Half-year
Directors' Report
at June 30, 2020

2020

AQUAFIL

synthetic fibres and polymers

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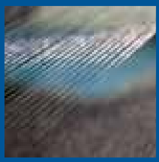

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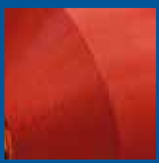

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5 Corporate Boards

Corporate Boards

Board of Directors

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

(*) Non-executive director
(**) Director declaring independence in accordance with Article 147-*ter* of the CFA and Article 3 of the Self-Governance Code.
(***) Lead Independent Director.

Control and Risks Committee

SIMONA HEIDEMPERGHER	Chairperson
FRANCESCO PROFUMO	Member
ILARIA MARIA DALLA RIVA	Member

Appointments and Remuneration Committee

FRANCESCO PROFUMO	Chairperson
ILARIA MARIA DALLA RIVA	Member
MARGHERITA ZAMBON	Member

Supervisory Board

FABIO EGIDI	Chairperson
KARIM TONELLI	Member
MARCO SARGENTI	External member

Board of Statutory Auditors

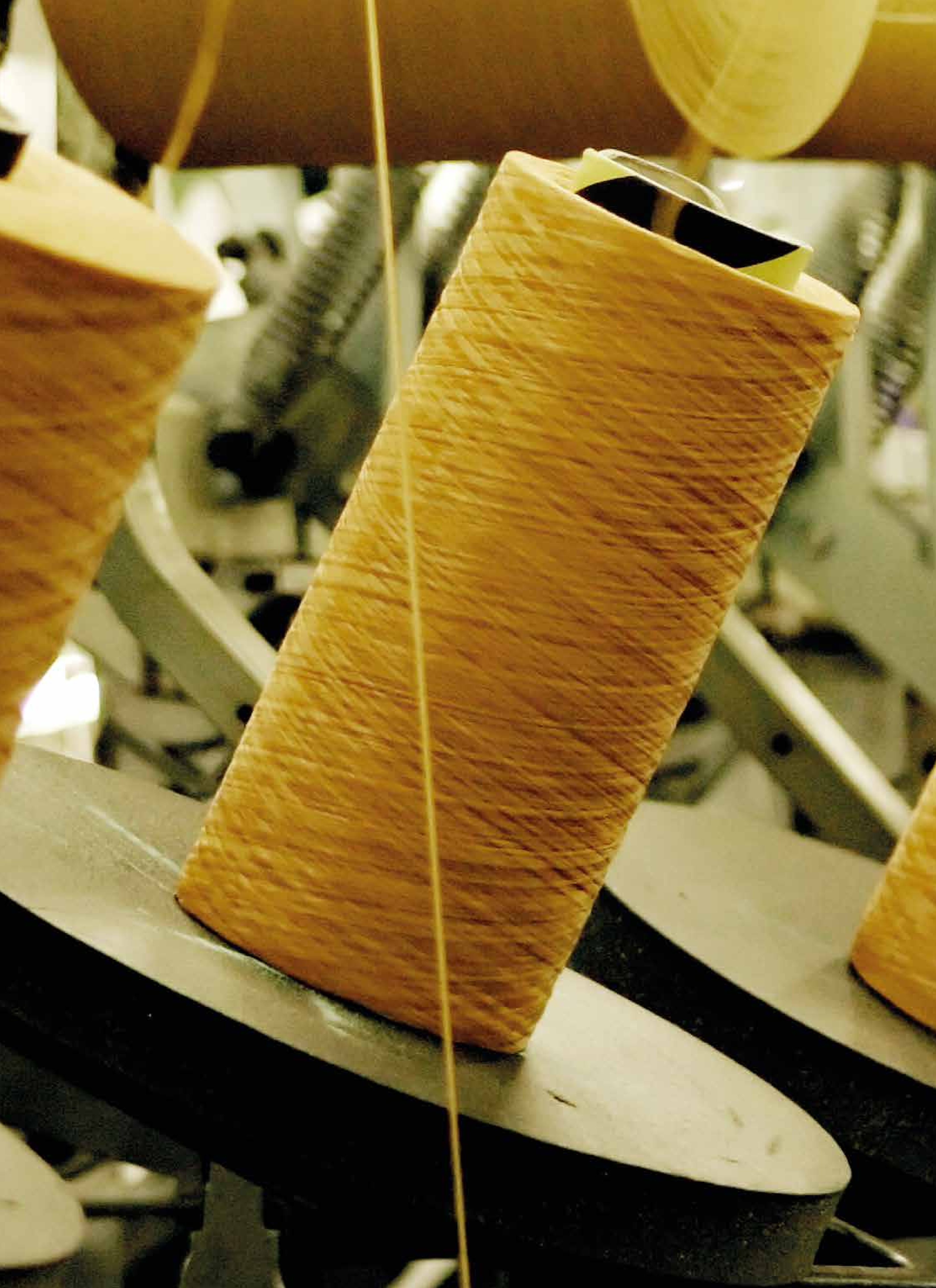
STEFANO POGGI LONGOSTREVI	Chairperson
BETTINA SOLIMANDO	Statutory Auditor
FABIO BUTTIGNON	Statutory Auditor

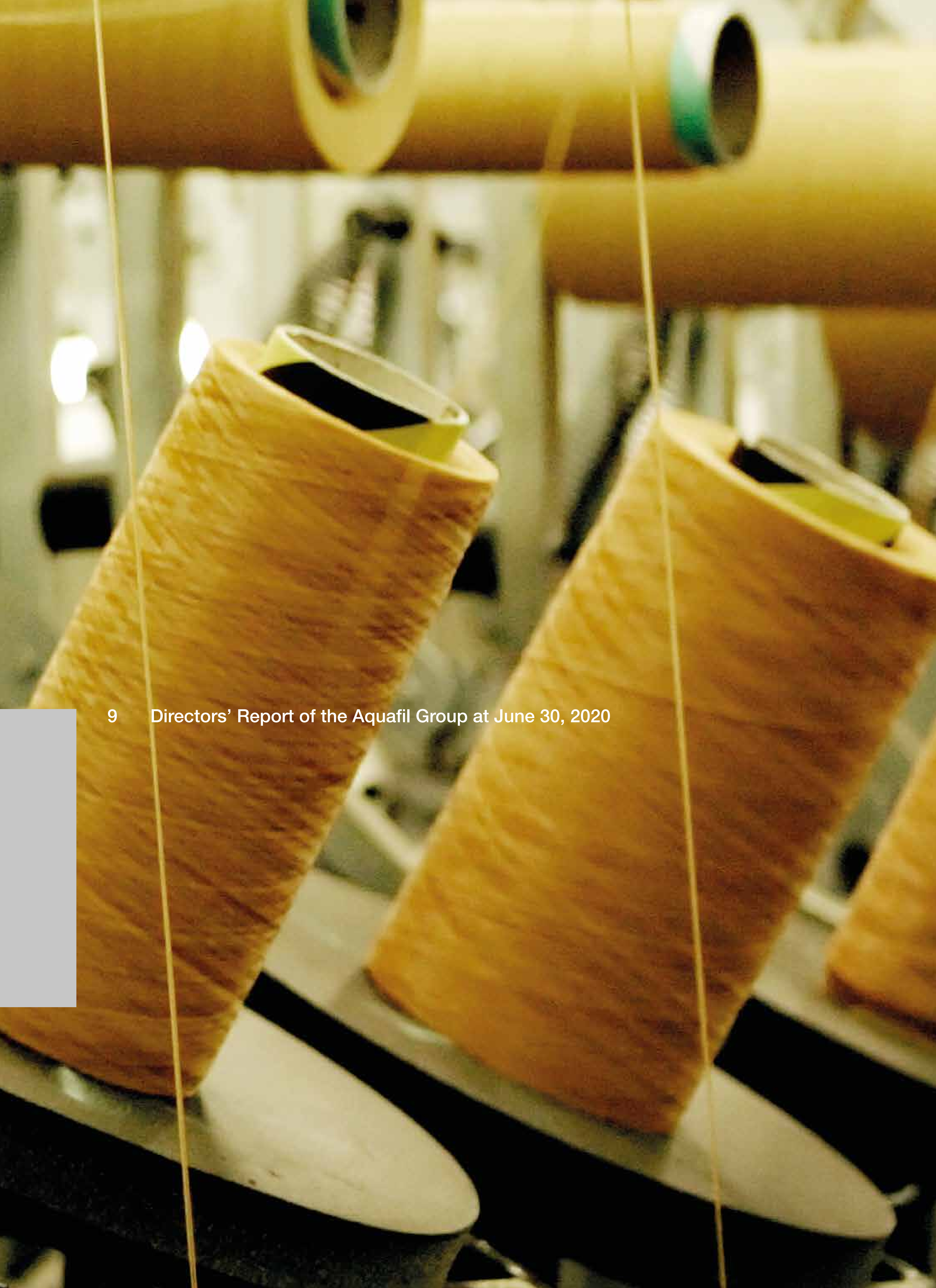
Independent Audit Firm

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 2020. 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, 2020

Directors' Report of the Aquafil Group at June 30, 2020

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

Registered Office: Via Linfano, 9 - Arco (TN) - 38062 - Italy
Telephone: +39 0464 581111- Fax: +39 0464 532267
Certified e-mail: pec.aquafil@aquafil.legalmail.it
E-mail: info@aquafil.com
Website: www.aquafil.com
Share capital (at approval of the Half-Year Financial Statements at June 30, 2020):

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

Tax and VAT number: IT 09652170961
Trento Economic & Administrative Registration No. 228169

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, headquartered in Arco, Italy, boasts 16 plant on 3 continents and in 7 countries (Italy, Slovenia, United Kingdom, Croatia, 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 three 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 polymers, mainly targeting the engineering plastics sector for use in 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 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 and 6.6 synthetic 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 PA6 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.

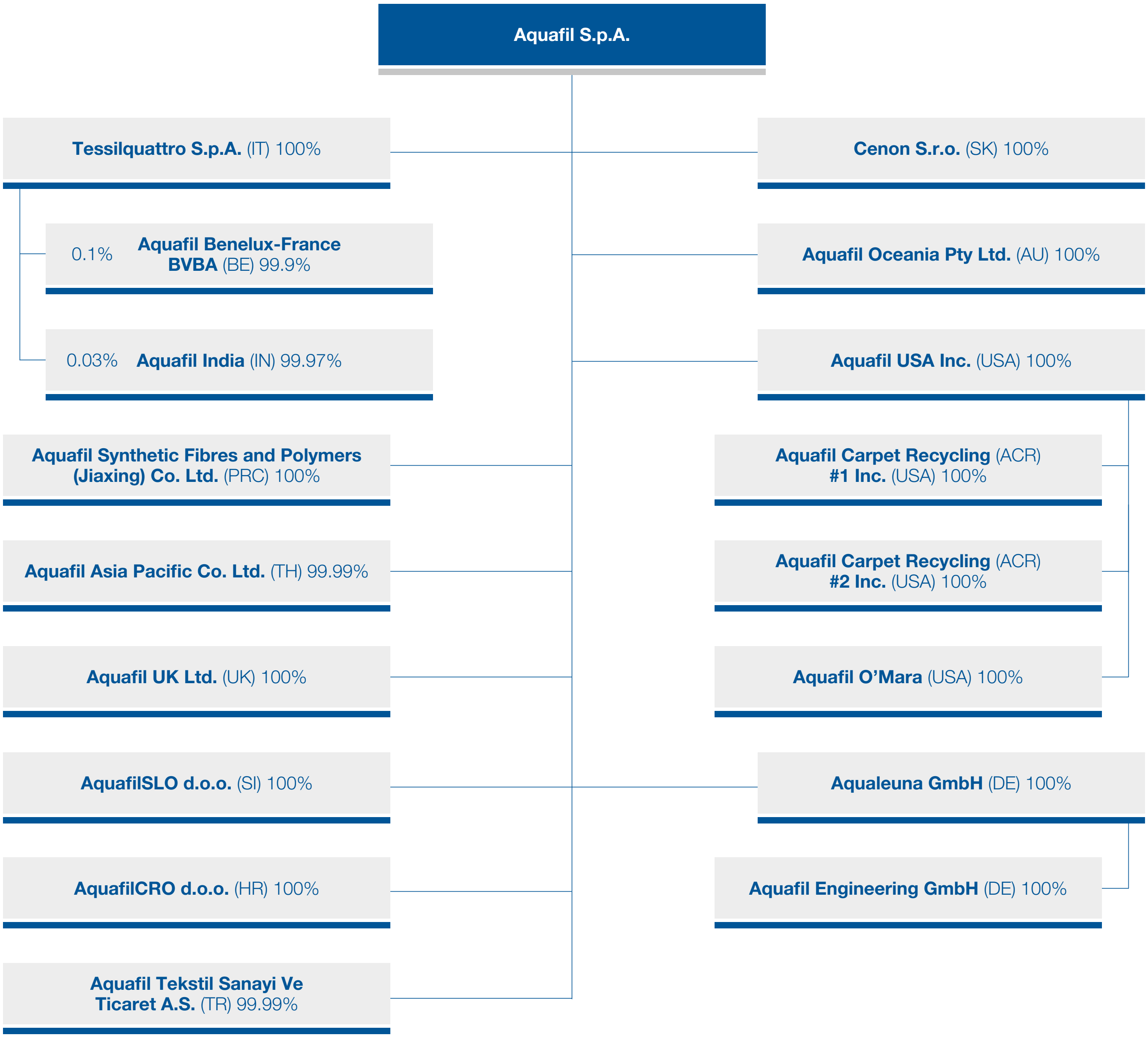
International expansion has enabled the Group to develop and operate on the following markets:

- EMEA and North America for the development, production and marketing of yarns for flooring and products used in clothing and of polymers;
- Asia and Oceania for the production and marketing of textile flooring yarns and polymers.

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

3. CONSOLIDATION SCOPE

The Group consolidates the following 18 companies, with headquarters in Europe, the United States, Asia and Oceania.



4. SIGNIFICANT EVENTS IN THE FIRST HALF OF 2020

Covid-19 emergency

Following the sudden, global spread of the health crisis, in late January 2020 the World Health Organisation declared the Covid-19 epidemic an international public health emergency, and on March 11 it upgraded its definition to pandemic. In Italy, a state of emergency was declared through a number of Prime Ministerial Decrees, and this was recently extended to October 15, 2020. A number of measures were adopted, beginning in some northern areas and later spreading across the rest of the country. Since late March, further measures have been introduced, suspending industrial production for all but a specific group of services. This includes the production of synthetic fibres and related reprocessing activities. The shutdown was extended until May 3; the day after the Prime Ministerial Decree of April 26, 2020, the country moved into the so-called "Phase Two". "Phase Three" began with the Prime Ministerial Decree of June 11, which extended containment measures once again.

While timeframes have differed, the other European countries have followed the same course as that adopted in Italy.

The Aquafil Group reacted promptly at the first signs of the emergency, building on the direct experience gained at the Jiaxing site in China. Production there continued throughout the emergency, albeit in accordance with the stringent health measures imposed by the Chinese authorities. The Group was therefore able to swiftly implement all the necessary measures to guarantee employee health, on the one hand, and ensure safe operative continuity, on the other, often before government provisions required it to do so.

Among the many organisational initiatives introduced to deal with the crisis is remote working: since the earliest stages of the crisis, more than 80% of the Group's Italian and international personnel have been encouraged to work remotely from home or elsewhere. The company has supported its employees by providing appropriate technology and specific training, and this has enabled a significant reduction in exposure to many of the known risk factors, while also maintaining excellent levels of service. Once the most critical phase of the emergency was over, the Aquafil Group allowed its personnel a gradual and carefully managed return to their respective workplaces, where national containment measures permitted. All the steps required by the regulations and protocols of Phase Two were taken to allow employees access to their offices, while remote working remained an option.

The Group carefully managed those employees working at production sites, adopting all the appropriate safety and organisational measures to guarantee social distancing and the restructuring of logistical, operational, prevention and protection activities. This was achieved through training and awareness-raising, personal protective equipment, personal hygiene measures, workplace cleaning and sanitisation, specific procedures for the use of communal services, separate routes through facilities, careful management of supplier relationships and access to facilities, and compliance with regional regulations for cross-border supply chains. All these measures were adopted as indicated by the Competent Authorities, and in close collaboration with Trade Union organisations.

At the governance level, a task force was immediately set up at the highest level of the Group. From the very beginning of the crisis, the Group's top management collaborated with health experts in daily meetings to assess the situation, share updates, consider daily priorities and respond promptly to emerging needs. A single regulatory document was drawn up and shared on the Group's Intranet to provide integration and synergy across all the countries in which the Group operates. The document is constantly updated and brings together the prevention and protection measures required at the Group's facilities.

As testament to the efficacy of the measures adopted by the Group, no case of employee infection was recorded at the Group's sites for the entire duration of the health crisis. The numerous checks carried out on the Group's workplaces by the competent authorities were also consistently positive.

In order to offset the reduced revenues across three continents, the Group companies made use of available social security schemes and instruments provided by national governments. Specifically:
- Italy: Aquafil S.p.A. and Tessilquattro S.p.A. made use of the "Covid" Extraordinary Temporary Lay-Off Scheme for wage subsidies following the suspension or reduction of work;
- Slovenia: AquafilSLO d.o.o. made recourse to the extraordinary salary supplement expressly authorised for the Covid-19 health emergency ("Začasno čakanje na delo");
- China: Aquafil Synthetic Fibres and Polymers Jiaxing Co. Ltd. obtained business and work support contributions;
- USA: Aquafil USA Inc., Aquafil O'Mara Inc. and the Aquafil Carpet Recycling companies obtained corporate financing in support of business and employment (so-called "PPP Loan");
- Great Britain: Aquafil UK Ltd. benefited from an extraordinary wage supplement for the Covid-19 health emergency (Furlough).

The Group workforce decreased from 2935 employees at December 31, 2019 to 2787 at June 30, 2020, a net reduction of 148 employees. 59 of these related to restructuring at the Aqualeuna site and the remaining 89 followed reduced production in Q2.

Engagement and partnership initiatives in the areas in which the Group operates saw companies contribute financial resources to meet the most pressing needs of healthcare facilities.

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 credit risk mitigation strategy which, as part of a specific risk policy, makes use of the coverage provided by insurance policies with leading insurance companies in addition to 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. Even in the current post-Covid-19 scenario, liquidity risk remains limited, and is not expected to be significantly affected for the remainder of 2020.

Against this backdrop, two financial transactions totalling Euro 40 million were executed by the Parent Company with Cassa Depositi e Prestiti S.p.A. in January and April 2020, as described in the Notes. New medium-term funding was partly obtained after period end and partly in the course of preliminary activities by the Parent Company to secure funding from a number of leading banks. These were designed to further strengthen the Group's liquidity and make use of government guarantees to support banks.

The decrease in operating margins on orders in Q2 2020 following the Covid-19 pandemic led to the NFP/EBITDA LTM contractual covenant being exceeded (4.23 real against 3.75 contractual) with two of the Group's lending institutions, Prudential Financial Inc. for bonds and Cassa Depositi e Prestiti S.p.A.; specific waivers were therefore requested and obtained on the H1 2020 financial covenants with the two institutions. Compliance with covenants in the near future will be closely monitored during the second half of the year. Where temporary non-compliance with a covenant at December 31, 2020 appears possible, a waiver request will be made to the relevant lending institutions.

As regards the impacts in H1 2020, please refer to the following pages.

There are no impacts on the Group's other risks.

5. AQUAFIL ON THE STOCK MARKET

At June 30, 2020, the Aquafil share price (ISIN IT0005241192) was Euro 3.90, down approx. 38% on December 30, 2019 (Euro 6.30). This reflects the general decline of the stock market indices: FTSE All Share (-18.7%), FTSE Mid Cap (-18.5%), FTSE MIB (-17.6%).

During the reporting period, Aquafil's share price ranged from a minimum of Euro 2.70 (on April 23, 2020 and March 16, 2020) and a maximum of Euro 6.56 (on February 6, 2020).

The following tables outline Aquafil's share prices and volumes in H1 2020:

Share price	Euro
Price at June 30, 2020	3.90
Maximum price during the period (February 6, 2020)	6.56
Minimum price during the period (April 23, 2020 and March 16, 2020)	2.70
Average price	4.34

Volume traded	No. of shares
Maximum daily trading volume (April 29, 2020)	606,732
Minimum daily trading volume (March 3, 2020)	14,456
Average daily volume traded in the period	131,846

6. AQUAFIL GROUP CONSOLIDATED FINANCIAL HIGHLIGHTS

6.1 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

This was calculated as per Consob Communication of July 28, 2006 and the ESMA/2013/319 Recommendations:

A. Cash
B. Other liquid assets
C. Other current financial assets
D. Liquidity (A + B + C)
E. Current financial receivables
F. Current bank payables
G. Current portion of non-current debt
H. Other current financial payables
I. Current financial debt (F+G+H)
J. Net current financial debt (I - D - E)
K. Non-current bank payables
L. Bonds issued
M. Other non-current payables
N. Non-current financial debt (K + L + M)
O. Net financial debt (J + N)

6.2 KEY GROUP FINANCIAL HIGHLIGHTS

(in thousands of Euro)	**H1 2020**	**H1 2019**
Profit/(loss) for the period	(1,935)	10,654
Income taxes	371	3,637
Investment income and charges		
Amortisation, depreciation and write-downs	21,754	16,574
Provisions & write-downs	1,087	224
Financial items (*)	2,848	4,587
Non-recurring items (**)	2,751	3,396
EBITDA	**26,876**	**39,070**
Revenues	**222,733**	**286,667**
EBITDA margin	**12.1%**	**13.6%**

Euro thousands	**H1 2020**	**H1 2019**
EBITDA	**26,876**	**39,070**
Amortisation, depreciation and write-downs	(21,754)	(16,574)
Provisions & write-downs	(1,087)	(224)
Adjusted EBIT	**4,036**	**22,273**
Revenues	**222,733**	**286,667**
Adjusted EBIT margin	**1.8%**	**7.8%**

(*) Comprises: (i) financial income for Euro 0.2 million, (ii) interest expense on loans and other bank charges for -Euro 4.2 million, (iii) customer cash discounts for -Euro 1.3 million and (iv) net exchange gains for Euro 2.5 million.

(**) Comprises: (i) non-recurring charges related to the expansion of the Aquafil Group for Euro 0.2 million, (ii) non-recurring ECONYL® development charges of Euro 1.5 million, (iii) restructuring charges of Euro 0.5 million and (iv) other non-recurring charges of Euro 0.5 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 the paragraph "Group operating performance" below.

6.3 KEY GROUP BALANCE SHEET AND FINANCIAL INDICATORS

(in Euro thousands)	**At June 30, 2020**	**At December 31, 2019**
Consolidated Shareholders' Equity	136,610	142,336
Net Financial Position	242,249	249,570
EBITDA LTM (Last Twelve Months)	57,214	69,408
NFP/EBITDA RATIO	4.23	3.60
NFP/SE RATIO	1.77	1.75

The comments on the movements in the Net Financial Position are reported in paragraph 9 "Group balance sheet and financial position".

7. H1 2020 CONSOLIDATED INCOME STATEMENT

The H1 2020 Income Statement compared with the previous half year is reported below:

Consolidated Income Statement (in Euro thousands)	**Note**	**H1 2020**	*of which non-recurring*	**H1 2019**	*of which non-recurring*
Revenues	6.1	222,733		286,667	
of which parent companies, related parties		*27*		29	
Other revenues and income	6.2	3,371	*226*	1,181	*95*
Total revenues & other revenues and income		**226,104**	***226***	**287,848**	***95***
Cost of raw materials & changes to inventories	6.3	(109,477)	*(58)*	(148,225)	*(119)*
Service costs and rents, leases and similar costs	6.4	(42,296)	*(1,036)*	(51,191)	*(2,340)*
of which parent companies, related parties		(211)		(219)	
Personnel costs	6.5	(51,635)	*(1,168)*	(54,060)	*(739)*
Other costs and operating charges	6.6	(2,582)	*(716)*	(1,311)	*(293)*
of which parent companies, related parties		(35)		(38)	
Amortization, depreciation & write-downs	6.7	(21,754)		(16,574)	
Provisions & write-downs	6.8	(1,084)		(117)	
Write-downs of financial assets (receivables)	6.8	(3)		(107)	
Increase in internal work capitalised	6.9	2,666		886	
EBIT		**(62)**	***(2,751)***	**17,148**	***(3,396)***
Financial income	6.10	197		1,100	*1,082*
Financial charges	6.11	(4,241)		(3,717)	
of which parent companies, related parties		(123)		(132)	
Exchange gains/losses	6.12	2,541		(241)	
Profit/(loss) before taxes		**(1,564)**	***(2,751)***	**14,291**	***(2,314)***
Income taxes	6.13	(371)	*0*	(3,637)	
Profit/(loss) for the period		**(1,935)**	***(2,751)***	**10,654**	***(2,314)***
Minority interest net profit		0		0	
Group Net Profit/(loss)		**(1,935)**	***(2,751)***	**10,654**	***(2,314)***

7.1 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

H1 revenues were Euro 222.7 million, compared to Euro 286.7 million in H1 2019, a decrease of Euro 63.9 million (-22.3%). At like-for-like consolidation scope (i.e. hereinafter without considering the acquisition of Aquafil O'Mara on May 31, 2019), H1 revenues would have been Euro 211.7 million, compared to Euro 283.6 million in H1 2019, a decrease of Euro 71.8 million (-25.3%).

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

	BCF (fibre for carpet)				**NTF (fibre for fabrics)**				**Polymers**				**Total**			
	H120	**H119**	**Δ**	**Δ%**	**H120**	**H119**	**Δ**	**Δ%**	**H120**	**H119**	**Δ**	**Δ%**	**H120**	**H119**	**Δ**	**Δ%**
EMEA	82.4	108.7	(26.3)	(24.2%)	37.4	48.7	(11.4)	(23.3%)	13.5	19.2	(5.8)	(29.9%)	133.3	176.7	(43.4)	(24.6%)
North America	41.9	55.8	(13.8)	(24.8%)	10.4	2.9	7.6	N.A.	3.3	3.4	(0.1)	(2.4%)	55.7	62.0	(6.3)	(10.2%)
Asia and Oceania	31.5	46.1	(14.6)	(31.7%)	1.6	1.3	0.3	24.3%	0.0	0.2	(0.2)	(94.1%)	33.1	47.6	(14.5)	(30.5%)
RoW	0.1	0.1	0.0	63.6%	0.6	0.5	0.1	29.0%	0	0.0	(0.0)	N.A.	0.7	0.5	0.2	33.6%
Total	**155.9**	**210.6**	**(54.7)**	**(26.0%)**	**50.0**	**53.4**	**(3.4)**	**(6.3%)**	**16.8**	**22.8**	**(6.0)**	**(26.5%)**	**222.7**	**286.8**	**(64.1)**	**(22.3%)**

The comparison indicates the following:

1. **EMEA** revenues were Euro 133.3 million, compared to Euro 176.7 million in the same period of the previous year, a decrease of Euro 43.4 million (-24.6%). Specifically (a) the *BCF* product line reported a decrease of Euro 26.3 million (-24.2%), (b) the *NTF* product line reported a decrease of Euro 11.4 million (-23.3%), and (c) the *polymers* product line reported a decrease of Euro 5.8 million (-29.9%). These changes can be attributed: (i) mainly to the significant drop in demand in Q2 2020 as a result of the Covid-19 pandemic and, in more precise terms, (ii) to the effects of indexing the Aquafil Group's sales prices to the value of its main raw materials, which decreased significantly in the period compared to the previous year;
2. **North American** revenues were Euro 55.7 million, compared to Euro 62 million in the same period of the previous year, a decrease of Euro 6.3 million (-10.2%). At like-for-like consolidation scope, H1 revenues would have been Euro 44.7 million, compared to Euro 58.9 million in H1 2019, a decrease of Euro 14.2 million (-24.1%). These changes can be attributed: (i) mainly to the significant drop in demand registered in Q2 2020 as a result of the Covid-19 pandemic and, in more precise terms, (ii) to the effects of indexing the Aquafil Group's sales prices to the value of its main raw materials, which decreased significantly in the period compared to the previous year. The increase for the NTF product line is entirely due to the change in the consolidation scope following the acquisition of Aquafil O'Mara on May 31, 2019;
3. **Asia Oceania** revenues were Euro 33.1 million, compared to Euro 47.6 million in the same period of the previous year, a decrease of Euro 14.5 million (-30.5%). These changes can be attributed: (i) mainly to the significant drop in demand registered in Q2 2020 as a result of the Covid-19 pandemic and, in more precise terms, (ii) to the effects of indexing the Aquafil Group's sales prices to the value of its main raw materials, which decreased significantly in the period compared to the previous year.

Other revenues and income

Other revenues and income amounted to Euro 3.4 million, compared to Euro 1.2 million in H1 2019, an increase of Euro 2.2 million. This change is chiefly due to employment maintenance subsidies received, largely by the Slovenian subsidiary Aquafil SLO d.o.o 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 109.5 million, compared to Euro 148.2 million in H1 2019, a decrease of Euro 38.7 million (-26.1%). At like-for-like consolidation scope, raw materials, ancillaries and consumables would have totalled Euro 104.8 million, compared to Euro 146.9 million in H1 2019, a decrease of Euro 42.2 million (-28.7%). These changes can be attributed: (i) to lower raw material consumption, due mainly to the significant drop in demand in Q2 2020 as a result of the Covid-19 pandemic and, in more precise terms, (ii) to the lower unit costs of its main raw materials, which decreased significantly in the period compared to the previous year.

Service costs

Service costs totalled Euro 42.3 million, compared to Euro 51.2 million in H1 2019, a decrease of Euro 8.9 million (-17.4%). At like-for-like consolidation scope, service costs would have been Euro 40.0 million, compared to Euro 50.8 million in H1 2019, a decrease of Euro 10.8 million (-21.3%). The decrease is mainly due to lower production in the period compared with the same period of 2019, following the significant drop in demand in Q2 2020 as a result of the Covid-19 pandemic. Not considering "non-recurring costs", service costs represented 18.5% of revenues, compared to 17% in the same period of the previous year. This increase is linked to the fixed component of certain costs included in the account, and therefore not related to changes in revenues.

Personnel costs

Personnel costs were Euro 51.6 million, compared to Euro 54.1 million in H1 2019, a decrease of Euro 2.4 million (-4.5%). At like-for-like consolidation scope, personnel costs would have been Euro 48.4 million, compared to Euro 53.4 million in H1 2019, a decrease of Euro 5.1 million (-9.5%). This reduction is due to the contraction of the workforce, which dropped by 148 compared to December 31, 2019, of which 59 relate to the restructuring of Aqualeuna. This account was also affected by cost-saving measures, including extensive use of social security schemes to cope with the significant drop in demand in Q2 2020 as a result of the Covid-19 pandemic. Personnel costs accounted for 22.7% of revenues, without considering "non-recurring costs", compared to 18.6% in the same period of the previous year. This increase is linked to the fixed component of certain costs included in the account, and therefore not related to changes in revenues.

Other costs and operating charges

Other costs and operating charges amount to Euro 2.6 million (Euro 1.3 million in H1 2019), increasing Euro 1.3 million (+96.6%).

EBITDA

EBITDA, as defined by the alternative performance indicators outlined in the key financial highlights of this report, was Euro 26.9 million, compared to Euro 39.1 million in the same period of the previous year, down Euro 12.2 million (-31.2%). At like-for-like consolidation scope, EBITDA would amount to Euro 26.3 million (Euro 38.4 million in H1 2019), decreasing by Euro 12.1 million (-31.4%).

The decrease is due to the reduced volumes sold in the period following the significant drop in demand in the second quarter of 2020 as a result of the COVID-19 pandemic, which was partially offset by the cost-cutting actions taken.

EBITDA Margin

The EBITDA Margin on revenues in H1 2020 was 12.1% (13.6% in the same period of the previous year). At like-for-like consolidation scope, the EBITDA Margin in the first half was 12.4% (13.5% in the same period of the previous year).

Amortisation, depreciation and write-downs

Amortisation, depreciation and write-downs in H1 2020 amounted to Euro 21.8 million (Euro 16.6 million in the same period of the previous year), increasing by Euro 5.2 million (+31.3%). At like-for-like consolidation scope, amortisation and depreciation would amount to Euro 20.6 million (Euro 16.5 million in the same period of the previous year), increasing by Euro 4.2 million (+25.3%). The increase at like-for-like consolidation scope was due to the entry into service of new investments.

Other provisions

Other provisions in H1 2020 totalled Euro 1.1 million (Euro 0.2 million in the same period of the previous year), increasing Euro 0.9 million. The increase is due to the greater accrual to the risks provision in the period.

EBIT

H1 2020 EBIT reported a loss of Euro 0.1 million (compared to a profit of Euro 17.1 million in the same period of the previous year), a contraction of Euro 17.2 million. At like-for-like consolidation scope, EBIT would total a profit of Euro 0.5 million (Euro 17.5 million in the same period of the previous year), decreasing by Euro 17 million. The decrease is due to the contraction in EBITDA, in addition to higher amortisation and depreciation.

Financial management result

H1 2020 net financial charges were Euro 1.5 million, compared to Euro 2.8 million in the same period of the previous year (improving by Euro 1.3 million). The decrease is due to:

1. net financial charges of Euro 4.2 million compared to, not considering non-recurring income of Euro 1.1 million in 2019, Euro 3.7 million in the same period of the previous year, mainly due to the higher debt (Euro 40 million) undertaken to offset any future liquidity risk, against an almost equal increase in current account balances, substantially non-remunerated, in addition to the worsening bond margin ratchet conditions (+1%) and the update to the MTM value of the parent company's derivative hedging instruments, accounting in the period for Euro 372 thousand, while in H1 2019 penalised for Euro 685 thousand;
2. exchange gains in the period of Euro 2.5 million, compared to net losses of Euro 0.25 million in the same period of the previous year.

Income taxes

Income taxes amounted to Euro 0.4 million (Euro 3.6 million in the same period of the previous year), improving by Euro 3.2 million, with the inclusion of net deferred tax charges of Euro 0.5 million (Euro 3.6 million in H1 2019).

The tax rate, calculated as the ratio of taxes on income, in H1 2020 was 23.7% (25.4% in the same period of the previous year).

Consolidated result

The Group consolidated net result was a loss of Euro 1.9 million (profit of Euro 10.7 million).

8. Q2 2020 CONSOLIDATED INCOME STATEMENT

The interim reporting is supported by a breakdown of the consolidated result for Q2 2020 against the same period of 2019.

Key Financial Highlights (in Euro thousands)	**Q2 2020**	**Q2 2019**
Profit/(loss) for the period	**(6,012)**	**2,958**
Income taxes	(1,201)	1,757
Investment income and charges		
Amortisation, depreciation and write-downs	10,921	8,536
Provisions & write-downs	1,073	189
Financial items	2,501	4,208
Non-recurring items	1,378	2,310
EBITDA	**8,660**	**19,957**
Revenues	82,019	141,339
EBITDA margin	**10.6%**	**14.1%**

(in Euro thousands)	**Q2 2020**	**Q2 2019**
EBITDA	**8,660**	**19,957**
Amortisation, depreciation and write-downs	(10,921)	(8,536)
Provisions & write-downs	(1,073)	(189)
Adjusted EBIT	**(3,334)**	**11,232**
Revenues	82,019	141,339
Adjusted EBIT margin	**(4.1%)**	**7.9%**

Consolidated Income Statement (in Euro thousands)	**Note**	**Q2 2020**	*of which non-recurring*	**Q2 2019**	*of which non-recurring*
Revenues	6.1	82,019	*166*	141,339	
of which parent companies, related parties		*0*		*12*	
Other revenues and income	6.2	2,889	*42*	580	*20*
Total revenues & other revenues and income		**84,909**	***209***	**141,919**	***20***
Cost of raw materials and changes to inventories	6.3	(36,746)	*(46)*	(71,071)	*(19)*
Service costs and rents, leases and similar costs	6.4	(17,194)	*(410)*	(26,410)	*(1,537)*
of which parent companies, related parties		*(102)*		*(116)*	
Personnel costs	6.5	(23,817)	*(544)*	(27,348)	*(600)*
Other costs and operating charges	6.6	(1,436)	*(587)*	(717)	*(174)*
of which related parties		*(17)*		*(23)*	
Amortization, depreciation & write-downs	6.7	(10,921)		(8,536)	
Provisions & write-downs	6.8	(1,070)		(103)	
Write-downs of financial assets (receivables)	6.8	(3)		(86)	
Increase in internal work capitalised	6.9	1,028		415	
EBIT		**(5,250)**	***(1,378)***	**8,063**	***(2,310)***
Financial income	6.10	151		9	*0*
Financial charges	6.11	(2,035)		(2,156)	
of which parent companies, related parties		*(94)*		*(68)*	
Exchange gains/losses	6.12	(78)		(1,202)	
Profit/(loss) before taxes		**(7,213)**	***(1,378)***	**4,714**	***(2,310)***
Income taxes	6.13	1,201		(1,757)	
Profit/(loss) for the period		**(6,012)**	***(1,378)***	**2,958**	***(2,310)***
Minority interest net profit		(0)		(0)	
Group Net Profit/(loss)		**(6,012)**	*(1,378)*	**2,958**	*(2,310)*

8.1 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

Q2 revenues totalled Euro 82.0 million (Euro 141.3 million in Q2 2019), decreasing Euro 59.3 million (-42.0%). At like-for-like consolidation scope (i.e. hereinafter without considering the acquisition of Aquafil O'Mara on May 31, 2019), Q2 revenues would have been Euro 78.4 million, compared to Euro 138.2 million in Q2 2019, a decrease of Euro 59.8 million (-43.2%).

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

	BCF (fibre for carpet)				NTF (fibre for fabrics)				Polymers				Total			
	Q220	Q219	Δ	Δ%	Q220	Q219	Δ	Δ%	Q220	Q219	Δ	Δ%	Q220	Q219	Δ	Δ%
EMEA	30.0	53.9	(23.9)	(44.3%)	12.4	22.5	(10.1)	(44.7%)	5.1	9.1	(4.0)	(44.1%)	47.5	85.5	(38.0)	(44.4%)
North America	17.1	26.3	(9.2)	(35.0%)	3.5	2.9	0.6	22.1%	1.2	2.1	(1.0)	(45.1%)	21.7	31.3	(9.5)	(30.5%)
Asia and Oceania	11.9	23.8	(11.8)	(49.8%)	0.7	0.5	0.1	25.3%	0.0	0.1	(0.1)	(85.8%)	12.6	24.4	(11.8)	(48.3%)
RoW	0	(0.0)	0.0	N.A.	0.1	0.3	(0.2)	(60.2%)	0	0	0	N.A.	0.1	0.3	(0.2)	(60.0%)
Total	**59.0**	**104.0**	**(45.0)**	**(43.2%)**	**16.7**	**26.2**	**(9.5)**	**(36.2%)**	**6.3**	**11.3**	**(5.0)**	**(44.6%)**	**82.0**	**141.3**	**(59.5)**	**(42.0%)**

The comparison indicates the following:

1. **EMEA** revenues were Euro 47.5 million, compared to Euro 85.5 million in the same period of the previous year, down Euro 38.0 million (-44.4%). Specifically (a) the *BCF* product line reported a decrease of Euro 23.9 million (-44.3%), (b) the *NTF* product line reported a decrease of Euro 10.1 million (-44.7%), and (c) the *polymers* product line reported a decrease of Euro 4.0 million (-44.1%). These changes can be attributed: (i) mainly to the significant drop in demand in Q2 2020 as a result of the Covid-19 pandemic and, in more precise terms, (ii) to the effects of indexing the Aquafil Group's sales prices to the value of its main raw materials, which decreased significantly in the period compared to the previous year;
2. **North American** revenues were Euro 21.7 million, compared to Euro 31.3 million in the same period of the previous year, a decrease of Euro 9.5 million (-30.5%). At like-for-like consolidation scope, Q2 revenues would have been Euro 18.1 million, compared to Euro 28.2 million in Q2 2019, a decrease of Euro 10.1 million (-35.7%). These changes can be attributed: (i) mainly to the significant drop in demand in Q2 2020 as a result of the Covid-19 pandemic and, in more precise terms, (ii) to the effects of indexing the Aquafil Group's sales prices to the value of its main raw materials, which decreased significantly in the period compared to the previous year. The increase for the NTF product line is entirely due to the change in the consolidation scope following the acquisition of Aquafil O'Mara on May 31, 2019;
3. **Asia Oceania** revenues were Euro 12.6 million (Euro 24.4 million in the same period of the previous year), contracting Euro 11.8 million (-48.3%). These changes can be attributed: (i) mainly to the significant drop in demand in Q2 2020 as a result of the Covid-19 pandemic and, in more precise terms, (ii) to the effects of indexing the Aquafil Group's sales prices to the value of its main raw materials, which decreased significantly in the period compared to the previous year.

Other revenues and income

Other revenues and income amounted to Euro 2.9 million, compared to Euro 0.6 million in Q2 2019, an increase of Euro 2.3 million. This change is chiefly due to employment maintenance subsidies received, largely by the Slovenian subsidiary Aquafil SLO d.o.o 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 36.7 million, compared to Euro 71.1 million in Q2 2019, a decrease of Euro 34.3 million (-48.3%). At like-for-like consolidation scope, raw materials, ancillaries and consumables would have totalled Euro 35.0 million, compared to Euro 69.8 million in Q2 2019, a decrease of Euro 34.7 million (-49.8%). These changes can be attributed: (i) to lower raw material consumption, due mainly to the significant drop in demand in Q2 2020 as a result of the Covid-19 pandemic and, in more precise terms, (ii) to the lower unit costs of its main raw materials, which decreased significantly in the period compared to the previous year.

Service costs

Service costs totalled Euro 17.2 million, compared to Euro 26.4 million in Q2 2019, a decrease of Euro 9.2 million (-34.9%). At like-for-like consolidation scope, service costs would have been Euro 16.2 million, compared to Euro 26.0 million in Q2 2019, a decrease of Euro 9.8 million (-37.6%). The decrease is mainly due to lower production in the second quarter compared to the same period of the previous year, following the significant drop in demand in Q2 2020 as a result of the Covid-19 pandemic. Not considering "non-recurring costs", service costs represented 20.5% of revenues, compared to 17.6% in the same period of the previous year. This increase is linked to the fixed component of certain costs included in the account, and therefore not related to changes in revenues.

Personnel costs

Personnel costs were Euro 23.8 million, compared to Euro 27.3 million in Q2 2019, a decrease of Euro 3.5 million (-12.9%). At like-for-like consolidation scope, personnel costs would have been Euro 22.4 million, compared to Euro 26.7 million in Q2 2019, a decrease of Euro 4.4 million (-16.3%). This reduction is due to the contraction of the workforce, which dropped by 148 compared to December 31, 2019, of which 59 relate to the restructuring of Aqualeuna. This account was also affected by cost-saving measures, including extensive use of social security schemes to cope with the significant drop in demand in Q2 2020 as a result of the Covid-19 pandemic. Personnel costs accounted for 28.4% of revenues, without considering "non-recurring costs", compared to 18.9% in the same period of the previous year. This increase is linked to the fixed component of certain costs included in the account, and therefore not related to changes in revenues.

Other costs and operating charges

Other costs and operating charges amount to Euro 1.4 million (Euro 0.7 million in Q2 2019), increasing Euro 0.7 million (+100.4%).

EBITDA

EBITDA, as defined by the alternative performance indicators outlined in the key financial highlights of this report, was Euro 8.7 million, compared to Euro 20.0 million in the same period of the previous year, down Euro 11.3 million (-56.6%). At like-for-like consolidation scope, EBITDA would amount to Euro 9.2 million (Euro 19.2 million in the same period of 2019), decreasing by Euro 10.0 million (-52.0%).

The decrease is due to the reduced volumes sold in the period following the significant drop in demand in the second quarter of 2020 as a result of the COVID-19 pandemic, which was partially offset by the cost-cutting actions taken.

EBITDA Margin

The EBITDA Margin on revenues in Q2 2020 was 10.6% (14.1% in the same period of the previous year). At like-for-like consolidation scope, the EBITDA Margin in the first half was 11.8% (13.9% in the same period of the previous year).

Amortisation, depreciation and write-downs

Amortisation, depreciation and write-downs in Q2 2020 amounted to Euro 10.9 million (Euro 8.5 million in the same period of the previous year), increasing by Euro 2.4 million (+28.0%). At like-for-like consolidation scope, amortisation and depreciation would amount to Euro 10.3 million (Euro 8.4 million in the same period of the previous year), increasing by Euro 1.9 million (+22.9%). The increase at like-for-like consolidation scope was due to the entry into service of new investments.

Other provisions

Other provisions in Q2 2020 totalled Euro 1.1 million (Euro 0.2 million in the same period of the previous year), increasing Euro 0.9 million. The increase is due to the greater accrual to the risks provision in the period.

EBIT

H1 2020 EBIT reported a loss of Euro 5.3 million (compared to a profit of Euro 8.1 million in the same period of the previous year), reporting a contraction of Euro 13.3 million. At like-for-like consolidation scope, EBIT would amount to a loss of Euro 4.1 million (profit of Euro 8.4 million in the previous year), contracting Euro 12.5 million. The decrease is due to the contraction in EBITDA, in addition to higher amortisation and depreciation.

Financial management result

Q2 2020 net financial charges were Euro 2.0 million, compared to Euro 3.3 million in the same period of the previous year (improving by Euro 1.3 million). The decrease is due to currency differences, which improved from net losses of Euro 1.2 million in Q2 2019 to almost breakeven in Q2, in addition to financial charges which decreased from Euro 2.2 million to Euro 2 million, mainly due to the increased Group debt and the higher bond debt cost.

Income taxes

Income taxes were positive for Euro 1.2 million, compared to a charge of Euro 1.8 million in the same period of the previous year (improvement of Euro 3.0 million).

Consolidated result

The Group consolidated result reports a loss of Euro 6.0 million, compared to a profit of Euro 3.0 million.

9. GROUP BALANCE SHEET AND FINANCIAL SITUATION

The following table reclassifies the consolidated equity and financial position of the Group at June 30, 2020 and December 31, 2019.

Group Balance Sheet and Financial Situation (in Euro thousands)	**At June 30, 2020**	**At December 31, 2019**	**Change**
Trade receivables	22,426	24,960	(2,534)
Inventories	168,360	184,931	(16,571)
Trade payables	(64,801)	(76,089)	11,287
Tax receivables	1,987	1,639	348
Other current assets	13,096	12,126	970
Other current liabilities	(23,345)	(23,551)	206
Net working capital	**117,722**	**124,016**	**(6,293)**
Property, plant & equipment	244,154	251,492	(7,337)
Intangible assets	22,265	21,101	1,164
Goodwill	13,071	13,029	42
Financial assets	677	669	8
Non-current assets held for sale	0	428	(428)
Net fixed assets	**280,168**	**286,719**	**(6,551)**
Employee benefits	(5,729)	(5,721)	(8)
Other net assets/(liabilities)	(13,302)	(13,109)	(193)
Net capital employed	**378,860**	**391,905**	**(13,046)**
Cash and banks	132,774	90,400	42,374
ST bank payables and loans	(25,807)	(42,153)	16,347
M-LT bank payables and loans	(226,800)	(169,796)	(57,005)
M-LT bond loan	(90,432)	(90,458)	26
ST bond loan	(259)	(3,903)	3,643
Current financial receivables	853	1,637	(784)
Other financial payables	(32,577)	(35,296)	2,718
Net financial position	**(242,249)**	**(249,570)**	**7,320**
Group shareholders' equity	(136,609)	(142,335)	5,725
Minority interest shareholders' equity	(1)	(1)	0
Total net equity	**(136,610)**	**(142,336)**	**5,726**

Net working capital amounted to Euro 117.7 million, decreasing Euro 6.3 million compared to Euro 124.0 million in 2019. The main difference stems from the commercial debt to suppliers, reducing Euro 11.3 million, from Euro 76.1 million to Euro 64.8 million, due to lower purchase volumes and prices in the period;

Inventories decreased from Euro 184.9 million to Euro 168.4 million (reducing Euro 16.6 million), due to the lower quantities of stock and the valuation effect from the reduction in prices of raw materials acquired in the period.

Fixed assets at June 30, 2020 amounted to Euro 280.2 million, a decrease of Euro 6.6 million compared to the previous year, due to the combined effect of:

1. net investment activities in tangible and intangible assets of Euro 15.7 million, compared to Euro 35.5 million in H1 2019;
2. amortisation and depreciation in the year of Euro 21.8 million.

The significant reduction in investment activities is due to the Group's return to growth and the normal modernisation of the Group's production sites, after the extraordinary investment activity over the 2018-2019 period. This had a positive effect in terms of reducing the net financial debt, despite the reduced contribution from operating activities. Specifically, investments in property, plant and equipment are outlined in detail in the Notes and mainly concerned (a) the development of the ECONYL® regeneration process both in Slovenia and in the USA, (b) investments supporting the rapid return streamlining of core production and (c) ordinary annual investments to modernise and technologically develop existing plant. No significant divestments are reported (Euro 0.7 million) The increase in intangible assets is mainly due to (i) Information and Communication Technology operations, (ii) the development of the bio-caprolactam production technology and (iii) development costs for textile fibre samples, which comply with the criteria set out by IAS 38. These changes are also outlined in the Notes.

Shareholders' Equity decreased Euro 5.7 million, from Euro 142.3 million to Euro 136.6 million, substantially due to (a) the consolidated net loss for the period of Euro 1.9 million, (b) currency conversion differences of the financial statements of the companies for Euro 3.6 million and (c) other reserve changes for Euro 0.2 million.

The **Net Financial Position** at June 30, 2020 was a debt position of Euro 242.2 million, compared to Euro 249.6 million at 31/12/2019, improving Euro 7.3 million. The movements are outlined in detail in the consolidated cash flow statement, indicating in particular (a) the cash flows generated from operating activities of Euro 21.7 million, and (b) the impact of the aforementioned investment activities for Euro -15.1 million.

Financial resources were raised during the period by the parent company to mitigate liquidity risks arising from any contraction in Group revenues for extended periods, although in the absence of liquidity requirements in the current period. In this regard, during the period two new medium-term unsecured funding transactions were signed by the parent Aquafil S.p.A. with Cassa Depositi e Prestiti S.p.A. for a total of Euro 40 million, as outlined in the Notes, while (a) loans were repaid mainly in Q1 2020 according to the respective repayment plans and (b) the minibond for the residual debt to the Strategic Fund of Trentino Alto Adige was repaid in advance for a total of Euro 5 million. With the same objective of reducing the Group's liquidity risk, moratoriums on all existing short-term loan instalments were approved, deferring the repayment plans, with a consequent benefit for liquidity against the original repayment commitments of Euro 40.8 million.

Aquafil USA Inc., Aquafil O'Mara Inc. and the Aquafil Carpet Recycling companies obtained corporate financing in support of business and employment: the "Paycheck Protection Program" loans are company loans under the US legislation to support businesses suffering a drop in revenue as a result of the Covid-19 pandemic and were issued to protect jobs. The total amount of the loans obtained in the period by the US Group companies was USD 5.5 million. According to the applicable regulation, the companies may likely request by the end of the current year the conversion of a portion of the loan to a non-repayable grant.

The short-term credit lines granted to the Group companies were entirely available for a total amount at period-end of Euro 84.1 million, and 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 132.7 million was distributed in the current accounts of the various operating companies and responds to the need to contain the Group's liquidity risk, as outlined in the "Covid-19" paragraph of this report, and therefore for amounts well in excess of the ordinary operating needs of the individual companies, even over the longer term. The seeking of new medium-term loans in the second half of 2020 to further boost liquidity is exclusively in response to this strategy to contain liquidity risk, which however is currently not concrete, with competitive lending costs and the option to repay in advance without significant charges where ordinary operating conditions return in the near future.

10. INTERCOMPANY TRANSACTIONS AND TRANSACTIONS WITH RELATED COMPANIES

10.1 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 2020, 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), Aqualeuna GmbH with facilities in Leuna (Germany), operating until October 2019, Aquafil USA Inc. with two facilities in Aquafil Drive and Fiber Drive in Cartersville (U.S.A.), Aquafil Synthetic Fibres and Polymers Co. Ltd with facilities in Jiaxing (China), Aquafil Asia Pacific Co. Ltd with facilities in Rayong (Thailand), Aquafil UK, Ltd. with facilities in Kilbirnie (Scotland), the commercial company Aquafil Benelux-France B.V.B.A. based in Harelbeke (Belgium) and the commercial company Aquafil Oceania Pty Ltd., Melbourne (AUS).

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

NTF Line (Nylon Textile Filament – Fibres for textile/clothing use)
The NTF product line produces and reprocesses polyamide 6 and 66 fibres, Dryarn® polypropylene microfibers for men's and women's hosiery, knitwear and non-run fabrics for underwear, sportswear and special technical applications. The markets concern producers in the clothing, underwear and sportswear sectors, on which the main clothing brands operate.

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

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 (U.S.A.).

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). The company ACR #1 is partially operational in an advanced start-up phase with the processes of extraction of nylon 6 and other by-products from the "end-of-life" carpets and subsequent regranulation in pellets in order to effectively support the ECONYL® industrial process at the Ljubljana plant. ACR #2 is nearing completion in terms of plant engineering and is expected to become fully operational once ACR #1 has fully started up — hopefully by the end of 2020.

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 cannot 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.

In January 2020, Aquafil S.p.A. increased the share capital of Aqualeuna GmbH for a total of Euro 6 million; with this funding, on February 3, 2020, Aqualeuna GmbH and Aquafil Engineering GmbH undertook a corporate restructuring involving the acquisition by Aqualeuna GmbH from Aquafil S.p.A. of the shares held by the latter in Aquafil Engineering GmbH for a total price of Euro 6 million.

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.

10.2 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, 2020, are presented below. The Aquafil Group undertakes commercial and financial transactions with its related companies, consisting of transactions relating to ordinary operations and at normal market conditions, taking into account the features of the goods and services provided.

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

The Aquafil Group undertakes transactions with the following related parties:
- parent company and other companies at the head of the chain of control (parent companies);
- other parties identified as related parties in accordance with IAS 24 (other related parties).

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

The transactions were executed at market conditions; for a breakdown of the income statement and balance sheet amounts generated by related party transactions included in the Group Half-Year Financial Report at June 30, 2020, reference should be made to paragraph 8 of 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.

11. RESEARCH AND DEVELOPMENT

R&D in H1 2020 concerned the 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. Innovation and research concerned the main production process and material employment phases, from raw materials entering production to the subsequent sub-products of polymerisation, spinning and reprocessing and, for ECONYL®, the regeneration of materials, working on efficiencies and performance and also leveraging also on external contributions from market inputs, technological developments, the availability of solutions and new materials and solutions proposed by 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.

In certain cases, research extends to fibre and/or polymer final application sectors and is carried out in collaboration with final application developers.

In H1 2020, research — particularly in terms of the **BCF line** — focused on continuing projects initiated in previous years, relating in particular to fire resistance, stain resistance, the improved efficiency in the tufting of multicoloured yarns and "Carpet Ecodesign", in collaboration with customers and their material suppliers in order to develop sustainable and easily recyclable carpets for the "disassembling" of their components.

The research projects launched in previous years also continued with regard to **NTF product line**, with collaboration and support from external research organisations, for the following projects: development of new types of colour bases for multi-micro-PA6 yarn, new low thermal resistance polyethylene fibres, new anti-static fibre technologies, development of UV protective components for fibres for thin fabrics.

ECONYL® production research and development focused in particular on continuing activities relating to process technology for material recovery from end-of-life polyamide carpeting, undertaken both in Slovenia and in the US plant ACR #1 Inc., waste copper recovery from process supply raw materials, caprolactam purification technology and continuous de-polymerisation process mathematical modelling.

As part of the **bio caprolactam** production project, research was pursued together with Genomatica Inc., San Diego, California (USA) to develop the bio caprolactam and bio nylon 6 production process from renewable raw materials.

In parallel, as part of the "EFFECTIVE" project, coordinated by Aquafil S.p.A. and funded by the Bio-Based Industries Joint Undertaking — BBI JU — as part of the European research programme Horizon 2020, research and development continued as planned, involving the entire production and sales supply chain; as far as bio nylon is concerned, all the steps of the innovative process developed with Genomatica were validated both on a pilot and industrial scale; from these tests, several batches of nylon polymer 6 and NTF and BCF yarns were produced, which in turn were validated in the creation of prototypes of carpets and circular knitted fabrics, providing positive results about the workability of nylon obtained through this new process.

No significant events are reported in terms of **patent activities** in comparison to that detailed in the Directors' Report to the consolidated financial statements at December 31, 2019.

12. CORPORATE GOVERNANCE

On June 18, 2020, the Shareholders' Meeting of the parent company appointed the new Board of Directors, as detailed in paragraph 2 "Corporate Boards" of this report.

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

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

13. OTHER INFORMATION

13.1 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.

13.2 TREASURY SHARES

At June 30, 2020, Aquafil S.p.A. and the other companies of the Group do not own and did not own during the year 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.

13.3 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 2018-2020 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.

13.4 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) Legislative Decree no. 21 of March 1, 2018 concerning "Provisions for implementing the principle of delegation of the code reserve in criminal matters as per Article 1, paragraph 85, letter q) of Law no. 103 of 23/06/2017"; (b) Legislative Decree no. 107 of August 10, 2018, concerning "Domestic law adjustment provisions in view of regulation (EC) no. 596/2014", concerning market abuse and cancellation of Directive 2003/6/EC and Directives 2003/124/EC, 2003/125/EC and 2004/72/EC.

In addition, an assessment was made of the impact on the Model of 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. The formal updating of the Organisational Model with respect to this type of offence, by including it within the sensitive activities listed in Special Part A “Offences against the Public Sector”, will be discussed at upcoming Board of Directors’ meetings, at the same time as the amendments that will become necessary with the publication in the Official Gazette of 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.

13.5 IMPAIRMENT TEST PROCEDURE

The Parent Company adopted an impairment test procedure as per Board of Directors’ motion of February 15, 2019.

14. SIGNIFICANT EVENTS AFTER JUNE 30, 2020

There were no significant events in the Aquafil Group after the end of the period relating to the first half-year of 2020 which could have an impact on the Half-Year Financial Statements at June 30, 2020.

In July 2020, Tessilquattro S.p.A. agreed with Credito Valtellinese S.p.A. a loan of Euro 5 million backed by the SME Guarantee Fund, as per Article 56, paragraph 11 of Legislative Decree no. 18 of 17.3.2020 (“Healthcare Italy” Decree).

On July 23, 2020, the Parent Company received the credit for the VAT refund for the 1997 financial year of approx. Euro 314 thousand, including accrued interest.

New medium-term loans were explored by the parent company with a number of leading credit institutions, to be signed in the second half of 2020 in order to further strengthen Group liquidity, with the use of the SACE guarantee (Legislative Decree no. 23 of 8.4.2020, Article 1, amended with Law no. 40 of 5.6.2020).

15. OUTLOOK

Despite the gradual roll-back of pandemic-related restrictions, forecasts on the development of the health crisis and of a possible economic recovery remain very uncertain.

Assuming an autumn without further outbreaks and the resulting restrictive measures, the Group forecasts revenues and margins to decline by approx. 20% [1] on the previous year.

In particular, the expected development of margins on the one hand benefits both from the activities carried out in the previous year(s) to improve production structures and from the actions taken to mitigate the impact of the pandemic, while on the other does not include the possible positive impacts of the support measures introduced by the U.S. government to protect jobs.

Thanks to an even greater contraction in investments, also following the conclusion of the major investment cycle which was a feature of the two-year period 2018-2019, and the mitigation measures adopted, the Group expects the net financial position to improve by approx. 10%[1].

Arco, August 28, 2020

for the Board of Directors
The Chairman
Mr. Giulio Bonazzi

(1) The changes indicated are calculated by applying the average Euro/Dollar and Euro/CNY exchange rates for the first half of the year to the full year 2020, respectively of 1.10 and 7.75.

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

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Condensed Consolidated Half-Year Financial Statements at June 30, 2020

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

(in Euro thousands)	Note	At June 30, 2020	At December 31, 2019
Intangible assets	5.1	22,265	21,101
Goodwill		13,071	13,029
Property, plant & equipment	5.2	244,154	251,492
Financial assets	5.3	677	765
of which parent companies, related parties		*313*	*313*
Other assets	5.4	1,336	2,189
Deferred tax assets	5.5	10,577	13,636
Total non-current assets		**292,081**	**302,212**
Inventories	5.6	168,360	184,931
Trade receivables	5.7	22,426	24,960
of which parent companies, related parties		*98*	*69*
Financial assets	5.3	853	1,637
Tax receivables	5.8	1,987	1,639
Other assets	5.9	13,096	12,126
of which parent companies, related parties		*2,416*	*2,231*
Cash and cash equivalents	5.10	132,774	90,400
Property, plant & eq. for sale		0	428
Total current assets		**339,496**	**316,120**
Total assets		**631,577**	**618,332**
Share capital	5.11	49,722	49,722
Reserves	5.11	92,377	81,813
Group net result	5.11	(5,490)	10,799
Total parent company share. equity		**136,609**	**142,335**
Min. interest share. equity	5.11	1	1
Minority interest net profit	5.11	0	0
Total consolidated net equity		**136,610**	**142,336**
Employee benefits	5.12	5,729	5,721
Financial liabilities	5.13	341,414	286,970
of which parent companies, related parties		*7,241*	*9,624*
Provisions for risks and charges	5.14	1,963	1,508
Deferred tax liabilities	5.5	8,997	10,915
Other liabilities	5.15	13,600	15,383
Total non-current liabilities		**371,704**	**320,497**
Financial liabilities	5.13	34,462	54,733
of which parent companies, related parties		*3,556*	*3,572*
Current tax payables	5.17	655	1,127
Trade payables	5.16	64,801	76,089
of which parent companies, related parties		*406*	*127*
Other liabilities	5.15	23,345	23,551
of which parent companies, related parties		*230*	*236*
Total current liabilities		**123,263**	**155,499**
Total shareholders' equity & liabilities		**631,577**	**618,332**

CONSOLIDATED INCOME STATEMENT

(in Euro thousands)	Note	At June 30, 2020	*of which non-recurring*	At June 30, 2019	*of which non-recurring*
Revenues	6.1	222,733		286,667	
of which parent companies, related parties		*27*		*29*	
Other revenues and income	6.2	3,371	*226*	1,181	*95*
Total revenues and other revenues and income		**226,104**	***226***	**287,848**	***95***
Cost of raw materials and changes to inventories	6.3	(109,477)	*(58)*	(148,225)	*(119)*
Service costs and rents, leases and similar costs	6.4	(42,296)	*(1,036)*	(51,191)	*(2,340)*
of which parent companies, related parties		*(211)*		*(219)*	
Personnel costs	6.5	(51,635)	*(1,168)*	(54,060)	*(739)*
Other costs and operating charges	6.6	(2,582)	*(716)*	(1,311)	*(293)*
of which related parties		*(35)*		*(38)*	
Amortization, depreciation & write-downs	6.7	(21,754)		(16,574)	
Provisions & write-downs	6.8	(1,084)		(117)	
Write-downs of financial assets (receivables)	6.8	(3)		(107)	
Increase in internal work capitalised	6.9	2,666		886	
EBIT		**(62)**	***(2,751)***	**17,148**	***(3,396)***
Financial income	6.10	197		1,100	1,082
Financial charges	6.11	(4,241)		(3,717)	
of which parent companies, related parties		*(123)*		(132)	
Exchange gains/losses	6.12	2,541		(241)	
Profit/(loss) before taxes		**(1,564)**	***(2,751)***	**14,291**	***(2,314)***
Income taxes	6.13	(371)	0	(3,637)	
Profit/(loss) for the period		**(1,935)**	***(2,751)***	**10,654**	***(2,314)***
Minority interest net profit/(loss)		0		0	
Group Net Profit /(loss)		**(1,935)**	**(2,751)**	**10,654**	**(2,314)**

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(in Euro thousands)	Note	At June 30, 2020	At June 30, 2019
Profit/(loss) for the period		**(1,935)**	**10,654**
Actuarial gains/(losses)		**(10)**	**(222)**
Tax effect from actuarial gains and losses		2	53
Other income items not to be reversed in income statement in subsequent periods		(8)	(169)
Currency difference from conversion of financial statements in currencies other than the Euro		**(3,547)**	**496**
Other income items to be reversed to income statement in subsequent periods		**(3,547)**	**496**
Total comprehensive income		(5,490)	10,981
Minority interest comprehensive income		**0**	**0**
Profit/(loss) for the period	5.11	**(5,490)**	**10,981**

CONSOLIDATED CASH FLOW STATEMENT

(in Euro thousands)	Note	At June 30, 2020	At June 30, 2019
Operating activities			
Profit/(loss) for the period		(1,935)	10,654
of which parent companies, related parties		*(342)*	*(360)*
Income taxes	6.13	371	3,637
Financial income	6.10	(197)	(1,100)
Financial charges	6.11	4,241	3,717
of which related parties:		*123*	*132*
Exchange gains/(losses)	6.12	(2,541)	241
Asset disposal (gains)/losses		(72)	(148)
Provisions & write-downs	6.8	1,087	224
Amortisation, depreciation & write-downs of tangible and intangible assets	6.7	21,761	16,572
Non-monetary change IFRS 16	5.2	(1,206)	(2,976)
Cash flow from operating activities before working capital changes		**21,508**	**30,820**
Decrease/(Increase) in inventories	5.6	16,571	1,313
Increase/(Decrease) in trade payables	5.16	(11,287)	(19,584)
of which parent companies, related parties		*279*	*(611)*
Decrease/(Increase) in trade receivables	5.7	2,531	(4,966)
of which parent companies, related parties		*(29)*	*36*
Changes to assets and liabilities		(3,640)	402
of which parent companies, related parties		*(191)*	*681*
Net paid financial charges		(4,044)	(1,593)
Income taxes paid		610	(713)
Utilisation of provisions		(571)	(58)
Cash flow generated/(absorbed) from Operating Activities (A)		**21,678**	**5,621**
Investing activities			
Investments in tangible assets	5.2	(12,120)	(30,421)
Disposal of tangible assets	5.2	584	183
Investments in intangible assets	5.1	(2,979)	(2,319)
Disposal of intangible assets	5.1	167	7
Business combinations Aquafil O'Mara		0	(35,618)
of which fixed assets		*0*	*(15,060)*
of which goodwill		*0*	*(14,040)*
of which liquidity		*0*	*112*
of which current assets		*0*	*(6,630)*
Cash flow generated by investing activities (B)		**(14,348)**	**(68,168)**
Financing activities			
Drawdown non-current bank loans and borrowings		45,059	73,000
Repayment non-current bank loans and borrowings		(7,991)	(11,320)
Net changes in current financial assets and liabilities		(2,024)	(1,105)
of which related parties:		*(2,400)*	*2,030*
Distribution dividends		0	(12,273)
of which related parties:		*0*	*(7,316)*
Cash flow from generated/(absorbed) by financing activities (C)		**35,044**	**48,301**
Net cash flow in the period (A) + (B) + (C)		**42,375**	**(14,245)**
Opening cash and cash equivalents	5.10	90,400	103,277
Closing cash and cash equivalents	5.10	132,774	89,032

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(in Euro thousands)	Share capital	Legal reserve	Translation reserve	Share premium reserve	Listing costs reserve
At December 31, 2018	**49,723**	**8**	**(11,415)**	**19,975**	**(3,287)**
Sale minority interest					
Other changes					
Allocation of prior year result		509			
Distribution dividends					
Profit/(loss) for the period					
Actuarial gains/(losses) employee benefits					
Translation difference			1,901		
Total comprehensive profit			**1,901**		
At December 31, 2019	**49,723**	**517**	**(9,514)**	**19,975**	**(3,287)**
Sale minority interest					
Other changes					
Allocation of prior year result		148			
Distribution of dividends					
Profit/(loss) for the period					
Actuarial gains/(losses) employee benefits					
Translation difference			(3,547)		
Total comprehensive income for the period			**(3,547)**		
At June 30, 2020	**49,723**	**665**	**(13,061)**	**19,975**	**(3,287)**

	FTA reserve	IAS 19 Reserve	Retained earnings	Net Profit for the period	Total net equity shareholders of the parent company	Minority interest shareholders' equity	Total consolidated shareholders' equity
	(2,389)	(542)	61,641	30,097	143,810	1	143,811
							0
					0		0
			29,588	(30,097)			
			(12,273)		(12,273)		(12,273)
				9,005	9,005		9,005
		(107)			(107)		(107)
					1,901		1,901
		(107)		9,005	10,799		10,799
	(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)	0	(8)
					(3,547)	0	(3,547)
		(8)		(1,935)	(5,490)	0	(5,490)
	(2,389)	(657)	87,577	(1,935)	136,608	1	136,609

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®

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Notes to the Condensed Consolidated Half-Year Financial Statements at June 30, 2020

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 however does not exercise management and co-ordination activities. The ultimate parent company, which draws up specific consolidated financial statements, is GB&P S.r.l. with registered office in Via Leone XIII no. 14, 20145 Milan, Italy.

The Aquafil Group produces and sells 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, both directly and indirectly through its subsidiaries and/or associate companies.

1.2 Contents, presentation and accounting policies of the Condensed Consolidated Half-Year Financial Statements at June 30, 2020

The consolidated half-year report of the Aquafil Group at June 30, 2020 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 was prepared separately from the comprehensive income statement, and was prepared classifying operating costs by expense type;
- the comprehensive income statement which includes, in addition to the result for the period, also the changes to equity relating to income items which, in accordance with International Accounting Standards, are recognised under equity;
- the cash flow statement prepared in accordance with the “indirect method”;
- the changes in consolidated shareholders’ equity;
- the explanatory notes.

These consolidated financial statements (hereafter the “financial statements”) include the comparative figures, as per IAS 34, or rather (i) the figures at December 31, 2019 for the consolidated balance sheet and the movements in consolidated shareholders’ equity (ii) the figures relating to H1 2019 for the consolidated income statement, the comprehensive consolidated income statement and the consolidated cash flow statement.

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, 2019, 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, 2020.

The Half-Year Financial Report should therefore be read together with the 2019 Group Annual Financial Report.

The Half-Year Financial Report at June 30, 2020 of the Aquafil Group was subject to a limited audit by PricewaterhouseCoopers and was approved by the Board of Directors on August 28, 2020, 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.

That outlined above however concerns seasonality under normal conditions. 2020 has however been significantly shaped by the Covid-19 pandemic, as outlined in the following paragraph, which clearly altered the usual dynamic.

1.4 Disclosure upon the Covid-19 emergency

As outlined in detail in the Directors' Report, the Group quickly reacted to the restrictions imposed in view of the Covid-19 outbreak, particularly adopting a number of organisational measures to manage financial risks (in this regard, see also the following paragraph) 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.

Despite this, and considering also that during the most challenging period of the emergency the various Group companies were able to utilise the social security schemes and instruments made available by the various national Governments, the first half of 2020 inevitably reports a significant contraction in revenues, as a result of the drop in market demand, which was heavily impacted by the lockdown. This reduction therefore also impacted margins, which decreased on the same period of the previous year and against that originally forecast in the budget. In particular, as outlined in detail in the Directors' Report, revenues and EBITDA respectively contracted 22.3% and 31.2% on the first half of 2019, while the net financial position, thanks to the actions taken by the Group, including the postponing of investments, improved from a net debt of Euro 249.6 million at December 31, 2019 to a net debt of Euro 242.2 million at June 30, 2020.

The decrease in operating margins, as indicated above, led to the NFP/EBITDA LTM contractual covenant being exceeded (4.23 real against 3.75 contractual) with two of the Group's lending institutions, Prudential Financial Inc. and Cassa Depositi e Prestiti S.p.A.. It is highlighted however that, ahead of the exceeding of the threshold, the parent company had already (before June 30, 2020) requested from both institutions' specific waivers ("holiday period") on the application of the covenants.

Although it is very difficult to make reliable forecasts on the development of the global economy over the coming months, on the basis of the information that can be currently forecast, we expect sales and margins to contract by approx. 20% on the previous year. This situation was therefore prudentially considered in the assessments made regarding the recoverability of the Group's assets.

In particular, it should be noted that the impairment tests (i) carried out in accordance with IAS 36 (as described in the "Recoverability - Impairment test" section below) and (ii) at June 30, 2020, were prepared taking into account these valuations and no impairment of assets emerged.

It should also be noted that, on the basis the development of the markets over the next six months, compliance with the above covenants could also be at risk at December 31, 2020. This situation is however monitored continually, so that the parent company may agree in a timely manner further waiver or “holiday periods” with the lending institutions. In fact, it is believed that even if such a situation were to occur, it would still be of a temporary nature, as the Group has a financial structure and balance sheet solidity such as to allow negotiations with credit institutions without any particular difficulties.

In general, it can therefore be stated that currently 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 its going concern.

1.5 Financial risk management

As previously outlined, the Covid-19 pandemic has caused, particularly in the second quarter of 2020, a significant drop in revenues and margins following the fall in demand.

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 credit risk mitigation strategy which, as part of a specific risk policy, makes use of the coverage provided by insurance policies with leading insurance companies in addition to 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. Even in the current post-Covid-19 scenario, liquidity risk remains limited, and is not expected to be significantly affected for the remainder of 2020.

Against this backdrop, two financial transactions totalling Euro 40 million were executed by the Parent Company with Cassa Depositi e Prestiti S.p.A. in January and April 2020. New medium-term funding was partly obtained after period end and partly in the course of preliminary activities by the Parent Company to secure funding from a number of leading banks. These were designed to further strengthen the Group’s liquidity and make use of government guarantees to support banks.

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, 2019 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, 2020:

Company	Registered office	Share capital	H1 2020 Net Profit	Currency	Group holding	% of votes	Consoli-dation method
Parent Company:							
Aquafil S.p.A.	Arco (IT)	49,722,417	7,822,353	Euro			
Subsidiary companies:							
Aquafil SLO d.o.o.	Ljubjiana (SLO)	50,135,728	(2,200,504)	Euro	100.00%	100.00%	Line-by-line
Aquafil USA Inc.	Cartersville (USA)	77,100,000	700,796	US Dollar	100.00%	100.00%	Line-by-line
Tessilquattro S.p.A.	Arco (IT)	3,380,000	(384,173)	Euro	100.00%	100.00%	Line-by-line
Aquafil Jiaxing Co. Ltd.	Jiaxing (CHN)	355,093,402	16,450,826	Chinese Yuan	100.00%	100.00%	Line-by-line
Aquafil UK Ltd.	Ayrshire (UK)	1,750,000	(457,950)	UK Sterling	100.00%	100.00%	Line-by-line
Aquafil CRO d.o.o.	Oroslavje (CRO)	71,100,000	3,131,846	Croatian Kuna	100.00%	100.00%	Line-by-line
Aquafil Asia Pacific Co. Ltd.	Rayoung (THA)	53,965,000	17,730,245	Baht	99.99%	99.99%	Line-by-line
Aqualeuna GmbH	Leuna (GER)	2,325,000	(978,503)	Euro	100.00%	100.00%	Line-by-line
Aquafil Engineering GmbH	Berlino (GER)	255,646	(11,418)	Euro	100.00%	100.00%	Line-by-line
Aquafil Tekstil Sanayi Ve Ticaret A.S.	Istanbul (TUR)	1,512,000	(278,560)	Turkish Lira	99.99%	99.99%	Line-by-line
Aquafil Benelux France B.V.B.A.	Harelbake (BEL)	20,000	37,698	Euro	100.00%	100.00%	Line-by-line
Cenon S.r.o.	Zilina (SLO)	26,472,682	(61,520)	Euro	100.00%	100.00%	Line-by-line
Aquafil Carpet Recycling #1. Inc.	Phoenix (USA)	250,000	(3,354,426)	US Dollar	100.00%	100.00%	Line-by-line
Aquafil Carpet Recycling #2. Inc.	Woodland California (USA)	250,000	(1,178,474)	US Dollar	100.00%	100.00%	Line-by-line
Aquafil Oceania Ltd.	Melbourne (AUS)	49,990	48,353	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	(660,873)	US Dollar	100.00%	100.00%	Line-by-line

At June 30, 2020 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, 2019.

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 2020		December 2019		June 2019	
	Period-end exchange rate	Average exchange rate	Period-end exchange rate	Average exchange rate	Period-end exchange rate	Average exchange rate
US Dollar	1.1198	1.1021	1.1234	1.1195	1.1380	1.1298
Croatian Kuna	7.5708	7.5336	7.4395	7.4180	7.3973	7.4200
Chinese Yuan	7.9219	7.7509	7.8205	7.7355	7.8185	7.6678
Turkish Lira	7.6761	7.1523	6.6843	6.3578	6.5655	6.3562
Baht	34.6240	34.8239	33.4150	34.7570	34.8970	35.7137
UK Sterling	0.9124	0.8746	0.8508	0.8778	0.8966	0.8736
Australian Dollar	1.6344	1.6775	1.5995	1.61088	1.6244	1.6003

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, 2020:

(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	1,530	0	0	1,530
Trade receivables	0	22,426	0	0	22,426
Tax receivables	0	1,987	0	0	1,987
Other current & non-current assets	0	14,432	0	0	14,432
Cash and cash equivalents	0	132,774	0	0	132,774
Total	**0**	**173,149**	**0**	**0**	**173,149**
Current and non-current financial liabilities	1,166	0	0	374,710	375,876
Trade payables	0	0	0	64,801	64,801
Other current and non-current liabilities	0	0	0	36,945	36,945
Total	**1,166**	**0**	**0**	**476,457**	**477,622**

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:

(in Euro thousands)	Development costs	Patents & property rights	Trademarks, concessions and licenses	Other intangible assets	Intangible assets in progress	Non Contractual Customer relationships	Total
Balance at December 31, 2018	**0**	**804**	**680**	**3,592**	**5,663**	**5,253**	**15,992**
– *Historic cost*	*0*	*5,220*	*4,710*	*13,646*	*5,663*	*5,730*	*34,969*
– *Accumulated amortisation*	*0*	*(4,416)*	*(4,030)*	*(10,054)*	*0*	*(477)*	*(18,977)*
Entry during year	0	0	0	132	0	0	132
Reclassifications	0	0	72	392	(392)	0	72
Increase	1,812	0	85	1,491	4,489	0	7,876
Decreases	0	0	0	(2)	0	0	(2)
Amortisation	0	(450)	(301)	(1,538)	0	(729)	(3,018)
Exchange differences	0	0	1	4	0	45	49
Balance at December 31, 2019	**1,812**	**356**	**535**	**4,070**	**9,760**	**4,568**	**21,101**
– *Historic cost*	*1,812*	*5,218*	*4,868*	*15,327*	*9,760*	*5,770*	*42,756*
– *Accumulated amortisation*	*0*	*(4,863)*	*(4,332)*	*(11,257)*	*0*	*(1,202)*	*(21,655)*
Reclassifications	0	0	16	1	0	0	17
Increases	650	0	54	110	2,163	0	2,977
Decreases	0	0	(67)	0	(100)	0	(167)
Amortisation	(216)	(225)	(73)	(733)	0	(364)	(1,610)
Exchange differences	0	0	(1)	(2)	0	(51)	(53)
Balance at June 30, 2020	**2,246**	**131**	**464**	**3,447**	**11,824**	**4,153**	**22,265**
– *Historic cost*	*2,462*	*5,210*	*4,870*	*15,433*	*11,824*	*5,696*	*45,494*
– *Accumulated amortisation*	*(216)*	*(5,079)*	*(4,405)*	*(11,986)*	*0*	*(1,543)*	*(23,228)*

The increases in the year, overall amounting to Euro 3 million, principally relate to:

- approx. Euro 1.2 million relating to the development of a bio-caprolactam production process and consequently of bio-nylon 6 from renewable raw materials, as well as their validation through the creation of prototypes.
  The total amount mainly concerns Euro 1 million regarding the long-term agreement with the US company Genomatica Inc. and for Euro 0.2 million costs for the Effective project;
- for approx. Euro 0.9 million to the Information and Communication Technology activities represented by the costs of developing specific software implementation projects;
- for approx. Euro 0.6 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.

It should be noted that the “Non Contractual Customer relationships” refer to the purchase made in 2018 of assets from an international player in the form of customer lists and production formulas, relating to the BCF line.

5.2 Property, plant & equipment

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

(in Euro thousands)	Land & buildings	Plant and Machinery	Industrial & commercial equipment	Other assets	Assets in progress	Investment property	Right-of-Use	Total
Balance at December 31, 2018	**53,665**	**92,540**	**624**	**2,194**	**40,299**	**339**	**0**	**189,661**
– *Historic cost*	*103,143*	*393,391*	*10,876*	*6,301*	*40,299*	*755*	*0*	*554,766*
– *Accumulated depreciation*	*(49,479)*	*(300,850)*	*(10,252)*	*(4,107)*	*0*	*(417)*	*0*	*(365,105)*
IFRS 16 effect at January 1, 2019	0	0	0	0	0	0	28,718	28,718
Change in consolidation scope	4,041	13,887	0	521	102	0	0	18,553
Reclassifications	3,633	35,163	25	16	(39,380)	43	0	(500)
Increase	3,519	18,337	80	869	25,395	0	5,794	53,993
Decreases	0	(196)	(1)	(27)	(314)	0	(4,893)	(5,434)
Depreciation	(3,795)	(23,391)	(250)	(822)	0	(11)	(6,482)	(34,751)
Exchange differences	151	394	4	26	500	0	177	1,252
Balance at December 31, 2019	**61,214**	**136,734**	**482**	**2,778**	**26,602**	**368**	**23,314**	**251,492**
– *Historic cost*	*114,516*	*442,257*	*10,984*	*7,399*	*26,602*	*793*	*28,676*	*631,228*
– *Accumulated depreciation*	*(53,303)*	*(305,523)*	*(10,503)*	*(4,621)*	*0*	*(425)*	*(5,362)*	*(379,736)*
Reclassifications	(14)	4,116	12	58	(4,190)	0	0	(17)
Increases	142	2,027	15	166	9,771	0	6,665	18,786
Decreases net of the provision	0	(218)	0	(313)	19	0	(5,460)	(5,972)
Depreciation	(2,182)	(13,924)	(122)	(334)	0	(6)	(3,576)	(20,144)
Exchange differences	(160)	167	(5)	2	2	0	3	9
Balance at June 30, 2020	**58,999**	**128,903**	**382**	**2,357**	**32,204**	**362**	**20,947**	**244,154**
– *Historic cost*	*114,402*	*471,380*	*10,976*	*7,310*	*32,204*	*793*	*28,647*	*665,712*
– *Accumulated depreciation*	*(55,403)*	*(342,477)*	*(10,594)*	*(4,953)*	*0*	*(431)*	*(7,700)*	*(421,558)*

The increases in the period, deducted by the relative decreases, amounting to Euro 12.8 million principally refer to:

- for Euro 2.9 million, the increase in the production capacity of ECONYL® regenerated caprolactam, through the development and initiation of the complex and innovative carpet recovery technology of the two plants ACR #1 Inc. and ACR #2 Inc., as well as the increase in the production capacity of the AquafilSLO d.d. caprolactam production plant;
- for Euro 3.7 million, the increase in industrial efficiency and the optimisation of utilities and consumables;
- for Euro 6.2 million, projects to improve production and industrial efficiency.

Overall, assets in progress mainly included investments made on the plant of ACR #2 Inc. for Euro 13.6 million, of AquafilSLO d.d for Euro 10.7 million and of Aquafil SpA for Euro 4.6 million.

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:

(in Euro thousands)	Right-of-use buildings	Right- of-use equipment and transport vehicles	Right-of-use motor vehicles	Right-of-use	Total
Balance at January 1, 2020	**18,817**	**3,838**	**580**	**81**	**23,314**
Of which:					
– *Historical cost*	*22,865*	*5,047*	*679*	*85*	*28,676*
– *Accumulated depreciation*	*(4,047)*	*(1,211)*	*(100)*	*(4)*	*(5,362)*
Increases	5,125	1,312	209	19	6,665
Decreases net of the provisions	(4,431)	(1,029)	0	0	(5,460)
Depreciation	(2,808)	(655)	(102)	(11)	(3,576)
Exchange differences	1	2	0	0	3
Balance at June 30, 2020	**16,705**	**3,467**	**686**	**89**	**20,947**
Of which:					
– *Historical cost*	*22,391*	*5,266*	*888*	*104*	*28,647*
– *Accumulated depreciation*	*(5,685)*	*(1,800)*	*(201)*	*(15)*	*(7,700)*

At June 30, 2020, the Group did not identify any impairment indicators relating to property, plant and equipment.

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 2020	December 2019
Receivables from parent companies	234	234
Equity investments in group companies	1	1
Investments in other companies	18	18
Escrow bank deposits	897	1,682
Current and non-current financial assets	302	292
Receivables from related parties	79	79
Derivative financial instruments	0	96
Total	**1,530**	**2,402**
of which current	*853*	*1,637*
of which non-current	*677*	*765*

“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 non-controlling investments of insignificant amounts.

The “Escrow bank deposits”, amounting to Euro 897 million, were taken out almost exclusively by Aquafil Engineering GmbH, to guarantee the delivery of specific orders; The decrease compared to the previous year reflects the normal trend in commercial activities and order execution times;

“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, 2020, 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 2020	December 2019
Deferred tax assets	10,577	13,636
Deferred tax liabilities	(8,997)	(10,915)
Total	**1,580**	**2,721**

The movement in the balances is mainly due to:

- use of prior year tax losses (particularly at Aquafil USA and AqufilSLO);
- utilisation ACE (at Aquafil S.p.A.).

5.6 Inventories

The changes in the account were as follows:

(in Euro thousands)	June 2020	December 2019
Raw materials, ancillary and consumables	61,370	63,658
Finished products and goods	106,940	121,242
Advances	50	31
Total	**168,360**	**184,931**

Inventories are recorded net of the obsolescence provision amounting to Euro 0.73 million and relates to slow moving prior stock.

The decrease is mainly due to the reduced amount of operations, as described in the Directors’ Report.

5.7 Trade receivables

The changes in the account were as follows:

(in Euro thousands)	June 2020	December 2019
Trade receivables	24,166	26,729
Parent, associates and other related parties	98	69
Doubtful debt provision	(1,839)	(1,838)
Total	**22,426**	**24,960**

The following table provides a breakdown of trade receivables at June 30, 2020, grouped by due date and net of doubtful debt provision:

(in Euro thousands)	At June 30, 2020	Not yet due	Overdue within 30 days	Overdue between 31 and 90 days	Overdue between 91 and 120 days	Overdue beyond 120 days
Guaranteed trade receivables (a)	16,965	12,909	2,542	860	280	375
Non-guaranteed trade receivables (b)	6,994	4,314	1,583	169	112	816
Non-guaranteed trade receivables impaired (c)	305	0	0	0	0	305
Trade receivables before doubtful debt provision [(a) + (b) + (c)]	**24,265**	**17,223**	**4,125**	**1,029**	**392**	**1,496**
Doubtful debt provision	(1,839)	(1,282)	(424)	(54)	(11)	(68)
Trade receivables	**22,426**	**15,941**	**3,701**	**975**	**381**	**1,428**

5.8 Current tax receivables

Current tax receivables of Euro 1.98 million refer to advances paid for current tax by the Parent Company Aquafil S.p.A. and by Aquafil USA Inc..

5.9 Other current assets

The changes in the account were as follows:

(in Euro thousands)	June 2020	December 2019
Tax receivables	3,481	3,976
Supplier advances	699	791
Pension and social security institutions	495	138
Employee receivables	155	299
Tax receivables from parent	2,416	2,209
Other receivables	1,013	1,747
Prepayments and accrued income	4,836	2,966
Total	**13,096**	**12,126**

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.

5.10 Cash and cash equivalents

The account is comprised of:

(in Euro thousands)	June 2020	December 2019
Cash and equivalents	27	25
Bank and postal deposits	132,747	90,375
Total	**132,774**	**90,400**

The item relates to the current account balances of the different Group companies. The breakdown of cash and cash equivalents in Euro of foreign currencies is illustrated in the table below:

(in Euro thousands)	At June 30, 2020
EUR	90,616
HRK	696
TRL	15
USD	25,748
THB	1,759
CNY	13,466
AUD	100
GBP	320
YEN	54
Total	**132,774**

The significant increase in the period relates to the policy to prudently increase the Group's liquidity in order to satisfy any further needs emerging as a result of the Covid-19 pandemic.

There were no restrictions on liquidity.

5.11 Shareholders' Equity

Share capital

At June 30, 2020, 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:

- no. 42,822,774 ordinary shares, identified by the ISIN Code IT0005241192;
- no. 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;
- no. 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, 2020 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**	**100.00%**	

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 — i.e. considering Aquafil S.p.A.'s qualification as an SME pursuant to Article 1(w-*quater*.1) of the CFA and with a shareholding greater than 5% of the Aquafil S.p.A. voting share capital — are as follows:

The declarant or subject at the top of the equity chain	Direct shareholder	Type of shares	No. shares	Number of voting rights
GB&P S.r.l.	Aquafin Holding S.p.A.	Ordinary	21,487,016	21,487,016
		Class B	8,316,020	24,948,060
		Total	**29,803,036**	**46,435,076**
		Holding	**58.19%**	**68.52%**

Warrants

The following were initially issued on listing:

(i) 7,499,984 Aquafil Market Warrant, listed identified by the ISIN Code IT0005241200, which incorporate the right to the allocation of Aquafil S.p.A. shares of Conversion Market Warrants and are exercisable under the conditions set out in the relative regulation approved by the Space3 extraordinary shareholders' meeting by resolution of December 23, 2016;

(ii) 800,000 Aquafil Sponsor Warrants, identified by the ISIN Code IT0005241754, non-listed and exercisable within ten years from the date of December 4, 2017, payable at the unit exercise price of Euro 13.0 (on achieving a "Strike Price" of Euro 13.0), in response to the allocation of an Aquafil share of Aquafil Conversion Sponsor Warrants for each Sponsor Warrant exercised.

On June 30, 2020, 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, 2020, no Aquafil Sponsor Warrants have been converted.

Legal reserve

The legal reserve at June 30, 2020 was equal to Euro 0.66 million; the increase of Euro 0.15 million was approved by the Shareholders' Meeting of June 18, 2020 which allocated to this reserve one-twentieth of the profit for the year 2019.

Translation reserve

The translation reserve, negative at June 30, 2020 for Euro 13.06 million (increasing Euro 3.5 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, 2020 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, 2020 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, 2020, it was equal to a Euro 0.65 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, 2020, the account amounts to Euro 87.58 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, 2019	**5,721**
Financial charges	5
Advances and settlements	(210)
Actuarial gains/(Losses)	10
Reclassifications	203
Balance at June 30, 2020	**5,729**

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	**At June 30, 2020**
Discount rate	0.30%
Rate of inflation	1.20%
Annual increase in employee leaving indemnity	2.40%

Demographic assumptions	
Death	The RG48 mortality tables published by the General State Controller
Disability	INPS tables by age and gender
Retirement	100% on satisfying AGO requirements

Annual frequency of Turnover and leaving indemnity advances	
Frequency advances	4.50%
Frequency turnover	2.50%

The bond's financial average duration at June 30, 2020 is approx. 8 years.

5.13 Current and non-current financial liabilities

The account is comprised of:

(in Euro thousands)	**June 2020**	*of which current portion*	**December 2019**	*of which current portion*
Medium/long term bank loans	252,965	*26,165*	212,366	*42,572*
Accrued interest and accessory charges on medium/long-term bank loans	(358)	*(358)*	(418)	*(418)*
Total medium/long-term bank loans	**252,607**	***25,807***	**211,949**	***42,153***
Bond loans	90,432	*0*	94,125	*3,667*
Accrued interest and charges on bonds	259	*259*	236	*236*
Total bond loan	**90,692**	***259***	**94,361**	***3,903***
Leasing and RoU financial payables	31,340	*8,324*	34,373	*8,547*
Liabilities for derivative financial instruments	1,166	*0*	890	*0*
Other lenders and banks – short term	72	*72*	129	*129*
Total financial liabilities (current and non-current)	**375,876**	***34,462***	**341,702**	***54,733***
Total non-current financial liabilities	**341,414**		**286,970**	

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	At June 30, 2020	*of which current portion*
Medium/long term bank loans - fixed rate							
Banca Intesa (*) (**)	10,000	2016	2021	half-yearly from 31/12/2017	1.15% fixed (**)	3,750	*2,500*
Banca Intesa (*) (**)	15,000	2018	2024	half-yearly from 31/07/2019	until 19/6/18 eu +0.95% - from 20/06 1.15% fixed (**)	12,000	*1,500*
Mediocredito Trentino Alto Adige	3,000	2017	2022	half-yearly from 28/12/2018	0.901% fixed	1,510	*501*
Banca Nazionale del Lavoro (*)	7,500	2018	2025	half-yearly from 31/12/2019	1.4% fixed	6,818	*1,364*
Banca Nazionale del Lavoro (*)	12,500	2018	2025	half-yearly from 31/12/2019	1.25% fixed	11,364	*2,273*
Credito Valtellinese (*)	15,000	2018	2024	quarterly from 05/10/2018	1 fixed %	15,000	*1,054*
Deutsche Bank (*)	5,000	2016	2021	quarterly from 08/12/2016	IRS 4 years +0.60% fixed	632	*632*
Banca di Verona	3,000	2019	2024	quarterly from 06/08/2021	1.30% fixed	3,000	*0*
Cassa Centrale Banca – Credito Cooperativo del Nord Est (ex Casse Rurali Trentine) (*)	15,000	2019	2026	quarterly from 30/09/2021	1.25% fixed	15,000	*0*
Cassa Deposito e Prestiti (*)	20,000	2020	2027	half-yearly from 20/06/2023	1.48% fixed	20,000	*0*
Cassa Deposito e Prestiti	20,000	2020	2021	bullet 30/11/2021	1.39% fixed	20,000	*0*
PPP Loan - Truist Bank	USD 1,283	2020	2022	monthly from 01/11/2020	1% fixed	1,145	*513*
PPP Loan - Paycheck Protectin Program	USD 3,768	2020	2022	monthly from 05/11/2020	1% fixed	3,365	*1,507*
PPP Loan - Paycheck Protectin Program	USD 396	2020	2022	monthly from 05/11/2020	1% fixed	354	*158*
PPP Loan - Paycheck Protectin Program	USD 129	2020	2022	monthly from 01/11/2020	1% fixed	115	*39*
Total Medium/long term bank loans - fixed rate						**114,053**	***12,042***
Medium/long term bank loans - variable rate							
Banca Popolare di Milano (*) (**)	25,000	2018	2025	quarterly from 31/03/2020	Euribor 3 months +0.90%	25,000	*2,241*
Cassa Risparmio di Bolzano (*)	20,000	2018	2025	quarterly from 31/03/2020	Euribor 3 months +0.85%	20,000	*1,962*
Cassa Centrale Banca – Credito Cooperativo del Nord Est (ex Casse Rurali Trentine)	5,000	2016	2022	half-yearly from 31/12/2017	Euribor 6 months +1.50%	1,904	*631*
Banca di Verona	3,500	2016	2023	quarterly from 30/06/2017	Euribor 3 months +1.80%	1,635	*320*
Banca di Verona	15,000	2017	2024	quarterly from 30/06/2017	Euribor 3 months +2%	10,197	*1,231*
Deutsche Bank (*)	5,000	2018	2023	quarterly from 15/01/2019	Euribor 3 months +1.20%	4,375	*313*
Credit Agricole Friuladria (ex Banca Popolare Friuladria) (*) (**)	10,000	2017	2025	quarterly from 31/03/2019	Euribor 3 months +1.30%	8,221	*898*
Credito Valtellinese	3,000	2017	2023	quarterly from 05/07/2017	Euribor 3 months +0.90%	1,517	*150*
Banca Intesa (ex Veneto Banca)	3,000	2017	2021	quarterly from 31/05/2017	Euribor 6 months +0.90%	760	*760*
Monte dei Paschi (*)	15,000	2018	2025	half-yearly from 31/12/2019	Euribor 6 months +0.80%	13,125	*0*
Crediti Emiliano	5,000	2018	2022	monthly from 26/11/2018	Euribor 1 month +0.35%	2,645	*417*
Cassa Rurale Raiffeisen Alto Adige	3,000	2017	2023	quarterly from 30/06/2018	Euribor 3 months +0.90%	1,701	*375*
Banca Popolare di Sondrio	5,000	2017	2022	monthly from 31/08/2018	Media Euribor 1 month +0.80%	2,832	*208*
Banca Popolare di Milano (*) (**)	15,000	2019	2025	quarterly from 30/09/2020	Euribor 3 months +1.05%	15,000	*1,477*
Banca Popolare Emilia Romagna (*) (**)	10,000	2019	2024	monthly from 26/09/2020	Euribor 3 months +0.75%	10,000	*822*
Credit Agricole (*) (**)	10,000	2019	2025	half-yearly from 28/12/2020	Euribor 6 months +1.05%	10,000	*1,818*
Banca del Mezzogiorno (*) (**)	10,000	2019	2026	quarterly from 09/11/2020	Euribor 1 month +1.20%	10,000	*500*
Total Medium/long term bank loans - variable rate						**138,912**	***14,123***
Accrued interest on medium/long term bank loans						(358)	*(358)*
Medium/long term bank loans - fixed and variable rate						**252,607**	***25,807***

(*) 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
Banca Friuladria	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net debt/EBITDA net of lease costs		≤ 3.75
Banca Intesa	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Cassa di Risparmio di Bolzano	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Banca Nazionale del Lvoro	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Banca Popolare di Milano	Annually	Net Debt/EBITDA	Group	≤ 3.75
	Annually	Net Debt/Net Equity		≤ 2.50
Credito Valtellinese	Annually	Net Debt/EBITDA	Group	< 3.75
	Annually	Net Debt/Net Equity		< 2.50
Deutsche Bank	Annually	Net Debt/EBITDA	Group	≤ 3.75
	Annually	Net Debt/Net Equity		≤ 2.50
	Annually	EBITDA/Financial charges		> 3.50
Monte dei Paschi	Annually	Net Debt/EBITDA	Group	≤ 3.75
	Annually	Net Debt/Net Equity		≤ 2.50
Casse Centrali C.R. Trentine	Annually	Net Debt/EBITDA	Group	≤ 3.75
	Annually	Net Debt/Net Equity		≤ 2.50
Banca Pop. Emilia Romagna	Annually	Net Debt/EBITDA	Group	≤ 3.75
	Annually	Net Debt/Net Equity		≤ 2.50
MCC/Banca del Mezzogiorno	Annually	Net Debt/EBITDA	Group	< 3.75
	Annually	Net Debt/Net Equity		< 2.50
Cassa Depositi e Prestiti	Half-yearly	Net Debt/EBITDA	Group	≤ 3.75
	Half-yearly	Net Debt/Net Equity		≤ 2.50

Compliance with the covenants is tested on an annual basis according to the consolidated financial statements at December 31, with the exception of the loan with Cassa Depositi e Prestiti, which has November 2021 maturity and whose covenants at June 30, 2020 had not been complied with, as outlined below in the “Financial covenant compliance” paragraph.

In the first half of 2020, as a result of the Covid-19 emergency, the instalments on a number of loans were postponed, with moratoriums secured on the original repayment commitments for a total of Euro 40.8 million.

The increase in the overall bank debt is mainly due to the receipt by the parent company of two new loans issued by Cassa Depositi e Prestiti S.p.A. for a total amount of Euro 40 million, as indicated in the table below.

With regards to the new “PP Loans”, also presented in the table, these concern loans obtained by the US subsidiaries on the basis of United States law, which recognises financial support to businesses experiencing a drop in revenue as a result of the Covid-19 pandemic. These loans, totalling USD 5.5 million, were granted to protect jobs and where the conditions under the law are fulfilled may be converted into non-repayable grants.

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.

Bond loans

The company had issued two fixed-rate bond loans for an original total value of Euro 90.0 million:

1. a first bond loan (“**Bond Loan B**”), initially issued on June 23, 2015 and subscribed by companies belonging to the US Group Prudential Financial Inc., was renegotiated on September 20, 2018 for more advantageous conditions for the improvement of the rating of Aquafil S.p.A. post-listing, without this resulting in a change in cash flows such as to necessitate the valuation of the instrument, based on the provisions of IFRS 9, as a new financial liabilities. The outcome of this negotiation established that the bond loan has a value equal to Euro 50 million, a repayment 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 and is 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 at June 30, 2020, the residual debt stood at Euro 50 million. Moreover, under the renegotiation, Aquafil was granted an additional “Shelf Facility” line, utilisable up to a maximum of approx. USD 90 million;
2. a second bond loan (“B**ond Loan C**”) 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, through the utilisation of the available “Shelf Facility” line for an equal amount; the repayment plan provides for repayment in 7 annual instalments as 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 B, which bears the rate of 2.87% with effect from November 24, 2019, as a result of the debt ratio of the first half of 2019; the issue was undertaken to finance the Aquafil O’Mara Inc. business combination described in the specific paragraph above.

The bond of Euro 5.0 million ("Bond Loan A"), issued on November 23, 2015 and subscribed by La Finanziaria Internazionale Investments S.G.R. on behalf of the Strategic Fund of the Trentino-Alto Adige Region, was repaid in advance of that stipulated in the contract (on February 5, 2020).

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 B	50,000,000	23/06/2015	20/09/2028	7 annual instalments from 20/09/2022	4.70%
Bond loan C	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 B - C

Financial parameters	Parameter	Covenant limit
Interest Coverage Ratio	EBITDA/Net financial charges	> 3.50
Leverage Ratio (*)	Net Debt/EBITDA	< 3.75
Net Debt Ratio	Net Debt/Net Equity	Minimum Net Equity threshold levels

(*) This indicator must be calculated with reference to the 12-month period which terminates on December 31 and June 30 for all years applicable.

Non-compliance with just one of the above financial parameters, where not resolved within the contractual deadlines provided, would constitute a circumstance for the bond loan's compulsory early repayment.

Compliance with the above covenants is on a half-yearly basis. At June 30, 2020, the "leverage ratio" was not complied with, as outlined in detail in the "Financial covenant compliance" paragraph.

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 31.3 million, includes Euro 22.0 million relating to the adoption 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, 2020, the residual capital relating to financial leasing contracts totalled Euro 9.3 million. The contract is regulated at the 6-month Euribor rate plus a spread of 0.50%.

Financial covenant compliance

The decrease in operating margins on orders in Q2 2020 following the Covid-19 pandemic led to the NFP/EBITDA LTM contractual covenant being exceeded (4.23 real against 3.75 contractual) with two of the Group's lending institutions, Prudential Financial Inc. for bonds and Cassa Depositi e Prestiti S.p.A.; specific waivers were therefore requested and obtained on the H1 2020 financial covenants with the two institutions.

It should also be noted that, on the basis of these simulations, compliance with the above covenants could also be at risk at December 31, 2020. This situation is however monitored continually, so that, where the simulations materialise, the parent company may agree in a timely manner further waivers or "holiday periods" with the lending institutions. In fact, it is believed that even if such a situation were to occur, it would still be of a temporary nature, and therefore the Group has a financial structure such as to allow negotiations with credit institutions without any particular difficulties.

5.14 Provisions for risks and charges

The account is comprised of:

(in Euro thousands)	June 2020	December 2019
Agents' supplementary indemnity provision and others	1,619	1,023
Guarantee fund on client engineering orders	343	484
Total	**1,963**	**1,508**

5.15 Other current and non-current liabilities

The account is comprised of:

(in Euro thousands)	June 2020	*of which current portion*	December 2019	*of which current portion*
Employee payables	10,751	*10,751*	13,708	*13,708*
Social security payables	2,815	*2,815*	3,149	*3,149*
Payables to parent for income taxes	230	*230*	230	*230*
Tax payables	2,569	*2,569*	1,957	*1,957*
Other payables	1,087	*1,087*	738	*738*
Accrued liabilities and deferred income	19,493	*5,893*	19,152	*3,768*
Total other current and non-current liabilities	**36,945**	***23,345***	**38,934**	***23,551***
Total other non-current liabilities	**13,600**		**15,383**	

The most significant changes refer to:
- the movement in "employee payables" includes mainly the settlement of the payable to employees of the subsidiary Aqualeuna GmbH for the conclusion of production operations;
- the movement in "Tax payables" concerns mainly the amounts due for Value Added Tax (VAT).

Accrued liabilities and deferred income mainly comprise:
- the commercial contract with the US group Interface, involving a worldwide collaboration for supply and product development. In particular, Aquafil SpA undertook an obligation until 2026 to guarantee Interface conditions of supply, against which the client, in addition to committing to annual minimum volumes, paid to Aquafil USD 24 million in advance. At June 30, 2020, this deferred revenue (recognised to deferred income) amounts to Euro 14.4 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 2.4 million at June 30, 2020. 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 2020	December 2019
Trade payables	59,229	65,811
Payables to parent, associates and other related parties	958	772
Payments on account	4,614	9,505
Total	**64,801**	**76,089**

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.

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

5.17 Current tax payables

Current tax payables at Euro 0.66 million refer to Euro 0.29 million in payables of the non-Italian companies in the Group related to current taxes and Euro 0.36 million for IRAP tax payables of the Italian companies in the Group.

6. NOTES TO THE CONSOLIDATED INCOME STATEMENT

6.1 Revenues

The breakdown of revenues is shown below:

	H1 2020		H1 2019		Change	
	in Euro millions	%	in Euro millions	%	in Euro millions	%
EMEA	133.3	59.8%	176.5	61.6%	(43.3)	(24.5%)
North America	55.7	25.0%	62.0	21.6%	(6.3)	(10.2%)
Asia and Oceania	33.1	14.8%	47.6	16.6%	(14.5)	(30.5%)
Rest of the world	0.7	0.3%	0.5	0.2%	0.2	33.7%
Total	**222.7**	**100.0%**	**286.7**	**100.0%**	**(6.3)**	**(1.1%)**

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 reduction in revenues compared to the previous year, due mainly to the Covid-19 effect, 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 2020 totalled Euro 1.3 million.

6.2 Other revenues and income

The item "Other revenues and income" amounts to Euro 3.37 million and refers mainly to:

- Grants of Euro 2.3 million, obtained by the overseas subsidiaries AquafilSlo, AquafilCro and Aquafil UK, from the State against the COVID 19 emergency;
- The portion accruing in the year of the grant for Euro 0.20 million for the effective project, concerning Aquafil S.p.A. and AquafilSLO and
- Euro 0.78 million: grants received by Aquafil Carpet Recycling for the Core project involving the recovery of end-of-life carpets.

6.3 Raw material costs

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

The reduction relates to the drop in revenues in the period, as previously outlined. The account is comprised of:

(in Euro thousands)	H1 2020	H1 2019
Raw materials and semi-finished goods	96,878	134,780
Ancillaries and consumables	10,112	13,330
Other purchases and finished products	1,656	2,973
Change in inventories raw materials, ancillary, semi-finished and finished products	832	(2,858)
Total	**109,477**	**148,225**

6.4 Service costs

The account is comprised of:

(in Euro thousands)	H1 2020	H1 2019
Transport, shipping & customs	7,099	8,718
Electricity, propulsive energy, water and gas	16,026	18,804
Maintenance	4,317	4,884
Services for personnel	1,351	2,290
Technical, ICT, commercial, legal & tax consultancy	4,026	4,845
Insurance	1,137	1,097
Marketing and advertising	1,629	1,911
Cleaning, security and waste disposal	1,475	1,784
Warehousing and external storage	1,430	1,410
External processing	731	1,126
Other sales expenses	59	209
Emoluments of statutory auditors	82	76
Other service costs	1,674	1,960
Rentals and hire	1,258	2,076
Total	**42,296**	**51,191**

The decrease in electricity, propulsive energy and gas costs is due to the general drop in energy prices and the efficiencies gained on the production lines, in addition to the reduced amount of operations as a result of Covid-19.

6.5 Personnel costs

These costs are broken down as follows:

(in Euro thousands)	H1 2020	H1 2019
Wages and salaries	40,025	41,911
Social security expenses	8,617	9,144
Post-employment benefits	976	1,091
Other personnel costs	1,168	739
Director fees	848	1,175
Total	**51,635**	**54,060**

“Other personnel costs” mainly concern, for Euro 0.83 million, the start-up activities of the companies Aquafil Carpet Recycling#1 and Aquafil Carpet Recycling#2.

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

	H1 2020	H1 2019	Average
Managers	46	48	47
Middle managers	135	135	135
White-collar	452	469	461
Blue-collar	2,154	2,305	2,230
Total	**2,787**	**2,957**	**2,872**

6.6 Other operating costs and charges

These costs are broken down as follows:

(in Euro thousands)	H1 2020	H1 2019
Taxes, duties & sanctions	1,366	842
Losses on asset sales	288	4
Other operating charges	929	466
Total	**2,582**	**1,311**

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

"Losses on asset sales" concerns the disposal of the residual assets of the subsidiary Aqualeuna GmbH following the closure of the facility.

"Other operating charges" includes mainly penalties relating to previous years 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)	H1 2020	H1 2019
Amortisation	1,610	1,343
Depreciation	16,568	12,182
RoU (Right-of-Use) depreciation	3,576	3,046
Total	**21,754**	**16,574**

The increase on the previous period is due to the greater investments made over the last 12 months by the Group.

6.8 Provisions and write-downs

The account is comprised of:

(in Euro thousands)	H1 2020	H1 2019
Doubtful debt provision	3	107
Provisions for risks and charges	1,084	117
Total	**1,087**	**224**

6.9 Costs for internal work capitalised

For the period ended June 30, 2020, this item amounting to Euro 2.7 million refers to the capitalisations made in relation to the following projects:

- Euro 1 million for projects to improve industrial production efficiency;
- Euro 0.8 million for the project to reorganise the EMEA carpet fibre production assets;
- Euro 0.6 million for new product development, as described in note 5.1;
- Euro 0.3 million for the Effective research project described previously at note 5.15

6.10 Financial income

The account is comprised of:

(in Euro thousands)	H1 2020	H1 2019
Other interest	0	1,084
Interest income current accts.	197	16
Total	**197**	**1,100**

The movement on the previous year is due to the fact that in June 2019 an extraordinary revenue related to the redefinition of a leasing contract was recognised.

6.11 Financial charges

The account is comprised of:

(in Euro thousands)	H1 2020	H1 2019
Interest on bank loans and borrowings	1,235	1,027
Interest on bonds	1,817	1,091
Interest exp. on current accounts	372	401
Write-down of derivative financial instruments	372	685
Financial charges and interest expense	446	513
Total	**4,241**	**3,717**

6.12 Exchange gains and losses

The breakdown of the account is as follows:

(in Euro thousands)	H1 2020	H1 2019
Total exchange gains	4,291	2,640
Total exchange losses	(1,749)	(2,881)
Total exchange differences	**2,541**	**(241)**

The amount, equal to a gain of Euro 2.54 million for the period ended June 30, 2020, 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)	H1 2020	H1 2019
Current taxes	(561)	1,836
Deferred taxes	932	1,800
Total	**371**	**3,637**

Current taxes, which in the first half of 2020 were positive for Euro 561 thousand, relate for Euro 555 thousand to the income taxes on foreign companies, for Euro 104 thousand IRAP and for a positive Euro 1,220 thousand the taxes of the US companies.

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)	H1 2020	H1 2019
Non-recurring charges	519	436
Expansion costs Aquafil Group	231	962
ACR1 and ACR2 non-recurring costs	1,491	1,331
Restructuring and other personnel costs	510	104
Non-recurring industrial charges	0	563
Total non-recurring items	**2,751**	**3,396**
Financial income	0	(1,082)
Total non-recurring items	**0**	**(1,082)**
Non-operating income and charges	**2,751**	**2,314**

The item “Non-recurring charges” mainly refers to costs relating to previous years.

“Expansion costs Aquafil Group” concerns the costs incurred for projects under acquisition incurred in the period by the subsidiary Aquafil Usa Inc.

“ACR1 and ACR2 non-recurring costs” mainly refer to the costs incurred over the start-up and development activities of the complex and innovative carpet recovery technology of Aquafil Carpet Recycling # 1, Inc. and Aquafil Carpet Recycling # 2 Inc.

“Restructuring and other personnel costs” refer mainly to that owed by the subsidiary Aqualeuna GmbH to its personnel to close production activities and the leaving incentive settled by the parent company.

6.15 Earnings per share

The breakdown of the account is as follows:

(in Euro thousands)	H1 2020	H1 2019
Profit attributable to the owners of the Parent	(1,935)	10,654
Weighted average number of shares	50,991	50,991
Earnings/(loss) per share	**(0.04)**	**0.21**

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

A breakdown is provided below of the net financial debt as at June 30, 2020 and December 31, 2019, determined in accordance with ESMA/2013/319 Recommendations:

Net Financial Debt (in Euro thousands)	**At June 30, 2020**	**At December 31, 2019**
A. Cash	132,774	90,400
B. Other liquid assets	0	0
C. Securities held-for-trading	0	0
D. Liquidity (A) + (B) + (C)	**132,774**	**90,400**
E. Current financial receivables	853	1,637
F. Current bank payables	(72)	(129)
G. Current portion of non-current debt	(26,066)	(46,056)
H. Other current financial payables	(8,324)	(8,547)
I. Current financial debt (F) + (G) + (H)	**(34,462)**	**(54,733)**
J. Net current financial debt (I) + (E)+ (D)	**99,165**	**37,304**
K. Non-current bank payables	(226,800)	(169,796)
L. Bonds	(90,432)	(90,458)
M. Other non-current financial receivables and payables	(24,182)	(26,619)
N. Non-current financial debt (K) + (L) + (M)	**(341,414)**	**(286,874)**
O. Net financial debt (J) + (N)	**(242,249)**	**(249,570)**

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)		*of which current portion*	*of which non-current portion*
Net Debt at December 31, 2019	**(249,570)**	***37,304***	***(286,874)***
Net cash flow in the period	42,374	*42,374*	
Decrease in liquidity subject to restrictions	(784)	*(784)*	
New bank loans and borrowings	(45,059)		*(45,059)*
Repayment/Reclass. bank loans and borrowings	7,991	*19,909*	*(11,919)*
Repayment/Reclass. lease liability	3,033	*223*	*2,810*
Change in fair value derivatives	(372)		*(372)*
Other changes	138	*138*	
Net Debt at June 30, 2020	**(242,249)**	***99,165***	***(341,415)***

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, 2020	234	79	313	677	46.24%
At December 31, 2019	234	79	313	765	40.90%
Trade receivables					
At June 30, 2020		98	98	22,426	0.44%
At December 31, 2019		69	69	24,960	0.28%
Other current assets					
At June 30, 2020	2,416		2,416	13,096	18.45%
At December 31, 2019	2,209	22	2,231	12,126	18.40%
Non-current financial liabilities					
At June 30, 2020	(2,301)	(4,940)	(7,241)	(341,414)	2.12%
At December 31, 2019	(2,419)	(7,205)	(9,624)	(286,970)	3.35%
Current financial liabilities					
At June 30, 2020	(507)	(3,049)	(3,556)	(34,462)	10.32%
At December 31, 2019	(519)	(3,052)	(3,572)	(54,733)	6.53%
Trade payables					
At June 30, 2020	(31)	(375)	(406)	(64,801)	0.63%
At December 31, 2019		(127)	(127)	(76,089)	0.17%
Other current liabilities					
At June 30, 2020	(230)		(230)	(23,345)	0.99%
At December 31, 2019	(230)	(6)	(236)	(23,551)	1.00%

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 2020		27	27	222,733	0.01%
H1 2019		29	29	286,667	0.01%
Service costs & rent, lease & similar costs					
H1 2020		(211)	(211)	(42,296)	0.50%
H1 2019		(219)	(219)	(51,191)	0.43%
Other operating costs and charges					
H1 2020		(35)	(35)	(2,582)	1.36%
H1 2019	(3)	(35)	(38)	(1,311)	2.90%
Financial charges					
H1 2020	(28)	(95)	(125)	(4,241)	2.95%
H1 2019	(10)	(122)	(132)	(3,717)	3.55%

9. OTHER INFORMATION

9.1 Commitments and risks

Other commitments

At June 30, 2020, the parent company provided sureties in favour of credit institutions in the interest of subsidiaries for a total of Euro 19.75 million.

9.2 Contingent liabilities

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. However, the following tax disputes are ongoing:

(i) a joint audit is underway by the German and Italian tax authorities on the "Transfer pricing" between Aqualeuna GmbH and Aquafil S.p.A.. The audits are currently in progress with the acquisition of the documentation and the results and the methods of joint discussion are expected in the coming months. However, there are no contingent liabilities at Group level in relation to this issue.
In addition, the disputes involving the parent company Aquafil S.p.A. concern:

(ii) 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. We are awaiting the outcome of the Constitutional Court's judgement, which has recently been assigned the question of the legitimacy of the provision referred to in the dispute (Article 1, paragraph 1084 of the 2019 Budget Law);

(iii) in February 2019, the Trento Office launched a general audit of the 2015 tax period, which concluded with the notification, on June 14, 2019, of a tax assessment that revealed a number of findings for a maximum potential risk for the Company of approx. Euro 907 thousand. The company, supported by the opinions of its consultants, does not agree with the findings both in substance and quantum and intends to appeal to the Tax Agency. Contingent liabilities are currently considered only possible and not probable, and in any case not determinable.

9.3 Positions or transactions arising from exceptional and/or unusual transactions

In accordance with Consob Communication no. 6064293 of July 28, 2006, in the first half of 2020, the Company did not undertake any atypical and/or unusual transactions, as defined in the communication.

With regards however to non-recurring transactions, reference should be made to paragraph 6.14 above.

9.4 Subsequent events

There were no significant events in the Aquafil Group after the end of the period relating to the first half-year of 2020 which could have an impact on the Half-Year Financial Statements at June 30, 2020.

In July 2020, Tessilquattro S.p.A. agreed with Credito Valtellinese S.p.A. a loan of Euro 5 million backed by the SME Guarantee Fund, as per Article 56, paragraph 11 of Legislative Decree no. 18 of 17.3.2020 ("Healthcare Italy" Decree).

On July 23, 2020, the Parent Company received the credit for the VAT refund for the 1997 financial year of approx. Euro 314 thousand, including accrued interest.

New medium-term loans were explored by the parent company with a number of leading credit institutions, to be signed in the second half of 2020 in order to further strengthen Group liquidity, with the use of the SACE guarantee (Legislative Decree no. 23 of 8.4.2020, Article 1, amended with Law no. 40 of 5.6.2020).

Arco, August 28, 2020

The Chairman of the Board of Directors
Mr. Giulio Bonazzi

The Executive Officer
Mr. Sergio Calliari

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Statement of the Principal Financial Officer and the Delegated Bodies

AQUAFIL
synthetic fibres and polymers

STATEMENT OF THE PRINCIPAL FINANCIAL OFFICER AND THE DELEGATED BODIES (art 154-bis, comma 5) ABOUT THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF AQUAFIL GROUP CLOSED ON 2020.06.30 IN ACCORDANCE WITH ART 81-TER OF CONSOB REGULATION N. 11971 OF 14 MAY 1999 AND ANY SUBSEQUENT AMENDEMENTS AND ADDITIONS

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 consolidated financial statements as of 2020 June 30.

2. No relevant issues arose.

3. It is also certified that the consolidated financial statements as of 2020.06.30:
   a) are drafted based on the International Financial Reporting Standards (I.F.R.S.), recognized in the European Community in accordance with Regulation (EC) n. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
   b) match with the results of the accountability books and registrations;
   c) are appropriate to give a truthful and correct representation of the statement of the assets, liabilities, and capital of the Company and of the Group of Companies included in the consolidation process.

Arco, August 28, 2020

Managing Director
Adriano Vivaldi

Principal Financial Officer
Sergio Calliari

Report on the Audit of the Half-Year Directors' Report at June 30, 2020

Independent auditor's report

Aquafil SpA

Review report on consolidated condensed interim financial statements as of 30 June 2020

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 2020, 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 2020 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, 28 August 2020

PricewaterhouseCoopers SpA

Signed by

Alberto Michelotti
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.

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