2,068)	(3,722)	(48)	(23)		(5,862)	(1,474)	**(7,337)**
Balance at December 31, 2021	**11,758**	**16,337**	**213**	**80**	**4,237**	**32,624**	**4,505**	**37,129**
Historic cost	*32,250*	*137,880*	*5,028*	*1,762*	*4,237*	*181,156*	*7,117*	***188,273***
Acc. deprec.	*(20,492)*	*(121,543)*	*(4,815)*	*(1,682)*		*(148,532)*	*(2,612)*	***(151,144)***

The increases in the year, overall amounting to Euro 6,893 thousand, principally relate to:

- for Euro 1,885 thousand the application of IFRS 16, of which Euro 1,153 thousand concerning the renewal of the contract, for a duration of 6 years, for the lease of the building located in via del Garda – Rovereto;
- for approx. Euro 3,365 thousand the technological improvement and upgrading of existing plant and equipment;
- for approx. Euro 1,425 thousand for projects to improve production and industrial efficiency.

The table below, in accordance with IFRS 16, presents the right-of-use of the non-current asset subject to the leasing contract. In particular this refers to buildings, equipment and transport and motor vehicles as illustrated in the table below:

(in Euro thousands)	Right-of-use buildings	Right- of-use equipment and transport vehicles	Right-of-use motor vehicles	Total
Balance at January 1, 2020	**4,006**	**666**	**336**	**5,007**
Historical cost	*4,298*	*935*	*395*	***5,628***
Acc. deprec.	*(292)*	*(269)*	*(59)*	***(620)***
Increase	525	43	292	**861**
Decreases	(80)		(9)	**(90)**
Depreciation	(1,017)	(275)	(159)	**(1,451)**
Exchange rate differences				**0**
Balance at December 31, 2020	**3,434**	**434**	**461**	**4,329**
Historic cost	*4,538*	*978*	*673*	***6,189***
Acc. deprec.	*(1,104)*	*(544)*	*(213)*	***(1,861)***
Increases	1,372	133	379	**1,885**
Decreases	(107)	(10)	(117)	**(234)**
Depreciation	(978)	(278)	(217)	**(1,474)**
Exchange rate differences				**0**
Balance at December 31, 2021	**3,721**	**279**	**505**	**4,505**
Historic cost	*5,615*	*631*	*870*	***7,117***
Acc. deprec.	*(1,895)*	*(352)*	*(365)*	***(2,612)***

At December 31, 2021, the company did not identify any impairment indicators relating to property, plant and equipment.

7.3 Current and non-current financial assets

The breakdown of the account is shown below (including current and non-current):

(in Euro thousands)	December 2021	December 2020
Equity investments in Group companies	307,865	305,911
Investments in other companies	14	14
Non-current financial receivables parent companies	234	234
Escrow bank deposits and guarantee deposits	112	111
Securities and similar - Current	0	0
Securities and similar - Non-current	0	0
Non-current financial receivables from associates	29	29
Non-current financial receivables from subsidiaries	3,550	23,831
Current financial receivables from subsidiaries	6,200	12,100
Financial receivables from third parties	0	0
Derivative financial instruments	25	0
Total	**318,029**	**342,229**
of which current	*6,200*	*12,100*
of which non-current	*311,829*	*330,129*

The breakdown of investments in subsidiaries and associates is illustrated below:

Company	Registered office	Holding	Opening balance	Increases	Write-downs	Total
Tessilquattro S.p.A.	Arco (IT)	100.00%	22,545			**22,545**
Aquafil USA Inc.	Cartersville (USA)	100.00%	124,298			**124,298**
Aquafil SLO d.o.o.	Ljubjiana (SLO)	100.00%	73,343			**73,343**
Aquafil Jiaxing Co. Ltd.	Jiaxing (CHN)	100.00%	53,523			**53,523**
Aquafil CRO d.o.o.	Oroslavje (CRO)	100.00%	11,730			**11,730**
Aquafil Asia Pacific Co. Ltd.	Rayoung (THA)	99.99%	8,608			**8,608**
Aqualeuna GmbH	Leuna (GER)	100.00%	10,964			**10,964**
Aquafil Tekstil Sanayi Ve Ticaret A.S.	Istanbul (TUR)	99.99%	663		(106)	**557**
Aquafil Benelux France B.V.B.A.	Harelbake (BEL)	99.99%	99			**99**
Cenon S.r.o.	Zilina (SLO)	100.00%	100		(100)	**0**
Aquafil India Private Ltd.	New Dehli (IND)	99.97%	6			**6**
Aquafil Oceania	Melbourne (AUS)	100.00%	32			**32**
Aquafil Japan Corp.	Tokyo (JPN)	100.00%	0	1,142		**1,142**
Nofir	Bodo (NO)	31.66%	0	1,018		**1,018**
Total			**305,911**	**2,160**	**(206)**	**307,865**

The company Aquafil Japan Co., Ltd., based in Tokyo (Japan) and a wholly owned subsidiary of Aquafil S.p.A., was established on February 12, 2021, and will be responsible for the transformation and commercialisation of synthetic fibres and polymers for the Japanese market;

The increase in the investment in the newly incorporated Aquafil Japan Corp. was made through a capital contribution of Euro 1,142 thousand.

On October 11, 2021, a significant investment for Euro 1,018 thousand (approx. 32%) was acquired in the Norwegian company Nofir. Acquisition of the investment will lead to a greater control of procurement and streamline the nylon waste collection chain.

Nofir, with registered office in Bodø in Norway, is a European leader in the collection and treatment of end-of-life fish netting. Since 2011, Nofir has collected 48 thousand tonnes of nets in 20 countries, across 5 continents, thanks to an advance system of collection and traceability of nets discarded by the fishing industry and fish farming.

The write-down recorded in the year derives from the application of the impairment test on the investees where there were indicators of loss in value as described in paragraph 12 of international accounting standard IAS 36.

In 2021, the holdings for the subsidiaries Aquafil Tekstil Sanayi and Cenon S.r.o. were written down for Euro 106 thousand and Euro 100 thousand, respectively.

INVESTMENTS IN OTHER COMPANIES

Investments in other companies mainly refer to the investment in Banca di Verona for Euro 11 thousand and the investment in the company Trentino Export S.c.a.r.l. for Euro 3 thousand.

ESCROW BANK DEPOSITS AND GUARANTEE DEPOSITS

The escrow bank deposits and guarantee deposits refer to guarantees provided to suppliers for various services.

FINANCIAL RECEIVABLES FROM SUBSIDIARIES, ASSOCIATES AND PARENT COMPANIES

The breakdown of current and non-current receivables parent companies, subsidiaries and associates is illustrated below:

(in Euro thousands)	December 2021	*of which current*
Aquafil USA Inc.	0	*0*
Aquafil SLO d.o.o.	6,200	*6,200*
Aqualeuna GmbH	3,550	*0*
Cenon	0	*0*
Aquaspace S.p.A.	29	*0*
Aquafin Holding S.p.A.	234	*0*
Total	**10,013**	***6,200***

- **Aquafil USA**

The receivable from this subsidiary was settled in 2021, so there was no financing in place at December 31, 2021.

- **Aquafil SLO d.o.o.**

The receivables from the subsidiary comprise two loans, one granted in October 2015 for an original amount of Euro 14,000 thousand with maturity in December 2022 and a second granted in March 2018 for an original amount of Euro 8,000 thousand with a new maturity of March 2022. The residual balance of Euro 6,200 thousand is recognised as short-term as it is expected to be settled in 2022.

- **Aquafil Synthetic Fibres**

There were no receivables for loans from the subsidiary at December 31, 2021.

- **Aqualeuna GmbH**

The receivable from the subsidiary, totalling Euro 3,550 thousand, was financed in several tranches from September 2013 and, following an agreement on August 1, 2021, the maturity on the loan is December 2023.

- **Aquafil UK Ltd.**

The receivable from the subsidiary, totalling Euro 1,785 thousand, incudes a loan granted on June 1, 2021.

It should be noted that, given the difficult financial standing of the subsidiary and the outcome of impairment testing, the financial receivable was completely written down.

- **Cenon S.r.o.**

The receivable from the subsidiary includes a loan of Euro 1,387 thousand with maturity in December 2021.

It should be noted that, given the difficult financial standing of the subsidiary and the outcome of impairment testing, the financial receivable was completely written down.

- **Aquaspace**

The receivable from other related parties relates to guarantee deposits of Euro 29 thousand paid by the Company over a multi-year lease for the property located in Via del Garda 40 - Rovereto.

- **Aquafin Holding**

The receivable from the parent company relates to the guarantee deposit of Euro 234 thousand paid by the Company over the multi-year lease for the property owned by Aquafin Holding located in San Martino Buon Albergo, Verona.

7.4 Other non-current assets

The account concerns, for Euro 304 thousand, the receivable from the EU for the "Effective" research project co-ordinated by Aquafil and funded by Bio-Based Industries Joint Undertaking (BBI JU) as part of the European Horizon 2020 research programme, with the entire chain (from raw material manufacturers to brands) involved in validating the use of bio Nylon 6 and other bio-polymer consumer market products; reference should be made also to the Directors' Report for more details on the project.

In particular, with the signing of the agreement between the partners and other lenders, an overall amount of Euro 1.7 million was stipulated, with deferred income recognised under Other liabilities (Note 7.16) which was equal to Euro 1.171 million at December 31, 2021. The receivable is reduced for the amounts effectively paid by the European Union, substantially recognised on the basis of the convention rules which provides for payment based on the state of advancement. At December 31, 2021, the residual receivable amounted to Euro 304 thousand.

7.5 Deferred tax assets and liabilities

The breakdown of the items "Deferred tax assets" and "Deferred tax liabilities" is shown below:

(in Euro thousands)	December 2021	December 2020
Deferred tax assets	2,059	2,542
Deferred tax liabilities	(929)	(929)
Total	**1,130**	**1,613**

The relative movement is comprised of:

(in Euro thousands)	At January 1, 2021	Provisions/eleases to net equity	Provisions/releases to income P&L	Provisions/releases to comprehensive income statement	At December 31, 2021
Deferred tax assets					
Provision for risks and charges	133				133
Doubtful debt provision	194				194
Measurement of employee benefits as per IAS 19	62	15	(16)		61
Intangible and tangible fixed assets	266		319		584
Tax losses			1,025		1,025
Inventories					0
Other provisions	133		(38)		95
Application of the amortised cost method	0				0
Derivative financial instruments	250		(250)		0
Ace	1,195		(1,195)		0
Other	308		(342)		(33)
Total deferred tax assets	**2,542**	**15**	**(498)**	**0**	**2,059**
Deferred tax liabilities					
Intangible and tangible fixed assets	(929)		0		(929)
Total deferred tax liabilities	**(929)**	**0**	**0**		**(929)**
Total net deferred tax assets	**1,613**	**15**	**(498)**		**1,130**
Tax result vs Parent company			(404)		
Total deferred tax assets and liabilities recognised to the income statement		**15**	**(901)**	**15**	

With regard to deferred tax assets:

- deferred tax assets on the intangible and tangible fixed assets refer to the reversal of intangible fixed assets following the adoption of IAS accounting standards;
- the deferred tax assets relating to the tax losses for Euro 1,025 thousand concern the "Joint Audit" for the years 2016 and 2017;

- at December 31, 2021, the ACE (economic growth support) had been fully utilised and therefore the relative deferred tax assets have been released.

The Company filed an evidential request concerning the non-application of the anti-evasion provisions of Article 10, paragraph 2 and paragraph 3, letters a) and c), of the new economic-development decree on the basis that amounts paid out by the Company, during the period 2011-2020, to non-resident companies of the Group and subject to the non-application request could not, directly or indirectly, be considered transfers to resident companies of the Group and, consequently, a duplication of the economic-development (ACE) benefit. On November 8, 2021, the Italian inland revenue office issued a favourable opinion on the non-applicability of the anti-evasion provisions of Article 10, paragraph 2 and paragraph 3, letters a) and c), of the new "ACE" decree.

In relation to "Deferred tax liabilities", the account "Intangible and tangible fixed assets" refers for Euro 916 thousand to the accounting of the leasing contracts in accordance with the finance method under IFRS 16 and for Euro 13 thousand to the reversal of intangible assets following the adoption of IAS accounting standards.

7.6 Inventories

The changes in the account were as follows:

(in Euro thousands)	December 2021	December 2020
Raw materials, ancillary and consumables	18,924	11,473
Inventories of work-in-progress and semi-finished products	0	0
Inventories of finished products and goods	34,721	34,061
Advances to suppliers	0	0
Total	**53,645**	**45,535**

Inventories are recorded net of the obsolescence provision amounting to Euro 255 thousand and relates to slow moving prior stock.

Increase in receivables is closely connected with the higher revenues and the altered payment deadlines with the Group companies.

7.7 Trade receivables

The changes in the account were as follows:

(in Euro thousands)	December 2021	December 2020
Trade receivables	6,221	3,985
Parent, associates and other related parties	79,120	38,653
Doubtful debt provision	(1,218)	(1,508)
Total	**84,123**	**41,130**

The following table shows the movement of the doubtful debt provision:

(in Euro thousands)	December 2021
Balance at January 1, 2021	**(1,508)**
Provisions net of releases	0
Utilisations	290
Other changes	0
Balance at December 31, 2021	**(1,218)**

The utilisation of the doubtful debt provision relates to the closure of certain receivables arising in previous years deemed uncollectible.

Reference should be made to the previous paragraph 3.2 for details on the credit risk management policy.

RECEIVABLES FROM SUBSIDIARIES, PARENT AND RELATED PARTIES

The account includes current trade receivables as follows:

(in Euro thousands)	December 2021	December 2020
Aquafil Asia Pacific Co.	359	1,312
Aquafil UK Limited	706	634
Aquafilslo d.o.o.	31,728	11,161
Aqualeuna GmbH	239	127
Aquafil Carpet Recycling	78	116
Aquaspace S.p.A.	35	35
Tessilquattro	23,605	15,132
Aquafil USA Inc.	12,791	5,664
Aquafil Textil Sanayi	958	960
Cenon S.r.o.	0	150
Aquafil China	4,631	3,362
Aquafil O'Mara	0	0
Aquafil Japan	3,990	0
Total	**79,120**	**38,653**

The increase in trade receivables from subsidiaries, parent companies and related parties was mainly due to the increase in the receivable from the subsidiary Aquafil SLO as a result of a increase in sales for the Group.

7.8 Income tax receivables

Current tax receivables refer to advances paid for Regional Production Tax (IRAP) to be carried forward for Euro 148 thousand and for IRES (company income taxes) to be carried forward for Euro 6 thousand. The balance at December 31, 2021 was zero as the receivables were utilised as an offset in December 2021 on presentation of the tax returns.

7.9 Other current assets

The changes in the account were as follows:

(in Euro thousands)	December 2021	December 2020
Tax receivables	625	1,474
Supplier advances	56	156
Pension and social security institutions	51	194
Employee receivables	284	286
Tax receivables from parent	3,152	3,187
Tax receivables subsidiaries	0	0
Other receivables	1,090	781
Prepayments and accrued income	1,454	1,374
Total	**6,713**	**7,453**

The following is specified in relation to the above items:

- "Tax receivables": these refer mainly to the receivables for Value Added Tax (VAT), of which Euro 136 thousand for the recovery of VAT from insolvency procedures, Euro 331 thousand in tax credits, of which Euro 118 thousand concerning 2020, determined pursuant to Article 1, paragraph 35, of Law No. 190 of 23/12/2014 and successive amendments, and determined as follows: 1. for fundamental research, industrial research and experimental development in science and technology, the tax credit is recognised at 20% of the eligible expenses; 2. for technological innovation for the creation of new or substantially improved products or production processes, the tax credit is recognised at 10% of the eligible expenses; 3. the tax credit is recognised at 15% of the eligible expenses for technological innovation aimed at achieving an objective of digital innovation 4.0, for Euro 143 thousand for withholdings;
- "Supplier advances": these refer mainly to Euro 56 thousand in advances paid for engineering orders for the construction of plant and machinery;

- “Tax receivables from parents”: these refer to tax receivables from Aquafin Holding S.p.A. generated by the transfer of the tax losses of Tessilquattro S.p.A. to the tax consolidation, with Aquafin Holding S.p.A. as the consolidating entity, but through Aquafil S.p.A., which per the tax consolidation agreement remains responsible for netting in the calculation of tax receivables and payables relating to IRES (company income tax) as per Article 228 et seq. of the Income Tax Law;
- “Other receivables”: these concern, for Euro 781 thousand, receivables from the company Domo Chemicals Italy S.p.A. for the financial support provided within the fiscal dispute relating to the sale of shares of Domo Engineering Plastics S.p.A. on May 31, 2013, and, for Euro 309 thousand, the European CISUFLO project within the scope of Ecodesign activities: CIrcularSUstainableFLO-orcovering with 17 consortium members in which Aquafil participates as PA6 producer & recycler with the specific role of verifying in pilot and industrial tests the recyclability of the carpets developed with the new design criteria; the project kick-off meeting between all consortium members took place on June 16, 2021, for a total development of approx. 4 years;
- “Prepayments and accrued income”: these mainly refer to prepayments for insurance premiums for Euro 114 thousand, information and communication technology consultancy fees invoiced in advance of completion of service for Euro 397 thousand, prepayments for purchases of maintenance materials for Euro 165 thousand, photovoltaic grants for Euro 304 thousand, personnel training grants for Euro 59 thousand, and for Euro 200 thousand long-term costs concerning the supply agreement with Domo Engineering Plastics.

7.10 Cash and cash equivalents

The account is comprised of:

(in Euro thousands)	December 2021	December 2020
Cash and equivalents	9	12
Bank and postal deposits	79,689	136,573
Total	**79,698**	**136,585**

The account refers to the company’s current account balances.

The breakdown of cash and cash equivalents by currencies is illustrated in the table below:

(in Euro thousands)	December 2021
EUR	71,091
USD	8,530
GBP	2
YEN	66
Total	**79,689**

The Company has significantly decreased available liquidity, which had significantly increased in 2020, as a prudent measure in order to reduce liquidity risk so as to combat the potential impact of a continuation of the health crisis. The measures implemented during the year were as follows:

(a) early settlement of the following loans:
  - BNL Euro 20,000,000 dd 27/04/2021 - (SACE guarantee);
  - Banco BPM Euro 10,000,000 dd 19/10/2021 - (SACE guarantee);
  - Intesa Sanpaolo Euro 30,000,000 dd 31/12/2021 - (SACE guarantee);
  - Intesa Sanpaolo Euro 1,500,000 dd 26/02/2021 - (SACE guarantee);

(b) new medium-term, unsecured loans signed by the parent company, Aquafil S.p.A., for a total of Euro 30 million against the repayment of existing loans in the amount of Euro 122.7 million. Borrowings are detailed in the Explanatory Notes.

As a result of these measures, liquidity at year end went from Euro 136.6 million to Euro 79.7 million.

There were no restrictions on liquidity.

7.11 Assets held-for-sale

The account includes machinery constructed internally for installation at other companies of the Group for Euro 1,886 thousand.

7.12 Shareholders' Equity

Share capital

At December 31, 2021, the Company authorised share capital amounted to Euro 50,676 thousand, whose subscribed and paid-up capital amounts to Euro 49,722 thousand, while the unsubscribed and unpaid portion relates to: (i) an amount of Euro 149 thousand as the residual capital increase in service of Aquafil Market Warrants; (ii) an amount of Euro 800 thousand for the capital increase in service of Aquafil Sponsor Warrants. The subscribed and paid-up share capital is divided into 51,218,794 shares without nominal value divided into:

- 42,822,774 ordinary shares, identified by the ISIN Code IT0005241192;
- 8,316,020 special Class B shares, identified by the ISIN Code IT0005285330 which, in compliance with any legal limits, assign 3 exercisable voting rights pursuant to Art. 127-sexies of Legislative Decree No. 58/1998 in shareholders' meetings of the company and which may be converted into ordinary shares under specific conditions and circumstances as regulated by the By-Laws, at the rate of one ordinary share for each Class B share;
- 80,000 special Class C shares, identified by the ISIN Code IT0005241747, without voting rights in the ordinary and extraordinary shareholders' meetings of the company and excluded from the right to receive profits which the company resolves to distribute as an ordinary, non-transferable dividend until April 5, 2022 and automatically converted into ordinary shares in the conversion ratio of 4.5 ordinary shares for each Class C share according to specific conditions and circumstances laid down by the By-Laws.

The breakdown of Aquafil S.p.A.'s subscribed and paid-up share capital at December 31, 2021 is shown below:

Type of shares	No. shares	% of share capital	Listing
Ordinary	42,822,774	83.61%	MTA, STAR Segment
Class B	8,316,020	16.24%	Non-listed
Class C	80,000	0.16%	Non-listed
Total	**51,218,794**	**100%**	

On the basis of communications sent to the National Commission for Companies and the Stock Exchange (CONSOB), and received by the Company pursuant to Article 120 of Legislative Decree No. 58 of February 24, 1998, as well as the effect of the conversion of Market Warrants in the year, holders of a significant shareholding as at December 31, 2021 - i.e. considering Aquafil S.p.A.'s qualification as an SME pursuant to Article 1 (w-quater). 1 of the CFA, of a shareholding of greater than 5% of Aquafil S.p.A. share capital with voting rights.

The declarant or subject at the top f the equity chain	Direct Shareholder	Type of shares	No. shares	No. votes
GB&P S.r.l.	Aquafin Holding S.p.A.	Ordinary	21,487,016	21,487,016
		Class B	8,316,020	24,948,060
Total			**29,803,036**	**46,435,076**
Holding			**58.19%**	**68.52%**

The availability and distributability of shareholders' equity is outlined in the following table:

Description	Amount	Origin	Possibility of utilisation	Quota available
Share capital	**49,722,417**			
Legal reserve	699,173	Of profits	B	699,173
Share premium reserve	19,975,348	Of profits (*)	A. B	19,975,348
Negative reserve for treasury shares in portfolio	(2,544,855)			
Non-distributable reserve for listing costs	(3,287,529)			
FTA Reserve	(2,156,097)			
Actuarial Reserve	(354,728)			
Total capital reserves	**12,331,312**			
Other reserves	22,484,182	Of Profits	A. B. C	22,484,182
Retained earnings	20,400,033	Of Profits	A. B. C	20,400,033
Total profit reserves	**42,884,215**			**42,884,215**
Profit for the year	11,153,279	Of Profits (**)	A. B. C	10,595,615
Total Shareholders' Equity	**116,091,224**			
Non-distributable reserve	10,294,820			
Distributable Reserve	32,589,396			

(*) The share premium reserve is distributable when the legal reserve reaches one-fifth of the share capital.
(**) 5% not distributable to cover legal reserve.

Warrants

The following were initially issued on listing:

(i) 7,499,984 Aquafil Market Warrants, listed and identified by the ISIN Code IT0005241200, which incorporate the right to the allocation of Aquafil S.p.A. shares of Conversion Market Warrants and are exercisable under the conditions set out in the relative regulation approved by the Space3 extraordinary shareholders' meeting by resolution of December 23, 2016;

(ii) 800,000 Aquafil Sponsor Warrants, identified by the ISIN Code IT0005241754, non-listed and exercisable within ten years from the date of December 4, 2017, payable at the unit exercise price of Euro 13.00 (on achieving a "Strike Price" of Euro 13.00), in response to the allocation of an Aquafil Share of Aquafil Conversion Sponsor Warrants for each Sponsor Warrant exercised.

On December 31, 2021, 2,014,322 Aquafil Market Warrants were converted (with the assignment of 498,716 Conversion Shares) and therefore the number of Market Warrants still in circulation totalled 5,485,662.

At December 31, 2021, no Aquafil sponsor warrants have been converted.

Legal reserve

The legal reserve at December 31, 2021 was equal to Euro 699 thousand; the increase of Euro 35 thousand was approved by the Shareholders' Meeting of April 28, 2021 which allocated to this reserve one twentieth of the profit for the year 2020.

Share premium reserve

The share premium reserve amounted to Euro 19,975 thousand at December 31, 2021 and is derived from the merger transaction between Aquafil S.p.A. and Space 3 S.p.A. on December 4, 2017.

Negative reserve for treasury shares in portfolio

The negative reserve for treasury shares in portfolio totalled Euro 2,544,855 at December 31, 2021.

It should be noted that, on October 20, 2021, Aquafil S.p.A. announced that the Company's Shareholders authorised the purchase of treasury shares in accordance with Article 2357 of the Italian Civil Code. This authorisation by Shareholders has a duration of 18 months from the date of the authorising resolution. The operation is aimed at enabling the Company to purchase and/or make use of the Company's ordinary shares for: (i) making investments and limiting anomalous changes in share prices so as to promote regular trading outside of normal fluctuations tied to market trends, while, in any event, observing applicable laws and regulations; and (ii) establishing a securities reserve for future uses in accordance with the strategies that the Company intends to pursue as payment in corporate transactions with other parties or other extraordinary uses. The Shareholders authorised the purchase, in one or more tranches, of ordinary shares up to a maximum number which, taking account of the ordinary shares which may be held in portfolio by the company and by its subsidiary, does not total more than 3% of share capital.

On December 31, 2021, following the purchases made, Aquafil held 331,761 treasury shares, equal to 0.6477% of share capital.

Listing costs/Share capital increase reserve

This item amounted to Euro 3,287 thousand at December 31, 2021, as a decrease in shareholders' equity and relates to the costs incurred in 2017 for the listing and thereafter the share capital increase.

"First Time Adoption" Reserve (FTA)

The FTA reserve amounts to Euro 2,156 thousand and represents the conversion effects from Italian GAAP to IFRS.

Actuarial Reserve

At December 31, 2021, the IAS 19 reserve was equal to a Euro 355 thousand reduction in shareholders' equity and includes the actuarial effects at that date of severance indemnities and all the other benefits for employees of Group companies.

Retained earnings

At December 31, 2021, they amount to Euro 20,400 thousand.

Dividends

The shareholders did not authorise any distribution of dividends at their meeting of June 28, 2021.

7.13 Employee benefits

The account is comprised of:

(in Euro thousands)	December 2021
Balance at December 31, 2020	**2,371**
Financial charges	2
Advances and settlements	(260)
Actuarial (gain)/loss	63
Balance at December 31, 2021	**2,176**

The post-employment benefits provision includes the effects of discounting as required by the IAS 19 accounting standard.

The following is a breakdown of the main economic and demographic assumptions used for actuarial valuations:

Financial assumptions	**December 31, 2021**
Discount rate	0.44%
Inflation rate	1.75%
Annual increase in employee leaving indemnity	2.81%
Demographic assumptions	
Death	The RG48 mortality tables published by the General State Controller
Disability	INPS tables by age and gender
Retirement	100% on satisfying AGO requirements
Annual frequency of Turnover and leaving indemnity	
Frequency advances	4.50%
Frequency turnover	2.50%

It should be noted that the bond's financial average duration at December 31, 2021 is approximately 8 years.

7.14 Current and non-current financial liabilities

The account is comprised of:

(in Euro thousands)	December 2021	*of which current portion*	December 2020	*of which current portion*
Medium/long term bank loans	210,861	*47,695*	303,630	*67,076*
Accrued interest and charges on medium/long-term bank loans	(527)	*(527)*	(504)	*(504)*
Total medium/long-term loans	**210,334**	***47,168***	**303,125**	***66,572***
Bond loans	90,353	*7,143*	90,406	*0*
Accrued interest and charges on bonds	316	*316*	308	*308*
Total bond loan	**90,670**	***7,459***	**90,713**	***308***
Current and non-current RoU liabilities	11,614	*8,048*	13,159	*2,726*
Financing payables to Finest S.p.A.	0	*0*	0	*0*
Liabilities for derivative financial instruments	468	*0*	1,042	*0*
Other lenders and banks-short term	155	*155*	128	*128*
Loans intercompany	7,946	0	0	0
Parent company loans	0	0	0	
Total	**321,187**	***62,830***	**408,167**	***69,732***

Medium/long term bank loans

This account refers to payables relating to financing agreements obtained from major credit institutions. These agreements mainly envisage the payment of interest at a fixed rate or, alternatively, at a variable rate typically linked to the Euribor rate for the period plus a spread.

At year-end all the Group’s loans had been contracted by Aquafil S.p.A., in view of its positive rating and the favourable situation within the Italian financial market. During the year, Aquafil S.p.A. thus provided financial support, through loans and share capital increases, to the investment activities of subsidiaries, particularly in Slovenia and Germany.

It should also be noted that, in 2021, Aquafil S.p.A. worked to reduce financial resources, which significantly increased in 2020, also with a view to maintaining enough liquidity to handle the impact of the pandemic.

The following were also concluded:

- new medium/long-term loan of Euro 30 million from Intesa San Paolo. The loan is aimed at achieving specific objectives related to the circular economy. The operation includes a 6-year variable rate credit line with a pricing mechanism tied to the achievement of specific sustainable circular-economy targets. These goals include a significant improvement in environmental impact through reduced water consumption and a reduction in waste materials through waste recovery and reuse. The financing is part of the Aquafil Group’s strategy which for years has made sustainability and circular economy a key development factor.

The funds raised were used to maintain liquidity.

(in Euro thousands)	Original amount	Granting date	Maturity date	Loan repayments	Rate applied	At December 31, 2021	*of which current portion*
Medium/long term bank loans - fixed rate							
Banca Intesa (*) (**)	15,000	2018	2024	Half-yearly from 31/07/2019	Until 19/06/2018 eu + 0.95% - from 20/06 1.15% Fixed	7,714	*2,571*
Mediocredito Trentino Alto Adige	3,000	2017	2022	Half-yearly from 28/12/2018	0.901% Fixed	506	*506*
Banca Nazionale del Lavoro (*)	7,500	2018	2025	Half-yearly from 31/12/2019	1.4% Fixed	4,773	*1,364*
Banca Nazionale del Lavoro (*)	12,500	2018	2025	Half-yearly from 31/12/2019	1.25% Fixed	7,955	*2,273*
Credito Valtellinese (*)	15,000	2018	2024	Quarterly from 05/10/2018	1% Fixed	11,830	*4,264*
Banca di Verona	3,000	2019	2024	Quarterly from 06/08/2021	1.30% Fixed	2,636	*727*
Cassa Centrale Banca - Credito Cooperativo del Nord Est (ex Casse Rurali Trentine) (*)	15,000	2019	2026	Quarterly from 30/09/2021	1.25% Fixed from 01/07/2024, 3 months Euribor + 1	13,543	*2,944*
Cassa Depositi e Prestiti (*)	20,000	2020	2027	Half-yearly from 20/06/2023	Fixed rate 1.48%	20,000	*0*
Total medium/long term bank loans - fixed rate						**68,957**	***14,649***
Medium/long term bank loans - variable rate							
Banca Popolare di Milano (*) (**)	25,000	2018	2025	Quarterly from 31/03/2020	Euribor 3 months + 0.90%	20,493	*4,524*
Cassa Risparmio di Bolzano (*)	20,000	2018	2025	Quarterly from 31/03/2020	Euribor 3 months + 0.85%	16,069	*3,965*
Cassa Centrale Banca - Credito Cooperativo del Nord Est (ex Casse Rurali Trentine)	5,000	2016	2022	Half-yearly from 31/12/2017	Euribor 6 months + 1.50%	638	*638*
Banca di Verona	3,500	2016	2023	Quarterly from 30/06/2017	Euribor 3 months + 1.80%	989	*656*
Banca di Verona	15,000	2017	2024	Quarterly from 30/06/2017	Euribor 3 months + 2%	8,348	*3,146*
Deutsche Bank (*)	5,000	2018	2024	Quarterly from 15/01/2019	Euribor 3 months +1.20%	3,438	*1,250*
Credit Agricole Friuladria (ex Banca Popolare Friuladria) (*) (**)	10,000	2017	2025	Quarterly from 31/03/2019	Euribor 3 months + 1.30%	6,422	*1,818*
Credito Valtellinese	3,000	2017	2023	Quarterly from 05/07/2017	Euribor 3 months + 0.90%	1,065	*607*
Banca Intesa (ex Veneto Banca)	3,000	2017	2021	Quarterly from 31/05/2017	Euribor 6 months + 0.90%		
Monte dei Paschi (*)	15,000	2018	2025	Half-yearly from 31/12/2019	Euribor 6 months + 0.80%	13,125	*3,750*
Crediti Emiliano	5,000	2018	2022	Monthly from 26/11/2018	Euribor 1 mese + 0.65%	1,393	*1,393*
Cassa Rurale Raiffeisen Alto Adige	3,000	2017	2023	Quarterly from 30/06/2018	Euribor 3 months + 0.90%	949	*758*
Banca Popolare di Sondrio	5,000	2017	2023	Monthly from 31/08/2018	Euribor 1 mese + 0.80%	1,988	*1,259*
Banca Popolare di Milano (*) (**)	15,000	2019	2025	Quarterly from 30/09/2020	Euribor 3 months + 1.05%	12,034	*2,985*
Banca Popolare Emilia Romagna (*) (**)	10,000	2019	2025	Monthly from 26/09/2020	Euribor 3 months + 0.75%	9,178	*2,478*
Credit Agricole (*) (**)	10,000	2019	2025	Half-yearly from 28/12/2020	Euribor 6 months + 1.05%	7,273	*1,818*
Banca del Mezzogiorno (*) (**)	10,000	2019	2026	Quarterly from 09/11/2020	Euribor 1 mese + 1.20%	8,500	*2,000*
Banca Intesa	30,000	2021	2027	Half-yearly from 30/06/2023	Euribor a 3 months + 1.10%	30,000	*0*
Total Medium/long term bank loans - variable rate						**141,904**	***33,047***
Accrued interest on medium/long term bank loans						(527)	*(527)*
Medium/long term bank loans - fixed and variable rate						**210,334**	***47,169***

(*) Loans that provide for compliance with financial covenants. The total amounts of business & other incentives are accrued at December 31, 2021 but not payed.
(**) Loan to which an interest rate swap contract is linked under which interest to be paid to the bank is fixed and equal to the value shown in the table.

Certain loan agreements provide for compliance with financial and equity covenants (expressed at consolidated Group level), as summarised below:

Loan	Period	Parameter	Reference	Limit
Banca Friuladria	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net debt/EBITDA net of lease costs		≤ 3.75
Banca Intesa	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Cassa di Risparmio di Bolzano	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Banca Nazionale del Lavoro	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Banca Popolare di Milano	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Credito Valtellinese	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Deutsche Bank	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Monte dei Paschi	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Casse Centrali C,R, Trentine	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Banca Popolare Emilia Romagna	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
MCC/Banca del Mezzogiorno	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Cassa Depositi e Prestiti	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75

In relation to the financial covenants established in the Group's bond and loan agreements detailed above, the Group had obtained at December 31, 2020:

1. from the bond subscribers the revision of the consolidated "Leverage Ratio NFP/EBITDA" financial covenant as follows:
   a) 4.50 as of 31.12.2020
   b) 4.25 as of 30.06.2021
   c) 3.75 as of 31.122021, the date of return to contractual status;
2. from the lending banks, the temporary suspension ("covenant holiday") of the consolidated "Leverage Ratio NFP/EBITDA" covenant calculated on the consolidated financial statements for the year ended December 31, 2020.

As at December 31, 2021, all covenants were met.

With reference to the loans granted, there are no mortgages registered on company assets.

Bond loans

The Company had issued two fixed-rate bond loans for an original total value of Euro 90 million:

1. a first bond loan ("A"), initially issued on June 23, 2015 and subscribed by companies belonging to the US Group Prudential Financial Inc., with a value equal to Euro 50 million, to be repaid in 7 equal instalments of Euro 7.1 million, of which the first with maturity on September 20, 2022 and the last on September 20, 2028, subject to a fixed interest rate of 3.70% with the application of a "margin ratchet" condition which provides for a gradual increase in the rate up to a maximum of 1% on the fluctuation of the NFP/EBITDA ratio of the Group. With effect from September 20, 2019, as a result of the variation in the NFP/EBITDA ratio in the first half of 2019, the interest rate increased to 4.70%. Application of this interest rate was confirmed until September 30, 2021. The NFP/EBITDA ratio resulting from approval of the financial statements at June 30, 2021 led to a reduction in the interest rate applicable for the period September 2021 to March 2022 to 4.20%. With the ratio reported at December 31, 2021, the margin ratchet has been brought to zero, bringing the interest rate for the six months subsequent to March 2022 to 3.70%;

2. in addition to the line of credit used for the "A" bond loan, the Prudential Group has granted the company a so-called "Shelf Facility" available on request and usable up to a maximum amount of approx. USD 90 million. This line was partially used to cover the issuance of the second bond ("B") and remains available at current market conditions for approx. USD 50 million. Bond B was issued on May 24, 2019 to finance the business combination of Aquafil O'Mara Inc., and subscribed by companies belonging to the US Group Prudential Financial Inc. for a total of Euro 40 million; the terms provide for repayment in 7 annual instalments from May 24, 2023, a fixed interest rate equal to 1.87%, with the application of the same margin ratchet condition as for bond A, which brought the rate to 2.87% until November 24, 2021, whereas, from November 25, 2021, to May 24, 2022, following changes in the NFP/EBITDA ratio, the rate will be 2.37%. With the ratio reported at December 31, 2021, the margin ratchet has been brought to zero, bringing the interest rate for the six months subsequent to March 2022 to 1.87%;

The following table summarises the main characteristics of the aforementioned bond loans:

Bond loan	Total nominal value	Issue date	Maturity date	Capital portion repayment plan	Interest rate applied
Bond loan A	50,000,000	23/06/2015	20/09/2028	7 annual instalments from 20/09/2022	4.20%
Bond loan B	40,000,000	24/05/2019	24/05/2029	7 annual instalments from 24/05/2023	2.37%

Bond loans envisage compliance with the following financial covenants, as contractually defined, to be calculated on the basis of the Group's consolidated financial statements:

Bond loan A - B

Financial parameters	Parameter	Covenant limit
Interest Coverage Ratio	EBITDA/Net financial charges	> 3.5
Leverage Ratio (*)	Net Debt/EBITDA	< 3.75
Net Debt Ratio	Net Debt/Net Equity	Minimum Net Equity threshold levels

(*) This indicator must be calculated with reference to the 12-month period which terminates on December 31 and June 30 for all years applicable.

Non-compliance with just one of the above financial parameters, where not resolved within the contractual deadlines provided, would constitute a circumstance for the bond loan's compulsory early repayment.

The terms and conditions of the above bond loans also envisage, as is customary for financial transactions of this type, a structured series of commitments to be borne by the Company and Group companies ("Affirmative Covenants") and a series of limitations on the possibility of carrying out certain transactions, if not in compliance with certain financial parameters or specific exceptions provided for by the agreement with the bondholders ("Negative Covenants"). Specifically, there are in fact certain limitations on the assumption of financial debt, on carrying out certain investments and on acts of disposal of corporate assets. To ensure the timely and correct fulfilment of obligations arising on account of the Parent Company from the issue of securities, the companies Aquafil Usa Inc. and Aquafil SLO d.o.o. have issued joint corporate guarantees in favour of underwriters:

As specified previously, the covenants at December 31, 2021 have been met for bond loans also. It should also be noted that on the basis of the forecasts set out in the business plan to date there are no elements to consider compliance with the above covenants to be at risk in the near future.

Lease liability

The lease liability, which amounts to Euro 11,614 thousand, includes Euro 4,776 thousand relating to the effects of application of IFRS 16. The operating and finance lease liability also includes the finance lease contract with the company Trentino Sviluppo S.p.A., involving the building in Arco (TN). The contract in question was entered into in December 2007 and expires in November 2022. At December 31, 2021, the residual capital relating to financial leasing contracts totalled Euro 6,838 thousand (including the redemption payable of Euro 5.5 million). The contract is regulated at the 6-month Euribor rate plus a spread of 0.50%.

Loans intercompany

In December 2021, a new loan was granted to the subsidiary Aquafil Jiaxing Co. Ltd. for an amount of USD 9,000 thousand (equating to Euro 7,946 thousand).

7.15 Provisions for risks and charges

The account is comprised of:

(in Euro thousands)	December 2021	December 2020
Other provisions for risks and charges	91	0
Agents' supplementary indemnity provision	728	673
Total	**819**	**673**

"Other provisions for risks and charges" concern the dispute with the Tax Agency regarding FY 2015, which an investigation amounts to Euro 91 thousand.

The changes in the "Agents' supplementary indemnity provision" were as follows:

(in Euro thousands)	December 2021
Balance at January 1, 2021	**673**
Increases	55
Decreases	0
Balance at December 31, 2021	**728**

7.16 Other current and non-current liabilities

(in Euro thousands)	December 2021	*of which current portion*	December 2020	*of which current portion*
Tax payables	1,394	*1,394*	1,363	*1,363*
Employee payables	7,228	*7,228*	4,033	*4,033*
Payables to social security institutions	1,726	*1,726*	1,716	*1,716*
Tax payables to subsidiaries	1,290	*1,290*	921	*921*
Other current and non-current liabilities	11,544	*2,317*	13,113	*2,560*
Total	**23,181**	***13,954***	**21,145**	***10,592***

The account is comprised of:

- "Tax payables" which mainly includes VAT payables, withholding taxes and other tax payables.
- "Employee payables" which increased mainly due to the recovery in revenues and margins and therefore of bonuses;
- "Social security payables" which mainly includes the amount owed at year-end by the Company and its employees to social security institutions;
- "Subsidiaries for taxes" which entirely refers to payables to Tessilquattro S.p.A. accrued as a result of the transfer of the latter's tax losses to Aquafin Holding S.p.A. in its role as tax consolidation entity. Specifically, in accordance with the consolidation agreement, Aquafil S.p.A. is responsible for netting between group companies and the tax consolidation entity Aquafin Holding S.p.A. In fact, an identical opposite amount has been recognised under "Tax receivables from parents" as described above.
- "Accrued liabilities and deferred income" mainly comprise:
  - the commercial contract with the US group Interface, involving a worldwide collaboration for supply and product development. In particular, Aquafil S.p.A. undertook an obligation until 2026 to guarantee Interface conditions of supply, against which the client, in addition to committing to annual minimum volumes, paid to Aquafil USD 24 million in advance. At December 31, 2021, this deferred revenue (recognised to deferred income) amounts to Euro 9,829 thousand;
  - the deferral of the portion pertaining to future years of the contribution obtained from the European Union for the "EFFECTIVE" research project, described in the Directors' Report and also commented on in the notes above. The original deferred income recognised for Euro 1.7 million which concerns the overall contribution recorded at the signing date of the agreement with lending banks (with counter-entry to Other non-current assets), amounts to Euro 1.17 million at December 31, 2021. It should be noted that from 2019 onwards, costs relating to the EFFECTIVE project are capitalised under intangible assets in progress for the portion eligible under IAS 38. Therefore, the residual contribution relating to the capitalised portion will be charged to the income statement from the moment the capitalised asset starts to be used and then amortised.

7.17 Trade payables

The account is comprised of:

(in Euro thousands)	December 2021	December 2020
Trade payables - suppliers	80,789	39,438
Trade payables intercompany	52,267	47,956
Advances and other payables	21	16
Total	**133,077**	**87,410**

At December 31, there were no debts falling due over five years in the balance sheet.

Intercompany trade payables refer to payables deriving from purchases related to the production cycle and are as follows:

(in Euro thousands)	December 2021	December 2020
Aquafil UK Limited	1,257	435
Aquafil SLO d.o.o.	22,457	24,037
Aqualeuna GmbH	13	0
Aquafil Oceania Pty Ltd.	145	186
Aquafilcro d.o.o.	4,272	3,988
Aquaspace S.p.A.	47	48
Tessilquattro	17,840	12,890
Aquafil USA Inc.	40	36
Aquafin Holding S.p.A.	0	62
Aquafil Textil Sanayi	71	28
Aquafil China	6,045	6,098
Aquafil Benelux France B.V.B.A.	80	149
La Torre Società Agricola	21	16
Total	**52,289**	**47,971**

The increase in trade payables derives from higher purchases for production as revenues increased and to an increase in prices (particularly for raw materials and energy).

7.18 Current tax payables

Current tax payables of Euro 593 thousand relate to IRAP.

For the year under review, Aquafil S.p.A. calculated IRAP by the method established for financial companies, in light of the new legislation on financial holding companies, at the increased rate of 4.65%. For further information, reference should be made to Note 8.14 below.

8. NOTES TO THE INCOME STATEMENT

8.1 Revenues

The breakdown of revenues is shown below:

(in Euro thousands)	2021	2020
EMEA	484,320	357,447
North America	30,518	29,205
Asia and Oceania	54,084	41,944
Rest of the world	912	658
Total	**569,835**	**429,254**

In accordance with IFRS 15, revenues include, as a direct reduction in their amount, cash discounts, which amount to Euro 2,613 thousand in 2021.

8.2 Other revenues and income

"Other revenues and income" amount to Euro 372 thousand and mainly concern: the grant provided by the EU for the "Effective" research project for Euro 75 thousand; the tax credit of Euro 213 thousand accrued on the research and development expenses incurred in 2021 and determined as per Article 1, paragraph 35 of Law No. 190 of December 23, 2014; and government grants for Euro 55 thousand for the tax credit for workplace adaptation and sanitisation and the purchase of personal protective equipment; the tax credit for the purchase of capital goods and the EU grant recognised for the "Cisuflo" project.

8.3 Raw material costs

The breakdown of the account is as follows:

(in Euro thousands)	December 2021	December 2020
Raw material purchases	342,561	246,101
Ancillaries and consumables	5,880	3,660
Purchases of other materials	122,379	98,983
Other charges	89	135
Change in inventories	(8,110)	8,024
Total	**462,799**	**356,914**

The raw material costs incurred in the year include costs from the following subsidiaries and associates:

(in Euro thousands)	December 2021	December 2020
Aquafil Asia Pacific Co, Ltd,	26	0
Aquafil UK Ltd,	4,387	1,804
Aquafil SLO d,o,o,	153,059	127,579
Aqualeuna GmbH	0	232
Aquafilcro d,o,o,	34,340	23,847
Tessilquattro S.p.A.	72,006	68,792
Aquafil USA Inc,	16	1
Aquafil Synthetic Fibres	26,960	23,092
Total	**290,793**	**245,346**

8.4 Service costs

The account is comprised of:

(in Euro thousands)	December 2021	December 2020
Transport, shipping & customs	9,209	6,401
Electricity, propulsive energy, water and gas	11,184	5,703
Maintenance	1,651	1,356
Services for personnel	1,375	1,125
Technical, ICT, commercial, legal & administrative consultancy	6,556	5,891
Insurance	1,152	1,004
Marketing and advertising	4,218	3,432
Cleaning, security and waste disposal	540	466
Warehousing and external storage	2,520	2,466
External processing	4,593	2,944
Statutory auditors fees	141	135
Other service costs	1,253	1,095
Rentals and hire	517	528
Total	**44,908**	**32,545**

Service costs from related parties amount to Euro 3,171 thousand and mainly relate to processing costs undertaken by Aquafil SLO d.o.o for Euro 2,272 and to commissions from Aquafil Benelux France B.V.B.A. for Euro 608 thousand, from Aquafil Oceania for Euro 134 thousand and from Aquafil Tekstil Sanayi Ve Ticaret A.S. for Euro 190 thousand.

The significant increase in energy and gas costs linked to the market trend of these production factors is highlighted.

8.5 Labour costs

These costs are broken down as follows:

(in Euro thousands)	December 2021	December 2020
Salaries and wages	25,652	20,355
Social security contributions	7,891	7,729
Post-employment benefit	1,511	1,508
Other personnel costs	393	348
Director fees	2,638	1,533
Total	**38,086**	**31,473**

Senior management bonuses were recognised as the operating objectives were achieved. The change is also attributable to the greater number of hours worked in 2021 in response to increased production.

The number of employees, broken down by category, is as follows:

	2021
Executives	27
Managers	48
White-collar	145
Blue-collar	322
Total	**542**

8.6 Other operating costs and charges

These costs are broken down as follows:

(in Euro thousands)	December 2021	December 2020
Taxes, duties & sanctions	243	191
Losses on asset sales	0	1
Other operating charges	496	599
Total	**739**	**791**

The item “Taxes, levies and penalties” mainly includes the costs for local taxes.

“Other operating charges” mainly include the share related to the provisioning agreement with Domo Engineering Plastics and costs related to previous years.

8.7 Amortisation, depreciation and write-downs of tangible and intangible assets

The account is comprised of:

(in Euro thousands)	December 2021	December 2020
Amortisation of intangible assets	1,811	1,654
Depreciation of property, plant & equipment	5,862	6,046
RoU depreciation	1,474	1,451
Write-down of intangible assets	1,650	0
Total	**10,798**	**9,151**

During the year, “Intangible assets in progress” were written down by Euro 1,650 thousand. The write-down is primarily due to a number of prudent reductions in the value of previously capitalised expenses, whose recoverability are uncertain.

8.8 Provisions and write-downs

The account is comprised of:

(in Euro thousands)	December 2021	December 2020
Doubtful debt provision	0	0
Provisions for risks and charges	(147)	(43)
Total	**(147)**	**(43)**

“Other provisions for risks and charges” include the dispute with the Tax Agency regarding FY 2015, which on investigation amounts to Euro 91 thousand.

Provisions are reported net of the relative release of funds.

8.9 Costs for internal work capitalised

For the year 2021 this item amounting to Euro 1,647 thousand mainly refers to the capitalisations made in relation to the following projects:

- Euro 1,267 thousand for the improvement and technological upgrading of existing plant and equipment;
- Euro 267 thousand for the Effective research project described in the Directors’ Report.

8.10 Investment income (charges)

The item includes dividends received from the subsidiary Aquafil Slo d.o.o. for Euro 7,000 thousand and charges related to the write-down of equity investments for the subsidiaries Aquafil Tekstil Sanayi for Euro 106 thousand and Cenon S.r.o. for Euro 100 thousand.

8.11 Financial income

The account is comprised of:

(in Euro thousands)	December 2021	December 2020
Financial income receiv. from Group companies	449	1,145
Other interest	0	0
Interest income current accts.	8	79
Derivative financial instruments	599	0
Total	**1,057**	**1,224**

Interest income on loans from subsidiaries, parent companies, related companies are as follows:

(in Euro thousands)	December 2021	December 2020
Aquafil UK Ltd.	27	72
Aquafil SLO d.o.o.	93	202
Aqualeuna GmbH	112	127
Aquafil USA Inc.	180	622
Cenon S.r.o.	37	35
Aquafil Synthetic Fibres	0	87
Total	**449**	**1,145**

8.12 Financial charges

The account is comprised of:

(in Euro thousands)	December 2021	December 2020
Interest on mortgage loans	2,444	2,564
Interest on bonds	3,454	3,599
Interest on current accounts	0	0
Bank expenses and commissions	399	333
Write-downs of derivatives and financial instruments	0	249
Interest on factoring transactions	215	182
Interest on commercial transactions	22	51
Interest to leasing companies	77	114
Interest from Group companies	0	0
Other charges	38	36
Financial charges	48	62
Financial charges to group companies	98	97
Interest expenses to Group companies	15	14
Write-downs of fixed assets – group companies	3,172	2,135
Total	**9,983**	**9,437**

The item “Write-downs of fixed assets - Group companies” includes the write-downs of the loans outstanding for Euro 1,785 thousand from the subsidiary Aquafil UK Ltd. and for Euro 1,387 thousand from the subsidiary Cenon S.r.o..

8.13 Exchange gains and losses

The breakdown of the account is as follows:

(in Euro thousands)	December 2021	December 2020
Unrealised exchange gains	0	0
Realised exchange gains	3,332	5,609
Total exchange gains	**3,332**	**5,609**
Unrealised exchange losses	0	0
Realised exchange losses	(2,931)	(3,515)
Total exchange losses	**(2,931)**	**(3,515)**
Total	**401**	**2,094**

The amount, equal to a gain of Euro 401 thousand for the year 2021, is the net balance between exchange rate gains (realised and unrealised) and exchange rate losses (realised and unrealised).

8.14 Income taxes

The account is comprised of:

(in Euro thousands)	December 2021	December 2020
Current income taxes	593	0
Deferred tax income	(901)	888
Total	**(1,495)**	**888**

From the year 2018 Aquafil S.p.A. was included in the tax consolidation regime with the parent company Aquafin Holding S.p.A., which regime was interrupted in 2017 due to the merger by incorporation of Aquafil S.p.A. into Space 3 S.p.A. In 2021, the transfer of the position resulting from the tax consolidation generated a payable of Euro 808 thousand from the holding company as a result of the transfer of a taxable loss to the consolidated level.

Current taxes refer exclusively to IRAP tax for Euro 593 thousand. For the current financial year, it should be noted that Aquafil S.p.A. has calculated IRAP tax, for the purpose of deferred taxes, in accordance with the new rules envisaged for non-financial holding companies ("industrial holdings") as defined by Article 162-bis, paragraph 1, letter c.1) of Presidential Decree 917/86 ("Income Tax Law") and as set out in Article 6 of Presidential Decree 446/1997 and by Provincial Law 21/2015, Article 16, paragraph 1-bis, letter b), Legislative Decree 446/97, Article 1, paragraph 11-bis, for which an increased rate of 4.65% is envisaged.

The table below shows the reconciliation of the theoretical rate of income tax with the actual impact on the result:

(in Euro thousands)	At December 31, 2021	%	At December 31, 2020	%
Profit/(loss) before taxes	**12,648**		**(194)**	
Tax calculated on applicable rate	3,035	24.0%	(46)	24.0%
Write-down investments (tax effect)	0		0	
Effect use/remuneration of tax losses	(2,367)		536	
Tax effect other changes	(668)		(489)	
Other income taxes (IRAP) and other minor effects	593		0	
Total current income taxes	**593**		**0**	
Deferred tax assets	0		(888)	
Deferred tax income/(charge)	901		0	
Total deferred tax liabilities	**901**		**(888)**	
Total income taxes	**1,495**		**(888)**	

The most significant effects for the year were related to deferred taxes which mainly concerns and the use of the ACE.

9. NON-RECURRING ITEMS

The account is comprised of:

(in Euro thousands)	December 2021	December 2020
Expansion costs of the Aquafil Group	(168)	(139)
Tax, administrative and extraordinary technical consultancy	(276)	(52)
Bonuses and incentives	(320)	(335)
Other taxes - extraordinary	0	(60)
Other charges - extraordinary	(270)	(421)
Total non-recurring costs	**(1,034)**	**(1,007)**
Other extraordinary income	29	11
Net costs and revenues subtotal	**(1,005)**	**(996)**
Financial income		
Total	**(1,005)**	**(996)**

"Expansion costs of the Aquafil Group" refer to costs incurred for the activities and projects related to the expansion of the Group, in particular in India and Japan.

"Tax, administrative and extraordinary technical consultancy" refers to costs for fiscal consulting incurred in relation to the joint audit consequent to the position paper received by Aqualeuna GmbH on the tax audit by the "Bundeszentralamt fur Steuern" office responsible for intercompany transactions in the region.

"Other extraordinary charges "refer to costs related to previous years.

"Bonuses and incentives" mainly concerns redundancy incentives.

The percentage of the non-recurring items of the result, of cash flows, of the equity position, and of the net debt, are reported below.

(in Euro thousands)		*of which non-recurring*	*Percentage*	
Net profit/(loss)	11,153,279	*(1,005)*	*(9.01%)*	
Net cash flow in the year	(56,887)	*(1,005)*	*1.77%*	(*)
Total assets	598,054	*0*	*0.00%*	(**)
Net financial debt	(235,264)	*(1,005)*	*0.43%*	(*)

(*) Amount paid in the year of non-recurring income statement items.
(**) Amount of non-recurring income statement items yet to be paid at year-end.

10. NET FINANCIAL DEBT

Below is the breakdown of the net financial debt as at December 31, 2021, determined in accordance with ESMA/2013/319 Recommendations:

(in Euro thousands)		At December 31, 2021	At December 31, 2020
A.	Liquidity	79,698	136,585
B.	Cash and cash equivalents		
C.	Other current financial assets	6,200	12,100
D.	**Liquidity (A + B + C)**	**85,898**	**148,685**
E.	Current financial debt (including debt instruments but excluding the current portion of non-current financial debt)	(155)	(128)
F.	Current portion of non-current financial debt	(62,675)	(69,605)
G.	**Current financial debt (E + F)**	**(62,830)**	**(69,732)**
H.	**Net current financial debt (G - D)**	**23,067**	**78,952**
I.	Non-current financial debt (excluding current portion and debt instruments)	(175,121)	(248,029)
J.	Debt instruments	(83,210)	(90,406)
K.	Trade payables and other non-current payables		
L.	**Net current financial debt (I + J + D)**	**(258,332)**	**(338,435)**
M.	**Total financial debt (H + L)**	**(235,264)**	**(259,483)**

The following table presents the items included in the net debt regarding related parties:

(in Euro thousands)	December 2021	December 2020
E. Current financial receivables	6,200	12,100
M. Other non-current financial payables	(7,946)	0
O. Net financial debt with related parties	**(1,746)**	**12,100**

The net financial reconciliation between the beginning and end of the year is presented below. The effects indicated include the currency effects.

(in Euro thousands)		*of which current portion*	*of which non-current portion*
Net Debt at December 31, 2020	**(259,483)**	***78,952***	***(338,435)***
Net cash flow in the year	(56,887)	*(56,887)*	
Contracting/reclassification of current financial receivables	(5,900)	*(5,900)*	
New bank loans and borrowings	(30,000)		*(30,000)*
Repayment/reclass. bank loans and borrowings	122,835	*19,447*	*103,388*
Effects first-time application IFRS 16			
Repayment/reclass. lease liability	1,545	*(5,322)*	*6,867*
Change in fair value derivatives	599		*599*
Repayments/drawdown loans to subsidiaries	(7,946)		*(7,946)*
Other changes	(28)	*(28)*	*0*
Net Debt at December 31, 2021	**(235,264)**	***30,262***	***(265,527)***

11. RELATED PARTY TRANSACTIONS

Transactions and balances with related parties are illustrated in the tables below.

(in Euro thousands)	Parent companies	Subsidiaries	Related parties	Total	Total book value	% on total account items
Non-current financial assets						
December 2021	234	3,550	29	**3,813**	311,829	1.22%
December 2020	234	23,831	29	**24,094**	330,129	7.30%
Trade receivables						
December 2021		79,085	35	**79,120**	84,123	94.05%
December 2020		38,618	35	**38,653**	41,130	93.98%
Current financial assets						
December 2021		6,200		**6,200**	6,200	100.00%
December 2020		12,100		**12,100**	12,100	100.00%
Other current assets						
December 2021	3,152			**3,152**	6,713	46.96%
December 2020	3,187			**3,187**	7,453	42.76%
Current financial liabilities						
December 2021	(525)	0	(149)	**(673)**	(62,830)	1.07%
December 2020	(513)	0	(197)	**(710)**	(69,732)	1.02%
Non-current financial liabilities						
December 2021	(1,370)	(7,946)	(1,206)	**(10,523)**	(258,357)	4.07%
December 2020	(2,180)		(203)	**(2,383)**	(338,435)	0.70%
Trade payables						
December 2021	0	(52,221)	(68)	**(52,289)**	(133,077)	39.29%
December 2020	(62)	(47,846)	(64)	**(47,971)**	(91,143)	52.63%
Other current liabilities						
December 2021	0	(1,290)	0	**(1,290)**	(13,954)	9.24%
December 2020	0	(921)	0	**(921)**	(10,592)	8.69%

The transactions of the Group with related parties are illustrated in the table below:

(in Euro thousands)	Parent companies	Subsidiaries	Related parties	Total	Total book value	% on total account items
Revenues						
December 2021		238,451	29	**238,480**	569,835	41.85%
December 2020		184,688	29	**184,717**	429,254	43.03%
Raw material costs						
December 2021		(290,793)		**(290,793)**	(462,799)	62.83%
December 2020		(245,346)		**(245,346)**	(356,914)	68.74%
Service costs and rent, lease and similar costs						
December 2021		(3,130)	(41)	**(3,171)**	(44,908)	7.06%
December 2020		(2,792)	(37)	**(2,829)**	(32,545)	8.69%
Labour costs						
December 2021		(173)		**(173)**	(38,086)	0.45%
December 2020		(142)		**(142)**	(31,473)	0.45%
Other operating costs and charges						
December 2021			(26)	**(26)**	(739)	3.52%
December 2020			(26)	**(26)**	(791)	3.29%
Financial income (charges) from investments						
December 2021		6,794		**6,794**	6,794	100.00%
December 2020		5,685		**5,685**	5,685	100.00%
Financial income						
December 2021		449		**449**	1,057	42.49%
December 2020		1,145		**1,145**	1,224	93.57%
Financial charges						
December 2021	(43)	(3,284)	(5)	**(3,331)**	(9,983)	33.37%
December 2020	(53)	(2,245)	(9)	**(2,307)**	(9,437)	24.44%

The following table summarises cash flows with related parties and their percentage out of the cash flow indicated in the cash flow statement:

(in Euro thousands)	Total cash flow statement account	*of which related parties*	% on total account items
Profit/(loss) for the year	11,153	*(51,426)*	(461%)
Investment income/charges	6,794	*6,794*	100%
Financial income	1,057	*449*	42%
Financial charges	(9,983)	*(3,332)*	33%
Increase/(Decrease) in trade payables	56,733	*19,117*	34%
Decrease/(Increase) in trade receivables	(44,275)	*(41,749)*	94%
Changes in other assets and liabilities	3,210	*(404)*	(13%)
Net changes in current and non-current financial assets and liabilities	18,492	*20,766*	112%
Distribution of dividends	0	*0*	0%

The table indicates that Aquafil S.p.A. undertakes less purchases from the other Group companies than makes sales.

12. REMUNERATION AND BENEFITS OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration and benefits in favour of members of the Board of Directors and Senior Executives and the compensations due to the members of the Board of Statutory Auditors are presented below:

Name	Office	State	Emoluments Office	Emoluments Committees	Bonuses & Other Incentives	Remune-Ration Employee (1)	Remune-ration Subsidiaries (2)	Other emolu-ments (3)	Total
Giulio Bonazzi	Chairperson BoD & Chief Executive Officer	In office	1,210,000		371,192		143,000		**1,724,192**
Adriano Vivaldi	Executive Director & CFO of the Group	In office	90,000		185,596	288,298	43,000		**606,894**
Fabrizio Calenti	Executive Director & Chairperson NTF & ECONYL®	Departed	45,000			187,518		500,000	**732,518**
Franco Rossi	Executive Director & Chairperson BCF USA	In office	40,000		185,596		294,570		**520,166**
Simona Heidempergher	Lead Independent Director & Member Risk Control Committee & Appointments and Remuneration Committee	In office	40,000	25,000					**65,000**
Francesco Profumo	Independent Director Member Risk Control Committee & Appointments and Remuneration Committee	In office	40,000	25,000					**65,000**
Ilaria Maria dalla Riva	Member Risk Control Committee & Appointments and Remuneration Committee	In office	40,000	20,000					**60,000**
Margherita Elena Maria Zambon	Independent Director Member Appointments and Remuneration Committee	In office	40,000	10,000					**50,000**
Silvana Bonazzi	Director	In office	40,000						**40,000**
Stefano Giovanni Loro	Executive Director & Chairperson BCF EMEA & APAC	In office	20,000		185,596	336,406	50,000		**592,002**
Sergio Calliari	Vice Chairperson Finance Dept. Executive Officer ex 262/2005	In office			74,238	155,533	18,000		**247,771**
Karim Tonelli	Controlling & Performance Director and Investor Relations	In office			74,238	168,778			**243,016**
Mark Kruger	Group Sales Manager – Polymers	In office			74,238	174,813			**249,051**
Alessandro Milholo Coelho	Industrial Operations Manager BCF EMEA	In office			74,238	144,835			**219,073**
Denis Jahic	General Manager AquafilSLO & NTF Industrial Operations Manager	In office			74,238		209,551		**283,789**
Gregor Kranjc	Executive Director & Chief Financial Officer AquafilSLO	In office			74,238		152,795		**227,033**
Sasa Muminovic	Executive Director & Human Resources Manager AquafilSLO	In office			74,238		179,941		**254,179**
Andrea Pugnali	AquafilUSA CFO Area USA	In office			74,238		247,746		**321,984**
Poggi Longostrevi Stefano	Chairperson Board of Statutory Auditors	In office	60,000						**60,000**
Bompieri Beatrice	Statutory Auditor	In office	40,000						**40,000**
Solimando Bettina	Statutory Auditor	In office	40,000						**40,000**
Total			**1,745,000**	**80,000**	**1,521,884**	**1,456,180**	**1,338,602**	**500,000**	**6,641,667**

(1) Employee remuneration is to be understood as disbursed by Aquafil S.p.A.. The total amounts of business & other incentives are accrued at December 31, 2021 but not payed.

(2) Remuneration by subsidiaries includes both employment income, directors' emoluments and any bonuses disbursed by Aquafil S.p.A. subsidiaries;

(3) The other emoluments are related to the non-compete agreement.

The following members of the Board of Directors or Senior Executives, Adriano Vivaldi, Fabrizio Calenti, Stefano Loro, Sergio Calliari, Karim Tonelli, Mark Kruger and Alessandro Miholo Coelho are guaranteed policies for the reimbursement of medical expenses, injury and death that are as a minimum in line with the provisions of the National Collective Labour Agreement for Industrial Executives; moreover, Fabrizio Calenti, Stefano Loro, and Alessandro Miholo Coelho are granted the use of apartments for residential purposes.

13. OTHER INFORMATION

13.1 Commitments and risks

Other commitments

1. At December 31, 2021, the parent company Aquafil S.p.A. provided sureties in favour of credit institutions in the interest of subsidiaries and subject to the control of the parent company for a total of Euro 20,000 thousand.
2. On December 21, 2021, the executive director Adriano Vivaldi submitted his resignation as member of the Group's board of directors effective December 31, 2021, and as senior manager of the company effective August 31, 2022, in accordance with established contract terms. At the same time, a non-compete agreement was signed for a period of 48 months beginning on September 1, 2022, for which the company has agreed to pay Euro 500 thousand by September 10, 2022.

Contingent liabilities

Provided below is a list of fiscal positions and disputed defined and pending as at the balance sheet date that concern the Parent Company, Aquafil S.p.A. We are not aware of the existence of further disputes or proceedings that are likely to have significant repercussions on the Group's economic and financial situation.

(i) *Tax audit Aqualeuna GmbH*

The company Aqualeuna GmbH was involved in a tax audit by the competent German federal tax office in Leuna concerning inter-company transactions. On July 15, 2021, the company was notified by the German tax administration's audits unit in Halle of the conclusion of the tax audits for fiscal years 2013-2017. The increases to taxable income for Aqualeuna were as follows: (a) for the period 2013-2015, non subject to international cooperation with the Italian tax administration, for Euro 735 thousand, offset by uses of the company's past losses for the same amount; (b) for 2016, subject to joint audit by the two tax administrations, €1.4 million with corresponding adjustment in the same amount to the benefit of Aquafil in Italy; (c) for 2017, not subject to joint audit by the two administrations, Euro 3.7 million increase for Aqualeuna and filing of acknowledgement of the decrease in taxable income for IRES and IRAP by Aquafil on January 21, 2022. Given the use of past losses of Aqualeuna, the increased taxes for the company for 2013-2017 came to Euro 207 thousand. For fiscal years 2018 and 2019, not the subject of the aforementioned audits and during which Aqualeuna recognised further tax losses, the German tax administration began another audit in September 2021, requesting that the Italian tax administration launch a joint audit similar to the one conducted for 2016. For these years, too, in the event of either a joint audit or the start of out-of-court settlement followed by arbitration, any increases demanded in Germany are expected to be adjusted in Italy. Therefore, given all of the above, and as supported by the opinion of tax consultants, this potential liability is not deemed to be measurable and is, in any event, not probable. For this reason, no allocation to provisions for risks has been recognised.

(ii) *"ACE" tax deduction appeal*

Aquafil S.p.A. declared 2019 revenues for corporate income taxation using the Economic Growth Assistance ("ACE") deduction allowed by law, as was done for 2018 revenues. Given potential doubts in the interpretation of 2019 revenues, on October 30, 2020, the company filed a specific brief describing the situation, as was done for the 2018 fiscal year. On February 25, 2021, the Large Contributions office of the Italian tax authority confirmed its opinion in favour of using the ACE deduction as proposed by the company.

(iii) *Settlement notice for registry tax on sale of Aquafil EP S.p.A.*

On December 21, 2017, the Trento provincial office of the Italian tax administration issued Aquafil S.p.A. and Domo Chemicals Italy S.r.l. a settlement notice for registration tax, demanding a proportionate tax of 3% on the sale of the share package of Aquafil EP S.p.A. (later becoming Domo Engineering Plastic S.p.A.) on May 31, 2013, in the amount of Euro 1.3 million plus interest of Euro 210 thousand. Domo Chemicals Italy S.r.l. has provided for the payment of 100% of the tax plus interest, to which Aquafil contributed half of the total sum. On September 27, 2021, prior to the hearing, the Trento office notified the companies of the self-protection nullification of the notice and of the decision to refund the amount paid. On January 11, 2022, the Trento Provincial Commission issued notice that the matter was declared closed. At present, the office has yet to issue the refund, having suspended it until the Aquafil tax assessment for 2015 has been completed; nonetheless, the companies intend to issue a request for the refund.

(iv) *Audit of income tax and IRAP for 2015*

In February 2019, the Trento Office of the Italian tax authority launched a general audit of the 2015 tax period for Aquafil S.p.A., which concluded with the notification, on June 14, 2019, of a tax assessment, funnelled into the assessments notified on October 8, 2021, and November 16, 2021, that revealed a number of findings in relation to transfer pricing for a potential risk for the Company of approx. Euro 876 thousand, without penalties given that the transfer pricing documentation was deemed to be sufficient. At present, as we await the response from the office to discuss the issues and/or assess the activation of conventional MAPs concerning the double taxation at the Group level, the company, supported by the opinions of its consultants, deems that it is currently too early to quantify the contingent liability, which is currently seen as merely possible, not probable, and cannot, in any event, be quantified, and estimates that the maximum risk is Euro 91 thousand, including penalties, related to income tax and IRAP issues other than transfer pricing.

(v) *Suspension of VAT refund – 2019 fiscal year*

On June 22, 2020, the Company filed for a VAT refund in the amount of Euro 488,147 by way of the 2020 tax return (for 2019 income). The reason given was the lower excess credit not transferable for the payment of group VAT (as per Articles 33 and 73 of Italian Presidential Decree 633/1972). After examining the documentation provided by the Company during the procedures for disbursing the refund, the tax office, during a meeting held on October 13, 2020, at the Trento Office, raised certain doubts concerning the VAT payable by Space3 up to the moment of its merger into Aquafil and, consequently, the right to VAT deduction. With regard to these doubts, in November 2020, the Company issued clarifications in order to obtain recognition of the right to deduct the VAT paid by Space3 (now Aquafil) during the period prior to the merger and, consequently, settlement of the VAT credit to be refunded. Within this context, and given the assessment on the 2015 fiscal year (as described at the previous point), on November 6, 2020, the tax office issued an order suspending the VAT refund in order to defer execution of the refund in accordance with Article 69 of Italian Royal Decree No. 2440/1923.

13.2 Significant events after December 31, 2021

1. As published on the company's website on December 21, 2021, Adriano Vivaldi, E**xecutive Director** of Aquafil S.p.A., resigned for personal reasons effective December 31, 2021. Following his resignation, in accordance with Article 2386(1) of the Italian Civil Code and with the approval of the Board of Statutory Auditors, the Board of Directors approved the replacement of the outgoing member by co-opting Attilio Annoni to the board as executive director, effective January 1, 2022, granting him similar powers to those previously held by Mr Vivaldi, thereby ensuring complete operational continuity. Adriano Vivaldi submitted his resignation as an executive director for the Company in concert with termination of all duties within the subsidiaries effective December 31, 2021, and of his role in management to be held through August 31, 2022.

2. With regard to the **purchase of treasury shares** as approved by the Aquafil S.p.A. shareholders on October 20, 2021, which brought total treasury shares purchased to Euro 2,544,855, as detailed above, it should be noted that, in January 2022, Aquafil continued to purchase shares up to a total of 457,090 treasury shares held, equal to 0.8924% of share capital for a total value of Euro 3,469,250.53. The authorisation by shareholders has a validity of 18 months from the date of the related resolution and authorises the purchase, in one or more tranches, of ordinary shares up to a maximum number which, taking account of the ordinary shares which may be held in portfolio by the company and by its subsidiary, does not total more than 3% of share capital.

3. On January 25, 2022, Aquafil S.p.A. received new **unsecured financing** in the amount of Euro 20 million from Cassa Depositi e Prestiti S.p.A. at an all-in no-floor variable rate equal to the 6-month Euribor rate plus 155 bps and with a duration of 6 years, including a 2-year grace period. The purpose of the financing is to maintain the Group's liquidity and support the investment plan for 2022 and beyond.

4. On January 12, 2022, the subsidiary **Cenon S.r.o.** sold assets held in Slovakia to third parties at a value of near zero, which matches their market value given the charges to dismantle fixed plant, including the evaporation tower. The sale of these assets did not generate a capital loss for the company, given that the value of the investment Canon had already been fully written down in the financial statements. Not currently operational, the company will likely be the subject of voluntary liquidation.

5. On February 10, 2022, a new intercompany loan of Euro 10 million was agreed with the subsidiary **Aquafil SLO d.o.o.**, with a duration of three years.

6. On February 20, 2022, it was announced that the U.S. company **Invista**, a major producer of nylon 6.6 polymers and fibres based in Wichita, Kansas, and a former spin-off of DuPont Textiles & Interiors sold in 2004 to Koch Industries, has decided to sell its entire production of nylon 6.6 fibre by July 2022. In the announcement, the company informed its customers that the market for flooring fibre continues to be made up of the integrated U.S. producers Shaw, Mohawk and Beaulieu, on the one hand, which will be continuing their production to serve their own business and, on the other, four independent providers of carpet filaments, which are Aquafil (only nylon 6), Ascend, Universal Fibers, and Syntec. The expectation is that these producers will be able to absorb the share of production no longer done by Invista, although shifting from nylon 6.6 to nylon 6. This confirms that fact that nylon 6 fibres have been definitively confirmed to provide equal or often greater performance than the 6.6 fibre invested by DuPont over 70 years ago and leaves significant room for growth for the Aquafil Group over the short term, specifically in the U.S. market for BCF fibres from both traditional fibre and ECONYL®.

7. On February 24, 2022, Russia announced a military operation in the Ukrainian region of Donbas, which was followed by an invasion of Ukraine as a whole. The conflict involving the two countries has led to the application of international sanctions against Russia, which do not currently entail particular restrictions or prohibitions to the commercial activities of the Aquafil Group, as we have no direct exposure to the nations involved in the conflict. Forecasts for the future of the conflict are not currently possible, but a continuation of military action could drive inflation higher in Europe, including rising prices for raw materials and, above all, energy, and this could have an impact on the profitability of the Group, as well as for most industries in Europe.

8. On March 4, Aquafil S.p.A. announced the signing of a partnership agreement with Salmon de Chile, the Chilean Salmon Marketing Council, and Atando Cabos S.p.A., a clean-tech enterprise focused on the recycling of plastics to help protect the ecosystem of Patagonia. The goal of this partnership is to collect and recycle old fish netting, thereby mitigating one of the greatest problems for fishing and fish farming, particularly in Chile, which provides nearly one-third of the world's farmed salmon. This partnership agreement represents a major step forward in reducing pollution and the carbon footprint of the industry and in ensuring that most of the material used in its processes is recycled and does not add to the waste produced. The partnership is based on a four-year plan, which will include the processes of collection, recycling, measurement, and reporting.

13.3 Disclosure as per Article 1, paragraph 125 of Law No. 124 of August 4, 2017

With regards to that required by Article 1, paragraph 125 of Law 124/17, the Company recorded the following in 2021:
(i) Euro 90,933 relating to the sale of the external electricity distribution network produced by the photovoltaic plants;
(ii) Euro 48,025 relating to training grants for Aquafil S.p.A.;
(iii) Euro 13,333 relating to de minimis grants on leases.

We also report that during the year the Company also recorded EU grants as described in the Directors' Report.

With regards to any subventions, contributions or other financial benefits received by the Company in 2021 from the Tax Agency, reference should be made to the preceding paragraphs covering the tax items.

Proposal to allocate profits or for the coverage of losses

Considering the financial and equity position of the Company, we propose the allocation of the net profit of Euro 11,153,279 as follows:
- one-twentieth, or Euro 557,664, to the legal reserve;
- Euro 10,595,615 to retained earnings.

Attachment 1 - Disclosure pursuant to Article 149 of the Consob Issuer's Regulation

The following table, drawn up pursuant to Art. 149-duodecies of the Consob Issuers' Regulation, highlights the fees charged in the year 2021 for auditing and non-auditing services rendered by this appointed independent audit firm and by the companies in its network to the company Aquafil S.p.A.

Company providing service	Recipient of service	Type of services	Fees 2021
PwC S.p.A.	Aquafil S.p.A.	Audit separate financial statements	128,969
Total Audit services provided in 2021 to Aquafil S.p.A. by audit firm			**128,969**
PwC S.p.A.	Aquafil S.p.A.	Audit of the statement of the 2020 research and development costs for the purposes of the tax credit Law 145/18	4,800
Total other audit services provided in 2021 to Aquafil S.p.A. by audit firm			**4,800**
Total services provided in 2021 to Aquafil S.p.A.			**131,988**

Arco. 15 March 2022

The Chairman of the Board of Directors
Dott. Giulio Bonazzi

The Executive Officer
Dott. Sergio Calliari

Statement of the Principal Financial Officer and the Delegated Bodies

Aquafil S.p.A.
Via Linfano 9 - Arco (TN) – Italy
P.I.: 09652170961

STATEMENT OF THE PRINCIPAL FINANCIAL OFFICER AND THE DELEGATED BODIES (art. 154-bis, comma 5) ABOUT THE FINANCIAL STATEMENTS OF AQUAFIL SPA CLOSED ON 2021/12/31 IN ACCORDANCE WITH ART 81-TER OF CONSOB REGULATION N. 11971 OF 14 MAY 1999 AND ANY SUBSEQUENT AMENDEMENTS AND ADDITIONS

1. The **undersigned** Attilio Annoni, Managing Director, and Sergio Calliari, Principal Financial Officer ex Law 262/05 of Aquafil SpA, certify, based on art. 154-bis, commas 3-4, and Legislative Decree 58/98:

   - the adequacy in relation to the firm characteristics and
   - the effective implementation

   of the administrative - accountability procedures aimed at preparing the financial statements as of December 31st, 2021.

2. No relevant issues arose.

3. It is also certified that the financial statements as of December 31st, 2021:

   a) are drafted based on the International Financial Reporting Standards (I.F.R.S.), recognized in the European Community in accordance with Regulation (EC) n. 1606/2002 of the European Parliament and of the Council of 19 July 2002;

   b) match with the results of the accountability books and registrations;

   c) are appropriate to give a truthful and correct representation of the statement of the assets, liabilities, and capital of the Company.

Arco, March 15th, 2022

Managing Director
Attilio Annoni

Principal Financial Officer
Sergio Calliari

Report on the Audit of the Financial Statement

Independent auditor's report
in accordance with article 14 of Legislative Decree n° 39
of 27 January 2010 and article 10 of Regulation (EU) n° 537/2014

Aquafil SpA

Financial Statements as of 31 dicembre 2021

Independent auditor's report

in accordance with article 14 of Legislative Decree n° 39 of 27 January 2010 and article 10 of Regulation (EU) n° 537/2014

To the shareholders of
Aquafil SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Aquafil SpA (the Company), which comprise the statement of financial position as of 31 December 2021, the income statement, the statement of comprehensive income and the statement of changes in equity, the statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2021, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/05.

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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key audit matters	*Auditing procedures performed in response to key audit matters*
Recoverability of the value of investments in subsidiaries *Note 7.3 to the financial statements "Current and non-current financial assets"*	
The financial statements of Aquafil SpA as at 31 December 2021 include investments in subsidiaries amounting to Euro 307.865 thousand equal to 51% of total assets. Investments are recorded at cost. At least once a year, the Company's management analyses each investment focusing on the companies for which the book value exceeds the corresponding share of equity. If, following such analysis, there are indicators which might lead to presume a loss in value of the investments, management carries out an impairment test. Considering the significance of this item and of the elements of estimate inherent in the evaluations, we identified the valuation of investments as a key audit matter, with reference to the existence of any impairment indicator relating to subsidiaries and the appropriate recognition thereof in the financial statements.	The audit procedures carried out consisted in the examination and discussion with the Company's management of the subsidiaries' financial performance, as well as assessing the existence of any impairment indicator as provided for in IAS 36 ("Impairment of Assets"). We also obtained and analysed the results of the work performed, on the basis of our instructions, by the audit teams of the subsidiaries on the reporting used for the consolidated financial statements in order to verify whether there was any impairment indicator. In the event there was an indicator that led to presume a loss in value of investments, we discussed with management the conclusions reached by them based on the impairment test, which we verified as set down in the specific internal procedure and in accordance with IAS 36. Specifically, we examined the methods to work out the projected cash flows used to calculate the value in use and methods of application of the discounted cash flow mathematical model, debt positions excluded. We also verified the consistency of the projections used compared to the management's updated plans, as well as the reasonability of cash flows. Within this context we verified the adequacy of the adjustments to the book value of equity investments; it should be specified that, lacking prices in active markets, the fair value less costs to sell was approximated to a value not exceeding the value in use.

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Key audit matters	*Auditing procedures performed in response to key audit matters*
	Finally, we verified the completeness and accuracy of the disclosures in the notes to the financial statements.
Revenue recognition *Paragraph 2.3. "Accounting standards and valuation methods" item "Revenues and costs"*	
At 31 December 2021, revenues of Aquafil SpA amounted to Euro 569.835 thousand, mainly due to the sale of finished products. These revenues are recognised in the financial statements when control of the goods produced is transferred and only if all criteria under IFRS 15 ("Revenue from contracts with customers") are met. As part of our audit procedures on the separate financial statements, the correct recognition of revenues was considered as a key area, since it represents the most significant P&L item and an incorrect recognition of them would cause a considerable alteration of the result for the year.	The audit approach preliminarily consisted in understanding and assessing the internal control system and of the procedures set by the Company for the recognition of revenues from sale. The audit approach then provided to perform compliance testing on key controls put in place by the Company as part of the above-mentioned procedures, in order to verify the operating efficacy of such controls in the context of the revenue recognition process, with particular reference to the existence of such revenues and their recognition in the correct accrual period. Taking into account the understanding, assessment and validation of the internal controls mentioned above, we planned and performed validity tests on the relevant financial statement item. In particular we verified, in relation to a sample deemed representative, the existence and accuracy of revenues recognised in the financial statements, by examining the information included in the available documentation as supporting evidence. Our checks included, on a sample basis, returned goods and credit notes issued, as well as period-end accruals. We also verified the reconciliation of the intercompany balances being analysed by each auditor of the group companies.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/05 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, management uses the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 International Standards on Auditing (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 the financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained 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;
- we obtained 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;

- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- we concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we evaluated 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 communicated with those charged with governance, identified at an appropriate level as 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 identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) n° 537/2014

On 30 January 2018, the shareholders of Aquafil SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2017 to 31 December 2025.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) n 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion on compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The directors of Aquafil SpA are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 concerning regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter, the "Commission Delegated Regulation") to the financial statements, to be included in the annual report.

We have performed the procedures specified in auditing standard (SA Italia) No. 700B in order to express an opinion on the compliance of the financial statements with the provisions of the Commission Delegated Regulation.

In our opinion, the financial statements have been prepared in XHTML format in compliance with the provisions of the Commission Delegated Regulation.

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree n° 39/10 and Article 123-bis, paragraph 4, of Legislative Decree n° 58/98

Management of Aquafil SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Company as of 31 December 2021, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) n° 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree n° 58/98, with the financial statements of Aquafil SpA as of 31 December 2021 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.
In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Aquafil SpA as of 31 December 2021 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree n° 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Trento, 25 March 2022

PricewaterhouseCoopers SpA

Signed by

Alberto Michelotti
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.

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