



Consolidated Half-Year
Financial Statements

2021

AQUAFIL 
synthetic fibres and polymers





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of the Aquafil Group
at June 30, 2021



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5 Corporate Boards



Corporate Boards

Board of Directors

GIULIO BONAZZI	Chairman & Chief Executive Officer
ADRIANO VIVALDI	Executive Director
FABRIZIO CALENTI	Executive Director (*)
FRANCO ROSSI	Director
SILVANA BONAZZI	Director ⁽¹⁾
SIMONA HEIDEMPERGHER	Director ⁽¹⁾ ⁽²⁾ ⁽³⁾
FRANCESCO PROFUMO	Director ⁽¹⁾ ⁽²⁾
ILARIA MARIA DALLA RIVA	Director ⁽¹⁾ ⁽²⁾
MARGHERITA ZAMBON	Director ⁽¹⁾ ⁽²⁾

(*) The Executive Director Mr. Fabrizio Calenti, who resigned with effect from June 30, 2021, was replaced by the co-opted Mr. Stefano Giovanni Loro, who joins the Board with effect from July 1, 2021.

⁽¹⁾ Non-Executive Director.

⁽²⁾ Director declaring independence in accordance with Article 147-ter of the CFA and Article 3 of the Self-Governance Code.

⁽³⁾ Lead Independent Director.

Control, Risks and Sustainability Committee

SIMONA HEIDEMPERGHER	Chairperson
FRANCESCO PROFUMO	Member
ILARIA MARIA DALLA RIVA	Member

Appointments and Remuneration Committee

FRANCESCO PROFUMO	Chairman
ILARIA MARIA DALLA RIVA	Member
MARGHERITA ZAMBON	Member

Supervisory Board

FABIO EGIDI	Chairman
KARIM TONELLI	Member
MARCO SARGENTI	Member

Board of Statutory Auditors

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

Independent Audit Firm

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

The Board of Directors will remain in office until the approval of the financial statements for the year 2022 and the Board of Statutory Auditors will remain in office until the approval of the financial statements for the year 2023. The Independent Audit Firm were appointed for the period 2017/2025.

For full details on the Corporate Boards, reference should be made to the Corporate Governance and Ownership Structure Report, drawn up in accordance with Article 123-bis of Legislative Decree 58/1998 and available on the Aquafil Group website.



9 **Directors' Report of the
Aquafil Group at June 30, 2021**

Directors' Report of the Aquafil Group at June 30, 2021

1. GENERAL INFORMATION OF THE PARENT COMPANY AQUAFIL S.P.A.

Registered Office: Via Linfano, 9 - Arco (TN) - 38062 - Italy

Telephone: +39 0464 581111

Certified e-mail: pec.aquafil@aquafil.legalmail.it

E-mail: info@aquafil.com

Website: www.aquafil.com

Share capital (at approval of the Half-Year Financial Statements at June 30, 2021):

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

Tax and VAT No.: IT 09652170961

ATECO Code: 20.6

Trento Economic & Administrative Registration: TN - 228169

2. OVERVIEW OF THE AQUAFIL GROUP

The Aquafil Group is one of the leading manufacturers — both in Italy and globally — of polyamide 6 (PA6) fibres and polymers. The Group is headquartered in Arco (TN) and undertakes production at 17 facilities located in Europe, the USA, China and Thailand.

The fibres produced by the Group target two main markets — textile flooring (carpets and rugs) and clothing (underwear, hosiery and technical sportswear). The polymers are mainly sold on the engineering plastics market. The Group also operates in the industrial plant sector through the German engineering company Aquafil Engineering GMBH, which specialises in the design of industrial chemical plant.

The Aquafil Group's key success factors are:

- a clear corporate identity with a consistent focus on reducing the environmental impact of its products and production processes;
- a high-quality bracket extremely broad and varied product portfolio offering a complete and diversified range of coloured yarns;
- a manufacturing and customer service presence on all the continents where the main end product markets are located;
- extensive control of the entire production and distribution chain, permitting polymer and fibre production process management, with a strong focus on the development of the circular-economy (ECONYL®);
- strong synergies and competitive advantages shared by flooring and clothing sector operations.

Product lines

Aquafil's production and marketing activities are organized into three product lines, textile flooring yarns (Bulk Continuous Filament, or BCF), yarn for clothing and sports usage (Nylon Textile Filament, or NTF) and nylon 6 (engineering plastic) polymers, mainly targeting the plastics moulding industry.

BCF Line

Textile flooring yarn production has been Aquafil's core business since its foundation. The BCF line is engaged in the production, re-processing and marketing of textile flooring yarns, mainly in polyamide 6, of which partly Econyl®, for three major markets: contract services (e.g. hotels, offices, schools, nursing homes, and public spaces), automotive (e.g. car carpets, linings, coverings and upholstery) and residential. The Group has set up Carpet Centers in each of its main production markets (Europe, the USA and China), whereby specialist technicians support customers in the design and creation of new products that meet the needs of the market, developing chromatic, constructive and chemical-textile solutions for tailor-made fibres.

NTF Line

The NTF line is dedicated to the production of polyamide 6 (including Econyl®), polyamide 6.6 and Dryarn® fibres for underwear fabrics, for hosiery, and for use in the sports, fashion and leisure clothing sectors. The Aquafil Group constantly collaborates with its customers to continuously improve the aesthetic and performance qualities its customers demand, and prioritises uses that fit into the circular economy.

Polyamide 6 polymer Line

Thanks to the versatility of its polymerization plant, the Aquafil Group produces not only polyamide 6 polymers optimised for the production of fibres used in textile flooring and clothing sector yarns - but also products specially designed for use in engineering plastics production, with polymers destined directly, or following transformation, for the plastics moulding industry. The extremely broad family of products cover a variety of specifications, such as viscosity, functionalising additive content and monomers affecting physical and chemical characteristics, colourings or sector applications.

Key markets

The Group operates on a global scale, offering a level of service that is in line with the demands of its various markets. Indeed, today's industrial globalization standards have been achieved through a precise strategy of technological and technical know-how sharing between the various companies of the Group, utilizing a centralized Enterprise Resource Planning (ERP) system, based on SAP ECC, which guarantees product specification compliance, technological uniformity and the real-time circulation of information.

Two of the defining features of the Aquafil Group since its inception have been the development of synchronized market penetration and the building of the logistics and industrial infrastructures required to supply products on a global scale.

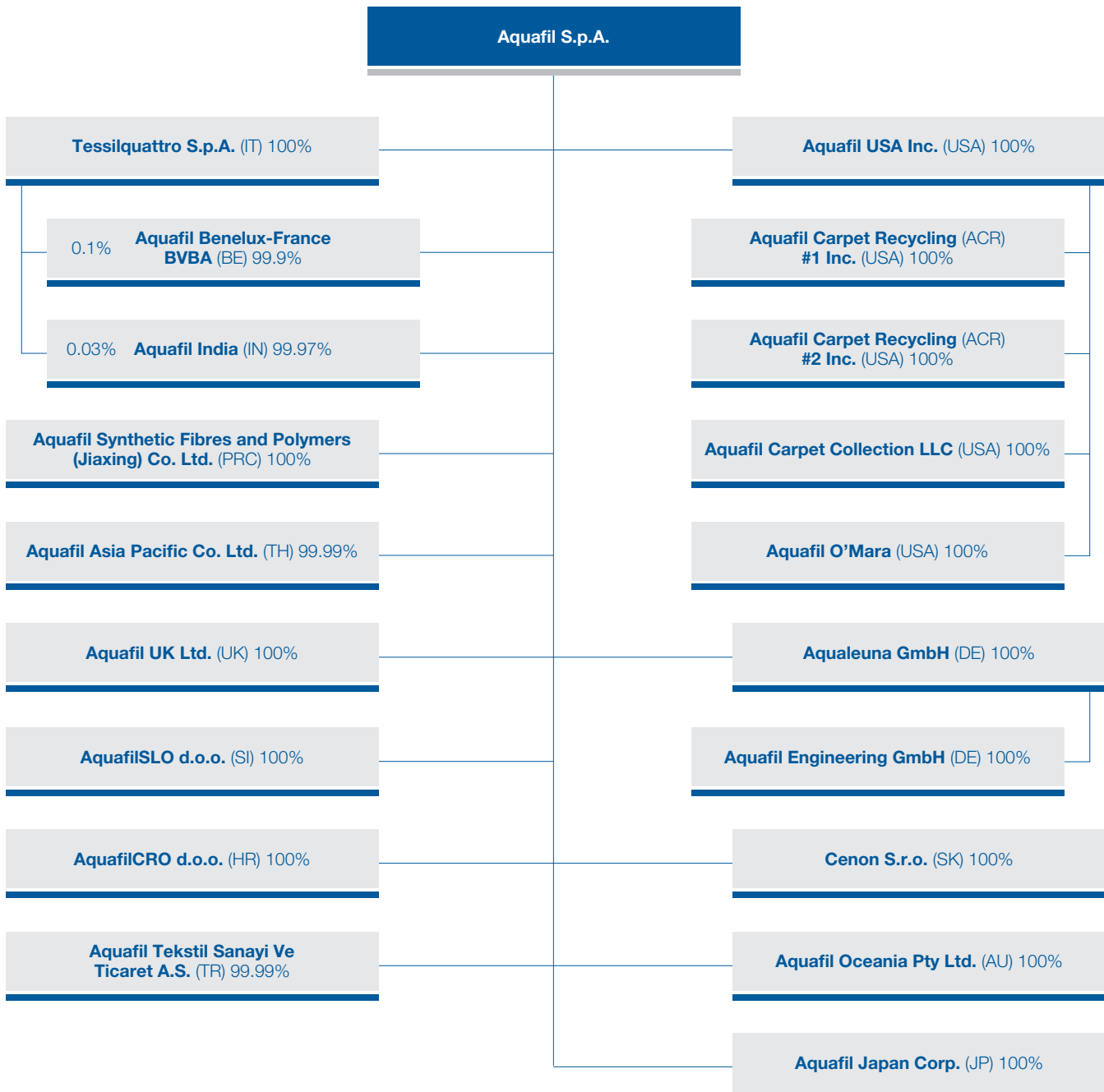
International expansion has enabled the Group to develop and operate on the following markets:

- EMEA and North America for the development, production and marketing of yarns for flooring, clothing products, residential uses and polymers, in addition to by-products from the post-consumer carpet recovery process.
- Asia and Oceania, for the production and marketing of mainly textile flooring yarns and polymers.

On its key markets, the Aquafil Group manages sales both directly and through distributors (under exclusivity) and, for smaller markets, through individual multi-mandate agents.

3. CONSOLIDATION SCOPE

The Group consolidates the following companies, with headquarters in EMEA, the United States, Asia and Oceania. The changes to the scope in the period are outlined in the Notes.



4. SIGNIFICANT EVENTS IN THE FIRST HALF OF 2021

The Group's key events in the first half of the year included:

1. 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.
2. On February 12, 2021, the Aquafil Group and the Japanese Group Itochu Corporation — the largest trader by volume of caprolactam and nylon polymers globally — announced a *strategic partnership to support and expand the circular nylon business*, which ranges from recycling nylon waste to the development, production and sale of nylon products under the ECONYL® brand and is based on the major shared commitment of the two Groups to the sustainability of the planet. Both Groups in fact strongly view the global achievement of “zero emissions” as truly pressing and urgent, and the better recycling of petrochemicals as one of our main challenges and of greatest environmental impact. Itochu's nylon value chain is in step with that which Aquafil has been building for a number of years with ECONYL®. This is a key aspect of the strategic partnership: the objective is for Itochu to support the growth of the circular nylon business through leveraging its commercial network, permitting Aquafil to penetrate the fashion, textile flooring, automotive and packaging sectors, and to contribute to the nylon waste recovery system in support of Aquafil's ECONYL® Regeneration System which converts recovered nylon waste (for example fish nets, carpets and industrial process waste) into caprolactam, the monomer from which nylon polymers are made. Aquafil's chemical regeneration technology completely eliminates impurities to obtain regenerated nylon products with the same characteristics as fossil-fuel derived materials, cutting CO₂ emissions by up to 90% compared to conventional nylon.

Itochu and Aquafil consider contributing to the United Nations' “Sustainable Development Goals” as a strategy “to obtain a better and more sustainable future for everyone” and the mutual support in striving to achieve these goals as a key policy over the medium-term. With the further expansion of circular nylon regeneration activities, this strategic partnership can significantly contribute to the progress of a company increasingly focused on sustainable regeneration.

3. On April 28, 2021, Aquafil's Shareholders' Meeting:
 - 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 June 29, 2021, the Board of Directors co-opted *Mr. Stefano Giovanni Loro* as a Director to replace Mr. Fabrizio Calenti, who resigned with effect from June 30, 2021.

5. IMPLICATIONS OF THE COVID-19 PANDEMIC

The Aquafil Group constantly monitors the development of the Covid-19 outbreak across its operating locations globally, promptly adopting all prevention, control and containment measures required to protect the health of its employees and partners, such as extended remote working, access to company locations only by those strictly required for organisational processes, the changing of production layouts, personnel hygiene and cleaning/office sanitation measures, personal protective equipment, temperature monitoring using thermal cameras and social distancing rules.

The sharp focus on healthcare safety measures adopted since January 2020 at Aquafil's Chinese Jiaying facility and extended thereafter to all Group companies has supported the effective combating of the virus and the very significant limiting of infections among employees in the workplace.

The Group has constantly monitored 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 concluded that the continuation of the health crisis has not had significant impact on the period results, nor has it generated particular difficulties with regards to the above-mentioned risks, as outlined in greater detail in paragraph “1.5 Financial risk management” of the Notes.

6. AQUAFIL ON THE STOCK MARKET

At June 30, 2021, the Aquafil share price (ISIN IT0005241192) was Euro 6.65, up approx. 37% on December 30, 2020 (Euro 4.85), while the increase in the FTSE MIB index was 13% in the period.

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 7.02 (on June 18, 2021).

The *average traded volume* in the period was 94,963 shares, with a maximum daily volume (traded on February 12, 2021) of 534,513 shares and a minimum daily volume (traded on January 29, 2021) of 12,677 shares.

7. AQUAFIL GROUP CONSOLIDATED FINANCIAL HIGHLIGHTS

7.1 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.

7.2 KEY GROUP FINANCIAL HIGHLIGHTS

(in Euro thousands)	June 30, 2021	June 30, 2020
Profit/(loss) for the period	8,911	(1,935)
Income taxes	2,078	371
Investment income and charges		
Amortisation, depreciation and write-downs	23,312	21,754
Provisions & write-downs	51	1,087
Financial items (*)	4,485	2,848
Non-recurring items (**)	504	2,751
EBITDA	39,341	26,876
Revenues	274,700	222,733
EBITDA Margin	14.3%	12.1%

(in Euro thousands)	June 30, 2021	June 30, 2020
EBITDA	39,341	26,876
Amortisation, depreciation and write-downs	(23,312)	(21,754)
Provisions & write-downs	(51)	(1,087)
Adjusted EBIT	15,978	4,036
Revenues	274,700	222,733
Adjusted EBIT margin	5.8%	1.8%

(*) Comprises: (i) financial income for Euro 0.5 million, (ii) interest expense on loans and other bank charges for Euro -3.8 million, (iii) customer cash discounts for Euro -1.4 million and (iv) net exchange gains for Euro 0.3 million.

(**) Comprises: (i) non-recurring charges related to the expansion of the Aquafil Group for Euro -0.1 million, (ii) non-recurring ECONYL® development charges of Euro -0.6 million, (iii) other personnel charges of Euro -0.1 million and (iv) net income from investments of Euro 0.4 million and (v) other non-recurring charges of Euro -0.1 million. For further details, see paragraph 6.14 of the Notes to the Half-Year Financial Statements.

For an analysis of the highlights indicated above, reference should be made to subsequent paragraphs.

7.3 KEY GROUP BALANCE SHEET AND FINANCIAL INDICATORS

(in Euro thousands)	June 30, 2021	December 31, 2020
Consolidated Shareholders' Equity	142,539	126,897
Net Financial Position	184,689	218,736
EBITDA LTM (Last Twelve Months)	70,821	58,356
NFP/EBITDA RATIO	2.608%	3.748%
NFP/SE RATIO	1.296%	1.724%

The comments on the movements in the Net Financial Position are reported in paragraph 10 "Group balance sheet and financial position" paragraph.

8. H1 2021 CONSOLIDATED INCOME STATEMENT

The H1 2021 Income Statement compared with the previous half year is reported below:

Consolidated Income Statement (in Euro thousands)	June 30, 2021	of which non-recurring	June 30, 2020	of which non-recurring
Revenues	274,700	0	222,733	
<i>of which related parties</i>	27		27	
Other revenues and income	2,685	443	3,371	226
Total revenues and other revenues and income	277,385	443	226,104	226
Cost of raw materials and changes to inventories	(135,494)	0	(109,477)	(58)
Service costs and rents, leases and similar costs	(50,100)	(305)	(42,296)	(1,036)
<i>of which related parties</i>	(212)		(211)	
Personnel costs	(55,805)	(582)	(51,635)	(1,168)
Other costs and operating charges	(1,640)	(61)	(2,582)	(716)
<i>of which related parties</i>	(35)		(35)	
Amortisation, depreciation and write-downs	(23,312)		(21,754)	
Provisions & write-downs	(128)		(1,084)	
Write-downs of financial assets (receivables)	77		(3)	
Increase in internal work capitalised	3,077		2,666	
EBIT	14,060	(504)	(62)	(2,751)
Financial income	491		197	
Financial charges	(3,822)		(4,241)	
<i>of which related parties</i>	(79)		(123)	
Exchange gains/losses	260		2,541	
Profit/(loss) before taxes	10,989	(504)	(1,564)	(2,751)
Income taxes	(2,078)		(371)	
Profit/(loss) for the period	8,911	(504)	(1,935)	(2,751)
Minority interest net profit	0		0	
Group Net Profit/(loss)	8,911	(504)	(1,935)	(2,751)
Basic earnings per share	0.17		(0.04)	
Diluted earnings per share	0.17		(0.04)	

8.1 COMMENTS ON THE MAIN H1 CONSOLIDATED INCOME STATEMENT ACCOUNTS

Comments on the main H1 Consolidated Income Statement accounts compared to H1 of the previous year follow:

Revenue breakdown by product line and region

Revenues by region and product line are presented in the following table (Euro millions) and also in percentage terms, alongside an analysis of the movements against the same period of the previous year:

(in Euro millions)	BCF (carpet yarn)				NTF (clothing yarn)				Polymers				Total			
	H121	H120	Cge	Cge%	H121	H120	Cge	Cge%	H121	H120	Cge	Cge%	H121	H120	Cge	Cge%
EMEA	90.6	82.4	8.2	10.0%	41.6	37.4	4.2	11.3%	35.1	13.5	21.6	160.4%	167.3	133.3	34.1	25.6%
North America	41.0	41.9	(1.0)	(2.3%)	13.9	10.4	3.4	32.8%	3.3	3.3	(0.0)	(0.4%)	58.1	55.7	2.4	4.4%
Asia and Oceania	45.8	31.5	14.3	45.5%	2.1	1.6	0.5	34.2%	0.4	0.0	0.4	N,A,	48.3	33.1	15.2	46.0%
Rest of the world	0.2	0.1	0.1	49.5%	0.8	0.6	0.2	29.8%	0.0	0	0.0	N,A,	0.9	0.7	0.2	33.0%
Total	177.6	155.9	21.6	13.9%	58.4	50.0	8.4	16.8%	38.7	16.8	22.0	130.8%	274.7	222.7	52.0	23.3%
%	64.6%	70.0%			21.3%	22.4%			14.1%	7.5%						

They amounted to Euro 274.7 million, compared to Euro 222.7 million in H1 2020, up 23.3%. This increase on the one hand reflects the almost 30% rise in quantities sold - thanks in part to the excellent polymers product line performance - and on the other the lower average sales price, mainly due to the indexing of sales prices to raw material values. Specifically, a comparison between the two periods highlights:

1. **EMEA** revenues were Euro 167.3 million, compared to Euro 133.3 million in the same period of the previous year, an increase of Euro 34.1 million (25.6%). In greater detail, (a) the BCF product line increased by Euro 8.2 million (+10%), (b) the NTF product line rose Euro 4.2 million (+11.3%), while the polymers product line reported a Euro 21.6 million increase (+160.4%).

The improvement stemmed from (a) for the BCF product line, which grew 10%, the recovery of residential and automotive sector demand, despite a lower average sales price following both lower quantities sold on the contract sector and the indexing of sales prices to raw material values, (b) for the NTF product line, which was up 11.3%, the recovery of demand particularly in the sectors related to the use of ECONYL® branded textile fibres, while (c) for the polymers product line, which grew by almost 160%, very strong end-market demand.

2. **North American** revenues were Euro 58.1 million, compared to Euro 55.7 million in the same period of the previous year, an increase of Euro 2.4 million (4.4%). The increase follows (a) the slight reduction on the BCF product line, which - despite growing in terms of quantities sold and particularly on the automotive sector - reported a lower average sales price due to lower quantities sold on the contract sector and the indexing of sales prices to raw material values, and (b) the increase for the NTF product line, which grew by 32.8%, due to the recovery in demand on almost all markets.

3. **Asia Oceania** revenues were Euro 48.3 million, compared to Euro 33.1 million in the same period of the previous year, an increase of Euro 15.2 million (46%). The improvement stemmed mainly from (a) for the BCF product line, which grew 45.5%, the major recovery of residential and automotive sector demand, which performed very strongly in terms of quantities sold, despite reporting a lower average sales price due to the indexing of sales prices to raw material values, and (b) to the NTF product line, which grew 34.2%, almost entirely due to higher sales of ECONYL® brand products.

Other revenues and income

Other revenues and income amounted to Euro 2.7 million, compared to Euro 3.4 million in H1 2020, a decrease of Euro 0.7 million (20.6%). The reduction compared to 2020 is mainly due to the employment maintenance subsidies received in Slovenia in the same period of the previous year, as a form of economic support to compensate the reduced demand during the Covid-19 pandemic, in addition to the higher subsidies received for carpet recycling activities.

Raw Materials, Ancillaries and Consumables

Raw materials, ancillaries and consumables totalled Euro 135.5 million, compared to Euro 109.5 million in H1 2020, an increase of Euro 26.0 million (23.8%). The rise is due both to the increased consumption of raw materials in the first half of 2021 due to the greater quantities sold and their higher unit cost.

Service costs

Service costs totalled Euro 50.1 million, compared to Euro 42.3 million in H1 2020, an increase of Euro 7.8 million (18.5%). Excluding the effect of non-recurring costs, the increase would have been Euro 8.5 million. The increase in the period is entirely due to the greater quantities produced in the first half of 2021 compared to the same period of the previous year. Not considering "non-recurring costs", service costs represented 18.1% of revenues, compared to 18.5% in the same period of the previous year. The reduction in the percentage of revenues is due to the higher recovery of fixed costs deriving from the increase in quantities sold and the relative margin generated.

Personnel costs

Personnel costs were Euro 55.8 million, compared to Euro 51.6 million in H1 2020, an increase of Euro 4.2 million (8.1%). Excluding the effects of non-recurring costs, the increase would have amounted to Euro 4.8 million, accounting for 20.1% of revenues (22.7% in H1 2020).

The increase in personnel costs is primarily due to the greater hours worked in the first half of 2021, 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 1.6 million (Euro 2.6 million in H1 2020), decreasing Euro 0.9 million (36.5%). Excluding the effects of non-recurring costs, the decrease would have amounted to Euro 0.3 million, accounting for 0.6% of revenues (0.8% in H1 2020).

Increases for internal work

The increases for internal work amount to Euro 3.1 million (Euro 2.7 million in H1 2020), increasing Euro 0.4 million (+15.4%). The movements principally concern the increased costs for development projects incurred in the H1 2020 compared to the same period of the previous year.

EBITDA

EBITDA, as defined by the alternative performance indicators outlined in the key financial highlights of this report, was Euro 39.3 million, compared to Euro 26.9 million in the same period of the previous year, up Euro 12.5 million (46.4%).

The increase is due to the higher quantities sold in the period, in addition to the margin recovery actions undertaken from the end of 2019. The EBITDA Margin on revenues in H1 2021 was 14.3% (12.1% in the same period of the previous year).

Amortisation, depreciation and write-downs

Amortisation, Depreciation and Write-downs in H1 2021 amounted to Euro 23.3 million (Euro 21.8 million in the same period of the previous year), increasing by Euro 1.6 million. The increase is principally due to a number of prudent write-downs of fixed assets, in addition to the entry into service of new investments.

Other provisions

Other provisions in H1 2021 totalled Euro 0.1 million (Euro 1.1 million in the same period of the previous year), decreasing Euro 1.0 million. The decrease is due to the greater accrual to the risks provision in the first half of 2020.

EBIT

H1 2021 EBIT reported a profit of Euro 14.1 million (compared to a loss of Euro 0.1 million in the same period of the previous year), improving Euro 14.2 million. The improvement is principally due to the increase in EBITDA, in addition to the combined effects from changes to amortisation and depreciation and lower non-recurring charges and other provisions.

Financial management result

H1 2021 net financial charges were Euro 3 million, compared to Euro 1.5 million in the same period of the previous year (increasing by Euro 1.5 million). The increase relates to:

- (a) financial charges in the period, which decreased to Euro 3.8 million from Euro 4.2 million in the same period of the previous year, partly due to lower effective charges and partly to the early settlement cost for the Euro 5 million minibond repaid in February 2020;
- (b) exchange gains in the period of Euro 0.3 million, down Euro 2.2 million on net gains of Euro 2.5 million in the same period of the previous year.

Income taxes

Income taxes were Euro 2.1 million, compared to Euro 0.4 million in the same period of the previous year, increasing Euro 1.7 million as a result of the higher gross profit.

Consolidated Half-Year result

The Group consolidated net result was a profit of Euro 8.9 million, compared to a loss of Euro 1.9 million in the same period of the previous year.

9. Q2 2021 CONSOLIDATED INCOME STATEMENT

The interim reporting is supported by a breakdown of the consolidated result for Q2 2021 against the same period of 2020.

Key Financial Highlights (in Euro thousands)	Q2 2021	Q2 2020
Profit/(loss) for the period	5,417	(6,012)
Income taxes	863	(1,201)
Investment income and charges		
Amortisation, depreciation and write-downs	11,984	10,921
Provisions & write-downs	(51)	1,073
Financial items	2,483	2,501
Non-recurring items	318	1,378
EBITDA	21,014	8,660
Revenues	144,060	82,019
EBITDA Margin	14.6%	10.6%

(in Euro thousands)	Q2 2021	Q2 2020
EBITDA	21,014	8,660
Amortisation, depreciation and write-downs	(11,984)	(10,921)
Provisions & write-downs	51	(1,073)
Adjusted EBIT	9,082	(3,334)
Revenues	144,060	82,019
Adjusted EBIT margin	6.3%	(4.1%)

Consolidated Income Statement (in Euro thousands)	Q2 2021	<i>of which non-recurring</i>	Q2 2020	<i>of which non-recurring</i>
Revenues	144,060	0	82,019	166
<i>of which related parties</i>	14		0	
Other revenues and income	1,859	439	2,889	42
Total revenues and other revenues and income	145,919	439	84,909	209
Cost of raw materials and changes to inventories	(72,729)	0	(36,746)	(46)
Service costs and rents, leases and similar costs	(25,785)	(232)	(17,194)	(410)
<i>of which related parties</i>	(103)		(102)	
Personnel costs	(28,490)	(471)	(23,817)	(544)
Other costs and operating charges	(845)	(53)	(1,436)	(587)
<i>of which related parties</i>	(17)		(17)	
Amortisation, depreciation and write-downs	(11,984)		(10,921)	
Provisions & write-downs	(19)		(1,070)	
Write-downs of financial assets (receivables)	70		(3)	
Increase in internal work capitalised	1,852		1,028	
EBIT	7,990	(318)	(5,250)	(1,378)
Financial income	254		151	
<i>of which related parties</i>	(0)		0	
Financial charges	(1,790)		(2,035)	
<i>of which related parties</i>	(33)		(94)	
Exchange gains/losses	(174)		(78)	
Profit/(loss) before taxes	6,280	(318)	(7,213)	(1,378)
Income taxes	(863)		1,201	
Profit/(loss) for the period	5,417	(318)	(6,012)	(1,378)
Minority interest net profit	(0)		(0)	
Group Net Profit/(loss)	5,417	(318)	(6,012)	(1,378)

9.1 COMMENTS ON THE MAIN Q2 CONSOLIDATED INCOME STATEMENT ACCOUNTS

Comments on the main Q2 Consolidated Income Statement accounts compared to Q2 of the previous year follow:

Revenues by product line and region

Revenues by region and product line are presented in the following table (Euro millions) and also in percentage terms, alongside an analysis of the movements against the same period of the previous year:

(in Euro millions)	BCF (carpet yarn)				NTF (clothing yarn)				Polymers				Total			
	2Q21	2Q20	Δ	Δ%	2Q21	2Q20	Δ	Δ%	2Q21	2Q20	Δ	Δ%	2Q21	2Q20	Δ	Δ%
EMEA	47.2	30.0	17.2	57.3%	20.3	12.4	7.8	63.1%	22.6	5.1	17.6	346.2%	90.1	47.5	42.6	89.6%
North America	21.7	17.1	4.6	27.1%	6.6	3.5	3.1	89.6%	2.1	1.2	0.9	78.5%	30.4	21.7	8.7	39.9%
Asia and Oceania	21.1	11.9	9.2	76.8%	1.6	0.7	0.9	140.1%	0.2	0.0	0.2	N.A.	23.0	12.6	10.3	81.9%
Rest of the world	0.1	0	0.1	N.A.	0.4	0.1	0.3	N.A.	0.0	0	0.0	N.A.	0.5	0.1	0.4	N.A.
Total	90.1	59.0	31.1	52.7%	29.0	16.7	12.2	73.0%	25.0	6.3	18.7	299.1%	144.1	82.0	62.0	75.6%
%	62.6%	72.0%			20.1%	20.4%			17.3%	7.6%						

They amounted to Euro 144.1 million, compared to Euro 82.0 million in Q2 2020, up 75.6%. This increase on the one hand reflects the almost 77% rise in quantities sold, thanks in part to the excellent polymers product line performance and on the other the lower average sales price, mainly due to the indexing of sales prices to raw material costs. Specifically, a comparison between the two periods highlights:

- EMEA** revenues were Euro 90.1 million, compared to Euro 47.5 million in the same period of the previous year, an increase of Euro 42.6 million (89.6%). Specifically (a) the BCF product line reported an increase of Euro 17.2 million (57.3%), (b) the NTF product line reported an increase of Euro 7.8 million (63.1%), and (c) the polymers product line reported an increase of Euro 17.6 million (346.2%).
The improvement stemmed from (a) for the BCF product line, which grew 57.3%, the recovery of residential and automotive sector demand, despite a lower average sales price following both lower quantities sold on the contract sector and the indexing of sales prices raw material values, (b) for the NTF product line, which was up 63.1%, the recovery of demand particularly in the sectors related to the use of ECONYL® branded textile fibres, while (c) for the polymers product line, which grew by over 300%, very strong end-market demand.
- North American** revenues were Euro 30.4 million, compared to Euro 21.7 million in the same period of the previous year, an increase of Euro 8.7 million (39.9%). The increase is based on (a) the BCF product line, which grew 27.1%, thanks to a recovery in automotive sector demand, despite a lower average sales price due to lower quantities sold on the contract sector and the indexing of sales prices to raw material values (b) the NTF product line, which grew by 89.6%, due to the recovery in demand on almost all markets.
- Asia Oceania** revenues were Euro 23.0 million, compared to Euro 12.6 million in the same period of the previous year, an increase of Euro 10.3 million (81.9%). The improvement stemmed mainly from (a) for the BCF product line, which grew 76.8%, the major recovery of residential and automotive sector demand, which performed very strongly in terms of quantities sold, despite reporting a lower average sales price due to the indexing of sales prices to raw material values, and (b) to the NTF product line, which grew 140.1%, almost entirely due to higher sales of ECONYL® brand products.

Other revenues and income

Other revenues and income amounted to Euro 1.9 million, compared to Euro 2.9 million in Q2 2020, a decrease of Euro 1.0 million (35.7%). This decrease is chiefly due to employment maintenance subsidies received in Q1 2020, mainly in Slovenia in the form of economic support to compensate reduced demand following the COVID-19 pandemic.

Raw materials, ancillaries and consumables

Raw materials, ancillaries and consumables totalled Euro 72.7 million, compared to Euro 36.7 million in Q2 2020, an increase of Euro 36.0 million (97.9%). The rise is due both to the increased consumption of raw materials in the second quarter of 2021 due to the greater quantities sold and their higher unit cost.

Service costs

Service costs totalled Euro 25.8 million, compared to Euro 17.2 million in Q2 2020, an increase of Euro 8.6 million (50.0%). Excluding the effect of non-recurring costs, the increase would have amounted to Euro 8.8 million. The increase in the period is entirely due to the greater quantities

produced in the second quarter of 2021 compared to the same period of the previous year. Not considering “non-recurring costs”, service costs represented 17.7% of revenues, compared to 20.5% in the same period of the previous year. The reduction in the percentage of revenues is due to the higher recovery of fixed costs deriving from the increase in quantities sold and the relative margin generated.

Personnel costs

Personnel costs were Euro 28.5 million, compared to Euro 23.8 million in Q2 2020, an increase of Euro 4.7 million (19.6%). The percentage of revenues, net of non-recurring costs, was 19.4% (28.4% in Q2 2020). The increase in the period is entirely due to the greater quantities produced in the second quarter of 2021 compared to the same period of the previous year.

Other costs and operating charges

Other costs and operating charges amount to Euro 0.8 million (Euro 1.4 million in Q2 2020), decreasing Euro 0.6 million (41.2%). Excluding the non-recurring costs, the reduction would amount to Euro 0.1 million, accounting for 0.5% of revenues (1.0% in Q2 2020).

Increases for internal work

The increases for internal work amount to Euro 1.9 million (Euro 1.1 million in Q2 2020), increasing Euro 0.8 million (80.2%). The movements principally concern the increased costs for development projects incurred in the second quarter of 2020 compared to the same period of the previous year.

EBITDA

EBITDA, as defined by the alternative performance indicators outlined in the key financial highlights of this report, was Euro 21.0 million, compared to Euro 8.7 million in the same period of the previous year, up Euro 12.4 million (142.7%).

The increase is due to the higher quantities sold in the period, in addition to the margin recovery actions undertaken from the end of 2019. The EBITDA Margin on revenues in Q2 2021 was 14.6% (10.6% in the same period of the previous year).

Amortisation, depreciation and write-downs

Amortisation, Depreciation and Write-downs in Q2 2021 amounted to Euro 12.0 million (Euro 10.9 million in the same period of the previous year), increasing by Euro 1.1 million. The increase is principally due to a number of prudent write-downs of fixed assets, in addition to the entry into service of new investments.

Other provisions

Other provisions in Q2 2021 totalled Euro 0.01 million (Euro 1.1 million in the same period of the previous year), decreasing Euro 1.0 million. The decrease is due to the greater accrual to the risks provision in the second quarter of 2020.

EBIT

Q2 2021 EBIT was Euro 8.0 million (compared to a loss of Euro 5.3 million in the same period of the previous year), an increase of Euro 13.2 million. The improvement is principally due to the increase in EBITDA, in addition to lower non-recurring charges.

Financial management result

Q2 2021 net financial charges were Euro 1.7 million, compared to Euro 2.0 million in the same period of the previous year (improving by Euro 0.3 million). The decrease is mainly due to:

- (a) the lower financial charges in the period of Euro 1.8 million, compared to Euro 2 million in the same period of the previous year;
- (b) exchange losses in the period of Euro 0.2 million, compared to Euro 0.1 million in the same period of the previous year.

Income taxes

Income taxes were Euro 0.9 million, compared to gains of Euro 1.2 million in the same period of the previous year, increasing Euro 2.1 million as a result of the higher gross profit.

Consolidated Quarterly Result

The Group consolidated net result was a profit of Euro 5.4 million, compared to a loss of Euro 6.0 million in the same period of the previous year.

10. GROUP BALANCE SHEET AND FINANCIAL SITUATION

The following table reclassifies the consolidated equity and financial position of the Group at June 30, 2021 and December 31, 2020.

Group Balance Sheet and Financial Situation (in Euro thousands)	June 30, 2021	December 31, 2020	Change
Trade receivables	30,985	22,015	8,970
Inventories	154,364	150,920	3,444
Trade payables	(97,209)	(69,168)	(28,041)
Tax receivables	597	1,772	(1,175)
Other current assets	17,003	11,981	5,022
Other current liabilities	(26,618)	(22,835)	(3,783)
Non-current assets held for sale	0	0	0
Net working capital	79,121	94,684	(15,563)
Property, plant and equipment	226,548	229,495	(2,947)
Intangible assets	23,329	23,578	(249)
Goodwill	14,043	13,600	443
Financial assets	648	650	(2)
Net fixed assets	264,568	267,324	(2,756)
Employee benefits	(5,740)	(5,969)	229
Other net assets/(liabilities)	(10,721)	(10,405)	(316)
Net capital employed	327,228	345,633	(18,405)
Cash and banks	165,854	208,954	(43,099)
ST bank payables and loans	(55,081)	(67,172)	12,091
M-LT bank payables and loans	(185,865)	(240,940)	55,075
M-LT bond loan	(90,380)	(90,406)	26
ST bond loan	(348)	(308)	(40)
Current financial receivables	8,359	834	7,525
Other financial payables	(27,229)	(29,698)	2,469
Net Financial Position	(184,689)	(218,736)	34,047
Group shareholders' equity	(142,539)	(126,897)	(15,642)
Minority interest shareholders' equity	(1)	(1)	0
Total shareholders' equity	(142,539)	(126,897)	(15,642)

Net working capital amounts to Euro 79.1 million, decreasing Euro 15.6 million on Euro 94.7 million at December 31, 2020. The decrease stems from the combined effect of (a) the increase in trade payables to suppliers for Euro 28.0 million, from Euro 69.2 million to Euro 97.2 million, due to the increase in raw material procurement prices at the end of the period and the higher volumes acquired, (b) from trade receivables, which increased by Euro 9 million, from Euro 22.0 million to Euro 31.0 million, as a result of higher revenues in May and June compared to November and December 2020 and increased average sales prices, and (c) the value of inventories, whose increase was contained to Euro 3.4 million, from Euro 150.9 million to Euro 154.4 million, thanks to the major Group stock containment activities and logistical operations.

Fixed assets at June 30, 2021 amounted to Euro 264.6 million, a decrease of Euro 2.8 million compared to the previous year, due to the combined effect of:

1. net investment activities in tangible and intangible assets of Euro 16.1 million, compared to Euro 15.7 million in H1 2020;
2. amortisation, depreciation and write-downs for the period of Euro 23.3 million;
3. positive conversion differences of Euro 4.4 million.

Investments in tangible and intangible assets are outlined in detail in the Notes. No significant divestments are reported.

Shareholders' Equity increased Euro 15.6 million, from Euro 126.9 million to Euro 142.5 million, substantially due to (a) the consolidated net profit for the period of Euro 8.9 million, (b) exchange gains from the translation of the financial statements of foreign companies for Euro 6.6 million.

The **Net Financial Position** at June 30, 2021 was a debt position of Euro 184.7 million, compared to Euro 218.7 million at December 31, 2020, improving Euro 34.0 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 35.2 million, (b) the cash flows generated from changes in working capital for Euro 12.7 million and (c) the impact of the intangible asset investment activities for Euro -13.9 million.

The raising of funding by the Parent Company in 2020 has placed the various Group companies in a position of extraordinary liquidity when viewed in terms of business needs and is now no longer considered necessary considering COVID-19 pandemic developments. The Group therefore in the first half of 2021 repaid in advance a number of medium-term loans totalling Euro 51.8 million, in addition to settling the ordinary amortising loans during the period for Euro 15.2 million. 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 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.

Group liquidity at period-end of Euro 165.9 million was distributed in the current accounts of the various operating companies and, following the utilisations to repay in advance the above-mentioned loans, continues to respond to the need to contain the Group's liquidity risk with amounts in excess of the ordinary operating needs of the individual companies.

11. INTERCOMPANY TRANSACTIONS AND TRANSACTIONS WITH RELATED COMPANIES

11.1 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 H1 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 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), Aquafil Japan Co. Ltd with facilities in Tokyo (Japan), the commercial companies Aquafil Benelux-France B.V.B.A., Harelbeke (Belgium) and 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., Oroslavje (Croatia), Aquafil O'Mara Inc., North Carolina (USA), Aquafil Tekstil Sanayi Ve Ticaret A. S., with commercial operations based in Istanbul (Turkey).

Nylon 6 polymer line

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

The polymers are principally produced/sold by the companies Aquafil S.p.A. and Aquafil SLO d.o.o., by Aquafil Synthetic Fibres and Polymers Co. Ltd. Jiaxing (China) and Aquafil USA Inc. Cartersville (USA).

ECONYL® regeneration process

A significant proportion of polyamide 6 fibres are produced using the caprolactam from regenerated ECONYL®, a logistical-production system which employs top quality caprolactam, transforming industrial recovered polyamide 6-based materials (pre-consumer) and/or that disposed of at the end of their life cycle (post-consumer).

With regards to supporting the process through polyamide 6 textile flooring materials recovered at the end of their life cycle, the process involves a number of pre-treatment phases at two newly constructed production facilities — “Aquafil Carpet Recycling” and specifically Aquafil Carpet Recycling (ACR) #1 Inc. in Phoenix, Arizona (USA) and Aquafil Carpet Recycling (ACR) #2 Inc. in Woodland, California (USA). Aquafil Carpet Collection (Phoenix (USA) activities — acquired at year-end 2020 to support the research and collection phase of end-of-life carpets for subsequent treatment in ACRs — are now fully operational.

The caprolactam monomer obtained at the Ljubljana plant from the ECONYL® regeneration 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 strong 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 chemically regenerated.

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.

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

The German tax consolidation of the earnings of *Aquafil Engineering GmbH* into the consolidating company *Aqualeuna GmbH*, which is fully operational, began in 2021.

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.

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

11.2 RELATED PARTY TRANSACTIONS

The transactions of the Aquafil Group with related parties, as defined by international accounting standard IAS 24, relating to the Half-Year Report at June 30, 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 makes the Related Parties Transactions Policy available on its website www.aquafil.com, in the Corporate Governance section.

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 Half-Year Financial Report at June 30, 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.

12. RESEARCH AND DEVELOPMENT

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

Technological research, development and innovation for H1 2021 concerned the main stages of production and the materials used, from the production inputs to the subsequent 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.

Summary and description of the individual projects

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

- “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 in 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;
- as part of the Ecodesign activities, the European CISUFLO project was approved: 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 between all consortium members took place on June 16, 2021, for a total development of approx. 4 years;
- continuation of the development and fine-tuning of 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. and ACR #2 Inc., for materials to feed the process of producing ECONYL® polyamide 6;
- 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;
- research and development of new (natural) pigments and other additives aimed at improving the chemical and physical characteristics of the fibres;
- research and development of ECONYL® PA6-based materials that can be used in 3D printing;
- approaches to determining the micro-plastics found in various forms (i.e. solid, liquid, gas) in the textile industry and other segments;
- development of advanced colour-management software applications for the formulation, production and online verification of dye uniformity;
- 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);
- 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;
- project “Effective”, 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. With regard to bio-polyamides, the project has mainly focused on two areas of research: the pilot production of the first batch of organic Nylon 6 and its subsequent conversion into textile filaments (ongoing), and development of a process to produce a bi-monomeric bio-polyamide, (an innovative product that is not yet available on the market), and a bio-based co-polymer. Regarding this second area, activities focused on the optimisation of the polymerisation process on a pilot scale in order to produce polymers with different characteristics and for different applications (production of yarns, films and technopolymers). A number of scale up tests of the production of the bi-monomeric polyamide on industrial plants were also carried out. Finally, the batches of polymer produced have been successfully converted into the production of mono-material films through cast extrusion and blow extrusion technologies (showing very interesting results), and into BCF and NTF yarns currently being validated by the project partners in order to produce carpet and textile prototypes;
- “organic caprolactam” project in collaboration with Genomatic Inc., in San Diego, California (USA). This project called for finalisation of the first production of the first batch of organic 6-ACA in quantities close to a tonne and the subsequent conversion into organic caprolactam. Subsequently, the focus was on the scale-up to a pre-industrial level, with a system (representative of industrial scale) dedicated to transformation of intermediate organic 6-ACA into bio-caprolactam to be constructed for the AquafilSLO plant in Ljubljana in 2021; all the steps of the innovative process developed with Genomatic Inc. have been validated on an industrial scale and the project for the construction of the plant dedicated to bio caprolactam has been launched with the completion of engineering activities also on the basis of the bio intermediate that will be produced by Genomatic Inc. through a European subcontractor; activities are underway (authorisations, purchase of equipment and materials, various assemblies) for its construction in a specific area in AquafilSLO, in Ljubljana; the start-up of the plant is expected by the end of 2021 and will allow the obtaining of tens of tons 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 circular knitted fabrics, providing positive indications about the workability of nylon obtained through this new process;

- research and development of processes aimed at the chemical recovery of polymers from polycondensation and efforts to increase the efficiency of polymerisation processes and of new polymerisation technologies in order to enhance the mechanical properties of the polymers;
- industrial applications of augmented reality in the remote control of the individual production systems at Group facilities;
- study and development of “Cast” nylon based on polyamide 6 ECONYL® with high mechanical performance
- 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;
- development of a new process for the chemical regeneration of PET starting from waste raw materials derived not only from the multicoloured bottles used in the food industry but also from the fluff of polyester-based carpets after physical separation of the components; the chemical process was developed in collaboration with the University of Padua; thanks to the expertise of the Aquafil group in chemical regeneration processes, engineering for the construction of a pre-industrial pilot plant at the Arco facility was completed;
- optimisation of polymerisation production processes, in order to reduce energy and water consumption.

Patent developments

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

- patent registered to Aquafil S.p.A. 7.3.2013, PCT, on the recycling of polyamide fibres from elastomeric products;
- patent registered to Aquafil S.p.A. 8.6.2017, PCT, on the composition of fish-net coatings;
- 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. National validity was recognised from 2018, from 2020 in the United States and Japan, and on March 10, 2021 in EU countries (EPO members);
- 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 5, 2018. A further patent application for integrations on the same process by Aquafil SLO is currently in the publication process; the patent was awarded on November 19, 2018, and is currently being validated nationally in the Engineering Plastics countries and the USA;
- 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:
 - definitive go-ahead has been issued for the European patent granted at the end of 2020 and published on January 20, 2021 and for the 30 member countries of the EP: the concession is gradually being validated with payment of the pertinent tax where required;
 - two patents have been granted in the USA covering the solvent-free process innovation and the systems;
 - it has been published in China;
 - in Japan the patent was registered and published in March 2021;
 - on July 27, 2021 the Eurasian Patent procedure was validated;
- 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;
- 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 transformation phase of the initial linear intermediate obtained through fermentation processes into the final cyclic ring monomer used for the production of bio nylon 6; the responses to the clarifications requested by the Italian Patent Office by way of the European Patent Office were filed on November 25, 2020, thereby completing the process leading to final publication; in December 2019, the content was supplemented, and the Italian patent was filed under the PCT with code WO2020/136547, with validity in all 152 member nations; on July 2, 2020, the PCT patent on the cyclisation of the linear intermediate that results in caprolactam was published.

Prior to the conclusion of 30 months from the priority date (June 28, 2021), the various countries/regions were assessed for patent extension based on their potential market for caprolactam/nylon 6 and the potential availability of the new renewable source of the bio raw material. The final selection was addressed to the following countries:

- 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.

Aquafil sent the application to the Italian Patent Office and the European Patent Office respectively. In non-EU countries/regions, the patent application has been submitted to the various National Offices of the above-mentioned regions and the relevant assessments are pending;

- as part of the development of the PET recycling process, a patent application has been filed in Italy 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. alone with joint inventors Aquafil and the Department of Industrial Engineering of the University of Padua.

The application was filed on May 17, 2021.

Within 12 months, after the receipt of the Opinion that the Italian Patent Office provides through the European Patent Office, the filing will also proceed under the PCT, with validity for the 152 signatory countries to the Patent Cooperation Treaty.

13. CORPORATE GOVERNANCE

Without prejudice to that set out in paragraph 5 above regarding the changes made to the composition of the corporate boards in the period, 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 Legislative Decree 58/1998, made available at the registered office of the Company and on the Group website (<http://ir.aquafil.com/ita/bilanci-relazioni>).

14. OTHER INFORMATION

14.1 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.

14.2 TREASURY SHARES

At June 30, 2021, Aquafil S.p.A. and the other companies of the Group do not own and did not own during the period treasury shares and/or shares of parent companies, in its portfolio or through trust companies or third parties, and no share purchases or sales were made.

14.3 GROUP IRES (CORPORATE INCOME TAX) TAXATION PROCEDURE

Aquafil S.p.A. is the consolidating company of the group taxation procedure, as chosen by Aquafin Holding S.p.A. for the 2021-2023 three-year period in accordance with Articles 117 to 128 of Presidential Decree 917/1986, as amended by Legs. 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 for the three-year period 2019-2021.

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.

14.4 ORGANISATION, MANAGEMENT AND CONTROL MODEL IN ACCORDANCE WITH LEGS. 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, 2013, 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 26 October 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".

14.5 IMPAIRMENT TEST PROCEDURE

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

15. SIGNIFICANT EVENTS AFTER JUNE 30, 2021

1. The company Aqualeuna GmbH received on July 15, 2021 from the competent German tax authorities a notice of closure of tax audits relating to the tax years 2013-2017 regarding inter-company transfer pricing. The tax litigation thus settled gives rise to opposing tax effects for the individual companies, Aqualeuna GmbH and Aquafil S.p.A., which offset one another at consolidated level for the Aquafil Group and which, in particular, resulted in:

- a recovery of total taxable income (2013-2017) for Aqualeuna GmbH of Euro 5.9 million almost entirely covered by the use of tax losses carried forward by Aqualeuna GmbH;
- a request for payment of German taxes for a total of Euro 215 thousand;
- the initiation of specific tax procedures for the assessment in Italy of the taxable amounts assessed in Germany, already confirmed for fiscal year 2016 with the assessment notice issued on July 30, 2021 by the Milan Tax Office, Central Directorate for Large Taxpayers, by which it notified Aquafil S.p.A. of the closure of the international "joint audit" procedure, formalised in the previous agreement of April 14, 2021, which entitles the Company to avail of the provisions of Article 31-*quater*, letter b) of Presidential Decree 600/1973 against double taxation between the German and Italian tax authorities, and therefore to adjust downwards its taxable income in Germany on the 2016 fiscal year, for approx. Euro 1.4 million.

With regards to this matter, it should be noted that the German tax authorities notified Aqualeuna GmbH on July 9, 2021 of the initiation of a tax audit for the periods 2018-2019, which is expected to begin in September 2021, for which, in the event of the consideration of taxable income in Germany, it is expected that the same international joint-audit procedure already tested between the two administrations for the 2016 tax year may be applied, or in any case other possible procedures that are considered to make it possible to recover any amounts arising in Germany from taxation in Italy.

2. On July 1, 2021, we announced the launch of the *new digital platform* <https://www.econyl.com/shop/hosting> a range of global brands using ECONYL® reclaimed nylon.

The platform brings together, in a single digital space, various types of products that all have ECONYL® — the ingredient they are made of — in common, and targets end-consumers who are more keenly aware of the importance of circularity.

The platform also hosts a wide variety of content to responsibly inform consumers and build their knowledge on key topics related to sustainability, climate change and more generally the daily actions that everyone can responsibly take to help our planet.

16. OUTLOOK

The expected alleviation of the Covid-19 pandemic and of the benefits from the extension of the vaccine campaign indicate that global economic growth — which has already been evident over recent months both at domestic and European level — may continue in the second quarter of 2021, despite the ongoing uncertainties and changing environment following the outbreak of new variants and the difficulty in administering vaccinations in less-developed countries.

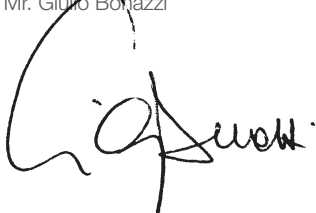
Forecast Group revenues and customer orders confirm the uptrend in H1 2021 across the various regions and for all three product areas.

For 2021, based on the above and on information currently available, and assuming H1 trends in the overall landscape continue, the H2 outlook for the Group is as follows:

- (a) revenues and earnings in line with H1, taking account of the normal development of business in the second half of the year;
- (b) improvement in the NFP/EBITDA ratio compared to the end of 2020, in view both of better profitability and an improved net financial position.

Arco, September 1, 2021

for the Board of Directors
The Chairman
Mr. Giulio Bonazzi



BCF

(yarn for textile floorings)

With our yarns, beautiful and comfortable carpets are being produced everyday. Thanks to our regenerated ECONYL® yarn, these carpets are sustainable and can be utilized for many generations to come.

31	Condensed Consolidated Half-Year Financial Statements at June 30, 2021
31	Consolidated Balance Sheet
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33	Consolidated Cash Flow Statement
35	Statement of changes in Consolidated Shareholders' Equity

Condensed Consolidated Half-Year Financial Statements at June 30, 2021

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

(in Euro thousands)	Note	June 30, 2021	December 31, 2020
Intangible assets	5.1	23,329	23,578
Goodwill		14,043	13,600
Property, plant & equipment	5.2	226,548	229,495
Financial assets	5.3	648	650
<i>of which parent companies, related parties</i>		313	313
Other assets	5.4	1,636	1,336
Deferred tax assets	5.5	11,818	14,563
Total non-current assets		278,022	283,223
Inventories	5.6	154,364	150,920
Trade receivables	5.7	30,985	22,015
<i>of which parent companies, related parties</i>		29	66
Financial assets	5.3	8,359	834
Tax receivables	5.8	597	1,772
Other assets	5.9	17,003	11,981
<i>of which parent companies, related parties</i>		3,649	3,187
Cash and cash equivalents	5.10	165,854	208,954
Total current assets		377,162	396,475
Total assets		655,184	679,698
Share capital	5.11	49,722	49,722
Reserves	5.11	83,905	76,579
Group net result	5.11	8,911	595
Total Parent Company share. equity		142,539	126,897
Minority interest net equity	5.11	1	1
Minority interest net profit	5.11	0	0
Total consolidated net equity		142,539	126,897
Employee benefits	5.12	5,740	5,969
Financial liabilities	5.13	294,739	352,560
<i>of which parent companies, related parties</i>		4,056	5,406
Provisions for risks and charges	5.14	1,762	1,506
Deferred tax liabilities	5.5	9,824	11,761
Other liabilities	5.15	11,066	11,848
Total non-current liabilities		323,132	383,644
Financial liabilities	5.13	64,163	75,964
<i>of which parent companies, related parties</i>		3,140	3,361
Current tax payables	5.17	1,522	1,189
Trade payables	5.18	97,209	69,168
<i>of which parent companies, related parties</i>		336	403
Other liabilities	5.15	26,618	22,835
<i>of which parent companies, related parties</i>		230	230
Total current liabilities		189,512	169,157
Total shareholders' equity & liabilities		655,184	679,698

CONSOLIDATED INCOME STATEMENT

(in Euro thousands)	Note	June 30, 2021	of which non-recurring	June 30, 2020	of which non-recurring
Revenues	6.1	274,700	0	222,733	
<i>of which related parties</i>		27		27	
Other revenues and income	6.2	2,685	443	3,371	226
Total revenues and other revenues and income		277,385	443	226,104	226
Cost of raw materials and changes to inventories	6.3	(135,494)	0	(109,477)	(58)
Service costs and rents, leases and similar costs	6.4	(50,100)	(305)	(42,296)	(1,036)
<i>of which related parties</i>		(212)		(211)	
Personnel costs	6.5	(55,805)	(582)	(51,635)	(1,168)
Other costs and operating charges	6.6	(1,640)	(61)	(2,582)	(716)
<i>of which related parties</i>		(35)		(35)	
Amortisation, depreciation and write-downs	6.7	(23,312)		(21,754)	
Provisions & write-downs	6.8	(128)		(1,084)	
Write-downs of financial assets (receivables)	6.8	77		(3)	
Increase in internal work capitalised	6.9	3,077		2,666	
EBIT		14,060	(504)	(62)	(2,751)
Financial income	6.10	491		197	
Financial charges	6.11	(3,822)		(4,241)	
<i>of which related parties</i>		(79)		(123)	
Exchange gains/losses	6.12	260		2,541	
Profit/(loss) before taxes		10,989	(504)	(1,564)	(2,751)
Income taxes	6.13	(2,078)		(371)	
Profit/(loss) for the period		8,911	(504)	(1,935)	(2,751)
Minority interest net profit		0		0	
Group Net Profit/(loss)		8,911	(504)	(1,935)	(2,751)
Basic earnings per share	6.15	0.17		(0.04)	
Diluted earnings per share	6.15	0.17		(0.04)	

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(in Euro thousands)	Note	June 30, 2021	June 30, 2020
Profit/(loss) for the period	5.11	8,911	(1,935)
Actuarial gains/(losses)		23	(10)
Tax effect from actuarial gains and losses		(6)	2
Other income items not to be reversed to income statement in subsequent periods		18	(8)
Currency difference from conversion of financial statements in currencies other than the Euro		6,578	(3,547)
Other income items to be reversed to income statement in subsequent periods		6,595	(3,547)
Total comprehensive income		15,507	(5,490)
Minority interest comprehensive income		0	0
Group comprehensive income		15,506	(5,490)

CONSOLIDATED CASH FLOW STATEMENT

(in Euro thousands)	Note	June 30, 2021	June 30, 2020
Operating activities			
Profit/(loss)	5.11	8,911	(1,935)
<i>of which related parties:</i>		(299)	(342)
Income taxes	6.13	2,078	371
Financial income	6.10	(491)	(197)
Financial charges	6.11	3,822	4,241
<i>of which related parties:</i>		(79)	123
Exchange gains/(losses)	6.12	(260)	(2,541)
Asset disposal (gains)/losses		(77)	(72)
Net provisions	6.8	128	1,084
Net provisions (Doubtful debt provision)	6.8	(77)	3
Amortisation, depreciation and write-downs of tan. assets	6.7	23,312	21,761
Non-monetary change IFRS 16	5.2	(2,159)	(1,206)
Cash flow from operating activities before working capital changes		35,187	21,508
Decrease/(Increase) in inventories	5.6	(3,444)	16,571
Increase/(Decrease) in trade payables	5.16	28,041	(11,287)
<i>of which related parties:</i>		(67)	279
Increase/(Decrease) in trade receivables	5.7	(8,892)	2,531
<i>of which related parties:</i>		37	(29)
Changes to assets and liabilities		811	(3,640)
<i>of which related parties:</i>		(462)	(191)
Net paid financial charges		(3,331)	(4,044)
Income taxes paid		0	610
Utilisation of provisions		(464)	(571)
Cash flow generated/(absorbed) from operating activities (A)		47,908	21,678
Investing activities			
Investments in tangible assets	5.2	(11,871)	(12,120)
Disposal of tangible assets	5.2	162	584
Investments in intangible assets	5.1	(2,166)	(2,979)
Disposal of intangible assets	5.1	13	167
Cash flow generated by investing activities (B)		(13,862)	(14,348)
Financing activities			
Drawdown non-current bank loans and borrowings	5.13	0	45,059
Repayment non-current bank loans and borrowings	5.13	(67,152)	(7,991)
Net changes in current financial assets and liabilities	5.13	(9,993)	(2,024)
<i>of which related parties:</i>		(1,571)	(2,400)
Cash flow from generated/(absorbed) by financing activities (C)		(77,145)	35,044
Net cash flow in the period (A) + (B) + (C)		(43,100)	42,375
Opening cash and cash equivalents	5.10	132,774	90,400
Closing cash and cash equivalents	5.10	165,854	132,774

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(in Euro thousands)	Share capital	Legal reserve	Translation reserve	Share premium reserve	Listing cost reserve
December 31, 2019	49,723	517	(9,514)	19,975	(3,287)
Sale minority interest					
Other changes					
Allocation of prior-year result		148			
Distribution dividends					
Share capital increase					
Profit/(loss) for the period					
Actuarial gains/(losses) employee benefits					
Translation difference			(3,547)		
Total comprehensive income/(loss) for the period			(3,547)		
June 30, 2020	49,723	665	(13,061)	19,975	(3,287)
December 31, 2020	49,723	665	(25,180)	19,975	(3,287)
Sale minority interest					
Other changes					
Allocation of prior-year result		35			
Distribution dividends					
Share capital increase					
Profit/(loss) for the period					
Actuarial gains/(losses) employee benefits					
Translation difference			6,578		
Total comprehensive income/(loss) for the period			6,578		
June 30, 2021	49,723	700	(18,602)	19,975	(3,287)

FTA reserve	IAS 19 reserve	Retained earnings	Net result	Total Parent Company share. equity	Min. interest share. equity	Total consol. share. equity
(2,389)	(649)	78,956	9,005	142,335	1	142,336
				0		0
		(235)		(235)		(235)
		8,857	(9,005)	0		0
				0		0
			(1,935)	(1,935)		(1,935)
	(8)			(8)		(8)
				(3,547)		(3,547)
	(8)		(1,935)	(5,490)		(5,490)
(2,389)	(657)	87,577	(1,935)	136,608	1	136,609
(2,389)	(989)	87,787	595	126,897	1	126,897
				0		0
		137		137		137
		560	(595)	(0)		(0)
				0		0
				0		0
			8,911	8,911		8,911
	18			18		18
				6,578		6,578
	18		8,911	15,506		15,506
(2,389)	(971)	88,347	8,911	142,538	1	142,539

NTF

(yarn for textile
and clothing industry)

The yarn produced by
the NTF division has multiple
applications from sportswear
to underwear. The leading
brands in this division are
Dryarn® and ECONYL®





Notes to the Consolidated Financial Statements at June 30, 2021

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 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 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 nylon on a global scale by transforming it into three different product lines represented by:

- (i) BCF fibre (bulk continuous filaments), 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 fibre (nylon textile filaments), or synthetic yarns mainly intended for the clothing sector (sportswear, classic, technical or specialist apparel);
- (iii) nylon 6 polymers, mainly targeting the engineering plastics sector for subsequent use in the moulding industry.

The above product lines 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 through its subsidiaries

1.2 Contents, presentation and accounting policies of the Condensed Consolidated Half-Year Financial Statements at June 30, 2021

The consolidated half-year report of the Aquafil Group at June 30, 2021 and for the six months ended at that date (hereafter the “Half-Year Financial Report”) was prepared in accordance with Article 154-ter paragraph 2 of Legislative Decree no. 58/98 — CFA — and subsequent amendments and supplements and comprises the following documents:

- the consolidated balance sheet is presented with separation between “current and non-current” assets and liabilities;
- the consolidated income statement, prepared separately from the comprehensive income statement and 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 changes in consolidated shareholders’ equity;
- the explanatory notes.

These consolidated financial statements (hereafter the “financial statements”) include the comparative figures, as per IAS 34, i.e. (i) the figures at December 31, 2020 for the consolidated balance sheet (ii) the figures relating to H1 2020 for the consolidated income statement, the comprehensive consolidated income statement, the consolidated cash flow statement and the movements in consolidated shareholders’ equity pursuant to IAS 34.

The Half-Year Financial Report was prepared in Euro, the functional currency of the Group. The amounts reported in the financial statements and in the accompanying tables in the explanatory notes are expressed in thousands of Euro, unless otherwise indicated.

The Half-Year Financial Report was prepared in accordance with international accounting standards (IFRS/IAS) issued by the International Accounting Standard Board (IASB), recognised by the European Union pursuant to regulation (EU) no. 1606/2002 and in force at the reporting date, the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as well as the interpretations of the Standing Interpretations Committee (SIC), in force at the same date.

In particular, the Half-Year Financial Report was prepared in accordance with IAS 34 “Interim Financial Statements”, issued by the International Accounting Standard Board (IASB).

The accounting policies adopted in the preparation of these financial statements are the same as those adopted for the preparation of the consolidated financial statements at December 31, 2020, to which reference should be made.

The explanatory notes, in accordance with IAS 34, are reported in condensed format and do not include all the disclosures required for annual accounts, as they refer exclusively to those items which, for amount, composition or variation, are essential for the full understanding of the financial situation, equity and results of the Group at June 30, 2021.

The Half-Year Financial Report should therefore be read together with the 2020 Group Annual Financial Report.

The Half-Year Financial Report at June 30, 2021 of the Aquafil Group was subject to a limited audit by PricewaterhouseCoopers and was approved by the Board of Directors on September 1, 2021, which authorised its publication according to the terms and means required by current regulations.

1.3 Seasonality

The Group's business is not impacted by seasonal factors. Despite this, we report that typically there is a small drop in production in second half of the year due to the lower number of working days in this period compared to the first half of the year. This generally results in a small decrease in revenues and costs and in the margin in the second half of the year compared to the first half of the year.

1.4 Disclosure upon the Covid-19 emergency

As previously outlined in the interim report, the Group has kept in place all of the COVID-19 virus containment measures adopted in 2020, which have demonstrated their efficacy in protecting the health of workers at facilities; in particular, all of the organisational measures to manage financial risks and to guarantee both the health of its workers and the operability of its facilities, while fully complying with regulations and ensuring safe working conditions, were confirmed. 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.

With regards to that outlined above and in view of the development of the health and economic situation therefore, the expectations do not require the Group to amend or review its business model as its operating, equity and financial structure, also on a forward-looking basis, guarantees the going concern of the various product areas in all the regions in which the Group operates.

1.5 Financial risk management

Group management has constantly monitored the real and potential impact of the Covid-19 emergency on the Group's business activities, financial position, credit risk, liquidity risk and operating performance.

As regards credit risk, the Group has consistently implemented a hedging strategy which, as part of a specific risk policy, makes use of insurance policies agreed with leading insurance companies and carries out accurate daily assessments of the levels of exposure to customers; at the date of this report, the credit risk remains under control, despite reductions in insurance ceilings. Changes in the situation are monitored by the Credit Committee.

As regards liquidity risk, which is constantly monitored by the Risk Control Committee, the Group operates a mitigation strategy that combines careful planning and monitoring of its financial structure to ensure solvency both in normal operating conditions and in crisis situations. This strategy is designed to guarantee ample liquidity through the generation of cash from business activities, and access to new medium-term financial resources that allow available short-term credit lines to remain unused.

In view of the significant level of available liquidity, the Parent Company Aquafil S.p.A. in the period settled and repaid in advance loans for an amount of Euro 51.8 million.

For all other additional information required in relation to financial risk management, reference should be made to the Group's annual financial statements at December 31, 2020 for a detailed analysis.

2. CONSOLIDATION SCOPE AND BASIS OF CONSOLIDATION

The Consolidated Financial Statements includes the equity and financial position and results of the Parent Company and of the subsidiaries and/or associated companies, 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 the Company name, registered office, share capital, profit for the period, functional currency and the direct and indirect holding of the company and the consolidation method applied at June 30, 2021:

Company	Registered office	Share capital	June 30, 2021 Net Profit	Currency	Group holding	% of votes	Method of consolidation
Parent Company:							
Aquafil S.p.A.	Arco (IT)	49,722,417	3,787,867	Euro			
Subsidiary companies:							
Aquafil SLO d.o.o.	Ljubljana (SLO)	50,135,728	3,478,903	Euro	100.00%	100.00%	Line-by-line
Aquafil USA Inc.	Cartersville (USA)	77,100,000	1,782,330	US Dollar	100.00%	100.00%	Line-by-line
Tessilquattro S.p.A.	Arco (IT)	3,380,000	64,272	Euro	100.00%	100.00%	Line-by-line
Aquafil Jiaxing Co. Ltd.	Jiaxing (CHN)	355,093,402	20,597,868	Chinese Yuan	100.00%	100.00%	Line-by-line
Aquafil UK Ltd.	Ayrshire (UK)	3,669,301	(309,320)	UK Sterling	100.00%	100.00%	Line-by-line
Aquafil CRO d.o.o.	Oroslavje (CRO)	71,100,000	1,154,800	Croatian Kuna	100.00%	100.00%	Line-by-line
Aquafil Asia Pacific Co. Ltd.	Rayoung (THA)	53,965,000	18,417,102	Baht	99.99%	99.99%	Line-by-line
Aqualeuna GmbH	Leuna (GER)	2,325,000	(1,419,137)	Euro	100.00%	100.00%	Line-by-line
Aquafil Engineering GmbH	Berlino (GER)	255,646	1,640,423	Euro	100.00%	100.00%	Line-by-line
Aquafil Tekstil Sanayi Ve Ticaret A.S.	Istanbul (TUR)	1,512,000	695,177	Turkish Lira	99.99%	99.99%	Line-by-line
Aquafil Benelux France B.V.B.A.	Harelbake (BEL)	20,000	68,992	Euro	100.00%	100.00%	Line-by-line
Cenon S.r.o.	Zilina (SLO)	26,472,682	(487,294)	Euro	100.00%	100.00%	Line-by-line
Aquafil Carpet Recycling #1. Inc.	Phoenix (USA)	250,000	(3,144,154)	US Dollar	100.00%	100.00%	Line-by-line
Aquafil Carpet Recycling #2. Inc.	Woodland California (USA)	250,000	(1,004,669)	US Dollar	100.00%	100.00%	Line-by-line
Aquafil Oceania Ltd	Melbourne (AUS)	49,990	118,722	Australian Dollar	100.00%	100.00%	Line-by-line
Aquafil India Private Ltd.	New Dehli (IND)	85,320	0	Indian Rupee	99.97%	99.97%	Line-by-line
Aquafil O'Mara Inc.	North Carolina (USA)	36,155,327	1,288,694	US Dollar	100.00%	100.00%	Line-by-line
Aquafil Carpet Collection	Phoenix (USA)	3,400,000	43,576	US Dollar	100.00%	100.00%	Line-by-line
Aquafil Japan	Chiyoda (JP)	310,000	(8,039,835)	Japanese Yen	100.00%	100.00%	Line-by-line

The changes in the Aquafil Group consolidation scope in the period 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.

At June 30, 2021 there are no associated companies included in the consolidation scope.

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.

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 are translated at the average exchange rate for the period;
- the "translation reserve" recorded within the Comprehensive Income Statement, 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:

	June 2021		December 2020		June 2020	
	Period-end rate	Average rate	Period-end rate	Average rate	Period-end rate	Average rate
US Dollar	1.19	1.21	1.23	1.14	1.12	1.10
Croatian Kuna	7.49	7.55	7.55	7.54	7.57	7.53
Chinese Yuan	7.67	7.80	8.02	7.87	7.92	7.75
Turkish Lira	10.32	9.52	9.11	8.05	7.68	7.15
Baht	38.12	37.15	36.73	35.70	34.62	34.82
UK Sterling	0.86	0.87	0.90	0.89	0.91	0.87
Japanese Yen	131.43	129.87				
Australian Dollar	1.59	1.56	1.59	1.65	1.63	1.68

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

No business combinations were undertaken in the period.

Impairment test

The impairment (or recoverability) 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 was subject to a recoverability test as per IAS 36. 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. For the sole purpose of verifying the recoverability of the value of the assets, the figures in the business plan have been adjusted on the basis of a number of possible scenarios to reflect the updated market situation and the resulting economic and financial forecasts. 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 than 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.

3. 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 June 30, 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	0	9,007	0	0	9,007
Trade receivables		30,985			30,985
Tax receivables	0	597	0	0	597
Other current & non-current assets	0	18,639	0	0	18,639
Cash and cash equivalents	0	165,854	0	0	165,854
Total	0	225,082	0	0	225,082
Current and non-current financial liabilities	705	0	0	358,197	358,902
Trade payables	0	0	0	97,209	97,209
Other current and non-current liabilities	0	0	0	37,684	37,684
Total	705	0	0	493,090	493,795

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.

4. 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.

5. NOTES TO THE CONSOLIDATED BALANCE SHEET

5.1 Intangible assets

The breakdown in the account and changes in the period were as follows:

	Development costs	Patents & property rights	Trademarks, concessions and licenses	Other intangible assets	Intangible assets in progress	Non Contractual Customer relationships	Total
(in Euro thousands)							
Balance at December 31, 2019	1,812	356	535	4,070	9,760	4,568	21,101
– <i>Historical cost</i>	1,812	5,218	4,868	15,327	9,760	5,770	42,756
– <i>Accumulated depreciation</i>	0	(4,863)	(4,332)	(11,257)	0	(1,202)	(21,655)
Reclassifications	0	0	41	609	(607)	0	43
Increase	2,227	0	66	453	3,272	0	6,018
Decreases	0	0	(77)	0	(3)	0	(80)
Amortisation	(581)	(304)	(160)	(1,622)	0	(716)	(3,383)
Exchange diff. - Historic cost	0	(8)	(11)	(31)	0	(145)	(195)
Exchange diff. - Accumulated depreciation	0	8	10	14	0	44	74
Balance at December 31, 2020	3,459	52	405	3,491	12,422	3,750	23,578
– <i>Historical cost</i>	4,039	5,211	4,751	16,355	12,422	5,625	48,403
– <i>Accumulated depreciation</i>	(581)	(5,159)	(4,346)	(12,863)		(1,875)	(24,825)
Reclassifications	0	0	(2)	1,775	(1,759)	0	14
Increases	1,293	0	7	80	786	0	2,166
Decreases	0	0	0	(13)	0	0	(13)
Amortisation provision	(472)	0	(26)	(842)	0	(362)	(1,702)
Exchange diff. - Historic cost	0	4	2	12	0	255	274
Exchange diff. - Accumulated depreciation	0	(4)	(2)	(6)	0	(91)	(103)
Balance at June 30, 2021	4,280	52	383	4,497	10,565	3,552	23,329
– <i>Historical cost</i>	5,332	5,215	4,755	18,209	10,565	5,880	49,956
– <i>Accumulated depreciation</i>	(1,052)	(5,163)	(4,372)	(13,711)	0	(2,327)	(26,627)

Other intangible assets, in progress and not in progress, include costs incurred for Information and Communication Technology activities and for projects for the development of new products and processes, including the “Effective” project coordinated by Aquafil and funded by the Bio-Based Industries Joint Undertaking (BBI JU) as part of the European Horizon 2020 research programme.

The increases in the year, overall amounting to Euro 2.1 million, principally relate to:

- for approx. Euro 1.3 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 0.3 million the Information and Communication Technology activities represented by the costs of developing specific software implementation projects;
- for approx. Euro 0.3 million 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;

The amount of Euro 0.9 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.

5.2 Property, plant & equipment

The breakdown in the account and changes in the period were as follows:

	Land and buildings	Plant & equipment	Industrial and commercial equipment	Other assets	Assets in progress	Investment property	Total before RoU	Right- of-Use	Total
(in Euro thousands)									
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
– Accumulated depreciation	(53,303)	(305,523)	(10,503)	(4,621)	0	(425)	(374,375)	(5,362)	(379,736)
Change in consolidation scope	0	922	0	0	0	0	922	0	922
Reclassifications	867	10,363	26	57	(11,354)	0	(43)	0	(43)
Increase	401	7,847	74	396	13,132	0	21,851	8,930	30,781
Decreases	1	(153)	(1)	(360)	(18)	0	(531)	(5,400)	(5,931)
Depreciation	(4,161)	(27,824)	(178)	(664)	0	(12)	(32,839)	(7,393)	(40,233)
Exchange diff. - Historic cost	(772)	(10,839)	(32)	(373)	(1,372)	0	(13,388)	(1,082)	(14,470)
Exchange diff. - Accumulated depreciation	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
– Historical cost	115,010	438,306	11,027	5,179	26,990	793	597,304	29,619	626,924
– Accumulated depreciation	(57,321)	(314,933)	(10,631)	(3,131)	0	(437)	(386,452)	(10,976)	(397,429)
Reclassifications	144	4,379	5	30	(4,572)	0	(14)	0	(14)
Increases	11	755	34	57	11,014	0	11,871	2,301	14,172
Decreases	0	(7)	0	(2)	0	0	(9)	(142)	(151)
Depreciation provision	(2,108)	(14,016)	(56)	(317)	0	(6)	(16,502)	(3,823)	(20,325)
Exchange diff. - Historic cost	486	5,522	(2)	146	543	0	6,696	435	7,130
Exchange diff. - Accumulated depreciation	(120)	(3,017)	3	(90)	0	0	(3,225)	(134)	(3,358)
Balance at June 30, 2021	55,702	116,988	380	1,872	33,976	350	209,268	17,280	226,548
– Historical cost	115,251	447,587	11,055	5,379	33,976	793	614,041	31,508	645,549
– Accumulated depreciation	(59,549)	(330,599)	(10,675)	(3,506)	0	(443)	(404,773)	(14,228)	(419,001)

The increases for the period, after deduction of the related decreases and excluding movements in the Right-of-Use in application of IFRS 16, amounted to a total of Euro 11.9 million and refer mainly to:

- for Euro 4.3 million, the increase in industrial efficiency and the optimisation of utilities and consumables;
- for approx. Euro 3.8 million the increase in the production capacity of the various product lines and regions in which the Group operates;
- for approx. Euro 1.6 million, the increase in the production capacity of ECONYL® regenerated caprolactam, including through the initiation of the complex and innovative carpet recovery technology of the two plants ACR #1 Inc. and ACR #2 Inc.

The write-down of Euro 0.4 million of land and buildings concerns the buildings of the subsidiary Cenon S.r.o., which are not utilised.

The recoverability of all assets, including investments not yet definitively operative, was verified with an impairment test carried out on the only Aquafil Group CGU.

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:

	Right-of-use buildings	Right- of-use equipment and transport vehicles	Right-of-use motor vehicles	Right-of-use	Total
(in Euro thousands)					
Balance at December 31, 2019	18,817	3,837	580	81	23,314
– <i>Historical cost</i>	22,865	5,047	679	85	28,676
– <i>Accumulated depreciation</i>	(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 diff. - Historic cost	(943)	(116)	(14)	(8)	(1,082)
Exchange diff. - Accumulated depreciation	230	40	2	2	274
Balance at December 31, 2020	14,428	3,470	673	72	18,643
– <i>Historical cost</i>	22,548	5,982	995	94	29,619
– <i>Accumulated depreciation</i>	(8,120)	(2,511)	(322)	(23)	(10,976)
Increases	1,492	599	211	0	2,301
Decreases	(41)	(17)	(84)		(142)
Depreciation	(2,952)	(719)	(142)	(10)	(3,823)
Exchange diff. - Historic cost	375	52	5	3	435
Exchange diff. - Accumulated depreciation	(111)	(20)	(1)	(1)	(134)
Balance at June 30, 2021	13,190	3,365	661	64	17,280
– <i>Historical cost</i>	24,279	6,060	1,071	98	31,508
– <i>Accumulated depreciation</i>	(11,090)	(2,695)	(410)	(33)	(14,228)

The increases mainly refer to the signing by the subsidiary Aquafil Jiaxing Co. Ltd of a lease agreement for industrial buildings for Euro 1.5 million, the renewal of contracts for apartments provided for employee use and company cars and internal transport vehicles.

5.3 Current and non-current financial assets

The breakdown of the account is shown below (including current and non-current):

(in Euro thousands)	June 2021	December 2020
Receivables from parent companies	234	234
Investments in other companies	24	24
Escrow bank deposits	8,399	875
Current and non-current financial assets	271	272
Receivables from related parties	79	79
Total	9,007	1,484
<i>of which current</i>	8,359	834
<i>of which non-current</i>	648	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 - Verona.

The investments in other companies refer to minority investments.

The “Escrow bank deposits”, amounting to Euro 8.4 million, are held by the Group companies Aquafil Jiaxing Co Ltd and Aquafil Engineering GmbH. The increase on the previous year is due to the new interest-bearing bank deposits by Aquafil Jiaxing with short-term restriction.

“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.

5.4 Other non-current assets

The amount mainly relates to the receivable of the Parent Company Aquafil S.p.A. and Aquafil SLO d.o.o. from the European Union related to the “Effective” 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.

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 5.15). 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 June 30, 2021, the residual receivable amounted to Euro 1.3 million.

5.5 Deferred tax assets and liabilities

The breakdown of the items “Deferred tax assets” and “Deferred tax liabilities” is shown below:

(in Euro thousands)	June 2021	December 2020
Deferred tax assets	11,818	14,563
Deferred tax liabilities	(9,824)	(11,761)
Total	1,994	2,802

The movement in the total balance is mainly due to the use of the prior ACE benefit by the Parent Company.

5.6 Inventories

The changes in the account were as follows:

(in Euro thousands)	June 2021	December 2020
Raw materials, ancillary and consumables	58,469	51,222
Finished products and goods	95,462	99,408
Advances	433	289
Total	154,364	150,920

Inventories are recorded net of the obsolescence provision amounting to Euro 0.50 million and relates to slow moving prior stock.

5.7 Trade receivables

The changes in the account were as follows:

(in Euro thousands)	June 2021	December 2020
Trade receivables	33,042	24,102
Parent, associates and other related parties	29	66
Doubtful debt provision	(2,086)	(2,153)
Total	30,985	22,015

The increase in trade receivables strictly relates to greater volume of activities in H1 2021.

The following table provides a breakdown of trade receivables at June 30, 2021, grouped by due date and net of doubtful debt provision:

(in Euro thousands)	June 30, 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)	25,000	21,074	3,242	272	(7)	419
Non-guaranteed trade receivables (b)	7,563	5,146	1,547	290	(28)	608
Non-guaranteed trade receivables impaired (c)	508	482	0	0	0	26
Trade receivables before doubtful debt provision [(a) + (b) + (c)]	33,071	26,702	4,789	562	(35)	1,053
Doubtful debt provision	(2,086)	(1,428)	(315)	(85)	1	(259)
Trade receivables	30,985	25,274	4,474	477	(34)	794

5.8 Current tax receivables

Current tax receivables of Euro 0.6 million refer to advances paid for current tax by the Parent Company Aquafil S.p.A., Aquafil USA Inc. and Aquafil Engineering GmbH.

5.9 Other current assets

The changes in the account were as follows:

(in Euro thousands)	June 2021	December 2020
Tax receivables	3,519	3,255
Supplier advances	1,155	679
Pension and social security institutions	132	374
Employee receivables	159	298
Tax receivables from parent	3,639	3,187
Other receivables	2,097	1,279
Prepayments and accrued income	6,302	2,910
Total	17,003	11,981

The following is specified in relation to the above items:

- tax receivables: refer mainly to an amount of Euro 2.7 million receivables for Value Added Tax (VAT) and Euro 0.8 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 million 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 in addition to Euro 0.21 million for a reimbursement of the export duty of 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; the increase on the previous period relates to the timing of the recognition of these costs

5.10 Cash and cash equivalents

The account is comprised of:

(in Euro thousands)	June 2021	December 2020
Cash and equivalents	21	24
Bank and postal deposits	165,834	208,930
Total	165,854	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)	June 30, 2021
EUR	118,999
HRK	141
TRL	40
USD	37,622
THB	987
CNY	7,257
AUD	200
GBP	454
JPY	155
Total	165,854

There were no restrictions on liquidity.

The significant reduction compared to December 31, 2020 is mainly related to the early repayment of a series of medium-term loans made in period for a total of Euro 51.8 million.

For further details on cash and cash equivalents, reference should be made to the consolidated cash flow statement.

5.11 Shareholders' Equity

The movement of the individual accounts in presented in the Statement of changes in Consolidated Shareholders' Equity. The individual components are described below.

Share capital

At June 30, 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 detailed breakdown of Aquafil S.p.A.'s subscribed and paid-up share capital at June 30, 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 June 30, 2021 — i.e. considering Aquafil S.p.A.'s qualification as an SME pursuant to Article 1(*w-quarter*.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:

- 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;
- 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 June 30, 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 June 30, 2021, no Aquafil Sponsor Warrants have been converted.

Legal reserve

The legal reserve at June 30, 2021 was equal to Euro 0.70 million; the increase of Euro 0.35 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 June 30, 2021 for Euro 18.6 million (reducing Euro 6.6 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.

Share premium reserve

The item amounted to Euro 19.98 million at June 30, 2021 and is derived from the merger transaction between Aquafil S.p.A. and Space 3 S.p.A. in 2017.

Listing costs/Share capital increase reserve

The item amounted to Euro 3.29 million at June 30, 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 June 30, 2021, it was equal to a Euro 0.97 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.

Retained earnings

At June 30, 2021, the account amounts to Euro 88.48 million and represents the results generated by the Aquafil Group in previous years (including pre-merger with Space3).

Minority interest net equity

As illustrated in paragraph 2 "Consolidation scope" and consolidation criteria, the minority interests shareholders' equity substantially reduced to zero.

5.12 Employee benefits

The account is comprised of:

(in Euro thousands)

Balance at December 31, 2020	5,969
Financial charges	14
Advances and settlements	(268)
Actuarial gains/(losses)	23
Balance at June 30, 2021	5,740

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	June 30, 2021
Discount rate	0.25%
Rate of inflation	0.80%
Annual increase in employee leaving indemnity	2.10%

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

Frequency advances	4.50%
Frequency turnover	2.50%

The bond's financial average duration at June 30, 2021 is approx. 8 years.

5.13 Current and non-current financial liabilities

The account is comprised of:

(in Euro thousands)	June 2021	<i>of which current portion</i>	December 2020	<i>of which current portion</i>
Medium/long term bank loans	241,581	55,716	308,630	67,690
Accrued interest and accessory charges on medium/long-term bank loans (*)	(635)	(635)	(518)	(518)
Total medium/long-term bank loans	240,946	55,081	308,112	67,172
Bond loans	90,380	0	90,406	0
Accrued interest and charges on bonds	348	348	308	308
Total bond loan	90,727	348	90,713	308
Leasing and RoU financial payables	26,497	8,707	28,524	8,353
Liabilities for derivative financial instruments	705	0	1,042	0
Other lenders and banks – short term	28	28	131	131
Total financial liabilities (current and non-current)	358,902	64,163	428,524	75,964
Total non-current financial liabilities	294,739		352,560	

(*) Represents the effect of applying the amortised cost method.

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.

(in Euro thousands)	Original amount	Granting date	Maturity date	Repayment plan	Rate applied	June 30, 2021	of which current portion
Medium/long term bank loans - fixed rate							
Banca Intesa (*) (**)	15,000	2018	2024	half-year from 31/07/2019	1.15% fixed (**)	9,000	1,500
Mediocredito Trentino Alto Adige	3,000	2017	2022	half-year from 28/12/2018	0.901% fixed	1,009	1,009
Banca Nazionale del Lavoro (*)	7,500	2018	2025	half-year from 31/12/2019	1.4% fixed	5,455	1,364
Banca Nazionale del Lavoro (*)	12,500	2018	2025	half-year from 31/12/2019	1.25% fixed	9,091	2,273
Credito Valtellinese (*)	15,000	2018	2024	quarterly from 05/10/2018	1 fixed %	11,830	2,127
Banca di Verona	3,000	2019	2024	quarterly from 06/08/2021	1.30% fixed	3,000	727
Cassa Centrale Banca Cred, Coop, Nord Est (*)	15,000	2019	2026	quarterly from 30/09/2021	1.25% fixed since 01/07/2024 Euribor 3 months + 1	15,000	2,926
Cassa Depositi e Prestiti (*)	20,000	2020	2027	half-year from 20/06/2023	1.48% fixed	20,000	0
Total medium/long term bank loans - fixed rate						74,385	11,926
Medium/long term bank loans - variable rate							
Banca Popolare di Milano (*) (**)	25,000	2018	2026	quarterly from 31/03/2020	Euribor 3 months + 0.90%	21,621	3,389
Cassa Risparmio di Bolzano (*)	20,000	2018	2025	quarterly from 31/03/2020	Euribor 3 months + 0.85%	18,038	3,949
Cassa Centrale Banca Cred, Coop, Nord Est	5,000	2016	2022	half-year from 31/12/2017	Euribor 6 months + 1.50%	1,272	1,272
Banca di Verona	3,500	2016	2023	quarterly from 30/06/2017	Euribor 3 months + 1.80%	1,313	651
Banca di Verona	15,000	2017	2024	quarterly from 30/06/2017	Euribor 3 months + 2%	8,967	2,498
Deutsche Bank (*)	5,000	2018	2024	quarterly from 15/01/2019	Euribor 3 months + 1.20%	3,438	625
Credit Agricole Friuladria (*) (**)	10,000	2017	2025	quarterly from 31/03/2019	Euribor 3 months + 1.30%	6,423	907
Credito Valtellinese	3,000	2017	2023	quarterly from 05/07/2017	Euribor 3 months + 0.90%	1,367	604
Monte dei Paschi di Siena (*)	15,000	2018	2025	half-year from 31/12/2019	Euribor 6 months + 0.80%	13,125	1,875
Credito Emiliano	5,000	2018	2022	monthly from 26/11/2018	Euribor 1 month + 0.65%	2,228	1,670
Cassa Rurale Raiffeisen Alto Adige	3,000	2017	2023	quarterly from 30/06/2018	Euribor 3 months + 0.90%	1,326	755
Banca Popolare di Sondrio	5,000	2017	2023	monthly from 31/08/2018	Euribor 1 month + 0.80%	2,624	1,254
Banco BPM (*) (**)	15,000	2019	2025	quarterly from 30/09/2020	Euribor 3 months + 1.05%	12,772	2,234
Banca Popolare Emilia Romagna (*) (**)	10,000	2019	2025	monthly from 26/09/2020	Euribor 3 months + 0.75%	10,000	2,059
Credit Agricole Friuladria (*) (**)	10,000	2019	2025	half-year from 28/12/2020	Euribor 6 months + 1.05%	8,182	1,818
Banca del Mezzogiorno (*) (**)	10,000	2019	2026	quarterly from 09/11/2020	Euribor 1 month + 1.20%	9,500	2,000
Banco BPM (**)	10,000	2020	2023	quarterly from 31/12/2021	Euribor 3 months + 0.70% + SACE	10,000	3,750
Banca Intesa	30,000	2020	2023	quarterly from 31/12/2021	Euribor 3 months + 0.60% + SACE	30,000	11,250
Credito Valtellinese (*)	5,000	2020	2025	quarterly from 30/09/2021	Euribor 3 months + 1.40%	5,000	1,230
Total medium/long term bank loans - variable rate						167,196	43,790
Accrued interest on medium/long term bank loans						(635)	(635)
Medium/long term bank loans - fixed and variable rate						240,946	55,081

(*) 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.

Certain loan agreements provide for compliance with financial and equity covenants, as summarised below:

Loan	Period	Parameter	Reference	Limit
Credite Agricole 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 Deb/EBITDA		≤ 3.75
Cassa di Risparmio di Bolzano	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Deb/EBITDA		≤ 3.75
Banca Nazionale del Lavoro	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Deb/EBITDA		≤ 3.75
Banco BPM	Annually	Net Deb/EBITDA	Group	≤ 3.75
	Annually	Net Debt/Net Equity		≤ 2.50
Credito Valtellinese	Annually	Net Deb/EBITDA	Group	≤ 3.75
	Annually	Net Debt/Net Equity		≤ 2.50
Deutsche Bank	Annually	Net Deb/EBITDA	Group	≤ 3.75
	Annually	Net Debt/Net Equity		≤ 2.50
	Annually	EBITDA/Financial charges		> 3.50
Monte dei Paschi di Siena	Annually	Net Deb/EBITDA	Group	≤ 3.75
	Annually	Net Debt/Net Equity		≤ 2.50
Cassa Centrale Banca Cred.	Annually	Net Deb/EBITDA	Group	≤ 3.75
Coop. Nord Est	Annually	Net Debt/Net Equity		≤ 2.50
Banca Popolare Emilia Romagna	Annually	Net Deb/EBITDA	Group	≤ 3.75
	Annually	Net Debt/Net Equity		≤ 2.50
MCC/Banca del Mezzogiorno	Annually	Net Deb/EBITDA	Group	≤ 3.75
	Annually	Net Debt/Net Equity		≤ 2.50
Cassa Depositi e Prestiti	Half-yearly	Net Deb/EBITDA	Group	≤ 3.75
	Half-yearly	Net Debt/Net Equity		≤ 2.50

As previously stated, in the first half of 2021 loans totalling Euro 51.8 million were settled or repaid in advance.

For further information on the transactions undertaken in the period with the lending institutions, reference should be made to the Directors' Report.

With reference to the loans granted, there are no mortgages or guarantees registered on company assets.

For loans stipulating compliance with the above half-yearly covenants, these had been satisfied at June 30, 2021.

Bond loans

The company had issued two fixed-rate bond loans for an original total value of Euro 90 million, as follows:

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% and remains at this rate at June 30, 2021;
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. The second bond loan was issued on May 24, 2019 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 Loan A, which bears the rate of 2.87%; the issue was undertaken to finance the Aquafil O'Mara Inc. business combination.

For both loans, with the contractual review agreed in 2020 relating to the modification of the financial covenants, an additional margin ratchet of 0.50% was introduced, which is applied on exceeding the NFP/EBITDA ratio of 4; the ratio at June 30, 2021, in addition to that at December 31, 2020, does not trigger the rate increase.

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	Fixed interest rate
Bond loan A	50,000,000	23/06/2015	20/09/2028	7 annual instalments from 20/09/2022	4.70%
Bond loan B	40,000,000	24/05/2019	24/05/2029	7 annual instalments from 24/05/2023	2.87%

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. For June 30, 2021, the required "Leverage Ratio" is < 4.25, while for subsequent periods it reverts to < 3.75.

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.

Compliance with the above covenants is on a half-yearly basis. The covenants had been complied with at June 30, 2021.

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.

Lease liability

The lease liability, which amounts to Euro 26.5 million, includes Euro 18.7 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 June 30, 2021, the residual capital relating to financial leasing contracts totalled Euro 7.6 million. The contract is regulated at the 6-month Euribor rate plus a spread of 0.50%.

5.14 Provisions for risks and charges

The account is comprised of:

(in Euro thousands)	June 2021	December 2020
Agents' supplementary indemnity provision and others	1,241	1,113
Guarantee fund on client engineering orders	521	392
Total	1,762	1,506

5.15 Other current and non-current liabilities

The account is comprised of:

(in Euro thousands)	June 2021	<i>of which current portion</i>	December 2020	<i>of which current portion</i>
Employee payables	12,743	12,743	9,356	9,356
Social security payables	2,770	2,770	2,939	2,939
Payables to parent for income taxes	230	230	230	230
Tax payables	2,729	2,729	2,450	2,450
Other payables	3,287	3,287	3,457	3,457
Accrued liabilities and deferred income	15,926	4,859	16,251	4,403
Total other current and non-current liabilities	37,685	26,618	34,683	22,835
Total other non-current liabilities	11,066		11,848	

The most significant changes refer to:

- the movement in “employee payables” includes mainly that due from the Parent Company to employees;
- the movement in “Tax payables” concerns mainly the amounts due for Value Added Tax (VAT);
- “payables to Parent for income taxes” entirely refer to Tessilquattro S.p.A. payables to the Parent Company Aquafil Holding S.p.A. as per the tax consolidation regime.

Accrued liabilities and deferred income mainly comprise:

- the commercial contract with the US group Interface, involving a worldwide collaboration for supply and product development. Specifically, Aquafil S.p.A. undertook an obligation until 2026 to guarantee Interface rights of supply, against which the client, in addition to committing to annual minimum volumes, paid to Aquafil USD 24 million in a number of tranches. At June 30, 2021, this deferred revenue (recognised to deferred income) amounts to Euro 10.8 million;
- the deferral of the portion pertaining to future years of the contribution obtained from the European Union for the “EFFECTIVE” research project. 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 2.5 million at June 30, 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.

5.16 Trade payables

The account is comprised of:

(in Euro thousands)	June 2021	December 2020
Trade payables	94,108	62,134
Payables to parent, associates and other related parties	336	403
Payments on account	2,765	6,631
Total	97,209	69,168

This account includes payables related to the normal conduct of commercial activity by the Group, in particular, the purchase of raw materials and external processing services.

The increase strictly relates to the greater volume of activities in H1 2021.

At June 30, there were no debts falling due over five years in the balance sheet.

5.17 Current tax payables

Current tax payables of Euro 1.5 million refer to Group company income tax payables.

6. NOTES TO THE CONSOLIDATED INCOME STATEMENT

6.1 Revenues

The breakdown of revenues is shown below:

	June 2021		June 2020		Change	
	in Euro millions	%	in Euro millions	%	in Euro millions	%
EMEA	167.4	60.9%	133.3	59.9%	34.1	25.6%
North America	58.1	21.2%	55.7	25.0%	2.4	4.4%
Asia and Oceania	48.3	17.6%	33.1	14.9%	15.2	46.0%
Rest of the world	0.9	0.3%	0.7	0.3%	0.2	33.0%
Total	274.7	100.0%	222.7	100.0%	52.0	23.3%

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.

Revenues by Product Line, in addition to the comments on the increase in revenues compared to the previous year, are reported in the above paragraphs, in addition to the Directors' Report.

The revenue account includes, as a direct reduction, "cash discounts", which in the first half of 2021 totalled Euro 1.4 million.

6.2 Other revenues and income

"Other revenues and income" amounts to Euro 2.7 million and refers mainly to:

- Euro 1.3 million in grants received by Aquafil Carpet Recycling #1 and #2 for the Core project involving the recovery of end-of-life carpets;
- Euro 0.5 million of contributions received by Aquafil Jiaxing on investments;
- the portion accruing in the year of the grant for Euro 0.1 million for the effective project, concerning Aquafil S.p.A. and AquafilSLO;
- Euro 0.4 million of other extraordinary income of Aquafil USA related to the indemnification on the acquisition of Aquafil O'Mara.

6.3 Raw material costs

The account includes raw materials and consumables costs, in addition to changes in inventories.

The increase relates to the higher revenues in the period. The account is comprised of:

(in Euro thousands)	June 2021	June 2020
Raw materials and semi-finished goods	120,190	97,710
Ancillaries and consumables	12,745	10,112
Other purchases and finished products	2,559	1,656
Total	135,494	109,477

6.4 Service costs

The account is comprised of:

(in Euro thousands)	June 2021	June 2020
Transport, shipping & customs	9,774	7,099
Electricity, propulsive energy, water and gas	18,203	16,026
Maintenance	4,372	4,317
Services for personnel	1,633	1,351
Technical, ICT, commercial, legal & tax consultancy	4,550	4,026
Insurance	1,274	1,137
Marketing and advertising	1,664	1,629
Cleaning, security and waste disposal	1,845	1,475
Warehousing and external storage	1,920	1,430
External processing	2,052	731
Other sales expenses	100	59
Emoluments of statutory auditors	78	82
Other service costs	1,375	1,674
Rentals and hire	1,261	1,258
Total	50,100	42,296

The increase in service costs follows the increase in production and sales volumes.

6.5 Personnel costs

These costs are broken down as follows:

(in Euro thousands)	June 2021	June 2020
Wages and salaries	43,303	40,025
Social security expenses	9,383	8,617
Post-employment benefit	988	976
Other non-recurring costs	582	1,168
Director fees	1,549	848
Total	55,805	51,635

The increase in personnel costs is primarily due to the greater hours worked in the first half of 2021, 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 personnel costs” refers primarily to personnel costs related to the extraordinary shutdowns of the plant of the company Aquafil Carpet Recycling#1.

The number of employees, broken down by category, is as follows:

	June 2021	June 2020	Average
Managers	49	46	48
Middle managers	142	135	139
White-collar	423	452	438
Blue-collar	2,146	2,154	2,150
Total	2,760	2,787	2,774

6.6 Other operating costs and charges

These costs are broken down as follows:

(in Euro thousands)	June 2021	June 2020
Taxes, duties & sanctions	1,361	1,366
Losses on asset sales	1	288
Other operating charges	278	929
Total	1,640	2,582

The item “Taxes, duties and sanctions” mainly includes the costs for local taxes on real estate.

“Other operating charges” includes mainly costs incurred in H1 2020 regarding penalties received and costs incurred by the subsidiary Aquafil Jiaxing to deal with the COVID-19 emergency.

6.7 Amortisation, depreciation and write-downs of tangible and intangible assets

The account is comprised of:

(in Euro thousands)	June 2021	June 2020
Amortisation	1,702	1,610
Depreciation	16,502	16,570
RoU (Right-of-Use) depreciation	3,823	3,574
Write-down of intangible assets	885	0
Impairment - other tangible assets	400	0
Total	23,312	21,754

For comments on write-downs, reference should be made to paragraphs 5.1 and 5.2.

6.8 Provisions and write-downs

The account is comprised of:

(in Euro thousands)	June 2021	June 2020
Doubtful debt provision	(77)	3
Provisions for risks and charges	128	1,084
Total	51	1,087

6.9 Costs for internal work capitalised

This item, amounting to Euro 3.3 million, refers mainly to the capitalisations made in relation to the following projects:

- Euro 1.3 million for the improvement and technological upgrading of existing plant and equipment;
- Euro 1.3 million for new product development, as described in note 5.1 above;
- Euro 0.2 million for increases in the Group’s production capacity;
- Euro 0.2 million for the “Effective” research project described previously;
- Euro 0.1 million for Information and Communication Technology activities;

6.10 Financial income

The account is comprised of:

(in Euro thousands)	June 2021	June 2020
Derivative financial instruments	338	0
Other interest	5	0
Interest income current accts.	148	197
Total	491	197

6.11 Financial charges

The account is comprised of:

(in Euro thousands)	June 2021	June 2020
Interest on bank loans and borrowings	1,265	1,235
Interest on bonds	1,763	1,817
Interest exp. on current accounts	392	372
Write-down of derivative financial instruments	0	372
Financial charges and interest expense	402	446
Total	3,822	4,241

6.12 Exchange gains and losses

The breakdown of the account is as follows:

(in Euro thousands)	June 2021	June 2020
Total exchange gains	2,735	4,291
Total exchange losses	(2,475)	(1,749)
Total exchange differences	260	2,541

The amount, equal to a gain of Euro 0.3 million for the period ended June 30, 2021, is the net balance between exchange rate gains (realised and unrealised) and exchange rate losses (realised and unrealised).

6.13 Income taxes

The breakdown of the account is as follows:

(in Euro thousands)	June 2021	June 2020
Current taxes	1,865	(561)
Deferred taxes	212	932
Total	2,078	371

Income taxes, which amount to Euro 1.9 million in H1 2021, refer for Euro 1.6 million to income taxes on foreign companies and for Euro 0.3 million to IRAP.

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.

We report that Aquafil S.p.A. for the current year calculated the IRAP payable in accordance with the provisions for financial companies, at a rate of 4.65%.

6.14 Non-recurring items

The account is comprised of:

(in Euro thousands)	June 2021	June 2020
Non-recurring charges	62	519
Expansion costs Aquafil Group	117	231
ACR1 and ACR2 non-recurring costs	560	1,491
Restructuring and other personnel costs	125	510
Charges on investments	83	
Total non-recurring items	947	2,751
Investment income	(443)	0
Total non-recurring income	(443)	0
Non-operating income and charges	504	2,751

The item "Expansion costs Aquafil Group" refers to costs incurred for the incorporation of the subsidiary Aquafil Japan Co. Ltd..

"ACR1 non-recurring costs" primarily relate to costs incurred by Aquafil Carpet Recycling #1, Inc. for extraordinary machine stoppages.

"Restructuring and other personnel costs" refer mainly to the leaving incentive settled by the Parent Company.

6.15 Earnings per share

The breakdown of the account is as follows:

(in Euro thousands)	June 2021	June 2020
Profit attributable to the owners of the Parent	8,911	(1,935)
Weighted average number of shares	50,991	50,991
Earnings/(loss) per share	0.17	(0.04)

We point out that diluted earnings per share is equal to the above-mentioned earnings per share because there are no stock option plans.

7. NET FINANCIAL DEBT

Below is the breakdown of the net financial debt at June 30, 2021 and December 31, 2020, determined in accordance with the ESMA Guidelines (32-382-1138):

Net Financial Debt (in Euro thousands)	June 30, 2021	December 31, 2020
A. Liquidity	165,854	208,954
B. Cash and cash equivalents	0	0
C. Other current financial assets	8,359	834
D. Liquidity (A + B + C)	174,213	209,787
E. Current financial debt (including debt instruments but excluding the current portion of non-current financial debt)	(28)	(131)
F. Current portion of non-current financial debt	(64,136)	(75,833)
G. Current financial debt (E + F)	(64,163)	(75,964)
H. Net current financial debt (G - D)	110,050	133,824
I. Non-current financial debt (excluding current portion and debt instruments)	(204,359)	(262,154)
J. Debt instruments	(90,380)	(90,406)
K. Trade payables and other non-current payables	0	0
L. Non-current financial debt (I + J + K)	(294,739)	(352,560)
M. Total financial debt (H + L)	(184,689)	(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)		<i>of which current portion</i>	<i>of which non-current portion</i>
Net Debt at December 31, 2020	(218,736)	133,824	(352,560)
Net cash flow in the period	(43,100)	(43,100)	
Change in liquidity subject to restrictions	7,525	7,525	
New bank loans and borrowings	0		0
Repayment/reclass. bank loans and borrowings	67,152	12,051	55,101
Repayment/reclass. lease liability	2,029	(354)	2,381
Change in fair value derivatives	338		338
Other changes	104	104	
Net Debt at June 30, 2021	(184,689)	110,050	(294,739)

Regarding indirect debt as defined by the ESMA Guidelines, reference should be made to the comments in paragraphs "5.14 Provisions for risks and charges" and "9.1 Commitments and risks".

8. 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	Related parties	Total	Total book value	% on total account items
Non-current financial assets					
At June 30, 2021	234	79	313	648	48.30%
At December 31, 2020	234	79	313	650	48.15%
Trade receivables					
At June 30, 2021		29	29	30,985	0.09%
At December 31, 2020		66	66	22,015	0.30%
Other current assets					
At June 30, 2021	3,639	10	3,649	17,003	21.46%
At December 31, 2020	3,187		3,187	11,981	26.60%
Non-current financial liabilities					
At June 30, 2021	(1,636)	(2,420)	(4,056)	(294,739)	1.38%
At December 31, 2020	(2,180)	(3,226)	(5,406)	(352,560)	1.53%
Current financial liabilities					
At June 30, 2021	(519)	(2,621)	(3,140)	(64,163)	4.89%
At December 31, 2020	(513)	(2,848)	(3,361)	(75,964)	4.42%
Trade payables					
At June 30, 2021	0	(336)	(336)	(97,209)	0.35%
At December 31, 2020	(62)	(341)	(403)	(69,168)	0.58%
Other current liabilities					
At June 30, 2021	(230)		(230)	(26,618)	0.87%
At December 31, 2020	(230)		(230)	(22,835)	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					
H1 2021		27	27	274,700	0.01%
H1 2020		27	27	222,733	0.01%
Service costs and rent, lease and similar costs					
H1 2021		(212)	(212)	(50,100)	0.42%
H1 2020		(211)	(211)	(42,296)	0.50%
Other operating costs and charges					
H1 2021		(35)	(35)	(1,640)	2.13%
H1 2020		(35)	(35)	(2,582)	1.36%
Financial charges					
H1 2021	(23)	(56)	(79)	(3,822)	2.07%
H1 2020	(28)	(95)	(123)	(4,241)	2.90%

9. OTHER INFORMATION

9.1 Commitments and risks

Other commitments

At June 30, 2021, the Parent Company provided sureties in favour of credit institutions in the interest of subsidiaries for a total of Euro 19.3 million.

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 received on July 15, 2021 from the competent German tax authorities a notice of closure of tax audits relating to the tax years 2013-2017 regarding inter-company transfer pricing. The tax litigation thus settled gives rise to opposing tax effects for the individual companies, Aqualeuna GmbH and Aquafil S.p.A., which offset one another at consolidated level for the Aquafil Group and which, in particular, resulted in:

- a recovery of total taxable income (2013-2017) for Aqualeuna GmbH of Euro 5.9 million almost entirely covered by the use of tax losses carried forward by Aqualeuna GmbH;
- a request for payment of German taxes for a total of Euro 215 thousand;
- the initiation of specific tax procedures for the assessment in Italy of the taxable amounts assessed in Germany, already confirmed for fiscal year 2016 with the assessment notice issued on July 30, 2021 by the Milan Tax Office, Central Directorate for Large Taxpayers, by which it notified Aquafil S.p.A. of the closure of the international "joint audit" procedure, formalised in the previous agreement of April 14, 2021, which entitles the Company to avail of the provisions of Article 31-quater, letter b) of Presidential Decree 600/1973 against double taxation between the German and Italian tax authorities, and therefore to adjust downwards its taxable income in Germany on the 2016 fiscal year, for approx. Euro 1.4 million.

With regards to this matter, it should be noted that the German tax authorities notified Aqualeuna GmbH on July 9, 2021 of the initiation of a tax audit for the periods 2018-2019, which is expected to begin in September 2021, for which, in the event of the emergence of taxable income in Germany, it is expected that the same international joint-audit procedure already tested between the two administrations for the 2016 tax year may be applied, or in any case other possible procedures that are considered to make it possible to recover any amounts arising in Germany for taxation in Italy.

In view of the above, and with the support of tax consultants, no provisions have been made to cover any potential future liabilities.

(ii) Settlement notice for registry tax on sale of Aquafil EP S.p.A.

Settlement notice of December 21, 2017 for Euro 1,343 thousand of registration tax, in addition to penalties and interest, connected with the sale of the share package of Aquafil EP S.p.A. (later becoming Domo Engineering Plastic S.p.A.) on May 31, 2013. Domo Chemicals Italy S.r.l. has provided for the payment of 100% of the tax plus interest. The Company, in turn, paid Domo Chemicals Italy S.r.l. 50% of the due amount, recording in the 2018 financial statements, a receivable from Domo Chemicals Italy S.r.l., confident in the settlement of that due as the notice is considered undisputedly illegitimate by tax consultants. The court of appeals issued its ruling on July 21, 2020, declaring the issues of constitutionality referred to in the dispute (Article 1, paragraph 1084, of the 2019 Budget Law) to be unfounded. On August 4, 2020, the company filed a request for a hearing which, based on the telephone contacts with the Office, should be held next September. It is confirmed, also with the support of tax consultant opinions, that the risk of losing the case is remote.

(iii) Audit of income tax, IRAP and VAT 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 that revealed a number of findings in relation to transfer pricing for a maximum potential risk for the Company of approx. Euro 876 thousand. The company, supported by its consultants' opinions, given the current health emergency, which has not permitted the entering into effective discussions with the authorities concerning numerous disputed aspects, as to both the merits and the amount, specifically concerning the issues raised, has decided in agreement with the Office, to await the arrival of the assessment notice, which is expected by January 31, 2022. Therefore, 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.

(iv) Suspension of VAT refund – 2019 fiscal year

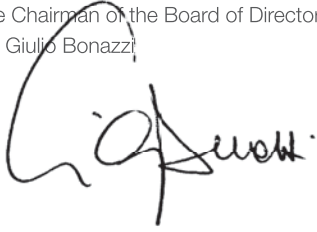
On June 22, 2020, the Company filed for a VAT refund in the amount of Euro 488,147 by way of the 2020 tax return (for 2019 income). The reason given was the lower excess credit not transferable for the payment of group VAT (as per Articles 33 and 73 of Italian Presidential Decree 633/1972). After examining 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, 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.

9.2 Subsequent events

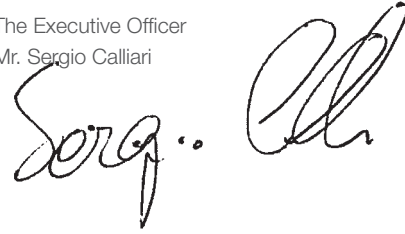
There were no significant events for the Aquafil Group subsequent to the first half of 2021 which could have an impact on the Half-Year Financial Statements at June 30, 2021, with the exception of the new developments regarding the Aqualeuna GmbH tax dispute and in terms of the new digital platform which went online on July 1, 2021, as outlined in the "Significant events after June 30, 2021" section of the Directors' Report.

Arco, September 1, 2021

The Chairman of the Board of Directors
Mr. Giulio Bonazzi



The Executive Officer
Mr. Sergio Calliari





**67 Statement of the Principal Financial Officer
and the Delegated Bodies**

**69 Report on the Audit of the Half-Year
Directors' Report at June 30, 2021**

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, D.lgs. 58/98) ABOUT THE HALF-YEARLY STATEMENTS OF AQUAFIL

1. The **undersigned** Adriano Vivaldi, 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 half-yearly statements as of June 30th, 2021.

2. No relevant issues arose.

3. It is also certified that the half-yearly statements as of June 30th, 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.

The interim management report shall include a reliable analysis of the references to important events that occurred in the first six months of the year and their impact on the consolidated half-yearly financial statement, together with a description of the main risks and uncertainties for the remaining six months of the year. The interim management report shall also include a reliable analysis of information on relevant transactions with related parties.

Arco, September 1st, 2021

Managing Director

Adriano Vivaldi



Principal Financial Officer

Sergio Calliari



Report on the Audit of the Half-Year Directors' Report at June 30, 2021



Independent auditor's report

Aquafil SpA

*Review report on consolidated condensed
interim financial statements as of
30 June 2021*



Review report on consolidated condensed interim financial statements

To the shareholders of
AQUAFIL SPA

Foreword

We have reviewed the accompanying consolidated condensed interim financial statements of AQUAFIL SPA and its subsidiaries (the "AQUAFIL Group") as of 30 June 2021, comprising the statement of financial position, income statement, statement of comprehensive income, cashflow statement, statement of changes in equity and related notes. The directors of AQUAFIL SpA are responsible for the preparation of the consolidated condensed interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

Scope of review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution No. 10867 of 31 July 1997. A review of consolidated condensed interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the consolidated condensed interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the

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accompanying consolidated condensed interim financial statements of AQUAFIL Group as of 30 June 2021 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Trento, 1 September 2021

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.



Aquafil S.p.A.

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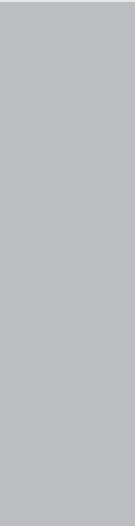
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