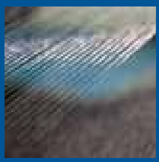
Consolidated financial statements

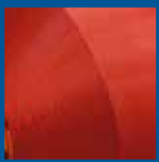
2019

AQUAFIL

synthetic fibres and polymers

INDEX





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 (*) (**) (***)
CARLO PAGLIANI	Director (*)
MARGHERITA ZAMBON	Director (*) (**)
FRANCESCO PROFUMO	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
CARLO PAGLIANI	Member

Appointments and Remuneration Committee

FRANCESCO PROFUMO	Chairperson
SIMONA HEIDEMPERGHER	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 (Italy), Via della Costituzione 33

9 Directors' Report on the 2019 Separate and Consolidated Financial Statements of Aquafil S.p.A.

2019 Directors' Report

Dear Shareholders,

the separate financial statements, which we submit for your review and approval, present in the 2019 Income Statement "Total revenues" of Euro 548.6 million and a net profit of Euro 3.0 million, after current and deferred taxes for a net total of Euro 1.1 million.

The Board of Directors of the parent company Aquafil S.p.A., in accordance with the accounting rules, prepared also the Aquafil Group financial statements for 2019, which present "Total revenues" of Euro 549.0 million and a Group net profit of Euro 9.0 million.

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

1. INTRODUCTION

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

This Directors' Report in addition contains the disclosure required by Legislative Decree 254/2016, enacting directive 2014/95/EC concerning the communication of non-financial disclosure.

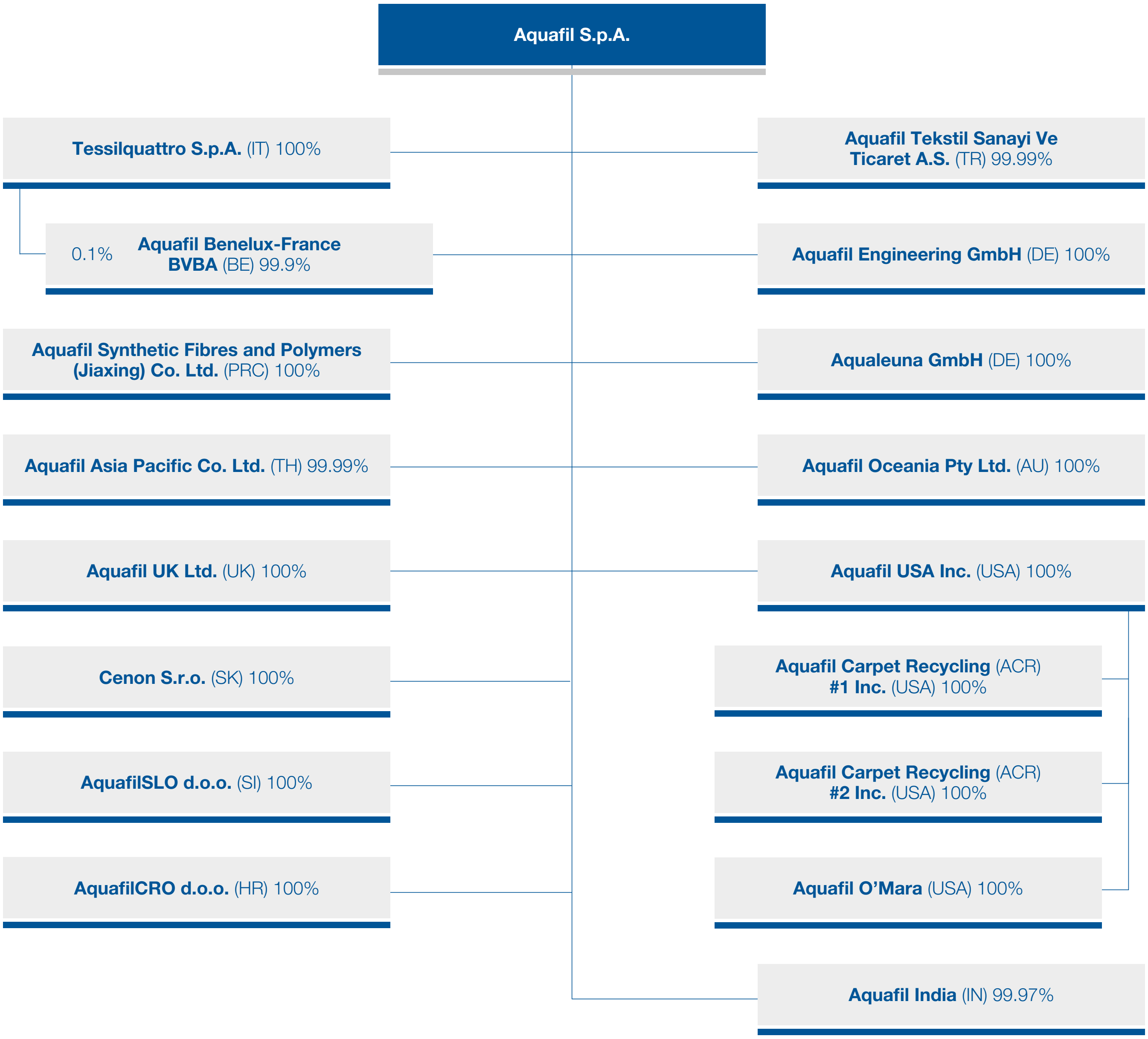
2. CORPORATE INFORMATION OF THE PARENT COMPANY AQUAFIL S.P.A.

Registered Office: Via Linfano, 9 - Arco (TN) - 38062 - Italy
Telephone: +39 0464 581111- Fax: +39 0464 532267
Certified e-mail:pec.aquafil@aquafil.legalmail.it
E-mail: info@aquafil.com
Website: www.aquafil.com
Share capital (at the approval date of the financial statements at 31.12.2019):

- 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

3. CONSOLIDATION SCOPE



The Group consolidates 18 companies, of which 17 direct or indirect subsidiaries of Aquafil S.p.A., with headquarters in Europe, United States, Asia and Oceania.

In August 2019, the company Borgolon S.p.A., engaged in the distribution of clothing yarn from the NTF product line, was merged by incorporation into Tessilquattro S.p.A..

4. SIGNIFICANT EVENTS IN 2019

Acquisition of O'Mara Inc.

On May 31, 2019, the investment was completed in the company O'Mara Inc., now *Aquafil O'Mara Inc.*, through the subsidiary Aquafil USA Inc..

O'Mara Incorporated was founded in 1970 and produces nylon, polypropylene and polyester fibres mainly in solution-dyed colors in its plant based in Rutherford College, North Carolina. In 2018, the company reported revenues of USD 40.1 million, with a margin in line with the Aquafil Group.

The company's identity and market positioning are consistent with those of the Aquafil Group and it is considered that this compatibility will stimulate the globalization of clothing fibres, with positive effects also for ECONYL® and Dryarn® distribution. Aquafil O'Mara will provide access to a broader product range, thereby driving further development of the US market in the sectors of athletic apparel, hosiery, fashion and accessories.

The purchase price of the investment was USD 36.1 million. The total investment was USD 40.6 million as the Group acquired a production building in addition to the full equity investment, previously utilised by O'Mara Inc. through a rental contract, for an amount of USD 4.5 million. The Group incurred non-recurring charges for the acquisition totalling Euro 0.99 million. In the consolidated financial statements this transaction was recognised as a business combination as per IFRS 3 and which gives rise to goodwill of USD 14.6 million (equal to Euro 13 million), fiscally not deductible, attributable to the strong competitive position and profitability of the company acquired which may also benefit from future synergies within the Group. The value of goodwill was provisionally estimated to be Euro 14 million, as recorded in the condensed consolidated financial statements at June 30, 2019. Subsequently, when all the information was obtained, the valuation process was completed and, as required by IFRS 3 Revised, the fair values of the assets and liabilities definitively identified, as was the value of goodwill, as Euro 13 million.

Aquafil S.p.A. funded the acquisition through an unsecured privately placed bond subscribed on May 24, 2019 by a company of the US insurance group Prudential Financial Inc., for a total amount of Euro 40 million. The new bond partially utilised the "Shelf facility" committed credit line already granted to Aquafil S.p.A. on September 20, 2018 totalling USD 90 million. The same contractual conditions were applied to the bond as the loan of Euro 50 million renegotiated on September 20, 2018. The duration of the bond is 10 years, of which 3 years comprising a grace period with annual instalments. For the other loan conditions, reference should be made to the Notes.

Aquafil S.p.A. financed the acquisition undertaken by its subsidiary Aquafil U.S.A. Inc. through a share capital increase of USD 45 million fully paid on May 24, 2019.

Aquafil O'Mara Inc. contributed Euro 2.3 million to the Group 2019 EBITDA (for 7 months).

Merger by incorporation of Borgolon S.p.A. into Tessilquattro S.p.A.

On August 3, 2019, the merger by incorporation was completed of Borgolon S.p.A., held 100% by Aquafil S.p.A., into Tessilquattro S.p.A. (also wholly-owned). Borgolon S.p.A. is engaged in the distribution of mainly mass-dyed clothing fibres (NTF Product Line). Operations continue to be carried out partly by Aquafil S.p.A. and partly by Tessilquattro S.p.A.. The merger did not have impacts on the consolidated income statement.

Reorganisation of the EMEA BCF product line manufacturing structure

On September 24, 2019, the company Aqualeuna GmbH, wholly-owned by Aquafil S.p.A., announced the closure of the textile flooring yarn production facility in Leuna (Germany), as part of the reorganisation of the EMEA BCF Product Line manufacturing structure, due to (a) the contraction in EMEA's flooring yarn market lower margin segments, in addition to (b) the new yarn production capacity of Aquafil USA Inc. becoming fully operational, making support for the internal US market with supplies from Europe no longer necessary. Closure costs totalled Euro 4.2 million, mainly regarding employment termination charges of the 67 employees covered by the agreement. The company remains operational for value added operations, also through the disposal and recovery of owned plant and the management of residual product inventory. The facility leasing contract will be terminated in accordance with the contractual terms and with the plan to vacate the production site.

Application of new accounting standard IFRS 16

From January 1, 2019, compared to the financial statements at December 31, 2018, IFRS 16 Leases was applied for the first time, which substantially changed the accounting treatment of "*operating lease*" contracts in the financial statements of the lessee. Specifically, the Aquafil Group adopted the new standard applying the "modified retrospective" approach, as permitted by the new International Accounting Standard, with the recognition of right-of-use assets of the leased assets for an amount equal to the value of the lease liability. This accounting treatment was applied on January 1, 2019, without therefore any restatement of the comparative figures and without any impact on the opening equity.

For further details reference should be made to the specific paragraph in the Explanatory Notes. We highlight below the effects of the application of the new accounting standard IFRS 16.

Opening effects at January 1, 2019 on the balance sheet:

Consolidated Financial Statements (in Euro thousands)	**At December 31, 2018**	**Effects first-time application IFRS 16**	**At January 1, 2019**
Non-current assets			
Intangible assets	15,992		15,992
Property, plant & equipment	189,661	28,718	218,379
Financial assets	404		404
Deferred tax assets	7,841		7,841
Other assets	2,189		2,189
Total non-current assets	**216,087**	**28,718**	**244,805**
Current assets			
Trade receivables	34,046		34,046
Inventories	189,678		189,678
Cash and cash equivalents	103,277		103,277
Other assets	14,297		14,297
Tax receivables	451		451
Financial assets	2,878		2,878
Total current assets	**344,627**		**344,627**
Total assets	**560,714**	**28,718**	**589,432**
Share capital	49,722		49,722
Reserves	62,969		62,969
Group net result	31,119		31,119
Total Group net equity	**143,810**		**143,810**
Minority interest net equity	1		1
Total consolidated net equity	**143,811**		**143,811**
Non-current liabilities			
Provision for risks and charges	1,169		1,169
Employee benefits	5,702		5,702
Deferred tax liabilities	3,582		3,582
Financial liabilities	224,345	23,318	247,663
Other liabilities	11,833		11,833
Total non-current liabilities	**246,631**	**23,318**	**269,949**
Current liabilities			
Trade payables	106,895		106,895
Financial liabilities	39,090	5,400	44,490
Current tax payables	2,270		2,270
Other liabilities	22,017		22,017
Total current liabilities	**170,272**	**5,400**	**175,672**
Total equity and liabilities	**560,714**	**28,718**	**589,432**

Opening effects at January 1, 2019 on the net financial position:

Net financial debt (in Euro thousands)	**At December 31, 2018**	**Effects first-time application IFRS 16**	**At January 1, 2019**
A. Cash	103,277		103,277
B. Other liquid assets			-
C. Securities held-for-trading			-
D. Liquidity (A) + (B) + (C)	**103,277**		**103,277**
E. Current financial receivables	2,878		2,878
F. Current bank payables	(96)		(96)
G. Current portion of non-current debt	(35,496)		(35,496)
H. Other current financial payables	(3,498)	(5,400)	(8,898)
I. Current financial debt (F) + (G) + (H)	**(39,090)**	**(5,400)**	**(44,489)**
J. Net current financial debt (I) + (E)+ (D)	**67,066**	**(5,400)**	**61,666**
K. Non-current bank payables	(159,492)		(159,492)
L. Bonds	(53,578)		(53,578)
M. Other non-current financial receivables and payables	(11,274)	(23,318)	(34,593)
N. Non-current financial debt (K) + (L) + (M)	**(224,344)**	**(23,318)**	**(247,663)**
O. Net financial debt (J) + (N)	**(157,279)**	**(28,718)**	**(185,997)**

2019 Income Statement impacts:

(in Euro thousands)	**2019**
Reversal of lease charges	6,833
Effect on EBITDA	**6,833**
Recognition depreciation	(6,463)
Effect on EBIT	**370**
Financial charges	(707)
Effect on pre-tax result	**(337)**
Tax impact	(17)
Effect on result for the period	**(354)**

Considering that the effects generated from the application of the new international accounting standard IFRS 16 on the results and balance sheet in 2019 are not comparable with the relative comparative figures of the same period and/or of the previous year, for greater disclosure and comparability, we provide a summary of the Group performance indicators below which do not consider the application of the standard.

(in Euro thousands)	**Dicembre 2019**	**Dicembre 2018**
Consolidated Shareholders' Equity	142,336	143,811
Net Financial Position	249,570	157,269
EBITDA	69,408	77,896
NFP/EBITDA	3.60%	2.02%
NFP/NE	1.75%	1.09%
IFRS 16 Effect:		
on Consolidated Shareholders' Equity	*(354)*	*0*
on Net Financial Position	*24,327*	*0*
on EBITDA	*6,833*	*0*
Adjusted Consolidated Shareholders' Equity	142,690	143,811
Adjusted Net Financial Position	225,243	157,269
Adjusted EBITDA	62,575	77,896
Adjusted NFP/Adjusted EBITDA	3.60%	2.02%
Adjusted NFP/Adjusted NE	1.58%	1.09%

5. AQUAFIL GROUP AND PARENT COMPANY FINANCIAL HIGHLIGHTS

5.1 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:

(i) income taxes
(ii) investment income and charges
(iii) amortisation, depreciation and write-downs of tangible and intangible assets
(iv) provisions & write-downs
(v) financial income and charges
(vi) non-recurring components.

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)

5.2 KEY GROUP FINANCIAL HIGHLIGHTS

(in Euro thousands)	At December 31, 2019	At December 31, 2018
Net profit for the year	9,005	30,097
Income taxes	1,519	6,986
Amortisation, depreciation and write-downs	37,765	26,361
Provisions & write-downs	555	285
Financial items (*)	10,108	7,793
Non-recurring items (**)	10,457	6,373
EBITDA	**69,408**	**77,896**
Revenues	**548,955**	**555,220**
EBITDA margin	**12.64%**	**14.03%**

(in Euro thousands)	At December 31, 2019	At December 31, 2018
EBITDA	**69,408**	**77,896**
Amortisation, depreciation and write-downs	(37,765)	(26,361)
Provisions & write-downs	(555)	(285)
Adjusted EBIT	**31,088**	**51,250**
Revenues	**548,955**	**555,220**
Adjusted EBIT margin	**5.66%**	**9.23%**

(*) Comprises: (i) financial income for Euro 1.2 million, (ii) interest expense on loans and other bank charges for Euro -7.6 million, (iii) customer cash discounts for Euro -3.2 million and (iv) net exchange losses for Euro -0.5 million.

(**) Comprises: (i) non-recurring charges related to the expansion of the Aquafil Group for Euro 1.5 million, (ii) non-recurring ECONYL® development charges of Euro 3.1 million, (iii) non-recurring industrial charges of Euro 1.0 million, (iv) restructuring charges of Euro 4.2 million and (iv) other non-recurring charges of Euro 0.7 million. Reference should be made to paragraph 8.14 of the notes to the consolidated financial statements.

For an analysis of the highlights indicated above, reference should be made to paragraph 7 below “Group operating performance”.

5.3 KEY GROUP BALANCE SHEET AND FINANCIAL INDICATORS

(in Euro thousands)	At December 31, 2019	At December 31, 2018
Consolidated Shareholders’ Equity	142,336	143,811
Net Financial Position	249,570	157,279
NFP/EBITDA	**3.596%**	**2.019%**

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

5.4 PARENT COMPANY AQUAFIL S.P.A. KEY FINANCIAL HIGHLIGHTS

(in Euro thousands)	At December 31, 2019	At December 31, 2018
Net profit for the year	2,950	10,187
Income taxes	1,110	4,113
Investment income and charges	3	1,692
Amortisation, depreciation and write-downs	8,381	5,997
Provisions & write-downs	50	(310)
Financial items (*)	6,007	5,796
Non-recurring items (**)	1,555	1,415
EBITDA	**20,057**	**28,889**
Revenues	**548,589**	**609,818**
EBITDA margin	**3.7%**	**4.7%**

(in Euro thousands)	At December 31, 2019	At December 31, 2018
EBITDA	**20,057**	**28,889**
Amortisation, depreciation and write-downs	8,381	5,997
Provisions & write-downs	50	(310)
Adjusted EBIT	**28,488**	**34,576**
Revenues	**548,589**	**609,818**
Adjusted EBIT margin	**5.2%**	**5.7%**

(*) Comprise: (i) financial income for Euro 3.8 million, (ii) interest expense on loans and other bank charges for Euro -6.5 million, (iii) customer cash discounts for Euro -2.8 million and (iv) exchange losses for Euro -0.5 million.

(**) Comprise (i) non-recurring charges related to the expansion of the Aquafil Group and other corporate transactions for Euro 0.6 million, (ii) non-recurring industrial charges of Euro 0.4 million, (iii) costs for restructuring and the regularisation of expatriated personnel for Euro 0.1 million and (iv) other non-recurring charges of Euro 0.4 million For further details, see paragraph 8.14 of the Notes to the Separate Financial Statements.

The income statement figures report revenues and acquisition costs which differ from the consolidated financial statements as including inter-company purchase and sales activities with the investees, which however in the consolidation process are eliminated. The net result does not incorporate the positive income statement results of the previous year of the subsidiaries, in view of the investments' valuation method adopted. For all other detailed information, see paragraph 7 below and the Notes to the Company's separate financial statements.

5.5 KEY BALANCE SHEET AND FINANCIAL INDICATORS OF THE PARENT COMPANY AQUAFIL S.P.A.

(in Euro thousands)	At December 31, 2019	At December 31, 2018
Consolidated Shareholders' Equity	106,846	116,241
Net Financial Position	271,271	198,436

The debt of the parent company Aquafil S.p.A. does not reflect the real debt of the company as not taking account of (a) liquidity available in the bank accounts of the subsidiaries at year-end (Euro 45.3 million) and (b) long-term loan receivables of Aquafil S.p.A. from the subsidiaries (Euro 84.6 million). Funding from the financial system in fact was undertaken exclusively by the parent company, which continues to play a financial support role for all of the subsidiaries. The only residual credit line in place at the subsidiaries — that undertaken by Aquafil USA Inc. with Regions Bank — was settled in advance in December 2019, partly through an inter-company loan disbursed by Aquafil S.p.A..

For all other detailed information, reference should be made to the separate financial statements of the company.

6. ECONOMIC OVERVIEW

In 2019, global economic growth gradually weakened across all of the major economies, mainly due to the uncertain outcome of the trade negotiations between the United States and China, the significant slowdown in the auto sector, the heightening of financial tensions in the emerging economies, the slowing Chinese economy with dropping imports from EMEA, USA and Japan, and the expected impacts from Brexit.

In the Eurozone, this deterioration has impacted all of the major economies in recent months: France and Italy - although particularly Germany - to which the Italian economy is closely linked. This is clearly highlighted by the contraction in the EUR - PMI (Purchasing Managers Indexes), which has dropped from 51.4 at December 31, 2018 (60.6 at 31/12/2017) to 45.9 at December 2019 (source: https://it.investing.com/economiccalendar/ manufacturing-pmi-201). Among the major global economies, only the United States has bucked the global cycle and has continued to grow strongly, as it has for some time. The US Dollar gradually strengthened against the Euro, while continuing on this track in the initial months of 2020.

In the initial months of the new year Covid-19 (coronavirus) spread to the western economies, after hitting China at the beginning of the year and whose consequences for the entire global economy are currently unpredictable. The “Subsequent events and outlook” paragraph provides an update on the Group’s situation.

With regards to the raw materials market, the monomer “caprolactam” from fossil sources has been partially linked to oil trends and impacted by world demand for polyamide 6 products. In view of the progressive growth in the volumes of the Econyl® caprolactam monomer deriving from post-consumer and post-industrial nylon sources, which already represent a significant share of the total raw materials used in the production processes of polymers and polyamide 6 fibres sold by the Group, purchases of fossil source caprolactam in 2019 saw a decrease in the average price compared to 2018, which became more pronounced in the latter part of the year, while continuing to decrease in the initial months of 2020. The average price of polyamide 6.6 polymers, which represent a minority of raw materials purchased by the Group and used for some production for the NTF product line, after the sustained increases of 2018 did not indicate a significant average movement but are also suffering from the general contraction in raw material prices in the initial months of 2020.

7. GROUP OPERATING PERFORMANCE

The 2019 Income Statement compared with the previous year is reported below:

Consolidated Income Statement (in Euro thousands)	**Note**	**At December 31, 2019**	*of which non-recurring*	**At December 31, 2018**	*of which non-recurring*
Revenues		548,955		555,220	
of which related parties		*58*		218	
Other revenue and income		2,555	*229*	2,591	*856*
Total revenues and other revenues and income		**551,509**	***229***	**557,811**	***856***
Cost of raw materials and changes to inventories		(282,841)	*(124)*	(282,266)	*(118)*
Service costs and rents, leases and similar costs		(100,412)	*(3,584)*	(100,935)	*(2,918)*
of which related parties		*(491)*		*(3,586)*	
Labour costs		(113,281)	*(5,849)*	(106,410)	*(3,983)*
Other costs and operating charges		(4,194)	*(1,129)*	(2,438)	*(211)*
of which related parties		*(70)*		*(96)*	
Amortisation, depreciation, and write-downs		(37,765)		(26,361)	
Provisions & write-downs		(325)		(93)	
Write-downs of financial assets (receivables)		(230)		(192)	
Increase in internal work capitalised		4,927		2,071	
Operating profit		**17,389**	***(10,457)***	**41,187**	***(6,373)***
Financial income		1,195	*1,082*	45	
Financial charges		(7,573)		(5,816)	
of which related parties		*(252)*		*(2)*	
Exchange gains/losses		(488)		1,668	
Profit (loss) before taxes		**10,524**	***(9,375)***	**37,084**	***(6,373)***
Income taxes		(1,519)	*750*	(6,986)	
Profit for the year		**9,005**	***(8,625)***	**30,097**	***(6,373)***
Minority interest net profit		0		0	
Group Net Profit		**9,005**	***(8,625)***	**30,097**	***(6,373)***

2019 **Consolidated revenues** decreased on the previous year by Euro 6.3 million (1.1%), from Euro 555.2 million to Euro 549.0 million. At like-for-like consolidation scope, therefore not considering the acquisition of O’Mara Inc., the revenue reduction was 4.3%, for Euro 23.8 million and mainly concerns the EMEA and Oceania/Asia Pacific regions. ECONYL® brand product revenues rose 3.2% on the previous year and account for 37.5% of total fibre sales. Sales volumes for the three Group product lines were similar to 2018. For the individual product lines, BCF and NTF volumes were up, although the latter line benefitted from the additional volumes contributed by the newly-acquired company Aquafil O’Mara Inc for a portion of the year (corresponding to approx. 3% of total volumes). The polymers line however reported a contraction in sales volumes, i.e. semi-processed nylon 6 fibres production sold to the compound sector for moulding, which decreased approx. 2.4% compared to the previous year’s total. With the closure of the Leuna production facility in the final part of 2019 and the US production capacity increases becoming fully operational in 2018 and 2019, the saturation of production plant has found equilibrium against market territorial demands.

Raw materials, ancillaries and consumables in absolute terms were substantially unchanged, amounting to Euro 282.8 million, compared to Euro 282.3 million in 2018, although including Euro 7 million concerning Aquafil O’Mara Inc..

Service costs and rent, lease and similar costs less (a) non-recurring components (Euro 3.6 million), the IFRS 16 effects (Euro 6.8 million) and the entry into the consolidation scope of Aquafil O’Mara Inc. (Euro 3.3 million), amount to Euro 100.4 million, increasing Euro 2.4 million compared to Euro 98.0 million in 2018, considered net of the non-recurring components.

Labour costs, less (a) the non-recurring components (Euro 5.8 million) and (b) the entry into the consolidation scope of Aquafil O’Mara Inc. (Euro 4.6 million), are substantially in line with Euro 102.4 million in 2018, considered net of the non-recurring components. The overall labour costs of Euro 113.3 million account for 19.6% of revenues, compared to 18.4% in 2018. The average Group workforce increased by 185 units, of which 145 from the newly acquired company Aquafil O'Mara Inc., overall increasing from 2,767 in 2018 to 2,953. The Group workforce in 2019 was 2,935, compared to 2,813 at the end of 2018.

EBITDA amounts to Euro 69.4 million, reducing 10.9% (Euro 8.5 million) compared to 2018. Excluding the IFRS 16 effects and the acquisition of the company O'Mara Inc., EBITDA was Euro 60.1 million, reducing 22.8% (Euro 17.8 million). EBITDA was impacted, in addition to the effect from reducing sales, by the following cost increases which were a central feature in the year:

a) Euro 6 million from the ECONYL® regeneration process following both the innovative and complex start-up of the Phoenix Aquafil Carpet Recycling plant for the recovery of end-of-life carpets, and the extraordinary shutdown of the ECONYL® caprolactam plant in Slovenia in order to boost production capacity. Gradual savings on these costs are forecast in 2020 of approx. Euro 2.5 million;
b) Euro 5 million for the desaturation of the production facilities in EMEA as a result of both the slowdown in demand on the end market and the gradual start-up of new production capacity in the United States; thanks to the reorganisation of the production structures of the BCF Product Line in EMEA, savings of approximately Euro 4 million are expected in 2020;
c) Euro 2.5 million for logistics costs and import duties in the USA on supplies temporarily coming from Europe to satisfy the considerable increase in demand on the North American market; during 2020, thanks to expanded capacity at Aquafil USA Inc. becoming fully operational, it is expected that these costs will be saved for their full amount.

The EBITDA Margin in 2019 was 12.6%. Excluding the effects from applying IFRS 16 and the acquisition of O'Mara Inc., the EBITDA Margin for 2019 was 11.3% (14% in 2018).

Amortisation, depreciation and write-downs in the period of Euro 37.8 million increased Euro 11.4 million over Euro 26.4 million in 2018, due to: (i) the entry into operation of the major investments made in preceding years, mainly of the companies Aquafil S.p.A., Aquafil SLO, Aquafil USA, ACR and Aquafil Fibres and Polymers (Jiaxing), for a total of Euro 3.6 million, (ii) the entry into the consolidation scope of Aquafil O'Mara for Euro 1.3 million, and (iii) the application of the new IFRS 16, for Euro 6.5 million.

Adjusted EBIT follows the movements of EBITDA, while differing in terms of increased amortisation and depreciation on 2018. EBIT amounted to Euro 31.1 million for the year, down 39.3% on 2018. Excluding the effects from the application of IFRS 16 and the acquisition of the company O'Mara Inc., 2019 Adjusted EBIT was Euro 29.6 million, of which Euro 2.5 million in the fourth quarter, contracting 42.3% and 76.3% on the same periods of the previous year.

EBIT, compared to adjusted EBIT, includes the "non-recurring" components and the portion of charges specified in notes (*) and (**) in the preceding "Parent Company key financial highlights" table. This amounted to Euro 17.4 million, decreasing 57.8% on 2018.

Non-recurring components in 2019 totalled Euro 8.6 million, of net costs increasing Euro 4.1 million over 2018. The majority of this increase concerns the accruals to the income statement of reorganisation charges for the BCF Product Line production structure in EMEA, in addition to other non-recurring charges related to the Group's expansion and other corporate transactions.

Net financial charges increased from Euro 4.1 million to Euro 6.9 million, rising Euro 2.8 million; the movement is due to (i) the increase in interest on loans, rising from Euro 5.8 million in 2018 to Euro 7.6 million in 2019, as a result of the higher Group debt and increased charges on the bond loans subscribed by Prudential, (ii) net exchange gains and losses, which reduced from a profit of Euro 1.7 million in 2018 to a loss of Euro 0.5 million in 2019, mainly due to the conversion into Euro of items in US dollars, the impacts from currency hedges during the year and closed at December 31, 2019 and the adjustment of the MTM of the interest rate hedging instruments and (iii) the movement in financial income (non-recurring) of Euro 1 million, substantially due to the positive recalculation of financial charges on the property lease contract of Aquafil S.p.A..

Income taxes stem from the corporation taxes of the individual countries where income was realised and includes the recognition of deferred tax assets and liabilities; as detailed in the Notes; current income taxes amount to Euro 3.1 million compared to Euro 3.6 million in the previous year; net deferred tax income amount to Euro 1.6 million compared to charges of Euro 3.3 million in the previous year. The average Group tax rate, calculated as the ratio of taxes on income, excluding the non-recurring portion, against the profit before taxes, was 21.6%, compared to 21% in the previous year.

The Group **Consolidated Net Profit** was Euro 9 million, compared to Euro 30.1 million in 2018, declining 70.1%. Adjusting the Net Result for non-recurring components and the relative taxes, an adjusted amount of Euro 17.2 million is reported, reducing 51.2% compared to the same adjusted result for the previous year.

8. DISCLOSURE BY OPERATING SEGMENT

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

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

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

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

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

8.1 BREAKDOWN OF REVENUES BY REGION AND PRODUCT LINE

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

	BCF (carpet yarn)				NTF (clothing yarn)				Polymers				Total			
	FY19	FY18	Cge	Cge %	FY19	FY18	Cge	Cge %	FY19	FY18	Cge	Cge %	FY19	FY18	Cge	Cge %
EMEA	203.9	216.1	(12.2)	(5.7%)	87.9	92.9	(5.0)	(5.4%)	35.5	43.8	(8.3)	(19.1%)	327.2	352.8	(25.6)	(7.3%)
North America	106.1	95.3	10.8	11.4%	16.4	0.1	16.3	N.A.	5.4	8.4	(3.0)	(36.0%)	127.9	103.7	24.2	23.3%
Asia & Oceania	89.8	96.6	(6.8)	(7.1%)	1.9	1.5	0.4	30.0%	0.5	0.2	0.3	N.A.	92.2	98.3	(6.1)	(6.2%)
Rest of the world	0.2	0.1	0.1	67.0%	1.5	0.3	1.2	N.A.	0.0	0.0	0.0	N.A.	1.7	0.4	1.3	N.A.
Total	**400.0**	**408.1**	**(8.1)**	**(2.0%)**	**107.7**	**94.7**	**13.0**	**13.7%**	**41.3**	**52.4**	**(11.1)**	**(21.2%)**	**549.0**	**555.2**	**(6.3)**	**(1.1%)**

The comparison indicates the following:

1. **EMEA** revenues reduced 7.3% (Euro 25.6 million) in 2019 against the previous year, where:
   a) the *BCF* product line contracted 5.7% (Euro 12.2 million), due to the market slowdown;
   b) the *NTF* product line contracted 5.4% (Euro 5 million), due to the market slowdown;
   c) the *polymers* product line contracted 19.1% (Euro 8.3 million), as a result of the choice in the initial part of the year to allocate internally produced polymer to the production of fibres rather than to the market, and to reduce sales on the basis of end-market demand levels;
2. **North American** revenues were up 23.3% (Euro 24.2 million); at like-for-like consolidation scope, excluding the acquisition of O’Mara Inc., revenues would have risen 7.5% (Euro 7.8 million), where:
   a) the *BCF* product line expanded 11.4% (Euro 10.8 million), mainly due to the consolidation of the auto market share, despite a slowdown for a number of weeks in the final quarter due to the general strike impacting the US General Motors end-customer;
   b) the *polymers* product line contracted 36% (Euro 3 million), due to reduced sales on the basis of the end-market performance.
3. **Asia Oceania** revenues were down 6.2% (Euro 6.1 million). The engineering activities of Aquafil Engineering GmbH are included in this area. It is indicated that:
   a) the *BCF* product line (not including the activities carried out by the engineering sector) declined 4.5% (Euro 4 million), as a result of the slowdown in global trade and the “tariff war”;
   b) the company *Aquafil Engineering GmbH*, which engineers and supplies chemical plant reported a reduction of 31.2% on 2018 (Euro 2.9 million).

9. GROUP BALANCE SHEET AND FINANCIAL SITUATION

The following table reclassifies the consolidated equity and financial position of the Group at December 31, 2019 and December 31, 2018.

Group Balance Sheet and Financial Situation (in Euro thousands)	**At December 31, 2019**	**At December 31, 2018**	**Change**
Trade receivables	24,960	34,046	(9,086)
Inventories	184,931	189,678	(4,747)
Trade payables	(76,089)	(106,895)	30,807
Tax receivables	1,639	451	1,188
Other current assets	12,126	14,297	(2,171)
Other current liabilities	(23,551)	(22,017)	(1,534)
Non-current assets held for sale	428		428
Net working capital	**124,444**	**109,559**	**14,885**
Property, plant & equipment	251,492	189,661	61,831
Intangible assets	21,101	15,992	5,109
Goodwill	13,029	0	13,029
Financial assets	669	394	276
Net fixed assets	**286,291**	**206,047**	**80,245**
Employee benefits	(5,721)	(5,702)	(20)
Other net assets/(liabilities)	(13,109)	(8,824)	(4,284)
Net capital employed	**391,905**	**301,080**	**90,825**
Cash and banks	90,400	103,277	(12,878)
ST bank payables and loans	(42,153)	(34,279)	(7,874)
M-LT bank payables and loans	(169,796)	(159,492)	(10,304)
M-LT bond loan	(90,458)	(53,578)	(36,880)
ST bond loan	(3,903)	(1,217)	(2,686)
Current financial receivables	1,637	2,878	(1,241)
Other financial payables	(35,296)	(14,858)	(20,437)
Net financial position	**(249,570)**	**(157,269)**	**(92,301)**
Equity attributable to the owners of the parent	(142,335)	(143,810)	1,476
Minority interest net equity	(1)	(1)	0
Total Shareholders' Equity	**(142,336)**	**(143,811)**	**1,475**

In the consolidation process, the balance sheet items expressed in foreign currencies were impacted by the write-back/write-down of opening balance sheet items in 2019 (currency translation effects) principally between the Euro the US and Chinese currencies: the changes in the balance sheet items compared to 2019 arose partly due to this factor.

Net working capital amounts to Euro 124.4 million, increasing Euro 14.9 million on Euro 109.6 million in 2018. The main difference relating to the debt to suppliers, which reduced Euro 30.8 million, from Euro 106.9 million to Euro 76.9 million, concerned (a) the closure of the Aqualeuna facility, resulting in a decrease in the value of supplies of Euro 8.5 million; (b) reduced exposure in the value and quantity acquired in the final period of 2019 from suppliers of the main raw materials compared to the end of the previous year, mainly at Aquafil S.p.A., Aquafil USA Inc., Aquafil Fibres and Polymers (Jiaxing) Co. Ltd. and Aquafil SLO d.o.o..

Inventories reduced in value from Euro 189.7 million to Euro 184.9 million (Euro -4.8 million), while decreasing Euro 10.5 million excluding the inventory of Aquafil O'Mara Inc.; the decrease was mainly concentrated in the USA and China, in the former case due to the permanent impact from the limitation on yarn shipments from Europe at the beginning of 2019, and in the latter case due to the reduction in volumes sold to Australian and New Zealand customers, whose shipments involve long delivery timeframes. Initiatives were taken to further reduce stock for all product lines and on the ECONYL® cycle, optimising procurement and logistic flows and through a control policy on the liability cycle of ECONYL® support materials, for which positive effects are expected in terms of reducing net working capital in 2020.

Fixed assets at December 31, 2019 amounted to Euro 286.3 million, an increase of Euro 80.2 million compared to the previous year, due to the combined effect:

1. the "First Time Adoption" of IFRS 16 in this initial year of application, amounting to Euro 28.7 million,
2. goodwill recognised on the acquisition of Aquafil O'Mara Inc. and the relative assets included in the consolidation for a total of Euro 31.7 million;
3. net investment activities in tangible and intangible assets of Euro 55.9 million, including Euro 0.9 million regarding the increase in the year concerning the movement in goods recognised as per IFRS 16;
4. conversion differences and other minor items for Euro 1.7 million;
5. amortisation and depreciation in the year of Euro 37.8 million.

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) expanded production capacity of core BCF operations in the US and China, (c) investments supporting the rapid return streamlining of core production and (d) ordinary annual investments to modernise and technologically develop existing plant. No significant divestment activities were undertaken (Euro 1 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 1.5 million, from Euro 143.8 million to Euro 142.3 million, substantially due to the combined effect (i) the consolidated net profit of Euro 9 million, while reducing due to the distribution of reserves in the year of Euro 12.3 million.

The **Net Financial Position** (net debt) at December 31, 2019 amounted to Euro 249.6 million, compared to Euro 157.3 million in the previous year, increasing Euro 92.3 million. Excluding the increase from application of IFRS 16 (Euro 28.7 million) and the acquisition of O'Mara Inc. (Euro 36.1 million), the effective increase from core operations was Euro 27.6 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 55.2 million, (b) the impact on investment activities for -Euro 55.9 million and (c) the reduction in net working capital of Euro 5.1 million, (d) the distribution of reserves to Shareholders for Euro 12.3 million, (e) financial charges and income taxes paid for Euro 9 million.

New medium-term unsecured loans were signed in the year by the parent company Aquafil S.p.A. for a total of Euro 103 million, against the repayment of outstanding loans on schedule and in advance in view of associated high financial charges for a total of Euro 45.4 million. A new bond loan was subscribed by companies of the Prudential Group for Euro 40 million to support the acquisition of O'Mara Inc., utilising the available "Shelf Facility" line for a maximum amount of USD 90 million; details on the debt are reported in the Notes.

The total Group bank credit lines at year-end amount to Euro 89.5 million, completely unutilised.

Liquidity at year-end of Euro 103.3 million was distributed among the current accounts of the various Group operating companies in support of core operational requirements.

The parent company reacquired from Finest S.p.A., according to the contractual terms, the minority holding of AquafilCRO d.o.o. for consideration of Euro 1.7 million.

The leasing payables were classified to finance lease payables and principally concern the property lease upon the production facilities of Aquafil S.p.A. at Arco (TN).

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 2019, 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 fibres for textile/clothing use is undertaken by the companies Aquafil S.p.A., Aquafil SLO d.o.o. with facilities in Ljubljana and Senozece (Slovenia), AquafilCRO d.o.o., with facilities in Oroslavje (Croatia) and Aquafil Tekstil Sanayi Ve Ticaret A. S., with commercial operations based in Istanbul (Turkey).

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.

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 consolidated financial statements for the year ended December 31, 2019, are presented below. The Aquafil Group undertakes commercial and financial transactions with its related companies, consisting of transactions relating to ordinary operations and at normal market conditions, taking into account the features of the goods and services provided.

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

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

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

The transactions were executed at market conditions; for a breakdown of the income statement and balance sheet amounts generated by related party transactions included in the Group consolidated financial statements at December 31, 2019, reference should be made to the Explanatory Notes.

During the year, Aquafil S.p.A. approved and executed the distribution of dividends to shareholders for a total of Euro 12.3 million, of which Euro 7.1 million to the majority shareholder Aquafin Holding S.p.A.. 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 2019 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.

Research in 2019, with particular reference to the **BCF product line**, saw the continuation of the research projects started in previous years and in particular relating to (1) fire-resistant, with the experimentation of new formulations of polyamide 6 compounds and synergistic interaction between different molecules, (2) stain-resistant, with the relaunch of the project to develop new opportunities offered by reformulated masters and polymers from specific viscosity and additive modifications, (3) improvement of efficiency in the tufting of multi-coloured yarns, (4) „Carpet Ecodesign", a new collaborative project with customers and their suppliers of materials for textile flooring products (primary backing, latex, etc.) in order to develop an innovative concept of sustainable and easily recyclable carpet to „disassemble" all its components, (5) project to extend the use of natural coloured pigments, for the gradual extension of natural pigments from coloured earth to replace those of an organic / inorganic nature from synthesis.

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: (1) development of new types of masterbatch colour bases for multi-micro-PA6 yarn, (2) development of a new low thermal resistance polyethylene fibre for textile applications, (3) optimisation of a new technology for the production of antistatic multifilament fibres, (4) development of a UV protective component for fibres for innovative thin UV protective fabrics, a project that has been approved by the Slovenian National Research Agency.

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 new US plants in the start-up phase of the companies ACR #1 Inc. ACR #2 Inc., waste copper recovery from process supply products and caprolactam purification technology and continuous de-polymerization 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. The activities related to both the fermentation and the final transformation into bio-caprolactam of the amino caproic acid intermediate obtained from raw materials from renewable sources in the pilot plants of Genomatica Inc. and Aquafil S.p.A. are in line with the project schedule. The first production of organic 6-ACA in quantities close to a ton was successfully undertaken by Genomatica Inc. through a third-party company (Acies Bio, Slovenia), collecting all the necessary findings for the next demonstration phase on a pre-industrial scale.

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 supply chain (from raw material producers to brands) in the validation of new materials deriving from innovative processes, with good preliminary results; 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.

In **patent developments**, in addition to the patents filed and registered in the name of Aquafil S.p.A. dated (a) 7.3.2013, PCT, on the recycling of polyamide fibres from elastomeric products and (b) 8.6.2017, PCT, on the composition of fishing net coatings, the following main steps for the development of patents are reported:

(c) patents were published on June 28, 2018, with validity in all 152 countries subscribing to the Patent Cooperation Treaty, regarding a method to recover copper from discarded fishnets in support of the ECONYL® process, as requested by AquafilSLO d.o.o.; during the subsequent two years, national/regional extensions for the Group's main operational areas were granted;

(d) on November 29, 2018 a patent valid in the USA was published, with AquafilSLO d.o.o as the applicant, on the process of recovering and separating scrap material from polyamide carpets at the end of their life cycle, and the international patent valid in PCT member countries was published on December 5, 2018; a further patent application for integrations on the same process by Aquafil SLO is currently in the publication process;

(e) on June 20, 2019, the international PCT patent was published in all counties adhering to the Patent Cooperation Treaty, with AquafilSLO d.o.o. as the applicant and for the improvement and optimisation of solvent-free caprolactam purification technology; the activities for the specific national/regional extensions covering the caprolactam plant in the US, China, Russia and Japan are underway and partially completed;

(f) as part of the project relating to the development of bio-caprolactam, the patent application was filed on December 28, 2018, at the Italian Patent Office, jointly by Aquafil S.p.A. and Genomatica Inc., San Diego, California (USA), and relating to the transformation phase of the initial linear intermediate obtained through fermentation processes into the final cyclic ring monomer used for the production of bio nylon 6; in December 2019, a further integration of the content was made and filed as a PCT with validity in all 152 member countries; publication is expected in June 2020; in agreement with Genomatica Inc., Aquafil S.p.A., based on the experimental research in progress with the bio-intermediate, plans to make further specific filings on the transformation process to obtain bio nylon 6.

12. CORPORATE GOVERNANCE

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

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

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 December 31, 2019, 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. participates as a consolidated company in the Group taxation procedure as chosen by Aquafin Holding S.p.A. as consolidating company, 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 in the same Group tax procedure, according to 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 MANAGEMENT AND CONTROL MODEL IN ACCORDANCE WITH LEGISLATIVE DECREE 231/2001

The Italian companies of the Aquafil Group have supplemented the organisation, management and control model as per Legislative Decree No. 231 of June 8, 2013, including the conduct code and operating procedures, as updated by: (a) Law No. 161 of October 17, 2017 concerning provisions against illegal immigration (new anti-mafia code); (b) Law No. 167 of November 20, 2017 supplementing the catalogue of offenses as per Legislative Decree No. 231/2001, inserting Article 25-terdecies “racism and xenophobia”; (c) Law No. 179 of November 30, 2017 concerning whistleblowing.

13.5 IMPAIRMENT TEST PROCEDURE

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

14. RECONCILIATION BETWEEN THE PARENT COMPANY AND GROUP SHAREHOLDERS’ EQUITY AND OPERATING RESULT AT DECEMBER 31, 2019

A breakdown of the composition and movement of shareholders’ equity of the parent company and the Group consolidated financial statements at December 31, 2019 is presented in the following table:

(in Euro thousands)	**Shareholders’ Equity**	**Net Result**
Parent company net equity and net result	**106,846**	**2,878**
Consol. Adjustments on parent company	(1,263)	3,394
Elimination of carrying amounts of consolidated investments		
Difference between Shareholders’ Equity & Carrying amount	40,682	
Pro-quota results of investees	2,614	2,614
Elimination of the effects of transactions between consolidated companies		
Reversal of write-downs net of revaluations of investments	736	736
Inter-company dividends	(732)	(732)
Inter-company profits included in inventories & other minor	(8,448)	1,909
Translation reserve	1,901	
Net equity and net result as per consolidated financial statements	**142,336**	**10,799**
Minority interest net equity and net result	1	0
Group net equity and net result	**142,337**	**10,799**

15. SUBSEQUENT EVENTS AND OUTLOOK

The outbreak of **Covid-19** (coronavirus) in China in January 2020 and subsequently to Italy and other countries across the world is creating a significant degree of worry in terms of its health impacts and those on the entire global economy. Business development in the new year may be affected in ways which are currently unforeseeable. The Aquafil Group to date has not yet suffered major production, logistics and commercial level impacts in terms of sales volumes and the arrival of new orders from customers, although the development of this issue at this point does not allow us to assess its future evolution.

The Chinese facility of Aquafil Synthetic Fibres and Polymers (Jiaxing) Co. Ltd., located in Jiaxing (province of Zhejiang), benefitted greatly from the fact that it did not close for the Chinese new year, as opposed to the significant majority of Chinese production enterprises, continuing production to support non-Chinese sales - exports which represent the majority of the company's revenues. As a result, on returning from the new year's holidays, when the Chinese Government decided not to reopen economic, logistical and production activities, in addition to limiting the population's mobility, Aquafil Jiaxing was able to continue production activities, on the condition that all necessary measures were taken at the site to ensure that the virus did not spread and there was no contagion to employees. The company has continued production activities to date without significant slowdowns, with the exception of a reduction in domestic market production; finished product shipments to customers on the Oceania and Far East Asian markets were also made according to acceptable timeframes, although there were difficulties in accessing shipping agents.

All the other Group companies are adopting all the prevention measures recommended by the competent authorities and those considered as most suitable and effective to protect the health of their workers, while continuing production, logistics and commercial activities.

The Italian companies Aquafil S.p.A. and Tessilquattro S.p.A. are expected to introduce the Temporary Lay-Off Scheme provided for in the relevant Government Decrees in view of a possible reduction in customer orders, which however is currently not quantifiable.

It can therefore be stated that — overall and in view of the information currently available and the health emergency in progress — no impact and/or effect is seen (i) on the value of the assets shown in the financial statements (ii) on the recoverability of trade receivables (iii) on the net realisable value of inventories. As indicated above, the impact on the business thus far is limited. Therefore, no specific risks have been identified in terms of the Group's ability to meet its commitments (including compliance with the "covenants" set out in certain loan agreements) and/or which may impact the ability to continue as a going concern.

An additional event subsequent to year end was the **corporate reorganisation** of the German subsidiaries **Aqualeuna GmbH and Aquafil Engineering GmbH**: 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 acquired Aquafil S.p.A.'s entire holding in Aquafil Engineering S.p.A. for a total price of Euro 6 million.

Considering the uncertainty and unpredictability of the development and spread of Covid-19, which is having a profound impact on the world economy, it is very difficult to make reliable forecasts on the operating outlook. Excluding these effects, the 2020 budget indicates an improvement in the Group's sales volumes and margins across the various product lines and geographical areas and a significant reduction in the Group's net debt as a result of reduced investment activity compared to the significant amounts incurred over the two previous years, and thanks to actions and interventions to reduce net working capital.

Non Financial Report

Legislative Decree no. 254 of 30.12.2018

Methodological note

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

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

The contents of this Report present the Group's performance in reference to the sustainability reporting standards published by the Global Reporting Initiative (GRI), using a selection of indicators outlining the evolution of material aspects and relations with stakeholders. Specifically, this report has been prepared in accordance with Core Option GRI Standards, using the standards published in 2016 for all material topics except those relating to occupational health and safety (GRI 403), for which the most recent standards, published in 2018, have been used.

The information and key indicators for 2019 are compared with those of the three preceding years (2016, 2017 and 2018), in order to assess the trend over the last four years.

The number of indicators used remains the same as in last year's report, although more stakeholders were interviewed for the identification of material topics during 2019. The detailed list of the indicators adopted is shown in the appended Content Index.

For all information on economic and financial performance, including net revenue, capitalisation and product quantities, please refer to the dedicated chapters in the 2019 Management Report, of which this Non-Financial Report is an integral part.

The reporting scope (paragraph 1.3) includes all consolidated Group companies with at least one production site, with the exception of Aquafil Carpet Recycling (ACR) #2, which is not yet fully operational.

With respect to last year's report, the reporting scope has been extended to include the plant of Aquafil O'Mara Incorporated, acquired on May 31, 2019. Information relating to environmental topics refers to the period from June to December 2019, while that relating to human resources topics refers to the entire year 2019.

Furthermore, the company Aqualeuna, liquidated in October 2019, is included in the reporting scope, with environmental information referring to the period from January to September 2019, and human resources information referring to the year 2019.

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

For additional information regarding the contents of this Report, please write an e-mail to info@aquafil.com.

We have a story to tell

(GRI 102-14)

Twenty years ago, the word "sustainability" was used only by idealists and environmental associations, with its meaning almost unknown to the rest of society.

Today, however, in a world with ever more stringent constraints for growth, sustainability is no longer merely an added value but an imperative for staying competitive and prospering on the market.

But there's more.

Today's challenges demand we make a choice: whether we want to be on the side of innovators making a real difference, or whether we want to limit ourselves to responding to market demands.

Aquafil decided which side we wanted to be on more than 10 years ago: we chose to lead by example, to stay at the forefront of our sector, with concrete action and milestones that drive our business forwards in a different way. It's an uphill path, fraught with challenges, yet incredibly exciting and rewarding.

In 2007, we decided to recount each step of this process in the Group's Sustainability Report, which has now become part of the Non-Financial Report of the Consolidated Financial Statements.

The information reported in the following pages is therefore not merely a reporting tool, but the demonstration that it is possible to be sustainable, to be successful and to set the pace. All the information, dates and figures included here represent our accomplishments and are pieces of our story, one that has endured for over fifty years.

Giulio Bonazzi

1. OPERATIONAL MODEL

This chapter is dedicated to the presentation of the Corporate Governance Model adopted by the Group, and to its global presence in both geographical and product marketing terms.

1.1. The Aquafil Group

(GRI 102-1; 102-3; 102-4)

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

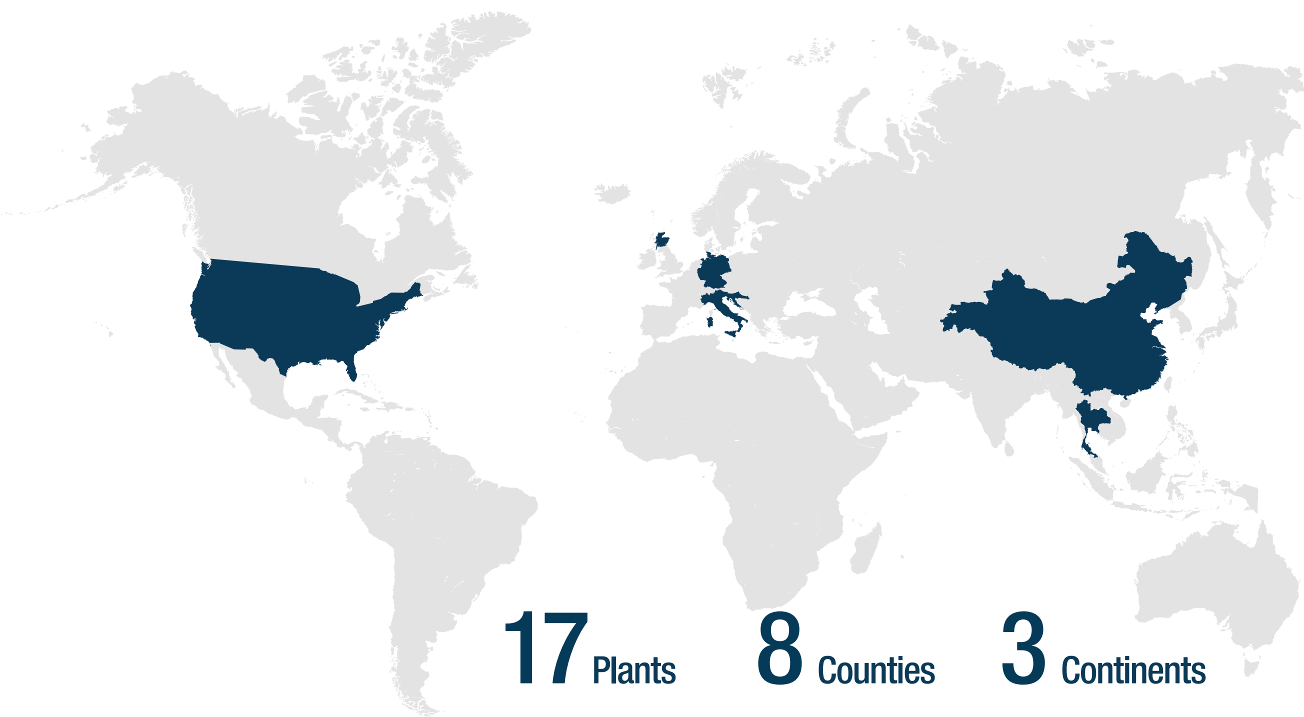
The Group, founded in 1965 in Arco, Italy, where it still has its headquarters, at December 31, 2019, boasts 17[1] plants on 3 continents and in 8 countries (Italy, Germany, Slovenia, United Kingdom, Croatia, USA, China and Thailand). (Figure 1).

Group products target various sectors, including textile flooring (carpets and rugs), clothing (underwear, hosiery and technical sports clothing) and plastic moulding for the creation of accessories and design products.
The Group also operates in the plant engineering sector through the company Aquafil Engineering G.M.B.H., which specialises in the design of industrial chemical plant, and in the polymers sector for plastics moulding.

The Group's strengths include:

- A clear corporate identity with a consistent focus on reducing the environmental impact of its products;
- An extremely broad and varied product portfolio offering a complete and diversified range of coloured yarns;
- A strong global presence;
- A high level of control over the entire production and distribution chain;
- Strong synergy between flooring and clothing sector activities, especially in terms of expertise and geographical distribution;
- The constant pursuit of partnerships with cutting-edge companies and laboratories for the innovation of renewable, low environmental impact materials.

Figure 1 - THE GROUP'S GLOBAL PRESENCE (UPDATED TO 31/12/2019)



[1] It should be noted that although the production site of the company Aqualeuna was decommissioned in October 2019, it has been included in the count since it forms part of the reporting scope.

AMERICA

USA

AQUAFIL DRIVE / CARTERSVILLE

BCF
Fluff cutting
Masterbatch
Spinning

RIVER DRIVE / CARTERSVILLE

BCF
Carpet yarn interlacing
Twisting
Heat setting

O'MARA

BCF
Extruding
and carpet
texturing

PHOENIX

Aquafil Carpet Recycling <ACR> # 1
Recovery
Separation
Pelletizing of carpet fluff

WOODLAND

Aquafil Carpet Recycling <ACR> # 2
Recovery
Separation
Pelletizing of carpet fluff

EUROPE

ITALY

ARCO / TN

BCF
Polymerisation
Masterbatch
Spinning

EP
Compound and
Masterbatch

ROVERETO / TN

BCF
KdK and
Superba dyeing

CARES / TN

BCF
Interlacing
Twisting

SLOVENIA

LUBIANA

BCF
Carpet yarn
polimerysation
Spinning/twisting
Heat setting

NTF
Texitile yarn spinning
Warping
Masterbatch

ERS
Depolymerization ECONYL®
caprolactam

AJDOVSCINA

ERS
Waste preparation of PA6

SENOZECE

NTF
Textile yarn warping

CELJE

BCF
Carpet yarn twisting
Heat setting

CROATIA

OROSLAVJE

NTF
Interlacing
Coiling/Twisting
Textile yarn texturing

GERMANY

LEUNA

BCF
Spinning/Twisting
Interlacing
Carpet yarn twisting
Heat setting

SCOTLAND

KILBIRNIE

BCF
Carpet yarn interlacing
Twisting
Heat setting

ASIA

CHINA

JIAXING

BCF
Carpet yarn spinning
Interlacing
Twisting
Heat setting

EP
Compound

THAILAND

RAYONG / BANGKOK

BCF
Carpet yarn interlacing
Twisting

BCF Yarn for Carperts

EP Engineering Plastics

ERS ECONYL® Regeneration System

NTF Yarn for garments

1.1.1. Product Areas

(GRI 102-2)

Aquafil's production and marketing activities are organised into three product areas, flooring yarns, clothing yarns, and nylon 6 polymers, the latter mainly targeting the engineering plastics sector for subsequent use in the moulding industry.

3 PRODUCT AREAS

The production of textile flooring yarns, accounting for over 70% of revenues, has been the Group's core business since its foundation. The product area is focused on producing and marketing carpet yarn, and is a reference point for manufacturers in three main market segments: the contract segment, including airports, large carpeted walkways, offices and public spaces; the automotive segment, including car mats and coverings; and the residential segment. The Group has set up Carpet Centers in each of the main production markets (Italy, USA and China), whereby specialist technicians support customers in the creation of designer products in step with market trends, developing ad-hoc chromatic solutions and tailor-made production techniques. A considerable share of flooring yarn sales involves ECONYL® obtained from the regeneration of renewable materials.

The Clothing Yarns product area is dedicated to the production of polyamide 6 and 6.6 synthetic fibres and dryarn® for the underwear, hosiery, sports, fashion and leisure clothing sectors. Aquafil constantly collaborates with its customers to continuously improve the aesthetic and performance qualities demanded by the fashion and sports sectors. With its extensive experience in the sector, and ability to use ECONYL® in specific clothing sectors, Aquafil is the main supplier of various leading Italian and European apparel, underwear and sportswear brands.

Thanks to the versatility of its polymerisation plants, Aquafil Group produces not only PA6 polymers for flooring and clothing yarns, but also a range of products for the technopolymer supply chain, including the plastics moulding industry. These polymers, and particularly ECONYL®, are used in a variety of sectors, such as for the production of accessories in the fashion sector (e.g. glasses frames) and furniture in the design sector (e.g. chairs).

1.1.2. Reference markets

(GRI 102-6)

The Group operates on a global scale with a consistent service level across the various companies and markets. Indeed, today's industrial globalisation standards have been achieved through a precise strategy of technological and technical expertise sharing between the various companies of the Group, utilising a centralised 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 Group since its inception have been the development of synchronised 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 for the development, production and sale of solutions for textile flooring, clothing and polymers;
- North America and Asia Pacific, markets in which textile and polymer flooring yarns are produced and sold.

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

1.2 Corporate governance

(GRI 102-5; 102-18)

Aquafil S.p.A. is a joint-stock company, listed on the STAR segment of the Italian Stock Exchange, whose majority shareholder is Aquafil Holding S.p.A..

The company has adopted a traditional administration and control system, with company management assigned to the Board of Directors (hereinafter “BoD”), whose directors are appointed at the Shareholder’s Meeting. Control functions are assigned to the Board of Statutory Auditors.

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

The Supervisory Board also has the duty to oversee the compliance and updating of the Organisation, Management and Control Model. The audit of accounts has been awarded to an independent audit firm PricewaterhouseCoopers S.p.A.

1.2.1. Shareholders’ Meetings

The Shareholders’ Meeting considers motions, in ordinary and extraordinary session, on the matters reserved to it in accordance with law and the By-Laws. The Shareholders’ Meeting shall be chaired by the Chairperson of the Board of Directors, or in such absence or impediment or at the request of the Chairperson, by another person elected by the Shareholders’ Meeting, including the Chief Executive Officer (if elected).
The By-Laws set out the Shareholders’ Meetings functions and regulations: competencies and majorities, meeting call methods and timings and contribution and voting options.

1.2.2. Board of Directors

The BoD of the company is appointed according to the By-Laws and is exclusively granted the responsibility for the ordinary and extraordinary management of the company, undertaking all acts, including disposals, deemed appropriate in order to achieve the company's scope, with the sole exception of those expressly reserved for the Shareholders’ Meeting by law or the By-Laws.

The Shareholders’ Meeting establishes the number of members on the Board of Directors, which remains in place until otherwise decided. The Board of Directors is appointed on the basis of slates presented by the shareholders, in accordance with the procedure set out in the By-Laws, except where otherwise established by obligatory laws or regulations. In addition, a number of directors identified according to the applicable statutory and regulatory provisions, also in view of the company’s listing segment, should satisfy the applicable independence requirements, in addition to any other requirements under the Self-Governance Code issued by Borsa Italiana. Table 1 shows the structure and composition of the Board of Directors at 31/12/2019.
The Chairperson is elected by the BoD from among its members and remains in office for the duration of mandate. The Board of Directors may delegate part of its duties to an Executive Committee, determining the limits of such mandate, the number of members of the Committee and its operating procedures, in addition to setting up one or more committees with consultative, proposal or oversight powers in accordance with the applicable statutory and regulatory provisions.

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

Table 1 - COMPOSITION OF THE BOARD AT 31/12/2019	
Chairman and CEO	Giulio Bonazzi
Executive Director	Adriano Vivaldi
	Fabrizio Calenti
	Franco Rossi
Director	Silvana Bonazzi
	Simona Heidempergher (*) (**)
	Carlo Pagliani
	Margherita Zambon (*)
	Francesco Profumo (*)

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

1.2.3. Board of Statutory Auditors

The Board of Statutory Auditors of the company comprises 3 statutory auditors and 2 alternate auditors, as decided by the Shareholders' Meeting who also appoints the Chairperson. The Board of Statutory Auditors verifies compliance with law and the By-Laws, with the principles of correct administration and in particular the adequacy of the organisation, administration and accounting structure adopted by the company and its correct functioning, the efficacy of the internal control system, in addition to the financial disclosure process.

The company By-Laws govern all aspects regarding their appointment, duration and duties (callings, motions).

Table 2 presents the current composition of the Board of Statutory Auditors of the Group.

Table 2 - COMPOSITION OF THE BOARD OF STATUTORY AUDITORS AT 31/12/2019	
Chairman	Stefano Poggi Longostrevi
Statutory Auditor	Fabio Buttignon
	Bettina Solimando
Alternate Auditor	Marina Manna
	Davide Barbieri

1.2.4. Appointments and Remuneration Committee

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

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

The specific areas of competence are listed in detail in the Regulation of the Appointments and Remuneration Committee of Aquafil S.p.A., which also governs its functioning (calling, execution of duties and minuting of meetings). Table 3 presents the current composition of the Appointments and Remuneration Committee.

Table 3 - APPOINTMENTS AND REMUNERATION COMMITTEE AT 31/12/2019	
Chairman	Francesco Profumo
Participant	Margherita Zambon
	Simona Heidempergher

1.2.5. Control and Risks Committee

The BoD has appointed a Control and Risk Committee made up of three Directors.

The Committee has the task of assisting the Board with periodic financial report approvals, risk management, internal control system supervision, findings assessments and related Board decisions.
The duties and aspects concerning its functioning (calling, carrying out of duties and minuting of meetings) are governed by the Regulation of the Control and Risks Committee of Aquafil S.p.A.. Table 4 presents the current composition of the Control and Risks Committee.

Table 4 - COMPOSITION OF THE CONTROL AND RISKS COMMITTEE AT 31/12/2019	
Chairman	Simona Heidempergher
Participant	Francesco Profumo
	Carlo Pagliani

1.2.6. Supervisory Board as per Legislative Decree 231/01

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

Table 5 presents the current structure and composition of the Supervisory Board.

Table 5 - COMPOSITION OF THE SUPERVISORY BOARD AT 31/12/2019	
Chairman	Fabio Egidi
Internal member	Karim Tonelli
External member	Marco Sargenti

1.2.7. Sustainability Steering Committee

The Sustainability Steering Committee (hereinafter “Sustainability Committee”) was established in 2018, and is made up of three working groups covering the main areas of sustainability relating to environmental, social and economic issues.

Each working group comprises management figures, representing all corporate departments, and external experts.

The goal of the Sustainability Committee is to guide and monitor the development of corporate sustainability policies in line with the principles stated in the corporate mission entitled THE ECO PLEDGE® (paragraph 2.1)

It also has the duty to:

- Monitor all topics relating to environmental and social sustainability, and verifying their applicability to the Group;
- Define the Group’s Sustainability Plan and related improvement goals;
- Monitor projects and check their progress.

1.3 Scope of reporting

(GRI 102-10; 102-45)

The Group comprises 17 direct or indirect subsidiaries of Aquafil S.p.A., with headquarters in Europe, the United States and Asia (Figure 2). The Group's operating strategy is directly overseen by Aquafil S.p.A.

As indicated in the Methodological Note, the reporting scope includes all the companies of the Group with at least one production site, with the exception of the company Aquafil Carpet Recycling (ACR) #2, since the site is not yet fully operational.

Furthermore, with respect to 2018, the reporting scope has been extended to include the plant of Aquafil O'Mara Incorporated, acquired on May 31, 2019. The new company produces mainly stock-dyed nylon, polypropylene and polyester yarns at its Rutherford College plant in North Carolina.

In line with the previous year, all of the trading and services companies with exclusively administration and market oversight functions have been excluded, with such exclusions limiting the presentation of Group results "to the extent necessary to understand operations, performances and results and the impact produced" as required by Legislative Decree 254/2016. Specifically, the scope does not include:

- The company Cenon S.r.o (SK), as not operative;
- The company Aquafil India, as non-operative;
- The company Aquafil Tekstil Sanayi Ve Ticaret A.S., which carries out trading activities on the Turkish market;
- The German company Aquafil Engineering G.m.b.H., which independently carries out the design and construction of chemical plant;
- The Belgian company Aquafil Benelux-France BVBA, the official agency for the Benelux and French market;
- The Australian company Aquafil Oceania Pty Ltd, acquired in June 2018, the official agency for the Australian and New Zealand market.

The companies within the scope employ a negligible portion of the Group's personnel (fewer than 50 employees overall) and therefore do not contribute significantly to the change in the trends in the indicators reported below.

All the information contained in this report refers to the entire calendar year 2019, except for the following companies:

- Aqualeuna, liquidated in October 2019, for which environmental information refers to the period from January to September 2019, and human resources information refers to the entire year 2019
- Aquafil O'Mara, acquired at the end of May 2019, for which environmental information refers to the period from June to December 2019, and human resources information refers to the entire year 2019

Figure 2 indicates in blue the consolidated companies included in this Report.

GOVERNANCE

The Group comprises 17 direct or indirect subsidiaries of Aquafil S.p.A. The Group's operating strategy is directly overseen by Aquafil S.p.A.

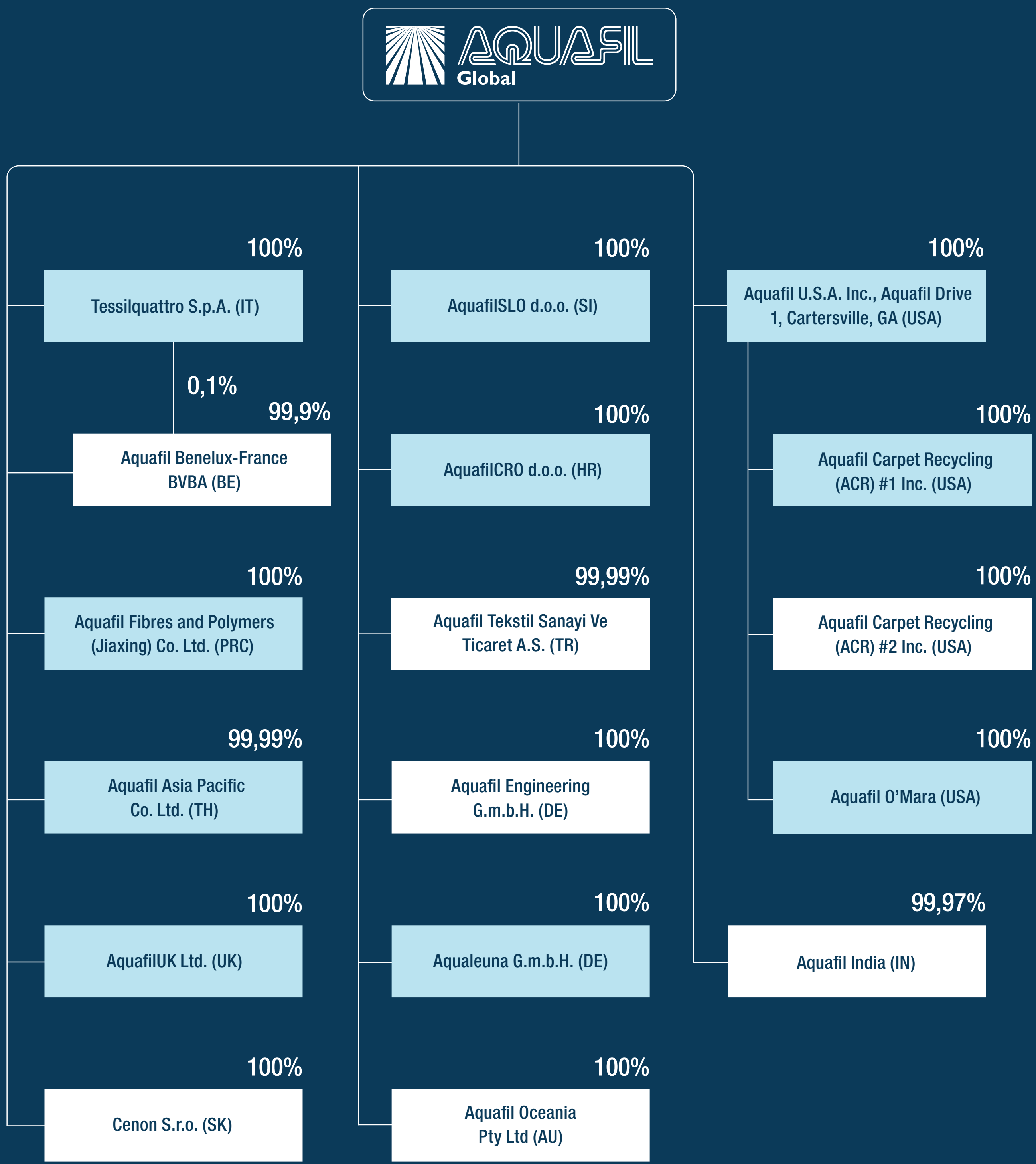


Figure 2 - GROUP STRUCTURE DIAGRAM AT 31/12/2019 WITH RELATIVE SHARE CAPITAL PERCENTAGES HELD BY THE PARENT COMPANY AQUAFIL S.P.A.

(The consolidated companies included in the Reporting scope are indicated in blue).

2.

SUSTAINABILITY POLICIES

This chapter is dedicated to environmental and social policies adopted by the Group.

2.1. Doing business sustainably: THE ECO PLEDGE®

For a number of years, Aquafil has promoted a new way of doing business inspired by the principles of sustainability and the circular economy.

Indeed, sustainability is a critical success factor capable of both reducing risks and increasing benefits for the Group and the communities in which it operates.

The principles underpinning the Group's operations are defined in the guidelines entitled "THE ECO PLEDGE® - Aquafil's path toward full sustainability", which translates into a series of commitments delineating the corporate approach the Group has chosen to adopt:

- Design of products according to circular economy principles, considering the end-of-life management of all components within the framework of innovative production processes that give new life to waste materials;
- Environmental protection through a constant commitment to reduce the impact of production activities and encourage the use of renewable sources;
- Constant attention to the well-being and professional and personal fulfilment of Group employees;
- Close collaboration with suppliers and customers for more virtuous supply chains, through their direct engagement in national and international sustainability initiatives and programmes;
- Relationship building with the local communities of the countries in which the Group operates, in order to promote sustainable development together;
- Promotion of a culture of sustainability, both inside and outside the Group, through appropriate training, awareness-raising and the engagement of Aquafil stakeholders.

In 2018, the Group established a Sustainability Committee (paragraph 1.2.7) with the task of guiding the development of corporate environmental, social and economic sustainability policies and projects, and constant monitoring of their results.

During 2019, the Committee prepared a Sustainability Plan to define and guide the Group's commitments and activities over the medium term.

The commitments declared in THE ECO PLEDGE® can be summarised by five sustainability pillars. For each pillar, the Committee has defined specific areas for improvement and related implementation projects.

Corporate objectives and responsibilities have been defined for each area and their related projects.

In order to align the Group's commitments with the international context, and to offer stakeholders an additional tool for evaluating them, the Committee decided to associate the Group's sustainability pillars and areas for improvement with the United Nations Sustainable Development Goals (hereinafter "SDGs"), following the guidelines of the series of manuals entitled "Business Reporting on the SDGs", published by the Global Reporting Initiative (GRI) and the UN Global Compact[2].

Table 6 shows an extract from the Group's Sustainability Plan.

[2] For further information, refer to: "Integrating the SDGs into Corporate Reporting: A Practical Guide' and 'Business Reporting on the SDGs: An Analysis of Goals and Targets" published by the Global Reporting Initiative, 2018.

Table 6 - SUSTAINABILITY PLAN - IMPROVEMENT AREAS AND DEDICATED PROJECTS

SUSTAINABILITY PILLARS	IMPROVEMENT AREAS	PROJECTS	SUPPORTED SDGs
Rethinking of products from a circular perspective	Creation of new sustainable value chains	Use of new recycled materials, such as copper, polypropylene and calcium carbonate, from existing processes	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	Research other sustainable value chains	Biopolymers (H2020 Effective Project)	
Environmental protection	Investment in energy from renewable sources	Procurement of electricity from renewable sources for the entire Aquafil group	6 CLEAN WATER AND SANITATION 7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION 15 LIFE ON LAND
	Impact of production processes	• Energy efficiency of the production lines • Reduction in water consumption and discharges • ISO 50001 and 14001 certifications	
Well-being of individuals	Minimisation of accidents	ISO 45001 certification	4 QUALITY EDUCATION 8 DECENT WORK AND ECONOMIC GROWTH
	Support for the development of personnel	Educational projects to raise awareness of sustainability topics among all people working in the Group	
Shared responsibility throughout the value chain	Integration of sustainability with procurement procedures	• SA 8000 certification • ECONYL® Qualified project • Integrated supplier qualification procedure	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	Dissemination of the culture of sustainability	Healthy Seas project	
Local community support		• Education on environmental protection • Support of local cultural and sports centers • Contribution to youth development • Support of vulnerable groups	16 PEACE, JUSTICE AND STRONG INSTITUTIONS

2.2. The shared approach

(102-46; 102-47)

From 2011 onwards, Aquafil chose to report its sustainability commitments and results according to the GRI Standards' principle of materiality, i.e. by focusing the narrative on the topics deemed most important to both the Group and its stakeholders. Thanks to this approach, the Group's Sustainability Report, which, since 2018, has become an integral part of the Non-Financial Disclosure, represents a valuable tool for dialogue between Aquafil and its stakeholders. The process of selecting and revising material topics is based on a process consolidated over the years, supervised by the Sustainability Committee, and structured in the four phases described below.

2.2.1. Phase 1: Identification of sustainability topics

The Sustainability Committee continues to connect each of the sustainability pillars of THE ECO PLEDGE® with one or more of the sustainability topics of the Global Reporting Initiative's international standards. This allows the identification of indicators capable of representing the performance of the Group and of allowing comparisons to be made over time.

2.2.2. Phase 2: Prioritising the sustainability topics

(GRI 102-40; 102-42; 102-43; 102-44)

The assignment of priorities aims to identify the material topics that are important for both Aquafil and its stakeholders. This phase has three distinct steps:

1. Prioritisation by the Sustainability Committee
2. Stakeholder engagement
3. Selection of material topics (elaboration of the materiality matrix)

The Sustainability Committee starts by assessing the issues identified during phase 1, using the five evaluation criteria indicated in Table 7.

Prioritisation by the Sustainability Committee entails:

- The analysis of each topic selected on the basis of the five assessment criteria (Table 7);
- For each assessment criterion, the Committee assigns the sustainability topic a score ranging from 1 to 3, where 1 indicates little relevance and 3 high relevance for Aquafil.

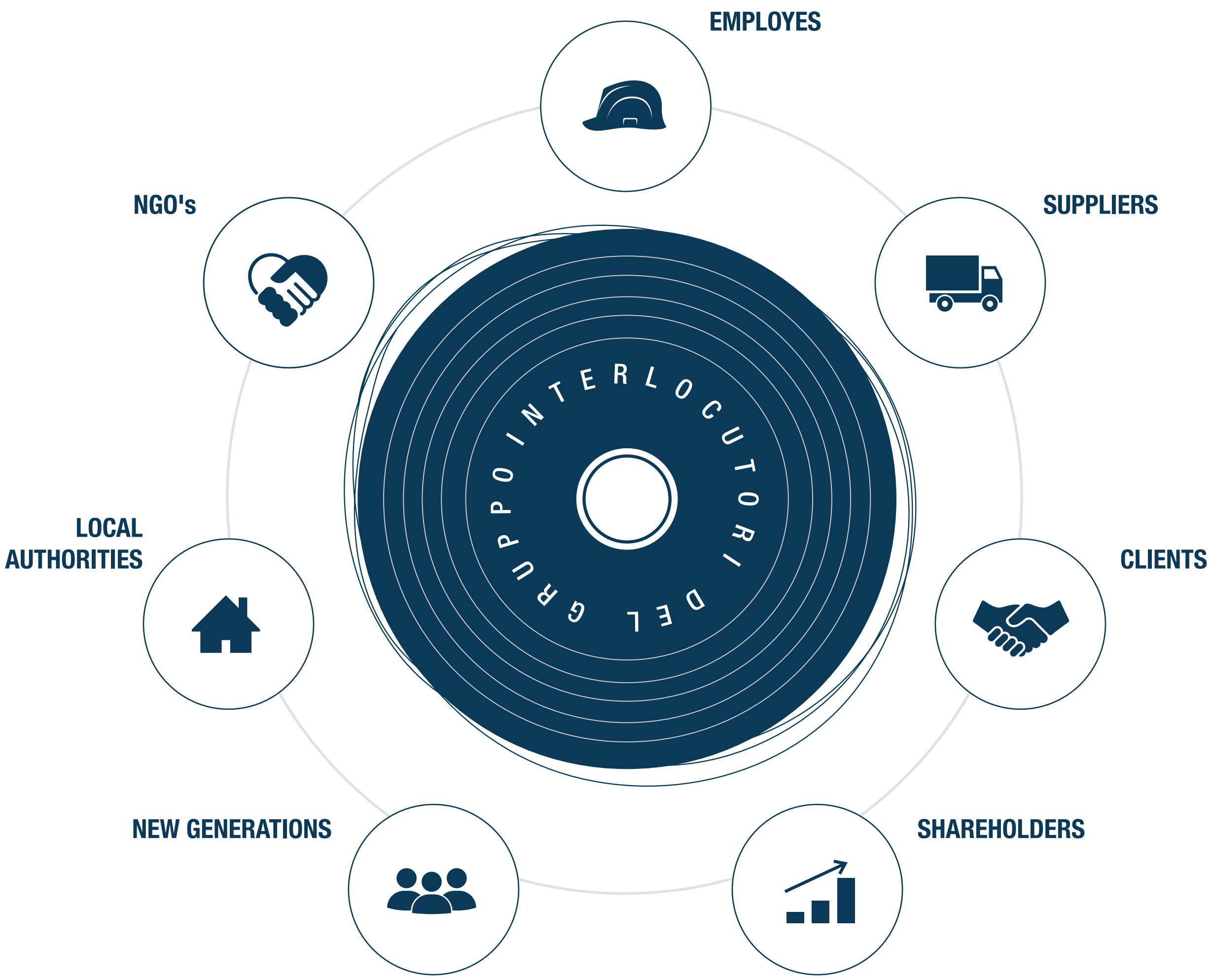
The average of scores assigned to each criterion returns the overall score for the topic, thus determining the subsequent prioritisation of the topics according to the Group. In the second step, (stakeholder engagement), the Sustainability Committee selects a sample of internal and external stakeholders (Figure 3) to be engaged via interviews or questionnaires.

The stakeholders are invited to assess sustainability issues for which they would like to receive more information from Aquafil. This engagement is reaffirmed whenever there is a significant change in the Group's structure or organisation. In 2019, the sample of stakeholders was expanded in the categories of shareholders, suppliers and non-governmental associations. In total 169 stakeholders were contacted (approximately 27% more than in 2018), with a 50% overall response rate.

Table 7 - CRITERIA ADOPTED FOR ASSESSING THE RELEVANCE OF MATERIAL TOPICS

CRITERION	DESCRIPTION
STRATEGIC RELEVANCE FOR AQUAFIL	The topic may have a significant economic impact (positive or negative) on Aquafil activities in the medium term (2-5 years or more)
REFERENCE TO THE TOPIC IN AQUAFIL POLICY	The topic is treated in the documentation relating to the Group's policies (e.g. Code of Conduct, The Eco Pledge, Use of Chemical Agents Policy)
EXISTENCE OF CERTIFICATIONS OR VOLUNTARY INITIATIVES RELATING TO THE TOPIC	Certifications or activities have already been achieved or planned relating to the topic
TOPIC SUSCEPTIBLE TO GENERATING RISKS	The topic, if not properly managed, may lead to tangible or intangible risks for the Group (e.g. waste management, environmental regulations compliance, social and labour rights)
TOPIC GENERATES POSITIVE OR NEGATIVE IMPACTS	Through Aquafil activities, the topic generates a positive or negative impact on the environment, the local area or local communities.

Figure 3 - GROUP STAKEHOLDERS (2019 ANALYSIS)



The third phase (selection of material topics) constitutes a synthesis of the first two: the assignment of priorities and the engagement of stakeholders, in order to elaborate the Aquafil sustainability materiality matrix identifying material aspects important for both Aquafil and its stakeholders (Figure 4).

All topics with a score of relevance for both Aquafil and its stakeholders of more than 2 were considered material (Figure 4). In this way, the process made it possible to identify 24 relevant topics grouped as follows:

- 3 linked to economic aspects
- 8 linked to environmental aspects
- 13 linked to social aspects

Table 8 shows the association of the sustainability pillars declared in THE ECO PLEDGE® with the material topics. The three economic topics that emerged as material, concerning economic performance, fair competition and anti-corruption, are not associated with any particular pillar since they are critical transversal topics across all of Aquafil's activities.

Table 8 - LINK BETWEEN AQUAFIL'S SUSTAINABILITY PILLARS AND THE MATERIAL TOPICS

GUIDING PRINCIPLES - THE ECO PLEDGE®	MATERIAL TOPICS
RETHINKING OF PRODUCTS FROM A CIRCULAR PERSPECTIVE ENVIRONMENTAL PROTECTION	Materials
	Energy
	Water
	Effluents and waste
	Emissions
	Biodiversity
	Environmental compliance
WELL-BEING OF INDIVIDUALS	Employee health and safety
	Training
	Remuneration policies
COLLABORATIONS WITH THE GROUP'S SUPPLY CHAINS	Supplier environmental assessment
	Social screening of suppliers
	Socio-economic compliance
	Child labour
	Forced labour
	Non-discrimination
	Human rights
	Customer health and safety
	Customer privacy
	Labelling and marketing
LOCAL COMMUNITY SUPPORT	Local communities

MATERIAL ASPECTS MATRIX

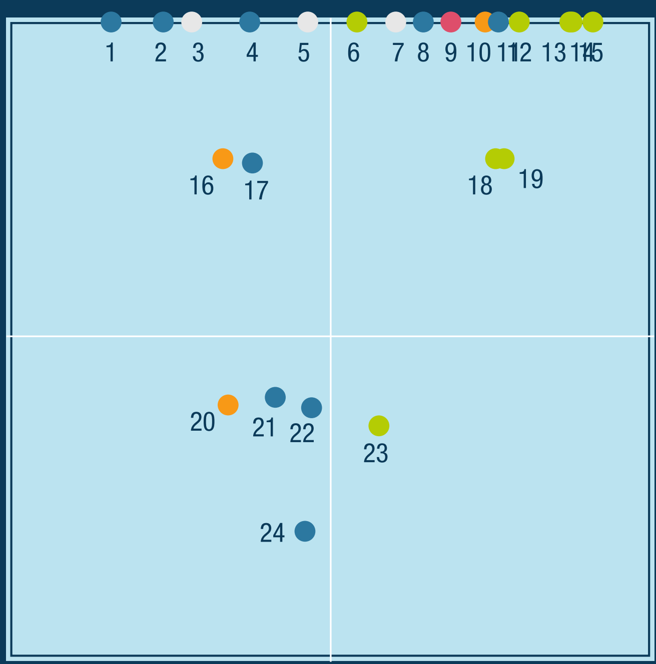
The materiality matrix allows for the identification of relevant issues for the Group and its stakeholders. The vertical axis represents the relevance to aspects under examination by Aquafil, while the influence of management of these aspects on stakeholders activities is measured on the horizontal axis.

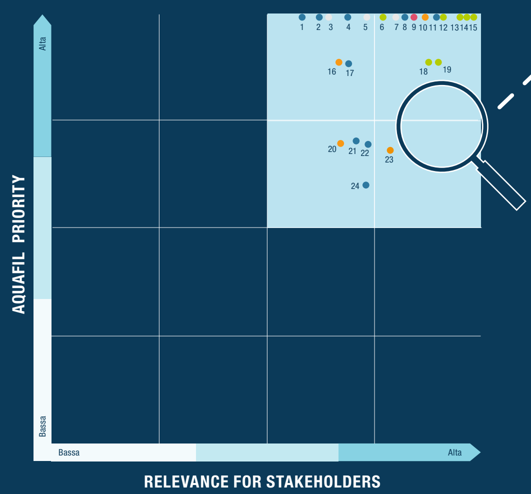
Material aspects, discussed in this report, can be seen in the quadrant on the upper right hand side.

Figure 4 - MATERIAL TOPICS MATRIX OF THE AQUAFIL GROUP

MATERIAL ASPECTS

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





- ENVIRONMENTAL PROTECTION/RETHINK PRODUCTS FROM A CIRCULAR PERSPECTIVE
- WELL-BEING OF INDIVIDUALS
- COLLABORATION WITH THE GROUP'S SUPPLY CHAINS
- LOCAL COMMUNITY SUPPORT
- MULTIPLE

2.2.3. Phase 3: Evaluation of the completeness of the process

The results of the previous phase are examined by the work group established by the Sustainability Committee to determine whether the “material” environmental, economic and social topics could actually affect Aquafil’s ability to create value.

2.2.4. Phase 4: Process review

The process is reviewed periodically, updating both priority assignment of the identified issues and the stakeholder review panel, to ensure that it is always aligned with the company’s policies and mission.
Thus, all aspects deemed non-material, having a score lower than or equal to 2 in the matrix, and listed below, are subject to periodic review by the Sustainability Committee:

- Market presence (GRI 202: 2016)
- Indirect economic impacts (GRI 203: 2016)
- Procurement practices (GRI 204: 2016)
- Labour management relations (GRI 402: 2016)
- Diversity and equal opportunity (GRI 405: 2016)
- Freedom of association and collective bargaining (GRI 407: 2016)
- Security practices (GRI 410: 2016)
- Rights of indigenous peoples (GRI 411: 2016)
- Public policy (GRI 415: 2016)

2.3. Compliance with regulations

Compliance with applicable regulations and the ethical principles guiding the Group's activities is fundamental for guaranteeing Aquafil's duties and responsibilities towards all of its stakeholders. To prevent all illicit conduct, the Group has developed its own Code of Conduct, and applies the Organisational Model, pursuant to Legislative Decree n. 231/2001, drawn up and implemented by the parent company Aquafil SpA.

2.3.1. Organisation, Management and Control Model

(GRI 205-3; 206-1)

The organisation, management and control model adopted pursuant to Legislative Decree No. 231/2001 describes the set of rules and principles aimed at ensuring compliance with law and preventing illicit conduct.
The model, adopted by the Board of Directors' motion of March 31, 2014, applies to Aquafil Group's Italian companies, and in 2019 was updated to the decree's latest developments and emerging legal indications to date.
The model is introduced by means of a course broken down into a number of phases:

1. Mapping of risk prone areas, in order to identify the potential risks caused by production activities with reference to the types of offenses expressly referred to in the Decree;
2. Evaluation and identification of a preventive control and action plan system aimed at reducing the risks identified;
3. Evaluation of the system of delegations and powers of attorney set out in the Group's governance model in order to identify areas for improvement;
4. Implementation of an action plan for improving the internal control system;
5. Establishment of an autonomous Supervisory Body appointed to control the functioning and observance of the Organisation Model;
6. Drafting of the Group's Code of Ethics;
7. Introduction of an internal Disciplinary System aimed at punishing violations of the Model and the Code of Ethics;
8. Drafting and approval of the Model.

One of the outputs of this process was the realisation of a series of protocols aimed at regulating the management of activities related to specific areas, which involves defining the principles of behaviour and the organisational and management control measures aimed at preventing the criminal offences provided for by Legislative Decree No. 231/2001 for each phase of the process and the general responsibilities for each role.

To date the Group has drawn up protocols for the following areas:

- Employee selection and evaluationl;
- Budget and accounting;
- Loans and public funding;
- Internal management of criminal investigations and/or proceedings related to business activities;
- Relations with public administration;
- Management of sponsorships and allocation of contributions;
- Verification and inspection;
- Reporting to supervisory bodies.

In line with the provisions laid down in Legislative Decree No. 231/2001, Aquafil undertakes to ensure adequate internal dissemination of the Model, also through the implementation of specific training activities. During 2019, 326 hours of corruption training were provided (for details see paragraph 2.4.2.3 on corporate training).

The attention paid to this area guaranteed, once again in 2019, that none of the Group companies received fines or penalties for violations or non-compliance with regulations regarding the topics managed via the Organisational Model, including those relating to unfair competition and the violation of anti-trust or monopoly laws. Furthermore, no episodes of corruption were reported, and therefore no action needed to be taken.

The company has also launched an online platform for the specific purpose of providing a tool for the reporting of violations of laws, regulations, the Code of Conduct, internal control principles, policies, company regulations or procedures, or any acts that may directly or indirectly damage the Company's economic stability or reputation. The 'Whistleblowing' platform is open and anonymous to all employees and represents an integration to the Operating Procedure for Reporting Violations of the Code of Conduct and the Organisation, Management and Control Model..

2.3.2. Ethics Code

(GRI 102-16; GRI 418-1; GRI 419-1)

The Code of Conduct ensures the Group's relations with all stakeholders are imbued with fairness, diligence and loyalty by providing various ethical and social guidelines for the conduct of all internal, external, temporary and permanent stakeholders. Addressees of the Code include Directors, auditors, supervisory body members, managers, employees, consultants, customers, suppliers, and all those who, directly or indirectly, permanently or temporarily, establish relationships or carry out relations with the Group. All Group companies excluded from the scope of this Report are, in any case, also required to accept and apply the principles of the Code (paragraph 1.3).

The Group is committed to promoting the application of Code among its addressees, guaranteeing its dissemination and the correct interpretation of its contents as essential conditions for the proper management and conduct of all business and activities.

The Group invites all its personnel to use the Code of Conduct as an operational tool in all professional decisions.

The main directives of the Code of Conduct can be grouped into five areas:

1. Compliance with the law, particularly concerning money laundering, democratic order, terrorism, criminal association, industry and trade, antitrust, imports and exports, and privacy;
2. Loyalty behaviours in relationships with others such as clients, suppliers, collaborators, institutions and public supervisory authorities;
3. Occupational well-being, health and safety;
4. Internal Control relative to the protection and management of privacy, intellectual property and accounting activities;
5. Human resources, including employment policies and the management of conflicts of interest.

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

Thanks to the circulation and application of the Ethics Code and Organisational Model, in 2019 none of the Group companies received fines or sanctions or other citations for violations or non-compliance with rules or regulations with regard to the topics outlined in the Code and in particular with regards to discrimination and the violation of privacy, unfair competition and violation of antitrust regulations.

2.4. Social Topics

2.4.1. Social responsibility for the protection of human rights

(GRI 406-1; GRI 408-1; GRI 409-1; GRI 412-1)

Aquafil's strategic choice to act sustainably has led the Group to develop its own responsible business model capable of identifying, mitigating and managing human rights violation risks in the exercise of its business activities, to the benefit and protection of both the human capital operating directly for the organisation and the workers employed in its supply chain.
This choice is directly reflected in the Group's Code of Conduct, which makes a clear commitment not to accept any kind of conduct throughout its value chain that, directly or indirectly, involves any form of exploitation (e.g. slavery, forced labour, child labour, exposure of young workers to risks), discrimination or, in general, anything that is detrimental to the human rights of workers.
Group activities are carried out in compliance with regulations and corporate principles regarding occupational health and safety, equal opportunities, diversity, professional and individual development, dignified and respectful working conditions, privacy, the rights and values of local communities, and the prohibition of all forms of corruption. Through internal audits of its own processes, compliance with ethical commitments are guaranteed and periodically checked. As a result of the checks carried out regarding existing supply relations within the reference value chain, to date, suppliers at risk of violating ethical requirements or human rights, such as child or forced labour, have not been identified. Compliance with the Code of Conduct is an integral part of the contractual obligations of all those who work in the name and on behalf of any of the Group companies.

Management of Human Rights violation risks

The assessment and monitoring of potential human rights violation risks is one of the main management tools to guarantee compliance with the commitments undertaken.
In this regard, in order to guarantee respect for human rights, Aquafil is committed to:

- Selecting and managing personnel via specific recruitment and assessment protocols;
- Raise awareness among staff via targeted training activities;
- Disseminating the Group's Code of Conduct in order to foster a culture of social responsibility;
- Analysing internal processes in order to activate adequate risk management and control measures;
- Selecting and managing its suppliers via a sustainable due diligence policy;
- Collaborate actively with governmental and non-governmental organisations in the implementation of initiatives aimed at the protection and development of local communities and skills enhancement of their employees;
- Carry out ad hoc evaluations on possible political, environmental and social impacts, including those regarding work and human rights when selecting the specific markets in which to invest;
- Carrying out targeted internal audit activities in order to verify compliance with defined principles and procedures;
- Carrying forward the SA8000 certification of the Group's various activities and operating contexts.

Thanks to the attention paid to this area and to specific risk prevention and control activities, in 2019, none of the Group companies received fines or penalties for violations or non-compliance with human rights laws or regulations.
Furthermore, no reports or complaints were received via reporting channels or the whistleblowing platform implemented for reporting violations of the ethical requirements applying to the Group and its supply chain.

Voluntary certification processes undertaken in the social accountability area: SA8000

On the path of sustainability, the Group has identified in the SA8000: 2014 standard a management approach consistent with its principles and values in support of protecting worker and human rights. In this regard, a pilot project was launched in 2019 at the Italian offices of Aquafil SpA with the intention of progressively extending the certification to all Group companies, in addition to AquafilSLO and AquafilCRO, which have already been subject to preliminary analysis. This project led to the achievement of SA8000 certification, in December 2019, for the company Aquafil SpA, issued by the certification body DNV-GL.

Through the application of the SA8000 standard, Aquafil Group has set itself the goal of following a virtuous and systematic path to improving social benefits and fostering a culture of social responsibility beyond mere compliance with applicable labour and human rights legislation.
Given that the standard is based on a series of requirements concerning workers' rights, workplace conditions and an effective management system, it was considered critical to seek the input of both personnel and the entire supply chain.

Personnel were consulted through training sessions and the creation of specific ethics and health and safety committees. A reporting tool for workers, accessible via the company website, was also created as a channel for voluntary and anonymous reports of violations regarding social responsibility issues, such as child labour, forced labour, health and safety, freedom of association and collective bargaining, discrimination, disciplinary procedures, working hours and remuneration.

In order to engage the entire supply chain, according to the degree of control and risk of individual suppliers, various cooperation actions have been enacted, from sharing the SA8000 policy to seeking commitment to compliance with the requirements of the standard, in addition to the Code of Conduct. The process also included the integration of the supplier qualification procedure with the ethical requirements.

Regarding voluntary social responsibility initiatives, of note is AquafilCRO's certification of its social responsibility management system to the standard IQNET SR 10 in 2017. In 2018, AquafilCRO also signed the "Diversity Charter Croatia", an international, voluntary initiative to protect diversity. The charter's member organisations are committed to upholding principles of respect for diversity and non-discrimination in the workplace, to adopting specific policies and to regularly communicating relevant progress in this regard.

2.4.2. Personnel management

As one of the five pillars of Aquafil's Sustainability Policy, the Group is committed to guaranteeing the well-being of all its employees via initiatives to support:

- Health and safety;
- Contractual stability;
- Loyalty through benefit and incentive mechanisms;
- Personal and professional growth through dedicated training plans;
- Respect for diversity and equal opportunities, as enshrined in the Code of Conduct, and the prohibition of any kind of discrimination, harassment, offence or episodes of intolerance in the workplace.

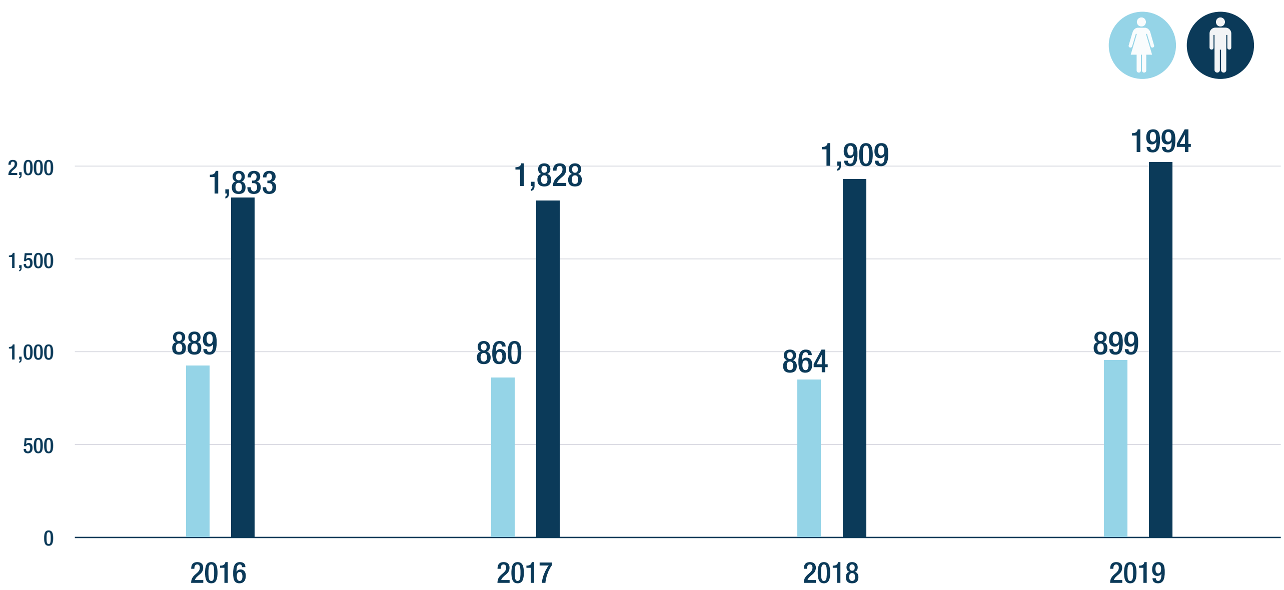
2.4.2.1 Aquafil personnel

(GRI 102-8)

At December 31, 2019, the Group counted 2,893 employees[3], almost 5% more than in 2018, mainly due to the acquisition of the Aquafil O'Mara plant.

The number of female employees, approximately 31% of the Group's total number and their geographical distribution remains almost constant compared to 2018 and the previous three-year period (Figure 5).

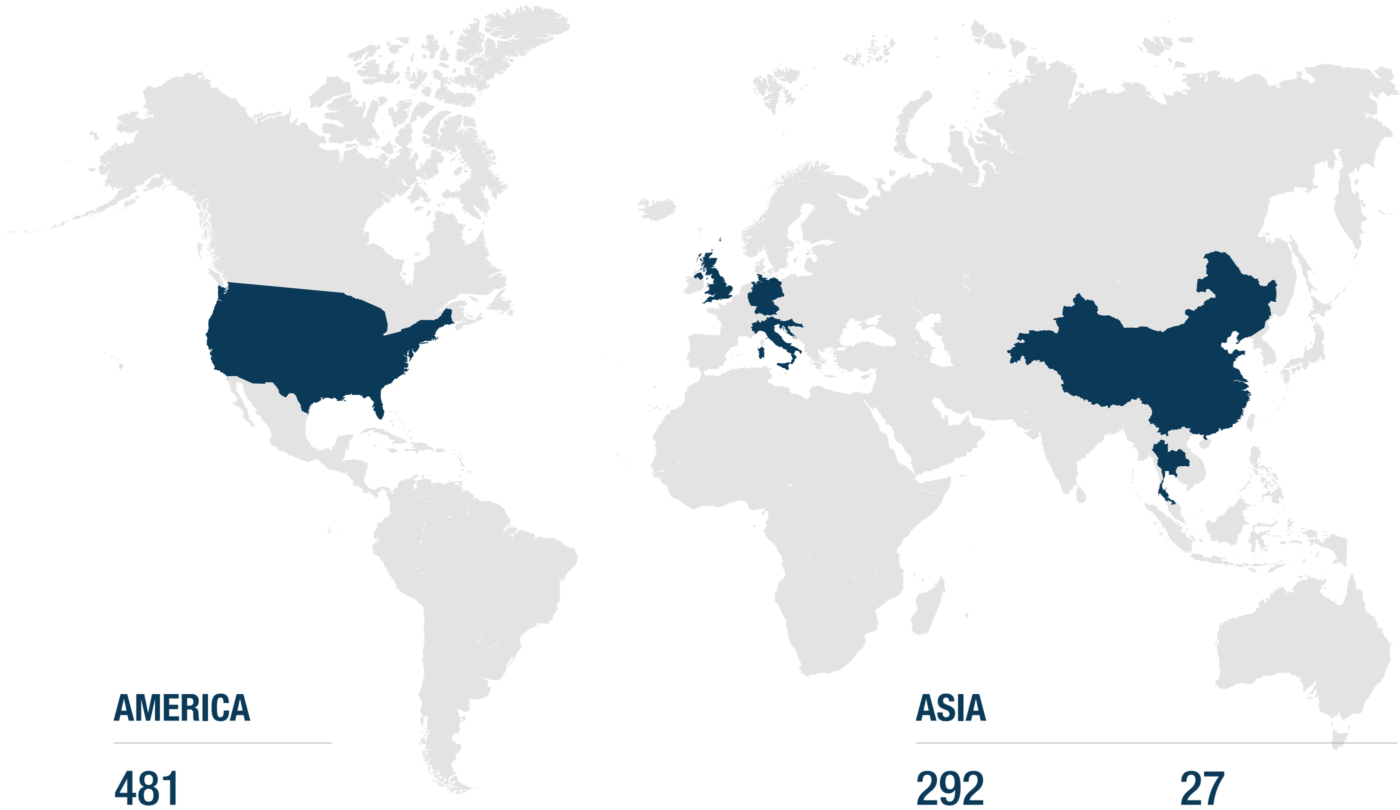
Figure 5 - THE GROUP'S EMPLOYEES BY GENDER, 2016-2019



[3] Temporary workers (hereinafter also "contractors") are not included

Approximately 76% of the workforce is employed in Italy, Slovenia and America (Figure 6), particularly in the three Italian, four Slovenian and four American factories.

Figure 6 - GEOGRAPHICAL DISTRIBUTION OF THE WORKFORCE IN 2019 BY GENDER



AMERICA

481
USA
114
367

ASIA

292
CHINA
148
144

27
THAILAND
17
10

EUROPE

803
ITALY
172
631

916
SLOVENIA
179
737

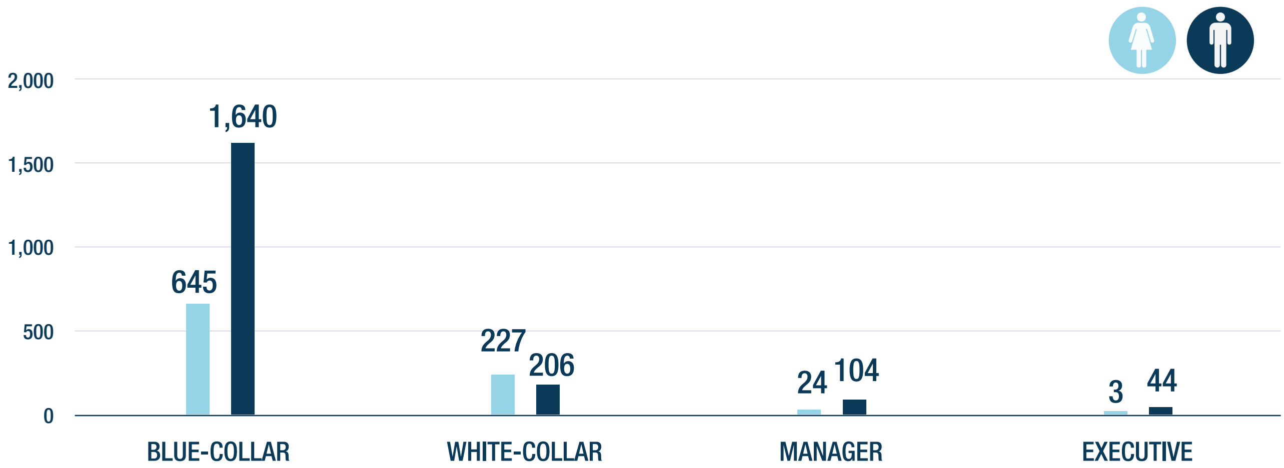
263
CROATIA
210
53

64
GERMANY
25
39

47
UK
34
13

The subdivision of personnel by job category (Figure 7) has remained relatively constant over the years, as has gender equality, which is guaranteed for every corporate role.

Figure 7 - SUBDIVISION OF PERSONNEL BY JOB CATEGORY AND GENDER IN 2019



2.4.2.2 Contracts and remuneration

(GRI 102-41; 401-2)

All of the Group's personnel are hired in full compliance with the regulations of the countries in which they operate. Any form of irregular employment or the hiring of foreign workers without a residence permit is not tolerated.
The Group is committed to recruiting personnel under regular and, as far as possible, permanent contracts, except in the case of temporary requirements, such as production peaks and local labour market regulations.

In 2019, approximately 90% of employment contracts were permanent (Figure 8 and Figure 9). The difference from 2018 is mainly due to a change in the classification of American contracts.
Furthermore, approximately 70% of existing contracts are collective.
Table 9 shows the geographical distribution of the two contract types (fixed-term and permanent), while Table 10 highlights full-time and part-time contracts by gender.

Figure 8 - PERSONNEL BY CONTRACT TYPE, 2016-2019

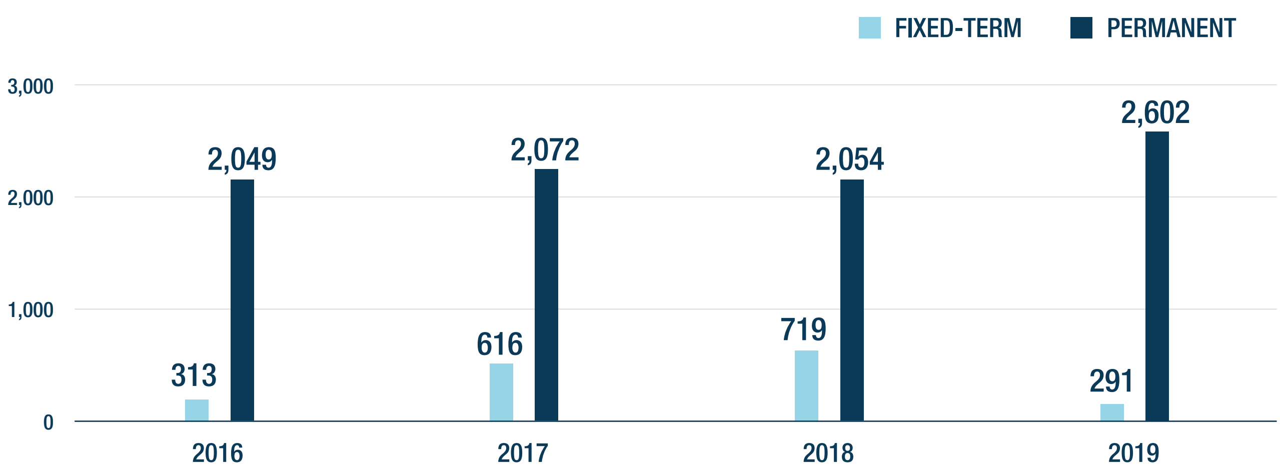


Figure 9 - GROUP EMPLOYEES IN 2019 BY CONTRACT TYPE AND GENDER

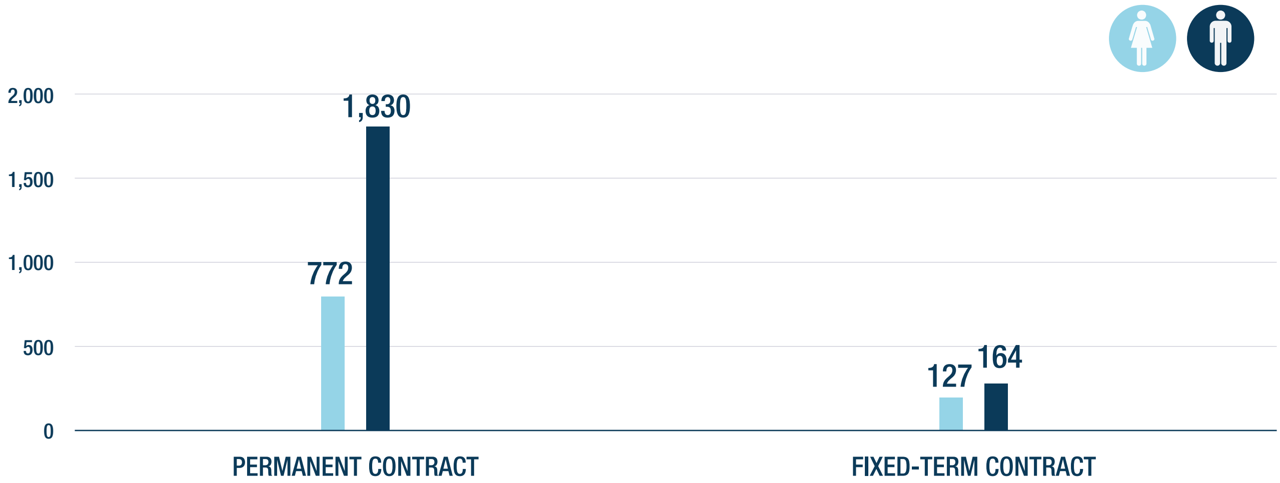


Table 9 - CONTRACT TYPE BY GEOGRAPHICAL AREA (2019)

	Italy	Croatia	Slovenia	USA	China	Thailand	Germany	UK
Permanent contracts	803	235	869	481	76	27	64	47
Fixed-term contracts	0	28	47	0	216	0	0	0

Table 10 - GROUPINGS OF FULL-TIME AND PART-TIME CONTRACTS BY GENDER (2019)

	Male	Female
FULL-TIME	1,928	825
PART-TIME	66	74

In accordance with the Group's core values, the personnel remuneration system is based on the principles of equity, equal opportunities and meritocracy.

The remuneration policy is therefore designed and structured with the aim of attracting, motivating and valuing people based on required professional skills, relevant experience, demonstrated merit and the achievement of set goals. The Group also guarantees fair pay among its personnel, without discrimination or exclusion, by periodically monitoring job category wage indices.

Table 11 shows, for each Group's company, the ratio between women's wages and overall men's salary per each professional category.
The annual gross salary has been considered excluding its variable components (e.g. shift premiums or overtime) and the economic value of any benefits. The label "not applicable" indicates the presence in the professional category, of women only or of men only, while the "dash" indicates that, in the category, there is no personal (neither male nor female).

Table 11 - RATIO BETWEEN WOMEN'S AND MEN'S SALARY BY COMPANY AND PROFESSIONAL CATEGORY. 2019

Group Companies	Executive	Manager	White-collar	Blue-collar
AQUAFILCINA	83.9%	Not applicable	78.2%	95.4%
AQUAFILCRO	-	57.3%	108.1%	83.8%
TESSILQUATTRO	-	Not applicable	69.5%	98.1%
AQUAFILUSA	Not applicable	85.1%	77.1%	84.1%
AQUAFILCARPET RECYCLING #1	-	91.9%	91%	Not applicable
AQUAFILSLO	76.7%	126.2%	78.4%	94.4%
AQUAFIL	73.8%	91.7%	79%	93.9%
AQUAFILUK	Not applicable	Not applicable	65%	91.3%
AQUALEUNA	Not applicable	95.9%	90.9%	74%
AQUAFILASIAPACIFIC	-	Not applicable	202.1%	124.4%
AQUAFIL OMARA	Not applicable	94.9%	66.8%	89%

In line with market trends, the remuneration system integrates two main collective incentivisation tools: benefits and performance-related variable remuneration. Both benefits and variable remuneration plans are differentiated by company and professional category, but exclude discretionary and personality-based award criteria.
Benefits comprise social security, insurance, health and welfare plans.

In several Group companies, corporate-wide welfare systems are provided for homogeneous categories of employees and their families. These systems mainly consist of the offer of socially purposed non-monetary goods and services that employees can choose according to their personal or family needs. The variable remuneration system is based on the short or long-term profitability and productivity goals of the Group Companies, and aims to promote employee motivation and engagement in achieving company results.

2.4.2.3 Training

(GRI 404-1)

The Group recognises that training and professional development play a strategic role in valuing, developing and motivating its resources. Since 2014, the Group has continuously implemented structured training courses on the five areas of interest.

- Technical training, aimed at developing specialist skills by job, role or category;
- Training on human rights and anti-corruption systems, aimed at promoting related policies and all the principles of the Code of Conduct;
- Health and safety training, aimed at promoting responsible conduct and the culture of health and safety in offices and production departments;
- Environmental training, aimed at implementing mandatory environmental regulations and voluntary standards, such as certifications, reporting, etc.;
- Language training, aimed at developing knowledge of foreign and local languages.

The training initiatives are planned on a yearly basis and include regulatory updates, requalification and the development of skills for the achievement of short and long-term corporate goals. In addition to the planned activities, according to production needs, special training courses are offered to newly hired personnel in order to train them to autonomously operate equipment in full compliance with safety, quality and environmental standards. This is one of the main reasons why total training hours have varied significantly over the years.

Table 12 indicates total training hours delivered in the last 4 years (2016-2019), while Table 13 details training hours delivered in 2019 by gender and company role.

Table 12 - HOURS OF TRAINING SUBDIVIDED ACCORDING TO TOPIC FROM 2016 TO 2019

Type of training	2016	2017	2018	2019
Technical	58,980	49,239	22,535	21,041
Human rights and anti-corruption system[4]	-	-	-	326
Safety	11,165	25,015	17,032	10,573
Linguistics	6,045	4,724	5,172	5,643
Environmental	227	418	4	348
TOTAL	**76,417**	**79,395**	**44,743**	**37,932**

Table 13 - HOURS OF TRAINING BY ROLE AND GENDER (2019)

Type of training	Executive		Manager		White-collar		Blue-collar	
	Male	Female	Male	Female	Male	Female	Male	Female
Technical	76	-	810	200	2,234	1,193	11,436	5,091
Human rights and anti-corruption system	3	-	30	7	66	37	179	5
Safety	43	6	382	70	1,251	482	6,680	1,661
Linguistics	33	-	591	255	1,729	1,515	1,152	369
Environmental	22	-	23	9	113	22	125	34
Total hours/employee	178	6	1,835	541	5,393	3,248	19,572	7,159
Average hours/employee	4.0	2.0	17.6	22.6	26.2	14.3	12.0	11.1

[4] Training hours delivered in the years prior to 2019 are included in the technical area.

2.4.2.4 Occupational health and safety

(GRI 403-9:2018)

Aquafil prioritises investments to guarantee safe and healthy workplace conditions, The Group not only aims to comply with the regulations in force in the countries in which it operates, but it also aims to continuously improve the management of these issues.

To date, several Group companies have achieved the health and safety certification of their management systems to the voluntary reference standards (Table 15), and have committed to implementing and maintaining such systems on the basis of a continuous improvement. The Sustainability Plan envisages the extension of certification to all companies.

By supporting safety management systems, each Group company guarantees that:

- Risks for workers are assessed and managed by selecting the most suitable, least hazardous materials and equipment to mitigate the risks at their source;
- Residual risks are assessed and mitigated via adequate collective and individual safety measures;
- The knowledge and training of workers are adequate, updated and specific to individual roles;
- Safety needs and non-compliances emerging during work activities and audits are dealt with quickly and effectively via adequate emergency planning;
- Work and operations are organised in such a way as to safeguard workers, third parties, communities and the environment in which the company operates;
- Systems are implemented for reporting the emergence of any hazardous or dangerous situations at the workplace;
- A Medical Officer is appointed and the health of workers engaged in processes with residual risks are monitored in full compliance with their right to privacy;
- A culture of safety for workers is promoted and developed.

The Group's health and safety management system comprises assessment tools for risks, ideal maintenance levels, adequate emergency measures and specific health surveillance activities. The Group systematically monitors and assesses occupational accidents, injuries and illnesses in its factories.

During 2019, no workplace deaths or accidents with serious consequences were reported. Table 14 shows the trend in frequency[5], severity[6] and risk[7] indices from 2016 to 2019.

In reporting hours worked, number of accidents and related days lost, both permanent staff and temporary workers are considered, considering the fact that it is a priority for Aquafil to safeguard the health and safety of all people who work within the Group. All data relating to workers and their right to privacy, such as work limitations, requirements and health monitoring data, are managed in full compliance with applicable privacy and confidentiality legislation.
According to systematic procedures, none of the collected information is used for the purposes of retaliation or unfavourable treatment of workers.

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

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

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

Table 14 - ACCIDENTS AND WORKING DAYS LOST DUE TO ABSENCE FROM 2016 TO 2019, WITH RELATIVE FREQUENCY (IF), SEVERITY (IG) AND RISK (IR) INDEX VALUES

Year	Hours worked	Injuries > 3 days	Working days lost	IF	IG	IR
2019	5,330,989	15	971	2.81	0.18	0.51
2018	5,126,261	36	1,144	7.02	0.22	1.57
2017	5,024,197	45	1,330	8.96	0.26	2.37
2016	4,860,829	26	995	5.35	0.20	1.09

Every year the Group organises various health and safety courses, awareness campaigns and implements structural interventions to ensure a safe work environments and appropriate equipment for all of its personnel. The aim is to foster safety culture and awareness in order to reduce accidents due to human factor, which is currently the main cause of accidents at the Group's factories.

In this regard, the reporting and assessment of near-miss accidents and related risks is one of the main tools enabling the implementation of preventive actions.

In 2019, almost 11,000 hours of occupational health and safety training were delivered (Table 12 and Table 13). Aquafil promotes the culture of health and safety both in and out of the workplace, including corporate level welfare activities, such as the insurance of workers with coverage extending beyond the workplace (paragraph 2.4.3.3).

HEALTH AND SAFETY COMMITTEES

The consultation of workers, as the main actors in the management of safety issues, plays a fundamental role in the Group's management approach. In this regard, each Group company has set up specific interdisciplinary committees involving workers via designated representatives and constituting an active role in the Health and Safety Prevention and Protection Service.

The committees are responsible for:

- Identifying and periodically assessing the risk management of occupational health and safety;
- Analysing and managing accidents and injuries and sharing experiences with the other Group companies;
- Assessing the adequacy and effectiveness of the safety system, with respect to performance indicators, first aid activities, emergency treatments, and so on.

As part of the SA8000 certification project, in 2019 the Italian company Aquafil SpA established an additional SA8000-compliant Health and Safety Committee, constituted by both managers and workers' representatives, meeting twice a year and coordinating with the Ethics Committee regarding the management of health and safety issues.

2.4.3. Relations with stakeholders

(GRI 102-9; 102-12; 102-13)

Relations between the Group and its stakeholders play a crucial role in its business model.

Aquafil maintains consolidated relationships with both its local and international stakeholders founded on transparency, cooperation and effective listening aimed at both achieving business goals and promoting the culture of sustainability. Stakeholders are actively engaged and consulted by the Group for the definition and reporting of material topics (see paragraph 2.2 for details on the Sharing Approach taken with stakeholders).

The following paragraphs report some of the most significant initiatives undertaken by Aquafil to engage stakeholders.

2.4.3.1. Supplier selection and engagement

(GRI 308-1; GRI 414-1)

The Group selects its suppliers via a due diligence process based on objective and documentable criteria. The supplier qualification process seeks the right balance between economic advantages, quality and performance and compliance with the requirements of voluntary certifications. Much attention is paid to product transparency and the origin of the products purchased, in order to avoid purchasing products of illicit origin.

As part of the social responsibility and SA8000 certification process, initiated in 2019, due diligence regarding suppliers has been extended to include a structured social responsibility assessment, including:

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

Thus, in alignment with the voluntary SA8000 standard, ethical requirements are integrated into the supplier qualification and monitoring process via targeted qualification questionnaires and the monitoring of reports and non-conformities regarding ethical issues.

Since the activation of the new procedure, all new suppliers within the scope of the SA8000 project have been assessed in accordance with the new ethical requirements.

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

ECONYL®
QUALIFIED

One of the most important roles played by the Group's suppliers is represented by the ECONYL® Qualified project, which was launched at the end of 2015 to make the ECONYL® supply chain even more efficient.

The project was born from the Group's desire to further improve the environmental performance of ECONYL®, by acting on phases of the production process not directly controlled by Aquafil, such as the supply of transport services, raw materials and packaging and product finishing services. The initiative therefore led to the creation of the "ECONYL® Qualified" certification, which identifies the suppliers involved in the ECONYL® yarn production chain.

The goal of qualification is to stimulate excellence and continuous improvement in the ECONYL® supply chain. In order to obtain the qualification, suppliers must meet the environmental requirements defined in the ECONYL® Qualified Protocol, mainly concerning the use of materials and the management of the production process.

Compliance with the requirements by the supplier means the achievement of specific environmental performance standards, thus the acknowledgement of excellence in Aquafil's selection of suppliers.

Qualification criteria, specific to each supply or service sector, are defined via the direct involvement of several suppliers and a preliminary collection of information in order to identify environmental "hotspots", reference indicators and minimum performance targets to achieve qualification.

The initial phase of the project took place in 2016, when thanks to four suppliers who managed "product transport" and "the production of the spools for yarn", the two ECONYL® Qualified protocol requirements were defined.

The two protocols were updated over the following years to bring them ever more in line with mapped sectors and to engage an increasing number of partners.

The initiative guidelines, selection criteria and some possible applications are available on the Aquafil internet[8].

During 2019, with the goal of including a greater number of ECONYL® suppliers, a pilot phase was launched for the two new sectors of fishing net recovery and supply and yarn finishing, involving four suppliers in defining qualification criteria and testing the qualification protocol. Specifically, these suppliers were Ambiberica[9] and Nofir[10] for the supply of fishing nets and Valcuvia[11] and Preparasioni Tessili Como (PTC)[12] for yarn finishing. Thanks to their contribution, it was possible to create the first draft of the protocol, which will be published during 2020.

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[8] http://www.aquafil.com/sustainability/econyl/#econyl-04

[9] https://ambiberica.pt/

[10] https://nofir.no/

[11] http://www.rattiluino.com/en/

[12] http://www.ptc-spa.it

2.4.3.2. Customer Relations

(GRI 417-1)

Over the years, Aquafil has constantly invested in strengthening its collaboration with customers as key players in achieving significant results in sustainability and other areas.

This collaboration entails:

- Transparency in communications, such as providing each product with a technical data sheet indicating its characteristics, composition, packaging information and any other data to fully describe the product;
- Engagement in raising awareness of sustainability issues and the circular economy, such as the take-back programmes for the recovery of manufacturing waste;
- Support for the creation of innovative products.

The ECONYL® Reclaiming Program is one of the first awareness-raising activities to involve a large number of the Group's customers. This is an internationally structured network for the collection of waste containing nylon, based on partnerships with institutions, companies, organisations and public and private consortiums across the world. Various materials are recovered such as abandoned fishing nets, carpets, special fabrics like tulle and nylon-based plastic components.

The recovered post-consumer polyamide materials and waste are then stored, pre-treated and sent to the Ljubljana plant, where they are transformed into raw materials, ready to be reintroduced into the production cycle.

TARKETT: realising the circular economy

Thanks to a pioneering collaboration with Aquafil, Tarkett has closed the circle of the production of carpet tiles in Europe. This is the result of intense collaboration beyond the traditional customer-supplier relationship. Tarkett has developed innovative technology to separate carpet tiles at the end of their life cycle into their two main components, yarn, with over 95% purity, and its backing. This level of purity is critical in guaranteeing that the polyamide 6 (PA6) yarn can be recycled by Aquafil and transformed into new, regenerated ECONYL®.

NAPAPIJRI: Skidoo Infinity, the first circular economy jacket

The Napapijri Skidoo Infinity jacket, representing an evolution in one of the iconic models of the brand, is made using ECONYL® yarn from 100% regenerated polyamide. Furthermore, it has been designed to be fully recyclable, since it is made of a single material.

The collaboration with Napapijri makes it possible to have a completely circular product, from the use of 100% regenerated raw materials in its production through to its recycling into new ECONYL® yarn at the end of its life cycle via a dedicated take-back programme, which allows end-customers to return their jackets after two years of use.

PRADA: transformation towards sustainability

Prada has announced that, by 2021, all the nylon used in its products will be regenerated, and has already launched a collection in which virgin nylon has been replaced with ECONYL®.

The world leading luxury brand is investing heavily in sustainability, so much so that it has taken out a five-year Sustainability Term Loan with Crédite Agricole incorporating a reward mechanism to reduce the interest rate according to the achievement of certain ambitious sustainability goals.

SARAWAGI RUGS: Nylon Engulfed

Sarawagi Rugs is a Nepalese manufacturer of high-quality handmade rugs that has always paid particular attention to the inclusive development of local communities. In 2019, a collaboration between Sarawagi Rugs, the British designer Isobel Morris and Aquafil led to the creation of a special line of rugs made according to Nepalese tradition but with ECONYL® instead of wool or cotton.

The collection, whose prototype goes by the name of Nylon Engulfed, has been decorated with illustrations that recall environmental themes relating to the history of ECONYL®, with particular reference to the sea and fishing nets.

KARÜN: the "pacific" sunglasses collection

Aquafil collaborates with Karün to create the "Pacific Collection" of sunglasses. The project involves the local communities of the Cochamò Valley in Patagonia in the recovery of fishing nets. Collected nets are recycled by Aquafil along with other waste to make ECONYL® nylon polymers, which are then used to make glasses.

2.4.3.3. Personnel and corporate welfare initiatives

Aquafil is committed to guaranteeing the well-being of its employees through a series of initiatives regarding:

- Welfare measures
- team-building activities
- raising awareness of environmental issues

WELFARE MEASURES

As previously stated in paragraph 2.4.2.2, in order to promote the balance of work, family and social relations, several Group companies have established welfare plans for homogeneous categories of employees. These plans offer non-monetary goods and services that employees can choose according to their personal or family needs and an assigned budget. The choice of benefits includes support for studying, parenting, health protection, supplementary pensions, and leisure and commercial concessions. From 2019, supplementary corporate contract results bonuses can be converted into welfare benefits.

In addition to the welfare plans, several Group companies promoted initiatives to:

1. Promote generational change
2. Protect employee health

Regarding the former, in Italy, Aquafil adhered, through union and individual agreement, as per applicable legislation, to a plan called the "Generational Relay". This initiative aims to voluntarily reduce the working hours of employees close to retirement while supporting their income, in order to favour new hires of young people or the transformation of fixed-term contracts into permanent contracts. In Slovenia, the Group offers concessions for joining a supplementary pension fund by subsidising a large part of the premium.

To safeguard employee health, Aquafil has launched a series of actions across Group companies around the world aimed at preventing certain diseases and promoting a healthy lifestyle, through initiatives such as the "Health Week".
As regards prevention, the Group has entered into agreements with certain healthcare providers to offer employees regular appointments that are fully paid for by the company. Examples include flu vaccinations offered to all the employees of the Croatian and Slovenian plants, supplementary health insurance offered to AquafilSLO employees, specific disease prevention initiatives envisaged by AquafilCRO, and medical insurance offered to employees of the Chinese plant, in addition to state contract provisions.

The "Health Week" initiative carried out in Slovenia, Croatia and China aims to promote a healthy lifestyle by providing informational material on everyday healthy living and by freely distributing fresh fruit at company canteens.

Finally, several initiatives support employees with families. These include distributing free entries to the Atlantis pool to Slovenian personnel and organising the Christmas event, where the children of AquafilSLO and AquafilCRO employees are invited to a special show with Santa Claus and each 0-7 year-old is given a small Christmas gift.

TEAM-BUILDING ACTIVITIES

Aquafil considers team-building activities effective at transforming groups of people into close-knit teams focused on achieving certain corporate goals. For example, Aquafil, AquafilSLO and AquafilCRO organise annual outdoor events that are open to all employees and festive dinners before the Christmas holidays.

RAISING AWARENESS OF ENVIRONMENTAL ISSUES

Following the announcement of the European Union's ban on the sale of single-use plastics, in 2019 Aquafil Group launched a project, to gradually eliminate such products from its internal processes by 2021, the year of entry into force of the related European Directive.

In Italy the project led to the introduction of compostable drinking cups, the distribution of reusable water bottles to employees and the replacement of plastic bottle water coolers with dispensers connected to the mains water supply.

Other locations around the world are also pursuing this commitment. AquafilCRO, for example, has promoted the use of reusable objects or materials as alternatives to plastic, leading to the replacement of plastic bottles for water and other drinks with glass bottles or TetraPak containers. Aquafil USA has also invested heavily in the replacement of plastic bottles by distributing reusable bottles. AquafilSLO also introduced the use of reusable porcelain cups as a replacement for disposable cups.

Among other environmental issues, Aquafil Group makes a particular commitment to recycling. For example, Aquafil USA periodically sets goals to increasingly reduce the amount of unsorted waste destined for landfill and rewards employees monetarily for achieving them.

2.4.3.4. Local community projects

(GRI 413-1)

The Group is committed to developing solid relationships with the communities of the territories in which it operates, remaining cognisant of the different cultures, traditions and specific needs. Some of the activities undertaken by Aquafil to meet the needs of the local community and civil society are listed below.

These activities have been extended to factories in Italy, Croatia, Slovenia and America (constituting over 70% of Group facilities). The initiatives undertaken have been classified according to the needs identified for the various local communities:

1. Inclusion and diversity
2. Education on environmental protection
3. Support of local cultural and sports centers
4. Contribution to youth development

INCLUSION AND DIVERSITY

A local area is enriched culturally by its ability to welcome and value the diversity of the people who populate it. Aquafil, as a company that identifies itself as an active part of the community, supports, both financially and by other means, various other companies and initiatives that favour local development by responding to emerging needs.

These include:
- Donations to Telethon, an association that engages in research to find treatments for rare diseases;
- Donations to ABIO, an association that supports hospitalised children with the aim of making their hospital stay less traumatic and also supporting parents during the hospitalisation of their child;
- Collection of second-hand clothes and food donations in the United States for organisations that distribute them to the needy;
- Promotion of blood donation initiatives for local blood banks;
- Investment in breast cancer research;
- Donations towards various initiatives concerning the safeguarding of health in the Slovenian and Croatian regions (blood cancer association and entities working with people with disabilities);
- Donations to the voluntary Fire Brigade of Senozece on behalf of AquafilSLO for the purchase of technical and rescue equipment;
- Sponsorship of TEDx Trento. This yearly initiative promotes social development through sharing ideas and positive experiences that allow the region and main players in the ecosystem of innovation to be involved on both a public and private level.

Additional support is provided to the Eliodoro cooperative, which for years has been involved in helping people with psychophysical disabilities and facilitating their entry into the world of work. The collaboration with Aquafil has allowed people with psychophysical disabilities to take part in a variety of corporate activities, such as the creation of small merchandising objects and the preparation of Christmas packages.

The Group’s commitment to providing employment opportunities for such people is also evident in the stipulation of a framework agreement between Aquafil, the Italian Employment Agency and the “Type B” social cooperative Garda 2015. The agreement provided for the entry of disabled staff into the company to replace the previous external company in charge of cleaning services, the success of which led to the renewal of the agreement until 2024, and an increase in the number of operators employed.

ENVIRONMENTAL PROTECTION EDUCATION AND OUR COMMITMENT TO THE OCEANS

In order to raise awareness of the origins and scale of plastic pollution in our oceans, Aquafil co-founded the project “The Healthy Seas, a Journey from Waste to Wear”. The initiative aims to prevent microplastics from ending up in the ocean by sensitising and encouraging the public, operators and administrations to take active roles in this process. Aquafil is at the forefront of initiatives involving the recovery of abandoned fishing nets, in collaboration with voluntary divers. The collected nets are recycled to create ECONYL®, and although they constitute a small percentage of the total nets recycled by Aquafil, they represent an important contribution to the reduction of plastic in the seas.

The project also includes school encounters aimed at raising awareness of plastic pollution in our oceans. The project, which was initially launched on the coasts of Belgium and the Netherlands in the North Sea, has now been extended to Italy, Greece and the United Kingdom.

SUPPORT OF LOCAL CULTURAL AND SPORTS CENTERS

Aquafil recognises the importance of sports clubs in local communities. These sport clubs provide young children with the opportunity to take part in physical activities suited to them and therefore contribute to the promotion of a healthy lifestyle. Initiatives in the cultural field are of equal importance as they present a source of enrichment for the region in many respects, and Aquafil is committed to sponsoring them.

In this regard the donations disbursed are:

- Approx. Euro 50 thousand in support of sports clubs in Italy.
- Approx. Euro 21 thousand in support of cultural and sports clubs of various types in Slovenia.
- Approx. Euro 10 thousand in support of cultural and sports clubs of various types in Croatia.

CONTRIBUTION TO YOUTH DEVELOPMENT

Aquafil considers it important not only to engage children scholastically but also to help them gradually approach the world of work through direct contact. Aquafil regularly gives students from various technical and commercial schools the opportunity to have a first experience of the world of work.

School-work alteration - The Group has decided to make its Arco facility available for the Ministerial "work-study placement” programme. This gives children the chance to experience an internship which provides real world learning opportunities and the possibility to explore their career options. The programme also includes a much-requested school visit to our Slovenian plants to learn about real-life applications of sustainability and recycling. In this way, Aquafil meets the needs of local educational establishments which require the help of enterprises to implement ministerial directives. At the same time, mutual understanding of what the region can offer is being facilitated. With the same purpose, Aquafil welcomed to Italy around sixty Slovenian university students wanting to learn more about a company that has made circularity its mission.

The “Tu Sei” Project - Tessilquattro SpA was awarded first place in the tenth edition of the “Tu Sei” project supported within the context of the Pat - Confindustria Trento Memorandum of Understanding. The goal of the project is to improve mutual knowledge between the business world and schools by providing students with the opportunity to sustain direct experience with companies and industry organisations.

Aquafil STEM LAB - In 2018, Aquafil worked together with the Cartersville elementary school on the “Aquafil STEM LAB” project by acquiring a 3D printer, financially contributing to school supplies and organising activities for students.

2.5. Environmental Aspects

The Group pays constant attention to safeguarding the environment as a pillar of its business and economic development strategies, a pillar of its corporate mission and an integral part of its Sustainability Plan.
In addition to its commitment to pollution prevention and its desire to raise the level of environmental performance of its factories, the Group aims to adopt the "life cycle thinking approach" along the entire supply chain, from the selection of raw materials and energy sources to the use and end-of-life phases of its products.

In fact, life cycle thinking is now an integral part of Aquafil's corporate culture and is essential for any company that wants to continue to generate value over time.

2.5.1. Voluntary certifications

(GRI 307-1)

2.5.1.1. Group certifications

In order to guarantee more reliable management of quality, environmental, energy and safety issues, the Group has embarked on a certification process to annually increase the number of its certified factories worldwide.

In 2019, the Group added SA8000 certification to its list of obtained certifications through a pilot project to certify the Arco plant, which aims to gradually extend certification to all Group facilities in the future (paragraph 2.4.1).

Table 15 - LIST OF CERTIFICATIONS OBTAINED BY FACILITY (2019)

Production facilities	ISO 9001	ISO 14001	OHSAS 18001	ISO 50001	SA 8000
AquafilArco	x	x	x	-	x
Aquafil China	x	x	-	-	-
Aquafil USA-Cartersville	x	-	-	-	-
Aquafil Carpet Recycling#1	-	-	-	-	-
AquafilCRO	x	x	x	x	-
AquafilSLO - Ljubljana	x	x	x	-	-
AquafilSLO - Ajdovščina	-	-	-	-	-
AquafilSLO - Senožeče	-	-	-	-	-
AquafilSLO - Celje	-	-	-	-	-
Aqualeuna	-	-	-	x	-
Asia Pacific	x	-	-	-	-
Tessilquattro	x	-	-	-	-
Tessilquattro - Rovereto	x	-	-	-	-
Aquafil UK	-	-	-	-	-
Aquafil O'Mara	-	-	-	-	-

In addition to the certifications indicated in Table 15 are:

- Responsible Care Certification, obtained by AquafilSLO, is a voluntary programme of the global chemical industry that certifies excellence in the areas of health, safety and the environment;
- Social Responsibility Management System Certification IQNet SR 10: 2015, obtained by AquafilCRO, guarantees compliance with the requirements of an adequate management system for the social responsibility issues identified by ISO 26000;
- full Authorised Economic Operator (AEO) Certification[13], obtained by Aquafil S.p.A., in relation to the European Union Customs Code, formally certifying and authorising the company as an 'Authorised Economic Operator'.

Aquafil is constantly committed to preventing non-compliance with environmental laws and regulations through constant supervision and training on the topic. Thanks to this commitment, during 2019, the Group was not subject to any fines or sanctions for non-compliance with environmental laws or regulations.

2.5.1.2. Product certifications

The Group has also received a number of certifications guaranteeing product features in terms of quality, environment and safety. This is testament to Aquafil's commitment to one of the cornerstones of its strategy – product culture.

CHEMICAL SAFETY

In order to guarantee the safety of chemicals used in production, Aquafil certifies its compliance with the European Union REACH regulation. Additionally, the Group has decided to obtain OEKO-TEX certification to guarantee the absence of harmful substances in its products.

RECYCLED CONTENT

Aquafil has obtained a series of certificates for ECONYL® polymers and yarns that certify their recycled content. Specifically:

- ECONYL® product certificate: PA6 100% recycled yarn;
- ECONYL® caprolactam certification - 100% recycled raw material, with post-consumption content greater than 50%;
- ECONYL® recycled content according to the GRS (Global Recycle Standard) issued by Control Union;
- Certification issued by UL for ECONYL® Altochroma yarn, confirming the presence of at least 95% recycled material.

ENVIRONMENTAL PRODUCT DECLARATION (EPD)

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

Aquafil has created EPDs for ECONYL® polymer and ECONYL® yarns for clothing and textile flooring. The declarations are publicly available, and can be downloaded in the section of the company website dedicated to certifications (https://www.aquafil.com/certifications/).

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

2.5.2. Data collection and processing methods

The environmental impact of production is measured and analysed using appropriate tools and performance indicators in accordance with the standardised procedures of environmental management and safety systems. Material topics are reported by means of indicators according to 2016's Global Reporting Initiative Sustainability Reporting Standards[14] (GRI Standards). The reliability of the data and reporting processing process platform is guaranteed by a specific team who collaborate with experienced external consultants.

The Group has established a procedure for collecting environmental data via a series of tools, in addition to those of SAP and Microsoft Access. Specifically, since 2012, Aquafil has made use of a customised software platform called the 'Sustainability Web Tool', whose main purpose is to centralise and standardise data collection among the production plants of the entire Group. During 2019, the platform underwent significant development which allows all users to access more advanced reporting tools. Although this change did not affect back-end logic in terms of calculation algorithms, data structures and logical processing, but only front-end tools, such as data consultation, collection management and reporting, the platform was, once again, subjected to third-party verification in order to confirm its continuing reliability.

Apart from the fact that it is an integral part of the company's management methods, the Platform facilitates the analysis and communication of results both at individual plant level and corporate level; in fact, each plant can access the web tool through a link by adding dedicated credentials, view the questionnaire for data collection and obtain environmental indicators in a fast and intuitive way. Data are collected on a monthly and half-yearly basis: every month each plant inputs data on consumption (raw materials, energy, water, etc.), while on a semi-annual basis (in June and December) it inputs data on the waste generated, air & water emissions and on packaging and transport.

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

Specifically:
- the data entering the platform on a monthly and half-yearly basis are subject to two successive controls carried out by persons with defined roles within the management system (Table 16).
- results reliability and accuracy and correct processing of entered data is guaranteed by an independent third party (DNV GL)[15], which carried out an audit of the platform, issuing a certificate downloadable from the software login page(https://aquafilcsrtool.com/images/Aquafil_Verification_2.pdf).

Table 16 - LEVELS OF CONTROL OF DATA INPUT INTO THE SUSTAINABILITY WEB TOOL

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

[14] https://www.globalreporting.org/Pages/default.aspx
[15] https://www.dnvgl.it/assurance/index.html

The following paragraph outlines the environmental topics identified as material and reported through environmental performance indicators for the period between 2016 and 2019, thus highlighting performance trends over time.

2.5.3. Environmental performance of Aquafil's production processes

PROPERTY, PLANT & EQUIPMENT

(GRI 301-1)

The raw materials handled by the Group can be divided into three macro categories (Figure 10):

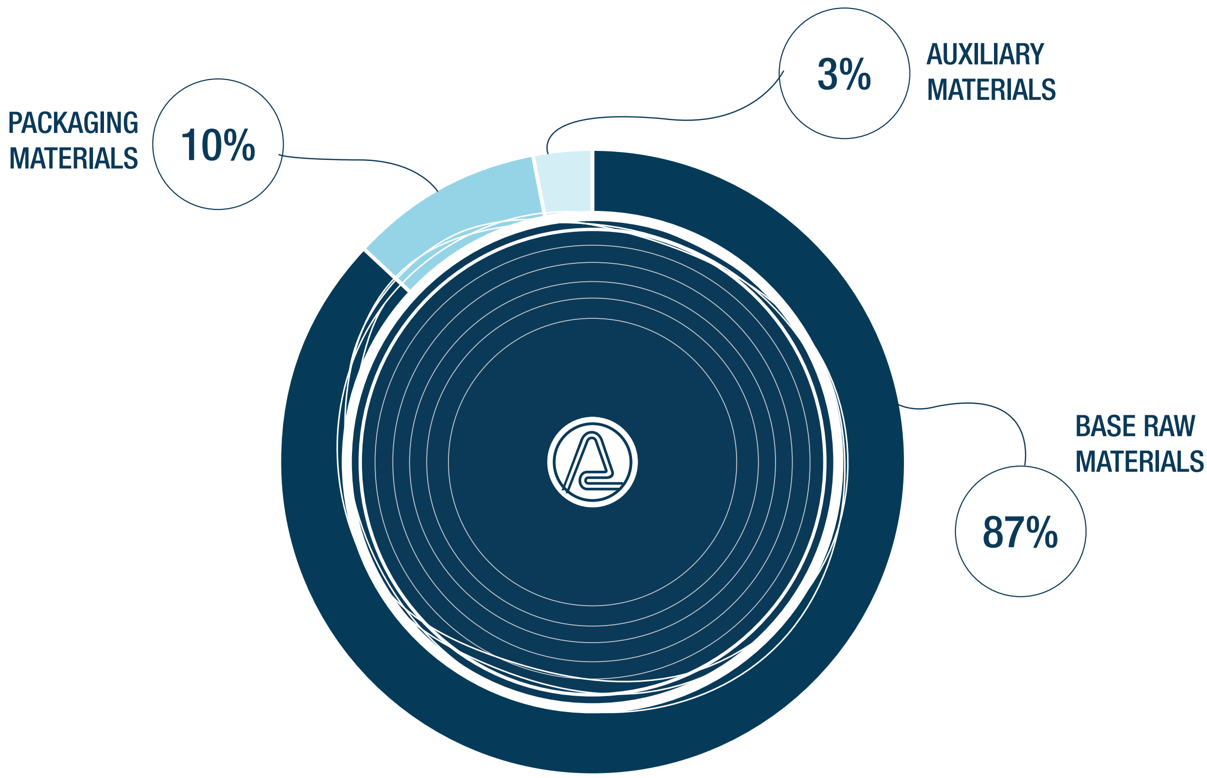
1. Base raw materials;
2. Packaging materials, consisting of the packaging of raw materials and finished products;
3. Auxiliary materials, such as additives and other substances used in the production process.

Base raw materials represent 87% of the total raw materials used and consist of:

- Raw materials such as caprolactam and bulk polymers;
- Pre-consumer processing waste and post-consumer end-of-life waste, such as carpet fluff and fishing nets. These materials are used in the ECONYL® REGENERATION SYSTEM.

Approximately 160,000 tons of materials were used in 2019, 10% of which came from renewable raw materials, such as paper and wood.

Figure 10 - PERCENTAGE BREAKDOWN OF RAW MATERIALS USED BY THE GROUP IN 2019



ENERGY

(GRI 302-1)

Effective energy management is one of the Group's major concerns, with implications for both environmental and economic sustainability. In this regard, the Group has made two specific commitments, as stated in the Group's Sustainability Plan:

1. To invest in energy from renewable sources, in order to preserve exhaustible resources and reduce greenhouse gas emissions;
2. To reduce the impacts of production processes and increase their efficiency.

In 2019, 70% of the total electrical and thermal energy used by the Group came from renewable sources, such as hydroelectric, wind, photovoltaic and biomass.

The Group also invests in self-generated power systems: the Aquafil plants have installed photovoltaic panels in the United States and in Italy, in Slovenia and Croatia, which, while only providing a small percentage of the total energy requirements, can meet the energy needs of certain facilities such as administrative offices.

Table 17 shows the total amount of energy managed and consumed by the Group from 2016 to 2019. Consumption is expressed in absolute terms and divided by energy carrier and destination (used internally or sold).

Furthermore, the total energy consumption is reported in relation to the margin (expressed as EBITDA) in order to show the trend over the years and present an idea of how much a Euro of margin costs in terms of energy.

In Table 17, the indicator is expressed in terajoules (TJ) of energy per million Euros of margin, or as megajoules of energy consumed per Euro of margin.

Table 17 - ENERGY PRODUCED AND CONSUMED BY THE GROUP IN THE 2016 - 2019 PERIOD[16]

Energy carrier		Unit	2016	2017	2018	2019
Fuels purchased	Natural gas, diesel and technical gas	GJ	873,264	875,913	855,680	824,684
Energy purchased	Electricity	GJ	1,073,025	1,097,003	1,126,326	1,159,558
	Steam	GJ	458,816	501,691	545,675	523,790
Energy internally produced	Photovoltaic	GJ	2,705	2,647	2,742	3,266
Energy sold	Electricity	GJ	1,465	614	1,111	1,502
	Thermal energy	GJ	28,535	30,119	35,156	28,546
Energy managed by the Group[17]		GJ	2,437,810	2,507,987	2,566,690	2,541,346
Total Group energy consumption		GJ	2,377,810	2,446,522	2,494,156	2,481,249
Energy consumption in relation to the margin (EBITDA)		TJ/MIL€ (MJ/€)	36.5	33.2	32.0	35.7

[16] Consumption is measured using the tool in the unit of measure kWh and then converted into GJ by multiplying by a factor of 0.0036.
[17] The total energy consumption of the Group is calculated as: fuels + energy purchased + energy produced internally - energy sold.

GREENHOUSE GAS EMISSIONS

(GRI 305-1; GRI 305-2)

Greenhouse gases emissions are closely linked to energy consumption, which is calculated monthly by converting the quantities of energy used by the plant into carbon dioxide equivalents (CO_2eq); the sustainability web tool is used for this purpose by applying specific conversion factors[18] to the energy carrier.

Greenhouse gas emissions are divided into direct (Scope 1) and indirect emissions (Scope 2) (Figure 11) according to the GHG Protocol, a reference standard for calculating an organisation's greenhouse gas emissions[19].
Direct emissions are those generated by the Group's plants and primarily come from burning fossil fuels for energy (methane, diesel and technical gases) while indirect emissions are those associated with the production of electricity and heat purchased from external suppliers.

Regarding energy, the Group's total emissions are reported in relation to the margin (expressed as EBITDA) in order to show the trend over the years and give an idea of how much a Euro of margin costs in terms of greenhouse gas emissions.

In Table 18, the indicator is expressed in tons of carbon dioxide equivalent per million Euros of margin, or as grams of carbon dioxide equivalent emitted per Euro of margin.

Figure 11 - Trends in total greenhouse gas emissions (Scopes 1 and 2), 2016-2019

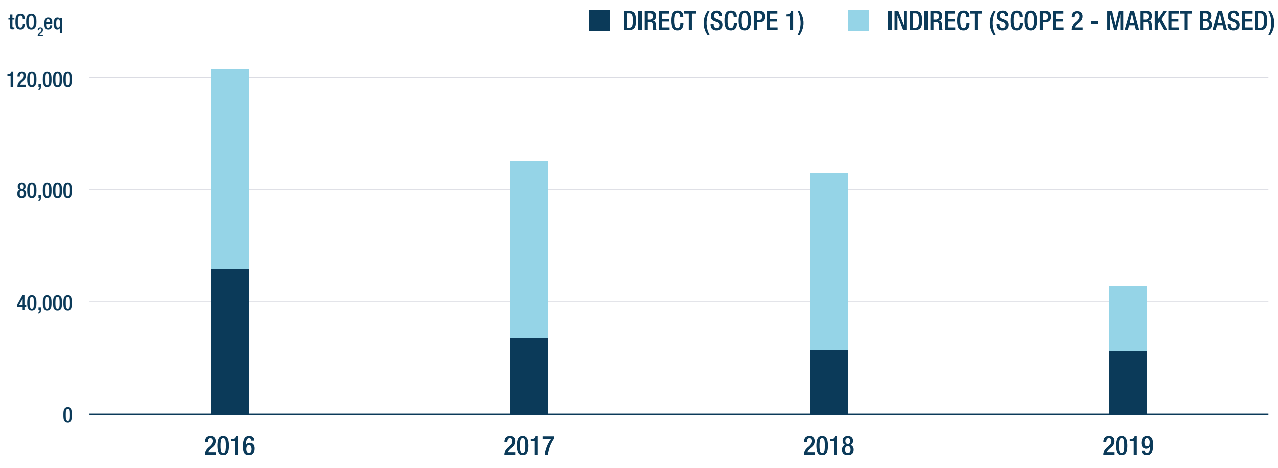


Table 18 - GREENHOUSE GAS EMISSIONS, 2016-2019

	Udm	2016	2017	2018	2019
Emissions - Scope 1	tCO_2eq	50,406	29,023	26,048	24,673
Emissions - Scope 2 (market-based)	tCO_2eq	73,648	57,855	60,203	26,839
Total emissions	tCO_2eq	124,055	86,878	86,251	51,512
Greenhouse gas emissions with respect to margin (EBITDA)	tCO2eq /Mio€ (gCO2eq/€)	1,906	1,178	1,107	742

[18] The conversion factors used come from the GaBi Software Version 8.7 Database Pack 36, released by Thinkstep.
[19] http://www.ghgprotocol.org/

The trend is continuously decreasing both in absolute, total emissions and relative, EBITDA terms.

This is thanks to a series of investments made in accordance with the Group's sustainability policies, specifically:

1. Constant production line renewal and efficiency improvements, such as the installation of new compressors and heat recovery heating systems, and the replacement of traditional lighting with LED technology;
2. Special project assessments according to the needs of each production site, such as for the sharing of excess thermal energy with facilities close to the plant;
3. The use of energy from renewable sources that offer better environmental performance than fossil sources, through the conscientious purchase of certified energy.

WATER

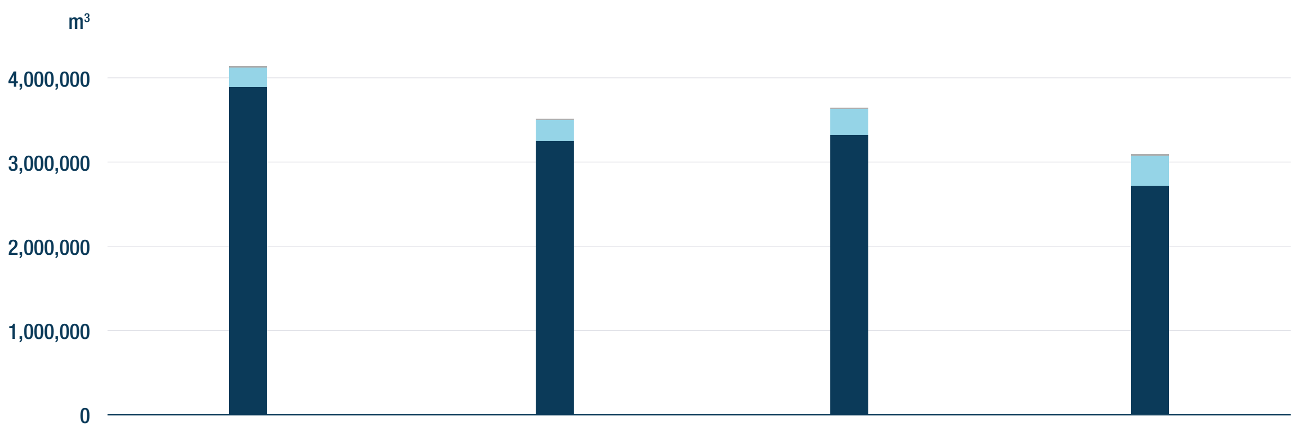
Water consumption
(GRI 303-1)

As with energy, Aquafil constantly monitors its water consumption, which is another essential aspect of Aquafil's environmental management system. In order to provide an overview of performance in terms of water withdrawal, the figures below show the total amount of water consumed by the Group measured in cubic meters.

Figure 12 presents the Group's water consumption trend over the three-year period 2016-2019, subdivided by type of water withdrawal (wells, aqueducts and surface water). In 2019, there was an overall reduction in water consumption despite the acquisition of the American Aquafil O'Mara plant.

This reduction was due to a series of projects in various Group plants to implement systems for the recovery and recirculation of used water.

Figure 12 - WATER CONSUMPTION BY SOURCE IN THE 2016 - 2019 PERIOD



	2016	2017	2018	2019
River	19,292	21,943	23,042	24,041
Aqueduct	297,877	337,034	390,909	416,413
Well	3,803,816	3,172,200	3,256,376	2,678,722

Water discharges
(GRI 306-1)

Most of the waste water derived from the production process is discharged to surface water after specific water quality assessments have been carried out, which is a standard procedure of the Group's environmental management system aimed at enduring full compliance with current regulations.

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

Table 19 shows the total water discharge by destination and its quality in terms of COD.

In 2019, the Group's wastewater amounted to approximately 3.2 million cubic meters, 74% of which was discharged into surface waters while 26% was recycled and reused by the factories.

Table 19 - VOLUME AND QUALITY OF THE WATER DISCHARGED OVER THE 2016-2019 PERIOD

	Unit	2016	2017	2018	2019
Ground water	m^3	2,804,439	2,806,938	2,943,034	2,334,453
COD (surface water)	kg 0_2	89,436	103,682	77,045	68,821
Treatment plants	m^3	756,948	864,448	880,092	841,203
COD (treatment plants)	kg 0_2	475,713	601,370	432,833	578,552

WASTE

Waste is a material topic for the Group as it is a source of raw materials for the production of ECONYL® yarns (https://www.econyl.com/it/) as well as being a product of internal production processes.

Table 20 shows the quantities and types of waste produced by the Group in the period from 2016 to 2019.

Table 20 - QUANTITY AND TYPE OF WASTE PRODUCED, 2016-2019

	Unit	2016	2017	2018	2019
Hazardous	t	1,991	2,095	2,037	2,549
Non-hazardous	t	11,396	9,738	10,416	11,083
Total	t	**13,387**	**11,833**	**12,453**	**13,631**

PROTECTION OF LOCAL AREAS
(GRI 304-1)

Ever since it was founded, the Group has always endeavoured to reduce its impacts on the surrounding environment as much as possible in order to create a visual relation with the territory in collaboration with local agencies.

It is important to note that most of the Group's factories are located in areas designated for industrial production as established by urban planning regulations. However, it should also be taken into consideration that, in some cases, the plant locations are subject to certain environmental restrictions. This is the case, for example, of the Arco production plant, located near the Sarca river, within the protected area and covering an area of approximately 48,000 square metres. The plant was the Group's first production unit, and hosts its headquarters, as well as several industrial activities.

The Sarca River Park, recognised by national legislation and including a UNESCO Biosphere Reserve, extends for approximately 80 km and is characterised by a great variety of natural environments, from alpine valley woods to the olive groves of Lake Garda's shores. The area includes all the valleys crossed by the river stream, constituting an extremely important ecological corridor connecting the Adamello Brenta Nature Park with Lake Garda, and all the various protected areas in-between[20]. The great diversity of habitats requires special attention to make sure it is not threatened.

Aqualfil's keen awareness of being located within a delicate ecosystem, and the consequent gravity that any negative environmental impacts might have, in consideration of chemical production processes, has always focused particular attention to the protection of the biodiversity and specific characteristics of this context. This has resulted in constant initiatives to reduce production activity impacts, including voluntary actions, in addition to compliance with local regulations. The plant has thus become an example for the development of the Group's environmental policies.

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[20] www.parcofluvialesarca.tn.it

MANAGEMENT OF CHEMICAL SUBSTANCES

(GRI 416-1)

Aquafil is actively engaged in the development and supply of products that offer ever-higher levels of quality and performance while ensuring safety and respecting the environment in which we live and all of the actors on the supply chains by carefully selecting the processes and the ingredients used in the product formulations, from the companies and brands that process Aquafil yarns to the end users of the resulting products. The strict management and control of chemical substances, carefully coordinated supply chain monitoring and consolidated technical expertise ensures compliance with legislation across the various markets and commitment to using the best practices.

For this reason, Aquafil has created:

- A special reference document that defines the guidelines on which a clear and transparent communication and control system should be based, for the growth and development of the value chain[21];
- The Sustainability Compliance Team, an internal working group dedicated to supporting all of the Group's plants on REACH Regulation issues and to engaging and supporting stakeholders in a shared approach to the assessment and management of chemical products. To this end, all of the chemicals used in Aquafil's products and processes are entered into a single database, which is updated periodically according to a standard operating procedure.

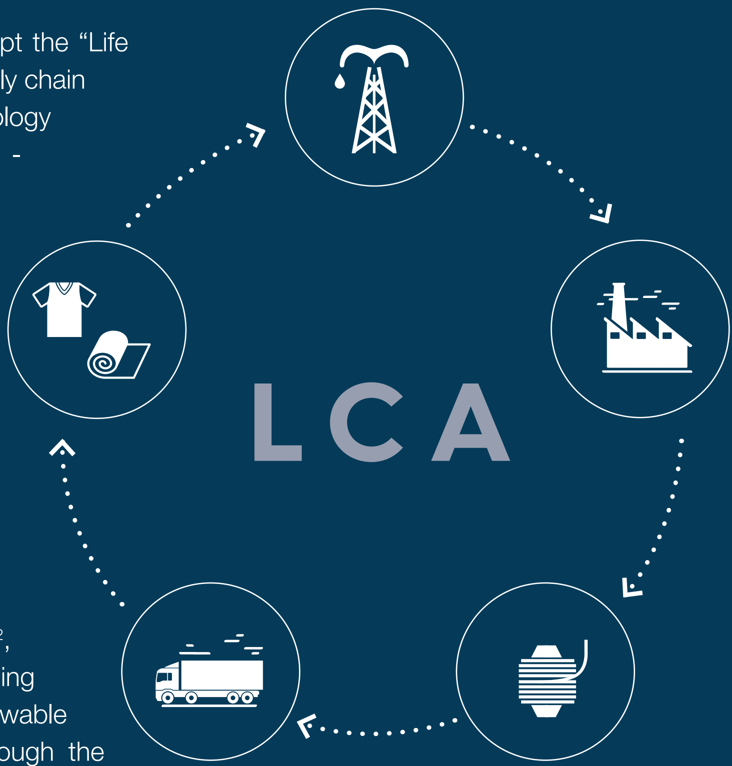
In 2019, considering the conformity of the Group's products with major health and safety standards, it was not necessary to implement assessment processes for the improvement of the impacts of any of its products.
Finally, as stated in the section on certifications, Aquafil has attained OEKO-TEX® certification to the standard 100 by OEKO-TEX® for its yarn for carpet flooring, thus certifying that it meets eco-toxicological requirements and does not pose any risk to human health due to the release of chemicals.

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

PRODUCT CHAIN ENVIRONMENTAL PERFORMANCE

LIFE CYCLE ASSESSMENT

Aquafil was among the first companies in Italy to adopt the "Life Cycle Thinking" approach for designing the entire supply chain of its products, using the life cycle analysis methodology (internationally known as Life Cycle Assessment - LCA). With this method it is possible to measure the environmental performance of the processes "from cradle to grave" or even "from cradle to cradle", and to identify and improve the phases with major energy efficiency and environmental issues. This approach has supported wiser investment decisions over the years, e.g. by carefully selecting raw materials and methods of transportation and recycling waste that would otherwise be sent to landfill and the development of innovative technologies for the recovery of waste etc.
Since 2011, the LCA analysis has proved useful in the development of the "ECONYL® Regeneration System"[22], by verifying and confirming the sustainability of substituting virgin caprolactam (normally obtained from non-renewable sources) with secondary raw materials obtained through the recycling of end-of-life waste plastic.



More specifically, the ECONYL® regeneration system enables Aquafil to produce nylon 6 ECONYL® using 100% regenerated raw materials obtained from:

- post-consumer waste (i.e. end-of-life products) made from Polyamide 6 including fishing nets, fluff (the top layer of carpets and rugs);
- Pre-consumer waste generated during the nylon 6 production cycle and deriving from textile and plastic scrap production waste.

With this system, the polyamide 6 contained in the waste can be regenerated an infinite number of times.
The ECONYL® yarn thus obtained has significant environmental advantages, as it is possible to reduce the greenhouse gas emissions generated by the production of the raw material by as much as 80% (reduction in use of fossil origin caprolactam), while regenerating vast amounts of waste material that would otherwise be landfilled or would otherwise end up polluting the environment (Figure 13).
In order to improve the ECONYL® supply chain even further, the Group has recently organised various activities to involve its suppliers and clients in sustainability projects, such as the "ECONYL® Reclaiming Program" and "ECONYL® Qualified". For the same purposes, the Group made substantial investments in 2018, including, in particular, in the two new US plants ACR #1 and ACR#2 (Aquafil Recycling Carpet), dedicated to the breaking down and recovery of end-of-life carpets and rugs.

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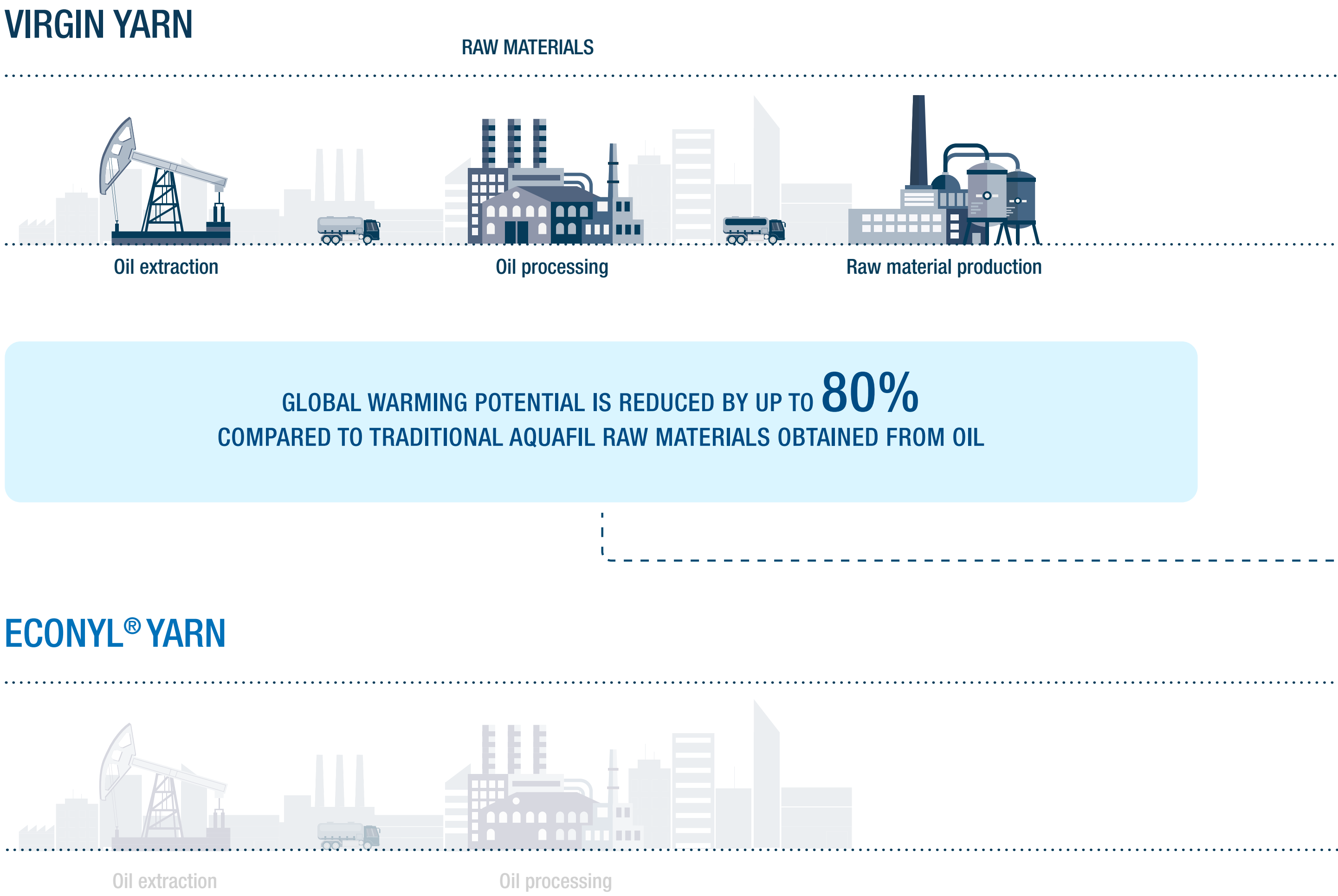
[22] https://www.econyl.com/it/

Figure 13 - THE "LIFE CYCLE THINKING" APPROACH APPLIED TO THE PRODUCTION OF VIRGIN YARN AND ECONYL® YARN. THE GREENHOUSE GAS EMISSIONS GENERATED DURING RAW MATERIAL PRODUCTION ARE 80% LESS THAN THOSE GENERATED USING TRADITIONAL METHODS.

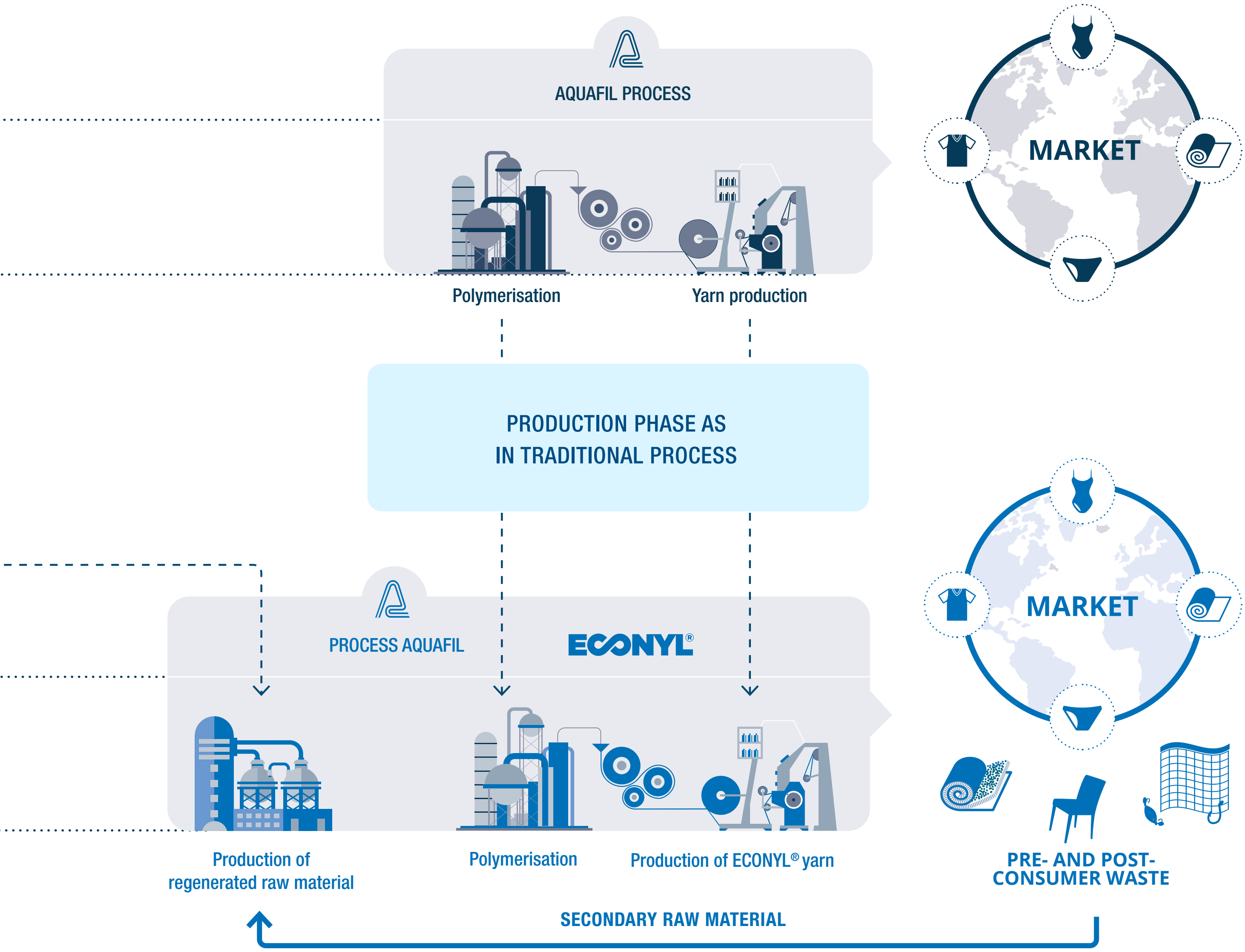


CIRCULARITY

The Group wanted to interpret circularity in its widest sense and most revolutionary application, and, over the years, it has become a point of reference for sector companies. This meant not limiting itself to the creation of new products through the recovery of waste materials, which are therefore given new value, but taking on the far more ambitious task of tracing the problem of waste disposal right back to the initial product design, and rethinking that process with a circular perspective, considering the end-of-life management of all components within the framework of innovative production processes.

Aquafil has therefore launched a challenge to the entire economic system, clearly demonstrating the opportunity to create high quality products from secondary raw materials, and thus becoming a market leader in such processes. The start of this journey was marked by the creation in 2011 of the ECONYL® Regeneration System.

The Group was immediately aware of the impossibility of carrying out a real change without the collaboration of upstream and downstream actors in its supply chain. The circular economy, rising above the paradigms of the traditional economic system, indeed pushes companies to seek closer ties with other companies, to forge industrial symbioses inspired by the philosophy to create innovative products. One of fundamental areas in which Aquafil has particularly engaged its stakeholders through the launch of various initiatives is that of the recovery of waste materials.



The most significant initiatives include:

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

Participation and promotion of research projects at the national and international level, in collaboration with a range of research institutions and leading companies worldwide, is another area in which the Group stands out.
Among the notable initiatives to which the Group contributes significantly is the EFFECTIVE project, which is financed by the Bio Based Industries Joint Undertaking Consortium via the Grant Agreement No. 792195, and receives support from the EU Horizon 2020[23] research programme. Launched in 2018, the project has international coverage, including the American company Genomatica[24] with the participation of 12 organisations from 7 countries. The goal of the project is to promote innovative, economically advantageous and sustainable approaches to the production of bio-polyamide and bio-polyester fibres and films derived from first- and second-generation renewable raw materials.
The intrinsic versatility of bio-based polymers demonstrated by the project implies that they can be used in a wide range of products and sectors, beyond those defined as the main targets of the project and including clothing, textiles and textile flooring for contract, residential, automotive sector and packaging sectors.

[23] http://www.effective-project.eu/
[24] https://www.genomatica.com/

3. RISK FACTORS

(GRI 102-11)

The principal risk factors to which the Aquafil Group is exposed are illustrated in the following section, with details on the strategies and measures implemented for their prevention and management.

Table 21 has been created to link risk management with the non-financial topics of the report, thus relating:

- Topic areas in relation to Legislative Decree 254/2016;
- Aquafil's Sustainability Pillars, as described in paragraph 2.1;
- Aquafil's material topics, as described in paragraph 2.2;
- References to relevant paragraphs for the treatment of risk for each individual topic.

Table 21 - TABLE RELATING THE THEMATIC AREAS OF LEGISLATIVE DECREE 254/2016, SUSTAINABILITY PILLARS,

LEGL. DECR. TOPIC AREAS	AQUAFIL SUSTAINABILITY PILLARS	AQUAFIL MATERIAL TOPICS
PERSONNEL	Well-being of individuals	Employment policies
		Employee health and safety
		Training
HUMAN RIGHTS	Collaboration with the Group's supply chains	Non-Discrimination
		Child labour
		Forced labour
		Human Rights
SOCIAL	Collaboration with the Group's supply chains	Social screening of suppliers
		Customer health and safety
		Labelling and marketing
		Customer privacy
		Socio-economic compliance
	Local community support	Local communities
ECONOMIC	Multiple	Business performance
CORRUPTION	Multiple	Corruption policies
		Competition
ENVIRONMENTAL TOPICS	Collaboration with the Group's supply chains	Supplier environmental assessment
	Environmental protection Rethinking of products from a circular perspective	Materials
		Energy
		Water
		Biodiversity
		Emissions
		Effluents and waste
		Environmental compliance

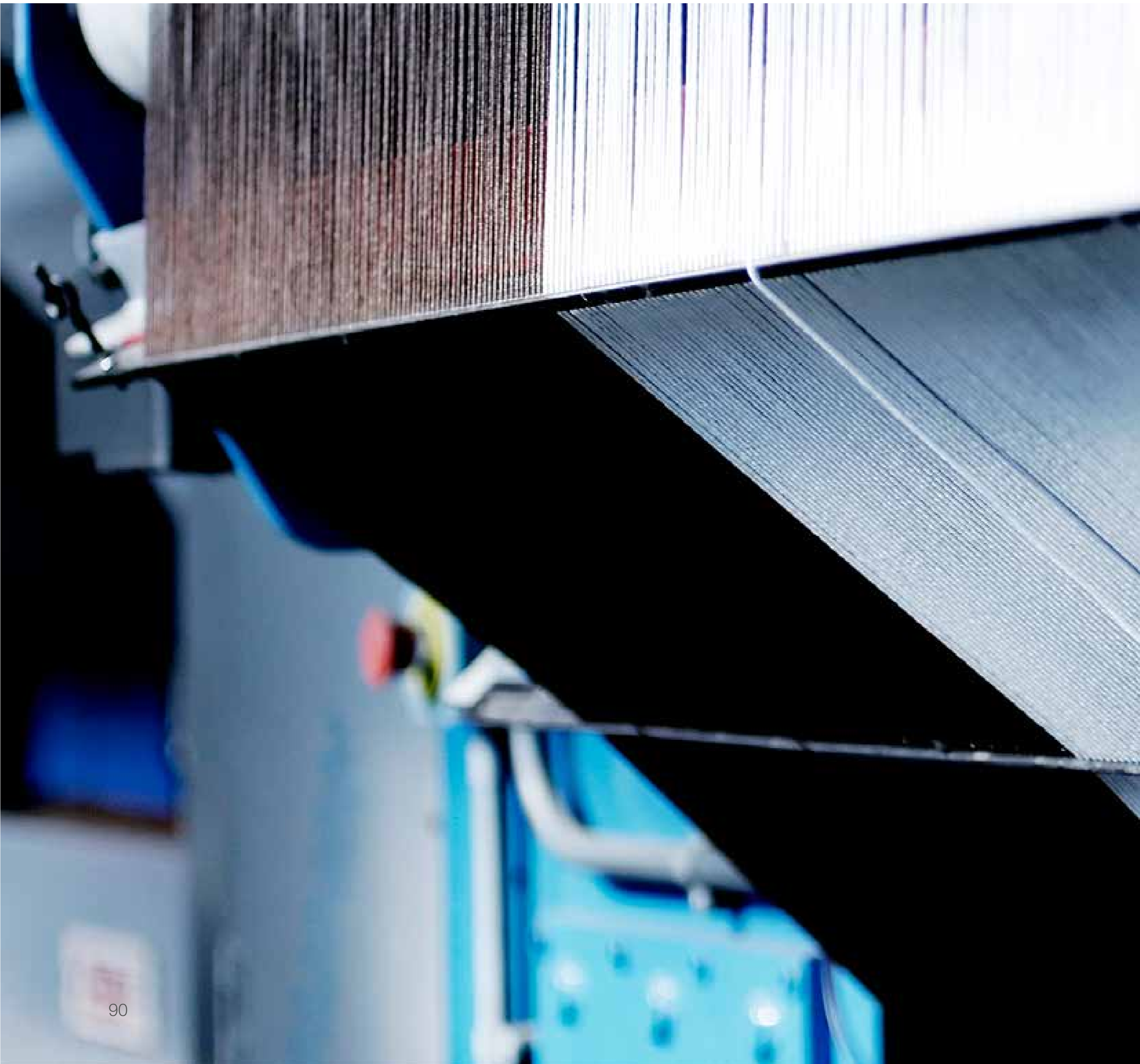
MATERIAL TOPICS AND RISK MANAGEMENT
RISKS RELATING TO THE MATERIAL TOPIC & REFERENCE WITHIN THE DOCUMENT
Importance of key figures (paragraph 3.8)
Environmental and compliance risks (paragraph 3.4) Plant operations (paragraph 3.6)
Environmental and compliance risks (paragraph 3.4)
The risks that may arise from inadequate management of such topics mainly relate to legislative non-compliance, and their management is reported in paragraph 3.4 (Environmental and compliance risks). In addition, the Group has implemented a series of operating procedures via its Code of Conduct and SA8000 Certification in order to prevent other associated risks.
The risks that could derive from incorrect management of this topic are associated with the management of this topic could be linked to improper conduct, from an ethical point of view, in the supply chain. The Group has implemented prevention mechanisms via SA8000 certification and the dissemination of its Code of Conduct.
Environmental and compliance risks (paragraph 3.4)
Environmental and compliance risks (paragraph 3.4)
IT resource management, data security (paragraph 3.9)
Risks associated with this topic relate to legislative non-compliance in economic and social terms. The Group has implemented prevention mechanisms via SA8000 certification and the dissemination of the Code of Conduct and the Organisational Model (231). The management of risks relating to non-conformities is reported in paragraph 3.3 (Strategic and policy risks) and paragraph 3.4 (Environmental and compliance risks).
No significant risks are associated with the management of this topic except for illegal conduct, for which preventive measures have been implemented via the application and dissemination of the Organisational Model (231).
General economic conditions risk (paragraph 3.1) Liquidity risk (paragraph 3.2) Exchange rate fluctuations (paragraph 3.5) Commercial credit risk (paragraph 3.7)
The risks that could derive from incorrect management of this topic are associated with illegal conduct, for which preventive measures have been implemented via the application and dissemination of the Organisational Model (231).
The risks that could derive from incorrect management of this topic are associated with the management of this topic could be linked to improper conduct, from an environmental point of view, in the supply chain. The commitment to reducing environmental impacts along the supply chain is reported in paragraph 3.4 (Environmental and compliance risks).
Strategic and planning risks (paragraph 3.3) Environmental and compliance risks (paragraph 3.4) Exchange rate fluctuations (paragraph 3.5)
Environmental and compliance risks (paragraph 3.4) Exchange rate fluctuations (paragraph 3.5)
Environmental and compliance risks (paragraph 3.4)
Environmental and compliance risks (paragraph 3.4)
Environmental and compliance risks (paragraph 3.4) Beyond the risks highlighted in the dedicated paragraph is the risk regarding the availability and accessibility of renewable energy sources, which is a cornerstone of Aquafil's Sustainability Policy. The risk is associated with constant growth of this type of demand contributing to increasing prices and decreasing availability. To mitigate this risk, the Group seeks to diversify its supply both in terms of type of source (e.g. hydroelectric, wind, biomass) and supplier.
Environmental and compliance risks (paragraph 3.4)
Environmental and compliance risks (paragraph 3.4)

3.1. Risks associated with economic conditions

Many factors which impact the general economic environment such as, among others, interest rate movements and exchange rate movements, principally between the Euro and US Dollar, raw material costs, particularly oil, may affect the economic and financial situation of the Group.

The Group offsets these issues through:

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



3.2. Liquidity risks connected with net cash requirements

The liquidity risk which the Group could encounter is represented by the incapacity or difficulty to source adequate financial resources in order to ensure operational continuity and development of its industrial activities.
The liquidity situation of the Group principally derives from two key factors: on the one hand, the resources generated or absorbed by operating and investing activities, and on the other the use of financial resources and the maturity dates and renewal of payables.
Aquafil can avail of on-demand liquidity, as well as significant levels of credit lines granted by various Italian and international banks. The Group believes that the funds and credit lines currently available, in addition to those that will be generated from operating and financing activities, are sufficient to meet the liquidity needs deriving from the various activities of the Group.

3.3. Strategic risks

Strategic risks are defined as those risks which may influence the opportunities and the threats relating to the business activities. In the case of Aquafil, this category includes authorisation risks, risks of delay in the development or implementation of new initiatives, risks concerning rising operating costs and material and services costs, risks of changes to existing technology, in addition to risks to changes in the political and regulatory framework of certain countries in which the Group operates, which may change the competitive scenario. In addition to these risks is the risk related to the possibility that modifications to current European Regulations in relation to importation, movement and storage of waste, or situations which no longer permit compliance with current regulations, may increase the complexity, or limit the possibility, to maintain and/or expand the significant activity of recycling and recovery of raw materials from waste. To limit these risks, the Group:

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

3.4. Risks relating to the environment and compliance with applicable regulations

The activities of the Aquafil Group are subject to the national regulations in the countries in which they operate, as well as specific transnational regulations, all in order to reduce operational risks. Specifically, the regulations on the environment, health and workplace safety may differ significantly between various countries; constant control is therefore necessary in order to ensure compliance and timely adjustment in the event of modifications.
In order to minimise the social and environmental risks from industrial processes and products, the Group includes within its strategy a constant commitment towards the safeguarding of the environment, to the prevention of pollution and to strive for continual improvement of its environmental performance. Specifically, the Group has created specific centralised coordination and organisational structures which oversee the compliance with rules and improvement processes in its various locations, independently taking action in the production plants and on its processes. The progressive adoption of the Environmental Management System, which contains a detailed analysis of the risks at the various factories of the Group, is a choice which allows for further progress in this direction, continuing the maximum organisation and rationalisation of the activities.
In this manner, the Group has the objective:

- to deliver constant reduction of environmental impacts and workplace security risks during the development of new technologies and products;
- to adequately design activities, products and services so as to reduce, as much as possible from a technical and sustainable economic standpoint, every environmental impact and health risk during the production activity, their use and subsequent disposal;
- to prevent, to the extent possible, potential and significant pollutions, environmental damages, accidents/injuries, as well as reducing the consumption of non-renewable resources;
- to disseminate a culture of safety and sustainability among all the staff within the business processes, through adequate training activity.

3.5. Risks associated with fluctuations in exchange rates, interest rates and prices

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

However, many Group companies are exposed to a contained level of exchange rate risk, as in the individual countries a portion of cash flows, both in relation to sales and also costs are denominated in the local currency of the country. The Group, and not for speculative purposes, also carries out exchange rate hedging operations.

In the same manner the Group is exposed to changes in interest rates, as these impact the cost and return of the various forms of lending and uses, with an effect therefore on the consolidated net financial income. Aquafil seeks to limit the interest rate fluctuation risk through undertaking a part of its medium/long term loans at a fixed rate or by undertaking interest rate hedging instruments.

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

3.6. Risks relating to factory operations and industrial incidents

All Group factories are subject to operational risks, such as for example plant breakdown, revocation and suspension of permits and licenses, work interruptions, raw material or energy procurement difficulties, which could result in prolonged interruptions of the activities of the factories. In addition, incidents such as fire and other unexpected factors and dangers could occur in the industrial factories of the Group and, where significant, could give rise to negative consequences.

The Aquafil mitigates these risks through specific plant management policies focused on ensuring adequate security levels and operational excellence in line with best industrial practices. The Group also obtains insurance coverage for its industrial risks and third-party liability.

3.7. Commercial credit risk

The Group is exposed to the risks connected with delays in customer payments or in general with difficulties in the collection of receivables, as well as to the risk of general reduction in customer credit lines limits set by credit insurance companies which might lead to a worsening of credit risk and/or a negative impact on the growth prospects of the businesses and on the Group's economic results.

In order to limit the credit risk, the Group:

- Uses valuation instruments on each individual counterparty through a dedicated credit management organisation structure;
- Has stipulated specific insurance policies on the exposure with customers;
- Uses external companies providing corporate information both to initially evaluate reliability and on-going monitoring of the economic and financial situation of clients.

3.8. Risks connected with the importance of certain key figures

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

Against this risk, the Aquafil has adopted a managerial and organisational structure capable of ensuring continuity in the management of its business, also thanks to the sharing of the strategic decision.

3.9. IT resource management and data security risks

The management of the business activities of the Group is supported by a complex network of IT tools and systems. The necessary interconnection of company IT systems with external IT infrastructure (web and networks) exposes these systems to potential risks in terms of availability, integrity and confidentiality of data, and the efficiency of the systems.

In order to guarantee operational continuity, the Group has for some time implemented a disaster recovery and business continuity system which allows for a quick recovery of the main system stations. In addition, active data and business application security is guaranteed by multiple levels of protection, both physical and logistical, at server level and client level, and advanced authentication and database and network access procedures.

4.
ANNEXES: CONTENT INDEX

GRI STANDARD	DISCLOSURE	REFERENCE PARAGRAPH	OMISSIONS
GRI 101: Reporting principles 2016			
General Disclosures			
GRI 102: General information 2016	102-1 Name of the organization	Paragraph 1.1 The Aquafil Group	-
	102-2 Activities, brands, products, and services	Paragraph 1.1.1 Product areas	-
	102-3 Location of headquarters	Paragraph 1.1 The Aquafil Group	-
	102-4 Location of operations	Paragraph 1.1 The Aquafil Group	-
	102-5 Ownership structure and legal form	Paragraph 1.2 Corporate Governance	-
	102-6 Markets served	Paragraph 1.1.2 Reference markets	-
	102-7 Scale of the organisation	Paragraph 1.1 The Aquafil Group - Paragraph 2.4.2.1 Aquafil Personnel For information on net revenues, total capitalisation and quantity of products supplied, refer to the Financial Statements, of which the non-financial report is an integral part.	-
	102-8 Information on employees and other workers	Paragraph 2.4.2.1 Aquafil personnel	-
	102-9 Supply chain	Paragraph 2.4.3 Relationships with stakeholders (Supplier selection and engagement)	-
	102-10 Significant changes to the organisation and its supply chain	Paragraph 1.3 Scope of reporting	-
	102-11 Precautionary principle	Paragraph 3 Risk factors	-
	102-12 External initiatives	Paragraph 2.4.3 Relationships with stakeholders	-
	102-13 Membership of associations	Paragraph 2.4.3 Relationships with stakeholders	-
	102-14 Statement from senior decision-maker	We have a story to tell	-
	102-16 Values, principles, standards and norms of behaviour	Paragraph 2.3.2 Code of Conduct	-
	102-18 Governance structure	Paragraph 1.2 Corporate Governance	-
	102-40 List of stakeholder groups	Paragraph 2.2.2 Phase 2: Assigning priorities to the identified topics	-
	102-41 Collective bargaining agreements	Paragraph 2.4.2.2 Contracts and remuneration	
	102-42 Identifying and selecting stakeholders	Paragraph 2.2.2 Phase 2: Assigning priorities to the identified topics	-
	102-43 Approach to stakeholder engagement	Paragraph 2.2.2 Phase 2: Assigning priorities to the identified topics	-
	102-44 Key topics and concerns raised	Paragraph 2.2.2 Phase 2: Assigning priorities to the identified topics	-
	102-45 Entities included in the consolidated financial statements	Paragraph 1.3 Scope of reporting	-
	102-46 Defining report content and topic boundaries	Paragraph 2.2 The sharing approach	-
	102-47 List of material topics	Paragraph 2.2 The sharing approach	-
	102-48 Restatements of information	Methodological note	-
	102-49 Changes in reporting	Methodological note	-
	102-50 Reporting period	Methodological note	-
	102-51 Data del report più recente	Methodological note	-
	102-52 Reporting cycle	Methodological note	-
	102-53 Contact point for questions regarding the report	Methodological note	-
	102-54 Claims of reporting in accordance with the GRI Standards	Methodological note	-
	102-55 GRI content index	Paragrafo 4 Appendice - Content Index	-
	102-56 External assurance	Methodological note	-

MATERIAL TOPICS			
Business performance[25]			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.2 The sharing approach. The management methods and indicators for this topic are discussed in the management report, of which the non-financial report is an integral part.	-
Anti-corruption			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.3.1 Organisation, Management and Control Model	-
GRI 205: Anti-corruption 2016	205-3 Confirmed incidents of corruption and actions taken	Paragraph 2.3.1 Organisation, Management and Control Model	-
Anti-competitive conduct			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.3.1 Organisation, Management and Control Model	-
GRI 206: Anti-competitive behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Paragraph 2.3.1 Organisation, Management and Control Model	-
Materials			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.5.3 Environmental performance of production processes	-
GRI 301: Materials 2016	301-1 Materials used by weight or volume	Paragraph 2.5.3 Environmental performance of production processes	-
Energy			
GRI 103: 2016 Management approach	103-1, 103-2, 103-3	Paragraph 2.5.3 Environmental performance of production processes	-
GRI 302: Energy 2016	302-1 Fuel consumption within the organisation	Paragraph 2.5.3 Environmental performance of production processes	-
Water			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.5.3 Environmental performance of production processes	-
GRI 303: Water 2016	303-1 Water withdrawal	Paragraph 2.5.3 Environmental performance of production processes	-
Biodiversity			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.5.3 Environmental performance of production processes	-
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Paragraph 2.5.3 Environmental performance of production processes	-
Emissions			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.5.3 Environmental performance of production processes	-
GRI 305: Emissions 2016	305-1 Direct GHG emissions (Scope 1)	Paragraph 2.5.3 Environmental performance of production processes	-
	305-2 Energy indirect GHG emissions (Scope 2)	Paragraph 2.5.3 Environmental performance of production processes	-
Effluents and waste			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.5.3 Environmental performance of production processes	-
GRI 306: Effluents and waste 2016	306 -1 Acqua scaricata divisa per qualità e destinazione	Paragraph 2.5.3 Environmental performance of production processes	
Environmental compliance			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.5.1 Voluntary certifications	-
GRI 307: Environmental compliance 2016	307-1 Non-compliance with environmental laws and regulations	Paragraph 2.5.1 Voluntary certifications	-

[25] The material topic "Economic performance" is not considered to be covered by topic-specific GRI Standards, but covered by other indicators that are outlined in the Annual Report. Therefore, only GRI 103 is reported: Management Approach 2016.

Supplier environmental assessment			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.4.3.1 Supplier selection and engagement	-
GRI 308: Supplier environmental assessment 2016	308-1 New suppliers that were screened using environmental criteria	Paragraph 2.4.3.1 Supplier selection and engagement	-
Employment			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.4.2.2 Contracts and remuneration	-
GRI 401: Employment 2016	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Paragraph 2.4.2.2 Contracts and remuneration	-
Occupational health and safety			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.4.2.4 Occupational health and safety	-
GRI 403: Occupational health and safety 2018	Information from 403-1 to 403-7	Paragraph 2.4.2.4 Occupational health and safety	-
	403-9 Work-related injuries		-
Training and education			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.4.2.3 Training	-
GRI 404: Training and education 2016	404-1 Average hours of training per year per employee	Paragraph 2.4.2.3 Training	-
Non-discrimination			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.4.1 Social Responsibility for the protection of human rights	-
GRI 406: Non-Discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Paragraph 2.4.1 Social responsibility for the protection of human rights	-
Child labour			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.4.1 Social responsibility for the protection of human rights	-
GRI 408: Child labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	Paragraph 2.4.1 Social responsibility for the protection of human rights	-
Forced labour			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.4.1 Social Responsibility for the protection of human rights	-
GRI 409: Forced or compulsory labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Paragraph 2.4.1 Social responsibility for the protection of human rights	-

Human rights assessment			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.4.1 Social responsibility for the protection of human rights	-
GRI 412: Human rights assessment 2016	412-1 Operations that have been subject to human rights reviews or impact assessments	Paragraph 2.4.1 Social responsibility for the protection of human rights	-
Local communities			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.4.3.4 Local community projects	-
GRI 413: Local communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Paragraph 2.4.3.4 Local community projects	-
Social screening of suppliers			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.4.3.1 Supplier selection and engagement	-
GRI 414: Supplier social assessment 2016	414-1 New suppliers that were screened using social criteria	Paragraph 2.4.3.1 Supplier selection and engagement	-
Customer health and safety			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.5.3 Environmental performance of production processes	-
GRI 416: Customer health and safety 2016	416-1 Assessment of the health and safety impacts of categories service categories.	Paragraph 2.5.3 Environmental performance of production processes	-
Marketing and labelling			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.4.3.2 Customer relations	-
GRI 417: Marketing and labelling 2016	417-1 Requirements for product and service information and labelling	Paragraph 2.4.3.2 Customer relations	-
Customer privacy			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.3.2 Code of Conduct	-
GRI 418: Customer privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Paragraph 2.3.2 Code of Conduct	-
Socio-economic compliance			
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Paragraph 2.3.2 Code of Conduct	-
GRI 419: Socioeconomic compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	Paragraph 2.3.2 Code of Conduct	-

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

Consolidated Financial Statements at December 31, 2019

CONSOLIDATED BALANCE SHEET

(in Euro thousands)	*Note*	**At December 31, 2019**	**At December 31, 2018**
Intangible assets	7.1	21,101	15,992
Goodwill	7.2	13,029	0
Property, plant & equipment	7.3	251,492	189,661
Financial assets	7.4	765	404
of which parent companies, related parties		*313*	*79*
Other assets	7.5	2,189	2,189
Deferred tax assets	7.6	13,636	7,841
Total non-current assets		**302,212**	**216,087**
Inventories	7.7	184,931	189,678
Trade receivables	7.8	24,960	34,046
of which parent companies, related parties		*69*	*66*
Financial assets	7.4	1,637	2,878
Tax receivables	7.9	1,639	451
Other assets	7.10	12,126	14,297
of which parent companies, related parties		*2,231*	*1,859*
Cash and cash equivalents	7.11	90,400	103,277
Assets held-for-sale	7.12	428	0
Total current assets		**316,120**	**344,627**
Total assets		**618,332**	**560,714**
Share capital	7.13	49,722	49,722
Reserves	7.13	81,813	62,969
Group net result	7.13	10,799	31,119
Total parent company net equity		**142,335**	**143,810**
Minority interest net equity	7.13	1	1
Minority interest net profit	7.13	0	0
Total consolidated net equity		**142,336**	**143,811**
Employee benefits	7.14	5,721	5,702
Financial liabilities	7.15	286,970	224,345
of which parent companies, related parties		*9,624*	*0*
Provisions for risks and charges	7.16	1,508	1,169
Deferred tax liabilities	7.5	10,915	3,582
Other liabilities	7.17	15,383	11,833
of which parent companies, related parties		*0*	*0*
Total non-current liabilities		**320,497**	**246,631**
Financial liabilities	7.15	*54,733*	*39,090*
of which parent companies, related parties		*3,572*	*0*
Current tax payables	7.19	1,127	2,270
Trade payables	7.18	76,089	106,895
of which parent companies, related parties		*127*	*762*
Other liabilities	7.17	23,551	22,017
of which parent companies, related parties		*236*	*230*
Total current liabilities		**155,499**	**170,272**
Total equity & liabilities		**618,332**	**560,714**

CONSOLIDATED INCOME STATEMENT

(in Euro thousands)	*Note*	**2019**	*of which non-recurring*	**2018**	*of which non-recurring*
Revenues	8.1	548,955		555,220	
of which related parties		*58*		218	
Other revenues and income	8.2	2,555	*229*	2,591	*856*
Total revenues and other revenues and income		**551,509**	***229***	**557,811**	***856***
Cost of raw materials and changes to inventories	8.3	(282,841)	*(124)*	(282,266)	*(118)*
Service costs and rents, leases and similar costs	8.4	(100,412)	*(3,584)*	(100,935)	*(2,918)*
of which related parties		*(491)*		*(3,586)*	
Labour costs	8.5	(113,281)	*(5,849)*	(106,410)	*(3,983)*
Other costs and operating charges	8.6	(4,194)	*(1,129)*	(2,438)	*(211)*
of which related parties		*(70)*		*(96)*	
Amortisation and write-downs	8.7	(37,765)		(26,361)	
Provisions & write-downs	8.8	(325)		(93)	
Write-downs of financial assets (receivables)	8.8	(230)		(192)	
Increase in internal work capitalised	8.9	4,927		2,071	
Operating profit		**17,389**	***(10,457)***	**41,187**	***(6,373)***
Financial income	8.10	1,195	*1,082*	45	
Financial charges	8.11	(7,573)		(5,816)	
of which related parties		*(252)*		*(2)*	
Exchange gains/losses	8.12	(488)		1,668	
Profit before taxes		**10,524**	***(9,375)***	**37,084**	***(6,373)***
Income taxes	8.13	(1,519)	***750***	(6,986)	
Profit for the year		**9,005**	***(8,625)***	**30,097**	***(6,373)***
Minority interest net profit		0		0	
Group Net Profit		**9,005**	***(8,625)***	**30,097**	***(6,373)***
Basic earnings per share	*8.15*	*0.18*		*0.59*	
Diluted earnings per share	*8.15*	*0.18*		*0.59*	

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(in Euro thousands)	*Note*	**2019**	**2018**
Profit for the year		**9,005**	**30,097**
Actuarial gains/(losses)		(141)	77
Tax effect from actuarial gains and losses		34	(18)
Other income/(loss) items not to be reversed to income statement in subsequent periods		**(107)**	**58**
Currency difference from conversion of financial statements in currencies other than the Euro		1,901	964
Other income items to be reversed to income statement in subsequent periods		**1,901**	**964**
Total comprehensive income	**7.13**	**10,799**	**31,119**
Minority interest comprehensive income		0	0
Group comprehensive income	**7.13**	**10,799**	**31,119**

CONSOLIDATED CASH FLOW STATEMENT

(in Euro thousands)	*Note*	**At December 31, 2019**	**At December 31, 2018**
Operating activities			
Profit for the year		9,005	30,097
of which related parties:		*(755)*	*(3,438)*
Income taxes	8.13	1,519	6,986
Financial income	8.10	(1,195)	(45)
Financial charges	8.11	7,573	5,816
of which related parties:		*(252)*	0
Exchange gains/(losses)	8.12	488	(1,668)
Asset disposal (gains)/losses		(476)	(303)
Provisions & write-downs	8.8	555	285
Amortisation, depreciation & write-downs of tangible and intangible assets	8.7	37,770	26,361
Non-monetary incease IFRS16	7.3	(5,794)	0
Non-monetary decrease IFRS 16	7.3	4,893	0
Cash flow from operating activities before working capital changes		**54,336**	**67,531**
Decrease/(Increase) in inventories	7.7	10,177	(36,179)
Increase/(Decrease) in trade payables	7.18	(32,905)	12,418
of which related parties:		*(635)*	*46*
Increase/(Decrease) in trade receivables	7.8	12,975	633
of which related parties:		*(3)*	*50*
Changes to assets and liabilities		5,440	3,617
of which related parties:		*(366)*	*(398)*
Net financial charges paid		(6,377)	(5,025)
Income taxes paid		(2,548)	(6,335)
Utilisation of provisions		(830)	(1,271)
Cash flow generated by operating activities (A)		**40,267**	**35,389**
Investing activities			
Investments in tangible assets	7.3	(48,196)	(60,881)
Disposal of tangible assets	7.3	1,017	2,708
Investments in intangible assets	7.1	(7,876)	(10,834)
Disposal of intangible assets	7.1	2	13
Business combinations Aquafil O'Mara		(36,076)	0
of which fixed assets		*(18,687)*	*0*
of which goodwill		*(13,029)*	*0*
of which liquidity		*116*	*0*
of which working capital		*(4,476)*	*0*
Cash flow generated by investing activities (B)		**(91,130)**	**(68,994)**
Financing activities			
Drawdown non-current bank loans and borrowings		103,000	120,000
Repayment non-current bank loans and borrowings		(45,425)	(67,833)
Net changes in current financial assets and liabilities		(7,317)	(1,516)
of which related parties:		*1,275*	*0*
Distribution dividends	7.13	(12,273)	(12,241)
of which related parties:		*(7,316)*	*(7,369)*
Acquisition of minority interests		0	(600)
Share capital increase		0	50
Cash flow from generated/(absorbed) by financing activities (C)		**37,985**	**37,860**
Net cash flow in the year (A) + (B) + (C)		**(12,877)**	**4,255**
Opening cash and cash equivalents	7.11	103,277	99,024
Closing cash and cash equivalents	7.11	90,400	103,277

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(in Euro thousands)	Share capital	Legal reserve	Translation reserve	Share premium reserve	Listing cost reserve
At December 31, 2017	**49,673**	**8**	**(12,379)**	**20,030**	**(3,287)**
Sale minority interest					
Other changes					
Allocation of prior year result					
Distribution dividends					
Share capital increase	50			(55)	
Result for the year					
Actuarial gains/(losses) employee benefits					
Translation difference			964		
Comprehensive income			**964**		
At December 31, 2018	**49,723**	**8**	**(11,415)**	**19,975**	**(3,287)**
Allocation of prior year result		509			
Distribution dividends					
Result for the year					
Actuarial gains/(losses) employee benefits					
Translation difference			1,901		
Comprehensive income			**1,901**		
At December 31, 2019	**49,723**	**517**	**(9,514)**	**19,975**	**(3,287)**

FTA Reserve	IAS 19 Reserve	Retained earnings	Net result	Total parent share. equity	Min. interest share. equity	Total consol. share. equity
(2,389)	**(600)**	**48,841**	**25,117**	**125,014**	**485**	**125,499**
					(484)	(484)
		(131)		(131)		(131)
		25,117	(25,117)			
		(12,241)		(12,241)		(12,241)
		55		50		50
			30,097	30,097		30,097
	58			58		58
				964		964
	58		**30,097**	**31,119**		**31,119**
(2,389)	**(542)**	**61,641**	**30,097**	**143,810**	**1**	**143,811**
		29,588	(30,097)			
		(12,273)		(12,273)		(12,273)
			9,005	9,005		9,005
	(107)			(107)	0	(107)
				1,901	0	1,901
	(107)		**9,005**	**10,799**	**0**	**10,799**
(2,389)	**(649)**	**78,956**	**9,005**	**142,335**	**1**	**142,336**

NTF

(yarn for textile and clothing industry)

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

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

1.1 Introduction

Aquafil S.p.A. ("Aquafil", "Company" or "Parent company" and, together with its subsidiaries, "Group" or "Aquafil Group") is a joint stock company listed on the Italian Stock Exchange, STAR Segment since December 4, 2017, resulting from the business combination through merger by incorporation of Aquafil S.p.A. (pre-merger), founded in 1969 in Arco (TN) and renowned for the production and distribution of fibres and polymers, principally polyamide, into Space3 S.p.A., as an Italian registered Special Purpose Acquisition Company (SPAC), with efficacy from December 4, 2017.

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

The Aquafil Group produces and sells fibres and polymers, principally polyamide 6, on a global scale through the:
(i) BCF Product Line (carpet fibres), or synthetic yarns mainly intended for the textile flooring sector and used in "contract" segments (hotels, airports, offices, etc.), residential buildings and the automotive market;
(ii) NTF Product Line (clothing fibres), or synthetic yarns mainly intended for the clothing sector (sportswear, classic, technical or specialist apparel);
(iii) Polymers Product Line, or plastic raw materials, mainly targeting the engineering plastics sector for subsequent use in the moulding industry.

Group products are also sold on the market under the ECONYL® brand, which offers the Group's products obtained by regenerating industrial waste and end-of-life products.

The Group enjoys a consolidated presence in Europe, the United States and Asia.

1.2 Consolidated Financial Statement Presentation

These consolidated financial statements were prepared for the year ended December 31, 2020 ("**Consolidated Financial statements"**) in accordance with EU Regulation 809/2004, in compliance with International Financial Reporting Standards, issued by the International Accounting Standards Board and endorsed by the European Union ("**IFRS"**).

The Consolidated Financial Statements were approved by the Board of Directors of the company on March 13, 2020 and audited by PricewaterhouseCoopers S.p.A., statutory auditors of the company.

2. ACCOUNTING POLICIES AND MEASUREMENT CRITERIA

The main accounting policies adopted in the preparation of the Consolidated Financial Statements are reported below. These accounting policies were applied in line with the year 2018 presented for comparative purposes, with the exception of the effects from application from January 1, 2019 of IFRS 16, and those applied at December 31, 2019.

2.1 Basis of preparation

As previously indicated, these consolidated financial statements were prepared in accordance with IFRS, i.e. all "International Financial Reporting Standards", all "International Accounting Standards" ("IAS"), all interpretations of the International Reporting Interpretations Committee ("IFRIC"), previously called the Standards Interpretations Committee ("SIC") which, at the approval date of the Consolidated Financial Statements, were endorsed by the European Union pursuant to EU Regulation No. 1606/2002 of the European Parliament and European Council of July 19, 2002.

These consolidated financial statements were prepared:
- on the basis of extensive knowledge on the IFRS and taking into account best practice; any further orientations and interpretative updates will be reflected in subsequent years, in accordance with the provisions of the accounting standards;
- on a going-concern basis of the Group, as the directors verified the absence of financial, operating or other indicators which may suggest difficulties with regards to the Group's capacity to meet its obligations in the foreseeable future and in particular in the next 12 months.
- under the historical cost convention, except for the measurement of financial assets and liabilities where the obligatory application of the fair value criterion is required.

2.2 Form and content of the financial statements

The Consolidated Financial Statements were prepared in Euro, which corresponds to the principal currency of the economic activities of the entities within the Group. All the amounts included in the present document are presented in thousands of Euro, unless otherwise specified.

The financial statements and the relative classification criteria adopted by the Group, within the options permitted by IAS 1 "Presentation of financial statements" ("**IAS 1**") are illustrated below:

- the *consolidated balance sheet* is presented with separation between "current and non-current" assets and liabilities;
- the *consolidated income statement* was prepared separately from the comprehensive income statement, and was prepared classifying operating costs by expense type;
- the *comprehensive income statement* which includes, in addition to the result for the period, also the changes to equity relating to income items which, in accordance with International Accounting Standards, are recognised under equity;
- the *cash flow statement* was prepared in accordance with the "indirect method".

The financial statements utilised are those which best represent the result, equity and financial position of the Group.

2.3 Consolidation scope and basis of consolidation

The Consolidated Financial Statements includes the equity and financial position and results of the subsidiaries and/or associated companies, approved by the respective boards and prepared on the basis of the relative accounting entries and, where applicable, appropriately adjusted in line with international accounting standards IAS/IFRS.

The following table summarises, with reference to the subsidiaries and associated companies, details on company name, registered office, share capital, result from draft financial statements prepared for approval, direct and indirect holding, of the company and the consolidation method applied at December 31, 2019:

Company	Registered office	Share capital	Net profit/ (loss)	Currency	Group holding	% of votes	Consolidation method
Parent company:							
Aquafil S.p.A.	Arco (IT)	49,722,417	2,878,206	Euro			
Subsidiary companies:							
Aquafil SLO d.o.o.	Ljubljana (SLO)	50,135,728	2,924,374	Euro	100.00%	100.00%	Line-by-line
Aquafil USA Inc.	Cartersville (USA)	77,100,000	2,503,757	US Dollar	100.00%	100.00%	Line-by-line
Tessilquattro S.p.A.	Arco (IT)	3,380,000	(697,302)	Euro	100.00%	100.00%	Line-by-line
Aquafil Jiaxing Co. Ltd.	Jiaxing (CHN)	355,093,402	45,384,887	Chinese Yuan	100.00%	100.00%	Line-by-line
Aquafil UK Ltd.	Ayrshire (UK)	1,750,000	(729,756)	UK Sterling	100.00%	100.00%	Line-by-line
Aquafil CRO d.o.o.	Oroslavje (CRO)	71,100,000	7,262,435	Croatian Kuna	100.00%	100.00%	Line-by-line
Aquafil Asia Pacific Co. Ltd.	Rayoung (THA)	53,965,000	14,463,658	Baht	99.99%	99.99%	Line-by-line
Aqualeuna GmbH	Leuna (GER)	2,325,000	(2,441,130)	Euro	100.00%	100.00%	Line-by-line
Aquafil Engineering GmbH	Berlin (GER)	255,646	679,949	Euro	100.00%	100.00%	Line-by-line
Aquafil Tekstil Sanayi Ve Ticaret A.S.	Istanbul (TUR)	1,512,000	188,089	Turkish Lira	99.99%	99.99%	Line-by-line
Aquafil Benelux France B.V.B.A.	Harelbake (BEL)	20,000	87,800	Euro	100.00%	100.00%	Line-by-line
Cenon S.r.o.	Zilina (SLO)	26,472,682	(211,097)	Euro	100.00%	100.00%	Line-by-line
Aquafil Carpet Recycling #1, Inc.	Phoenix (USA)	250,000	(6,100,371)	US Dollar	100.00%	100.00%	Line-by-line
Aquafil Carpet Recycling #2, Inc.	Woodland California (USA)	250,000	(2,343,691)	US Dollar	100.00%	100.00%	Line-by-line
Aquafil Oceania Ltd.	Melbourne (AUS)	49,990	42,747	Australian Dollar	100.00%	100.00%	Line-by-line
Aquafil India Private Ltd.	New Delhi (IND)	85,320	0	Indian Rupee	99.97%	99.97%	Line-by-line
Aquafil O'Mara Inc.	North Carolina (USA)	36,155,327	1,055,202	US Dollar	100.00%	100.00%	Line-by-line

At December 31, 2019 there are no associated companies included in the consolidation scope.

The only significant change in the consolidation scope of the Aquafil Group during the period was the full acquisition of the investment in O'Mara Inc. (now Aquafil O'Mara Inc.) with registered office in North Carolina, by Aquafil USA Inc., as described in the "Business combinations" section below; In the year, the company Borgolon S.p.A. was merged by incorporation into Tessilquattro S.p.A., both wholly-owned subsidiaries of the parent company Aquafil S.p.A.

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, 2018.

The main criteria adopted by the Group for the definition of the consolidation scope and the relative consolidation principles are illustrated below.

Subsidiaries

A party controls an entity when it is: i) exposed, or has the right to participate, in the relative variable economic returns and ii) able to exercise its decisional power on the activities relating to the entity in order to influence these returns. The existence of control is verified where events or circumstances indicate an alteration to one of the above-mentioned factors determining control. Subsidiaries are consolidated under the line-by-line method from the date control is acquired and ceases to be consolidated from the date in which control is transferred to third parties. The year-end of the subsidiary companies coincides with that of the Parent Company. The criteria adopted for line-by-line consolidation were as follows:

- the assets and liabilities, and the charges and income of the companies are recorded line-by-line, attributing to the minority shareholders, where applicable, the share of net equity and net result for the period pertaining to them; this share is recorded separately in the net equity and in the income statement;
- the gains and losses, with the relative fiscal effect, deriving from operations between fully consolidated companies and not yet realised with third parties, are eliminated, except for losses which are not eliminated where the transaction indicates a reduction in the value of the asset transferred. The effects deriving from reciprocal payables and receivables, costs and revenues, as well as financial income and charges are also eliminated.
- with regard to equity investments acquired subsequent to the acquisition of control (non-controlling interest acquisitions), any difference between the acquisition cost and the corresponding portion of equity acquired is recognised to Group equity; similarly, the effects from the sale of the non-controlling share without loss of control are recognised to equity. Conversely, the sale of a share in investments which results in the loss of control are recognised in the comprehensive income statement:
  (i) of any gains/losses calculated as the difference between the payment received and the corresponding share of consolidated net equity sold;
  (ii) of the effect of the remeasurement of any residual investment in line with the relative fair value;
  (iii) of any values recorded under other items of the comprehensive income statement relating to the investee which is no longer controlled and which must be reversed through the comprehensive income statement, or where the amount should not be reversed through the comprehensive income statement, to the net equity account "Retained earnings".

  The value of any investment maintained, aligned to the relative fair value at the date of loss of control, represents the new initial recognition value of the investment, which also constitutes the value for subsequent measurement in accordance with the measurement criteria applicable.

Associates

Associated companies are companies in which the Group has a significant influence, which is presumed to exist when the percentage held is between 20% and 50% of the voting rights. Associated companies are measured under the equity method and are initially recorded at cost. The equity method is as described below:

- the book value of these investments is aligned to the net equity of the company adjusted, where necessary, to reflect the application of IFRS and includes the recognition of the higher value attributed to the assets and liabilities and to any goodwill, identified on acquisition; in line with a similar process to that previously described for business combinations;
- the profits and losses pertaining to the Group are recognised when the significant influence begins and until the significant influence ceases to exist. In the case where, due to losses, the company valued under this method indicates a negative net equity, the carrying value of the investment is written down and any excess pertaining to the Group, where this latter is committed to comply with legal or implicit obligations of the investee, or in any case to cover the losses, is recorded in a specific provision; the equity changes of the companies valued under the equity method, not recorded through the income statement, are recorded directly in the comprehensive income statement;
- the gains and losses not realised, generated on transactions between the Company/Subsidiaries and investments measured under the equity method are eliminated based on the share pertaining to the Group in the investee, except for losses, when they represent a reduction in value of the underlying asset, and dividends which are fully eliminated.

When there is objective evidence of an impairment, the recovery is verified comparing the carrying value with the relative recoverable value adopting the criteria indicated in the paragraph "Impairments of tangible and intangible assets". When the reasons for the impairment no longer exist, the investments are revalued within the limits of the write-downs, with effects recognised to the income statement.

The transfer of shareholdings resulting in the loss of joint control or significant influence over the investee company determines the recognition in the comprehensive income statement:

- of any gain/loss calculated as the difference between the amount received and the corresponding fraction of the carrying amount transferred;

- of the effect of the remeasurement of any residual investment in line with the relative fair value;
- of any values recorded under other comprehensive items related to the investee for which reclassification to the comprehensive income statement is envisaged.

The value of any equity investment aligned to its fair value at the date of the loss of joint control or significant influence, represents the new carrying amount and, therefore, the reference value for the subsequent valuation according to the applicable valuation criteria.

Once an equity investment, or a share of this equity, measured under the equity method is classified as held for sale in so far as it meets the criteria for such classification, the equity investment or share of equity, is no longer measured under the equity method.

Translation of foreign companies' financial statements

The financial statements of subsidiaries are prepared in the primary currency in which they operate. The rules for the translation of financial statements of companies in currencies other than the functional currency of the Euro are as follows:
- the assets and the liabilities were translated using the exchange rate at the balance sheet date;
- the costs and revenues 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:

	December 2019		December 2018	
	Year-end rate	**Average rate**	**Year-end rate**	**Average rate**
US Dollar	1.1234	1.1195	1.1450	1.1810
Croatian Kuna	7.4395	7.4180	7.4125	7.4182
Chinese Yuan	7.8205	7.7355	7.8751	7.8081
Turkish Lira	6.6843	6.3578	6.0588	5.7077
Baht	33.4150	34.7570	37.0520	38.1644
UK Sterling	0.8508	0.8778	0.89453	0.88471
Australian Dollar	1.5995	1.61088	1.622	1.57968

Translation of accounts in foreign currencies

Transactions in currencies other than the Euro are recognised at the exchange rate at the date of the transaction. Assets and liabilities denominated in currencies other than the Euro are subsequently adjusted to the exchange rate at the reporting date. Exchange differences are recognised to the income statement under "Exchange gains and losses".

Business combinations

Business combinations are recognised in accordance with IFRS 3 (2008), and IFRS 3 Revised. Specifically, business combinations are recognised using the acquisition method, where the purchase cost (consideration transferred) is equal to the fair value, at the acquisition date, of the assets sold and of the liabilities incurred or assumed, as well as any equity instruments issued by the purchaser. The purchase cost includes the fair value of any potential assets and liabilities.

The costs directly attributable to the acquisition are recorded in the income statement. The consideration transferred and allocated recognises the identifiable assets, liabilities and contingent liabilities of the purchase at their fair value at the acquisition date. Any positive difference between the consideration transferred, measured at fair value at the acquisition date, compared to the net value of the identifiable assets and liabilities of the purchase measured at fair value, is recognised as goodwill or, if negative, in the Income statement. Where the business combination was undertaken in several steps, on the acquisition of control the previous holdings are remeasured at fair value and any difference (positive or negative) recorded in the Income statement. Any potential consideration is recognised at fair value at the acquisition date. Subsequent changes in the fair value of the potential consideration, classified as an asset or a liability, or as a financial instrument as per IFRS 9, are recorded in the Income statement. Potential consideration not within the scope of IFRS 9 is measured based on the specific IFRS/IAS standard. Potential consideration which is classified as an equity instrument is not remeasured, and, consequently is recorded under equity.

Where the fair value of the assets, liabilities and contingent liabilities may only be determined provisionally, the business combination is recorded utilising these provisional values. Any adjustments, deriving from the completion of the valuation process, are recorded within 12 months from the acquisition date, restating the comparative figures.

In this context, we highlight that the investment for the acquisition of 100% of O'Mara Incorporated through the subsidiary Aquafil USA Inc. was finalised on May 31, 2019. O'Mara Incorporated, founded in 1970, produces nylon, polypropylene and polyester fibres mainly in solution-dyed colours in its plant based in Rutherford College, North Carolina. In 2018, the company reported revenues of USD 40.1 million, with a margin in line with the Aquafil Group.

The company's identity and market positioning are consistent with those of the Aquafil Group and it is considered that this compatibility will stimulate the globalization of clothing fibres, with positive effects also for ECONYL® and Dryarn® distribution. Aquafil O'Mara will provide access to a broader product range, thereby driving further development of the US market in the sectors of athletic apparel, hosiery, fashion and accessories.

The purchase price of the company was comprised as follows:

(USD thousands)	
Initial purchase price	36,000
Working Capital Purchase Price Adjustment (*)	77
Closing Date Cash on Hand Adjustment (*)	78
Final purchase price	**36,155**

(*) These adjustments were defined between the parties with a specific communication of June 25, 2019.

The fair value of the assets and liabilities at May 31, 2019 (transaction date), provisionally estimated, were as follows (as reported in the condensed consolidated half-year financial statements at June 30, 2019):

(USD thousands)	
Intangible assets	148
Property, plant & equipment	16,976
Financial assets	13
Inventories	6,101
Trade receivables	4,624
Cash and cash equivalents	134
Other receivables	155
Intercompany payables	(3,605)
Trade payables	(2,354)
Other payables	(1,363)
Deferred tax liabilities	(652)
Net assets acquired	**20,178**
Goodwill	15,977
Final purchase price	**36,155**

Subsequently, when all the information was obtained, the valuation process was completed and, as required by IFRS 3 Revised, the fair values of the assets and liabilities definitively identified were updated:

(USD thousands)	
Intangible assets	148
Property, plant & equipment	20,842
Financial assets	0
Inventories	6,101
Trade receivables	4,624
Cash and cash equivalents	134
Other	169
Intercompany payables	(3,605)
Trade payables	(2,354)
Other liabilities	(1,363)
Deferred tax liabilities	(3,178)
Net assets acquired	**21,518**
Goodwill	14,637
Final purchase price	**36,155**

Therefore, goodwill emerges of USD 14.6 million (Euro 13.0 million) attributable to the strong competitive position and profitability of the business acquired which may also benefit from future synergies within the Group. This goodwill will not be fiscally deductible. We report that the recoverability of this value was verified through a specific impairment test as described in the paragraph below.

The charges relating to the acquisition amount to Euro 0.99 million and were expensed as service costs.

The Fair value of the receivables acquired amounts to USD 4.7 million, net of a doubtful debt provision of USD 0.05 million.

The business acquired contributed in the period between May 31, 2019 and December 31, 2019 revenues of USD 19.6 million, EBITDA of USD 2.6 million and net profit of USD 1.05 million.

The total investment was USD 40.6 million as the Group acquired a production building in addition to the full equity investment, previously utilised by O'Mara Inc. through a rental contract, for an amount of USD 4.5 million. These assets were therefore already included in the Fair value of the balances acquired at May 31, 2019 and indicated in the annexed table.

Aquafil S.p.A. funded the acquisition through an unsecured privately placed bond subscribed on May 24, 2019 by a company of the US insurance group Prudential Financial Inc., for a total amount of Euro 40 million.

The new bond partially utilised the "Shelf facility" committed credit line already granted to the parent Aquafil S.p.A. on September 20, 2018 totalling USD 90 million. The same contractual conditions were applied to the bond as the loan of Euro 50 million renegotiated on September 20, 2018. The duration of the bond is 10 years, of which 3 years comprising a grace period with annual instalments. The original interest rate applied was an annual fixed rate of 1.87% for the duration of the bond; the rate increased to 2.87% with the interest rate effective from November 24, 2019, in consideration of the variation in the NFP/EBITDA ratio of the previous consolidated half-year.

Aquafil S.p.A. financed the acquisition undertaken by its subsidiary Aquafil U.S.A. Inc. through a share capital increase of USD 45 million fully paid on May 24, 2019.

Impairment test

The impairment test assesses whether there exist any indications that an asset may have incurred a reduction in value. For goodwill and any other indefinite useful life intangible assets an assessment should be made at least annually that their recoverable value is at least equal to the book value and, when considered necessary, or rather in the presence of trigger events (IAS 16 paragraph 9), the impairment test must be undertaken more frequently.

The goodwill arising from the business combination described in the previous paragraph was therefore subject to a recoverability test as per IAS 36 as indicated also in note 7.2 "Goodwill" below. In particular, it is noted that the recoverable value of a non-current asset is based on the estimates and on the assumptions utilised for the determination of the cash flows and of the discount rate applied. Where it is considered that the book value of a non-current asset has incurred a loss in value, the asset is written-down up to the relative recoverable value, estimated with reference to its utilisation and any future disposal, based on the most recent business plans.

In assessing the recoverable value of property, plant and equipment, of investment property, of intangible assets and of goodwill, the Group generally applies the criterion of the value in use.

The value in use is the present value of the expected future cash flows to be derived from an asset. In defining the value in use, the expected future cash flows are discounted utilising a pre-tax rate that reflects the current market assessment of the time value of money, and the specific risks of the asset.

The estimated future cash flows utilised to determine the value in use is based on the most recent business plans, approved by management and containing forecasts for volumes, revenues, operating costs and investments.

These forecasts cover the period of the next three years; consequently, the cash flows relating to the subsequent years are determined on the basis of a growth rate which does not exceed the average growth rate for the sector and the country.

Where the book value of an asset is higher that its recoverable value a loss in value is recognised which is recorded in the income statement under "Amortisation, depreciation and write-downs".

The loss in value of a cash-generating unit (the Aquafil Group has only one CGU) are firstly attributed to the reduction in the carrying value of any goodwill allocated and, thereafter, to a reduction of other assets, in proportion to their carrying value.

When the reasons for the write-down no longer exist, the carrying value of the asset is restated through the income statement, in the account "Amortisation, depreciation & write-downs", up to the value at which the asset would be recorded if no write-down had taken place and amortisation or depreciation had been recorded.

The original value of the goodwill is not restated even when in subsequent years the reasons for the reduction in value no longer exist.

2.4 Accounting principles and policies

The most significant accounting policies adopted in the preparation of the Consolidated Financial Statements are reported below.

CLASSIFICATIONS OF CURRENT AND NON-CURRENT ASSETS AND LIABILITIES

The Group classifies an asset as current when:
- it is held for sale or consumption, in the normal operating cycle;
- it is principally held for trading;
- it is expected to be realised within 12 months from the reporting date; or
- it comprises cash or cash equivalents whose use is not restricted or restrictions such as to impede its use for at least 12 months from the reporting date.

All assets that do not meet the conditions listed above are classified as non-current.

The Group classifies a liability as current when:
- it is expected to be settled within the normal operating cycle;
- it is principally held for trading;
- it is expected to be settled within 12 months from the reporting date; or
- the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

All the liabilities which do not satisfy the above-mentioned conditions are classified as non-current.

INTANGIBLE ASSETS

An intangible asset is an asset without physical substance, identifiable, controlled by the Group and capable of generating future economic benefits. The requisite of identifiability is normally met when an intangible asset is:
- attributable to a legal or contractual right; or
- separable, that is, it can be sold, transferred, leased or exchanged independently.

Control over an intangible asset consists of the right to take advantage of future economic benefits arising from the asset and the possibility of limiting its access to others.

Intangible assets are initially recognised at purchase and/or production cost, including the costs of bringing the asset to its current use. All other subsequent costs are expensed in the income statement in the year incurred. Research expenses are recorded as costs when incurred.

An intangible asset, generated during a project's development phase, which complies with the definition of development on the basis of IAS 38, is recognised as an asset if:
- the cost can be measured reliably;
- the product/process is technically feasible;
- it is likely that the company will obtain the future economic benefits that are attributable to the asset developed, and
- where the company intends to complete the project's development and has sufficient resources to do so.

The following main intangible assets can be identified within the Group:

Intangible assets with definite useful life
Intangible assets with definite useful lives are recognised as cost, as previously described, net of accumulated amortisation and any impairment.

Amortisation begins when the asset is available for use and is recognised on a straight-line basis in relation to the residual possibility of use and thus over the estimated useful life of the asset; for the amount to be amortised and its recoverability the criteria to be utilised is that outlined, respectively, in the paragraphs "Property, plant and equipment" and "Impairment of property, plant and equipment and intangible assets".

The estimated useful life for the Group of the various categories of intangible assets is as follows:

	Vita utile stimata
Concessions, licences & trademarks	10 years
Industrial patents & intellectual property rights	10 years
Other intangible assets	Duration of contract

The Group also recognises under intangible assets in progress development costs incurred for the research of specific new products and raw materials, whose commercial production or use has not yet commenced.

These costs are capitalised only when all of the following conditions set out in IAS 38 are met:

- the technical feasibility of developing new products and raw materials which will then be available for sale or use respectively;
- the Group's willingness to complete development, its ability to reliably assess the costs necessary for development and therefore the availability of sufficient technical and financial resources to execute it;
- the forecast likely future economic benefits that new products and new raw materials will be able to generate through sale and use for commercial purposes, in order to at least ensure the full recovery of costs incurred.

Once the development project is completed and the related finished product begins to be sold or the raw material used, these costs will begin to be amortised over the foreseeable period over which they will generate economic benefits.

PROPERTY, PLANT & EQUIPMENT

Property, plant and equipment are measured at purchase or production cost, net of accumulated depreciation and any impairments. The purchase or production cost includes charges directly incurred for bringing the asset to their condition for use, as well as dismantling and removal charges which will be incurred consequent of contractual obligations, which require the asset to be returned to its original condition. The financial charges directly attributable to the acquisition, incorporation or production of property, plant and equipment whose realisation requires timeframes above one year, are capitalised and depreciated based on the useful life of the asset to which they refer.

The expenses incurred for the maintenance and repairs of an ordinary nature are charged to the income statement when they are incurred. The capitalisation of costs relative to the expansion, modernisation or improvement of the structural elements whether owned or leased, is solely made within the limits established to be separately classified as assets or part of an asset. The assets recorded in relation to leasehold improvements are amortised based on the duration of the rental contract, or on the basis of the specific useful life of the asset, if lower.

Depreciation is charged on a straight-line basis, which depreciates the asset over its economic/technical useful life. Applying the principle of the component approach, when the asset to be depreciated is composed of separately identifiable elements whose useful life differs significantly from the other parts of the asset, the depreciation is calculated separately for each part of the asset.

The estimated useful life of the main categories of property, plant and equipment is as follows:

	Estimated useful life
Buildings and light constructions	10 - 17 - 33 - 40 years
General plant and machinery	7 - 8 - 10 - 13 years
Industrial and commercial equipment	2 - 4 - 8 years
Other assets	4 - 5 - 8 years
Right-of-Use	Duration of contract

Land, including that adjacent to production facilities, is not depreciated. The useful life of property, plant and equipment is reviewed and updated, where necessary, at least at the end of each year.

A tangible fixed asset is eliminated from the financial statements when the asset is sold or when no expected economic benefits exist from its use or disposal. Any gains or losses (calculated as the difference between net income from sales and the net book value of the asset sold) are recognised in the income statement in the year of disposal.

LEASED ASSETS

The new IFRS 16, the impact of which on initial adoption is described in a specific paragraph below, identifies the principles for the recognition, measurement and presentation in the financial statements of leased assets, i.e. leasing contracts, and extends the disclosure to be provided.

Specifically, IFRS 16 defines leasing as a contract which assigns to the client (lessee) the right-of-use of an asset for a set period of time in exchange for consideration, without distinguishing finance leases from operating leases such as rental and hire.

The definition of a contractual agreement as a lease transaction (or containing a lease transaction) is based on the substance of the agreement and requires an assessment of whether fulfilment of the agreement depends on the use of one or more specific assets and if the agreement transfers the right to use them.

Companies that operate as lessee therefore recognise in their financial statements, at the effective date of the lease, an asset representing the right to use of the asset (defined as the “Right-of-Use”) and a liability, attributable to the obligation to make the payments provided for in the contract. The lessee should subsequently recognise the interest concerning the lease liability separate from the depreciation of the right-of-use assets. IFRS 16 also requires lessees to restate the amounts of the lease liability on the occurrence of certain events (e.g. a change to the duration of the lease, a change to the value of the future payments due to a change in an index or rate utilised to determine these payments). In general, the restatement of the amount of the lease liability implies an adjustment also to the right-of-use asset.

Differing from that required for lessees, for the purposes of the preparation of the financial statements of lessors (the lessor), the new International Accounting Standard maintains the distinction between operating and finance leases as per IAS 17.

IMPAIRMENT OF INTANGIBLE AND TANGIBLE ASSETS

Intangible and tangible assets with definite useful life

A verification is carried out at each reporting date to establish whether there are indicators that tangible and intangible assets may have suffered an impairment. To this end, both internal and external sources of information are considered. With regard to the former (internal sources), obsolescence or the asset’s physical deterioration and any significant changes in the asset’s use and the asset’s economic performance in comparison to projections are taken into consideration. As regards external sources, the trend in the assets’ market prices, any technological, market or regulatory discontinuities, the trend in market rate interest rates or the cost of capital used to evaluate investments are considered.

Where these indicators exist, an estimate of the recoverable value of the above-mentioned assets is made, recording any write-down compared to the relative book value in the income statement. The recoverable value of an asset is the higher between the fair value, less costs to sell, and its value, determined discounting the estimated future cash flows for this asset, including, where significant and reasonably determinable, those deriving from the sale at the end of the relative useful life, net of any transaction costs. In defining the value in use, the expected future cash flows are discounted utilising a pre-tax rate that reflects the current market assessment of the time value of money, and the specific risks of the asset. For an asset that does not generate independent cash flows, the recoverable value is determined in relation to the cash generating unit to which the asset belongs.

A loss in value is recognised in the income statement when the carrying value of the asset, or of the relative CGU to which it is allocated, is higher than its recoverable value. The loss in value of CGU`s are firstly attributed to the reduction in the carrying value of any goodwill allocated and, thereafter, to a reduction of other assets, in proportion to their carrying value and in the limit of the relative recoverable value. When the reasons for the write-down no longer exist, the book value of the asset is restated through the income statement, up to the value at which the asset would be recorded if no write-down had taken place and amortisation or depreciation had been recorded.

SECURITIES OTHER THAN EQUITY INVESTMENTS

Securities other than equity investments, included under “Financial assets”, are held in portfolio until maturity. They are recognised at acquisition cost (with reference to the “trading date”) including transaction costs.

LOANS, RECEIVABLES AND FINANCIAL ASSETS HELD-TO-MATURITY

The financial assets are measured based on the IFRS 9 accounting standard.

The Group assesses at each reporting date whether a financial asset or a group of financial assets have incurred a loss in value.

IMPAIRMENT OF FINANCIAL ASSETS

At each reporting date, all financial assets are analysed in order to verify whether they have suffered a loss in value. An impairment loss is recognised if, and only if, this evidence exists as a result of one or more events that have an impact on the asset’s expected future cash flows, occurring after its initial recognition.

In the valuation account is also taken of future economic conditions.

For financial assets accounted for through the amortised cost criterion, when a loss in value has been identified, its value is measured as the difference between the asset’s carrying amount and the present value of expected future cash flows, discounted on the basis of the original effective interest rate. This value is recognised in the income statement under the item “Provisions and write-downs”. When, in subsequent periods, the reasons for the write-down no longer exist, the value of the financial assets are restated up to the value deriving from the application of the amortised cost criterion.

INVENTORIES

Inventories are recorded at the lower of purchase or production cost and realisable value represented by the amount that the Group expects to obtain from their sale in the normal course of operations of the assets, net of accessory costs. The cost of inventories is calculated using the weighted average cost method. The value of finished or semi-finished product inventories includes direct or indirect processing costs. To determine the weighted average cost of production or processing, the Group considers the weighted average cost of the raw material and the direct and indirect production costs, generally taken as a percentage of direct costs.

The value of inventories was recorded net of any impairment provisions.

TRADE AND OTHER RECEIVABLES (CURRENT AND NON-CURRENT)

Trade receivables and other current and non-current receivable are considered financial instruments, principally relating to customer receivables, non-derivative, not listed on an active market, from which fixed or determinable payments are expected. Trade receivables and other receivables are classified in the consolidated balance sheet under current assets, except for amounts due beyond 12 months from the reporting date, which are classified as non-current. These financial assets are recorded in the balance sheet when the Group becomes part of the related contracts and are derecognised when the right to receive the cash flow is transferred together with all the risks and benefits associated with the asset sold.

Trade and other current and non-current receivables are initially recorded at their fair value, and subsequently with the amortised cost method using the effective interest rate, reduced for any impairment.

Impairments on receivables are recognised in the income statement when there is objective evidence that the Group will not be able to recover the credit on the basis of contractual conditions.

The write-down amount is measured as the difference between the asset's carrying amount and the present value of expected future cash flows.

The value of receivables is shown net of the corresponding doubtful debt provision.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, on-demand deposits and financial assets with an original maturity of three months or less, readily convertible into cash and subject to an insignificant risk of changes in value. The items included in cash and cash equivalents are measured at fair value and the relative changes are recorded in the consolidated income statement.

EMPLOYEE BENEFITS

For the defined benefit plans, which include post-employment benefit provisions due to employees pursuant to Article 2120 of the Italian Civil Code, the amount to be paid to employees is quantifiable only after the termination of the employment service period, and is related to one or more factors such as age, years of service and remuneration. Therefore, the relative charge is recorded in the income statement based on actuarial calculations. The liability recorded in the accounts for defined benefit plans corresponds to the present value of the obligation at the reporting date. The obligations for the defined benefit plans are determined annually by an independent actuary utilising the projected unit credit method. The present value of the defined benefit plan is determined discounting the future cash flows at an interest rate equal to the obligations (high-quality corporate) issued in Euro and takes into account the duration of the relative pension plan. The actuarial gains and losses deriving from these adjustments and the changes in the actuarial assumptions are recognised in the comprehensive income statement.

From January 1, 2007, the Finance Act and relative decrees enacted introduced important amendments in relation to post-employment benefits, among which was the choice given to the employee to determine where the benefit matured in the period is invested. In particular, the new post-employment benefits can be utilised by the employee for their own chosen pension scheme or they may choose to leave the amount in the company; in this case, when the company has more than 50 employees, those matured from 2007 are paid into INPS. In the case of allocation to external pension funds, the company is only liable to pay a defined contribution to the selected fund and as from that date, the newly matured portion are in the nature of defined contribution plans and are therefore not subject to actuarial valuation.

TRADE AND OTHER PAYABLES (CURRENT AND NON-CURRENT)

Financial liabilities (with the exclusion of derivative financial instruments) relate to trade and other payables and are initially recorded at fair value, net of directly allocated accessory costs. After initial recognition, they are measured at amortised cost, recording any differences between cost and repayment amount in the income statement over the duration of the liability, in accordance with the effective interest rate method. When there is a change in the expected cash flows, the value of the liabilities is recalculated to reflect this change, based on the new present value of the expected cash flows and on the effective internal rate initially determined.

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets (or, where applicable, part of a financial asset or part of a group of similar financial assets) are derecognised from the financial statements when:

- the right to receive the cash flows of the asset terminate;
- the Group retains the contractual right to receive the cash flows from the asset, but assumes a contractual obligation to pay the cash flows fully and without delay to a third party;
- the Group has transferred its right to receive the cash flows from the asset and (a) has transferred substantially all of the risks and rewards of ownership of the financial asset or (b) has not transferred or retained substantially all of the risks and rewards of the asset, but has transferred control over same.

A financial liability is derecognised from the financial statements when the underlying liability is settled or cancelled.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are only used by the Aquafil Group for the hedging of financial risks related to interest rate fluctuations on bank debt.

A derivative is a financial instrument or other contract:

- whose value changes in response to changes in an underlying defined parameter such as the interest rate, the price of a security or commodity, foreign currency exchange rate, the index of prices or rates, credit rating or another variable;
- that requires a zero initial net investment, or lower than what would be required for contracts with a similar response to changes in market conditions;
- which is settled at a future date.

The Group's financial derivative instruments are undertaken to hedge against the interest rate risk. In accordance with IAS 39, which remains applicable optionally with respect to IFRS 9 in the case of the hedging of interest rate exposure, derivative financial instruments are accounted for in accordance with the procedures established for hedge accounting only when:

- the hedging instrument is formally designated and documented at the start of hedging;
- the hedge is expected to be highly effective;
- such efficacy can be reliably measured;
- the hedge is highly effective during the various accounting periods for which it is designated.

It should be noted that the derivative instruments currently in place (IRS - Interest Rate Swaps), although subscribed for hedging purposes with regard to changes in interest rates, have been treated, for accounting purposes and consistently with the past, as non-hedging instruments (and therefore the relative fair value is recognised in the income statement), as it is very complex to prepare the mandatory hedging relationship and considering that the overall fair value of these derivatives is in any case not significant, as commented on in the respective notes.

MEASUREMENT OF THE FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value measurement of the financial instruments is undertaken applying IFRS 13 "Fair value measurement" (IFRS 13). Fair value concerns the price that will be received for the sale of an asset or which will be paid for the transfer of a liability in an ordinary transaction settled between market operators, at the measurement date.

Fair value measurement is based on the assumption that the sale of the asset or transfer of the liability is undertaken on the principal market, or rather the market in which the largest volume and levels of transaction take place for the asset or liability. In the absence of a principal market, it is assumed that the transaction takes place on the most advantageous market to which the Group has access, or rather the market which would maximise the results of the sales transaction of the asset or minimise the amount to be paid for the transfer of the liability.

The fair value of an asset or of a liability is determined considering the assumptions which the market participants would use to define the price of the asset or of the liability, under the presumption that they act in accordance with their best economic interests. Market participants are independent knowledgeable acquirers or sellers able to enter into a transaction for the asset or the liability and motivated but not obliged or coerced into making the transaction.

In the fair value measurement, the Group takes into account the specific characteristics of the asset or the liability, in particular, for the non-financial assets, the capacity of a market operator to generate economic benefits utilising the asset to its maximum and best use or by selling to another market operator that would utilise the asset to its maximum or best use. The fair value measurement of assets and liabilities utilises appropriate techniques for the circumstances and for which sufficient data is available, maximising the use of observable inputs.

IFRS 13 identifies the following fair value hierarchy which reflect the importance of the inputs used in the relative measurement:

- Level 1 Quoted Price (active market): data used in valuations are represented by prices quoted on markets in which identical assets and liabilities are traded with those being valued.
- Level 2 Use of Observable Market Parameters (for example, for derivatives, the exchange rates recorded by the Bank of Italy, market interest rate curves, volatility provided by qualified providers, credit spreads calculated on the basis of CDS', etc.) other than level 1 quoted prices.
- Level 3 Use of Non-Observable Market Parameters (internal assumptions, for example, financial flows, risk-adjusted spreads, etc.).

WARRANTS

The company has issued warrants, that is, financial instruments that give the holder the right to purchase (call warrants) a determined quantity of ordinary shares (underlying) at a predefined price (strike-price) within a set deadline. The "Market Warrants" which are also quoted, and non-quoted "Sponsor Warrants".

These financial instruments can have different terms and characteristics and, on the basis of these, can be alternatively considered as: (i) a financial liability that must therefore be measured at fair value at the time of issue and any subsequent variation recorded directly in the income statement, or as (ii) an equity instrument and therefore classified in a specific equity reserve from which they will be released only at the time they are exercised or on their maturity as indicated by IAS 32.

Warrants issued by the company have the characteristics to be considered as equity instruments since both instruments contain a pre-set execution value (defined as the "fixed for fixed criteria").

In particular, in the case of execution of Sponsor Warrants, an exchange between equity and cash instruments at a pre-set value is envisaged and, in the case of Market Warrants, an exchange based on a pre-defined formula. Information on these instruments is available in the paragraph on shareholders' equity.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges relate to costs and charges of a defined nature and of certain or probable existence whose amount or date of occurrence are uncertain at the reporting date. Accruals to provisions are recorded when:

- it is probable the existence of a present obligation, legal or implicit, deriving from a past event;
- it is probable that compliance with the obligation will result in a charge;
- the amount of the obligation can be estimated reliably.

Provisions are recorded at the value representing the best estimate of the amount that the entity would reasonably pay to discharge the obligation or to transfer it to a third party at the reporting date. When the financial effect of the passing of time is significant and the payment dates of the obligations can be reliably estimated, the provision is determined by discounting the expected cash flows taking into account the risks associated with the obligation; the increase of the provision due to the passing of time is recorded in the income statement in the account "Financial charges".

The provisions are periodically updated to reflect the changes in the estimate of the costs, of the time period and of the discounting rate; the revision of estimates is recorded in the same income statement accounts in which the provision was recorded.

REVENUES AND COSTS

Revenues from the sale of goods and services as well as the purchase costs of goods and services are recognised on the transfer of the risks and rewards connected to the ownership or completion of the service.

Revenues are shown net of discounts, allowances and returns; they are recorded at fair value to the extent in which it is possible to reliably determine such value and the likelihood that the relative economic benefits will be enjoyed. Revenues are recognised in accordance with IFRS 15 and therefore as per the following 5 steps:

1) Identification of the contract with the customer. The standard contains specific provisions to assess whether two or more contracts should be combined and to identify the accounting implications of any contractual amendments;
2) Identification of the contractual obligations contained in the contract;
3) Calculation of the transaction price, which should be made taking into consideration, among others, the following elements: any amounts paid on behalf of third parties, which must be excluded from the consideration, variable price components (such as performance bonuses, penalties, discounts, reimbursements, incentives, etc...) and any financial component, present where the payment terms granted to the customer contain a significant extension period;
4) Allocation of the transaction price to the contractual obligations, on the basis of the stand-alone sales price of each good or service; separately;
5) Recognition of the revenue, when (or if) each contractual obligation is satisfied through the transfer of the goods or service, which occurs when the customer obtains the control and therefore has the capacity to decide upon and/or control its use and substantially obtain all the benefits. Control may be transferred at a specific point in time or over time.

The analysis undertaken indicated that the obligations arising for the Group companies to its clients mainly concern the production and supply of finished products according to the terms and conditions requested, and in particular:

- payment deadlines are on average between 45 and 60 days, in line with generally applied market averages. “Cash discounts” are contractually granted in the case of early settlement and were recognised as a direct reduction in revenues. No payment deferments are granted which could be considered as qualifying as a loan;
- the finished product is sold without the granting of warranty periods and/or without return and/or suspension of ownership clauses. Any returns and reimbursements are agreed among the parties on a case by case basis following critical analysis of the reasons which may have resulted in any non-compliance issues.

It is therefore considered that:

(i) the moment of transfer of control to clients of their products coincides with the transfer of the associated risks and benefits, as contractually defined by the delivery terms applied and which are in line with those generally accepted within the sector;
(ii) the consideration does not include any financial component, with the exception of the cash discounts which are recognised as a reduction in revenues, while the component of the transport service and insurance (applicable only with specific delivery terms) is however completed in the same period as the transfer of control of the goods and therefore accrues to the same period;
(iii) no contractual obligations are in place which suspend the transfer of control of the goods and therefore only the returns/reimbursements that may be agreed (concerning the goods sold in the year) may be recognised as a reduction of the relative revenues.

FINANCIAL INCOME AND EXPENSES

Financial income and charges are recognized in the income statement in the period in which they are earned or incurred according to IFRS 9.

The distribution of dividends to Aquafil S.p.A.’s shareholders is represented as a movement of shareholders’ equity and recorded as a liability in the financial year in which this distribution is approved by the Shareholders’ Meeting.

DIVIDENDS

Dividends received are recognised when (i) shareholders become entitled to receive the payment, which coincides with the date of the investee company’s shareholders’ meeting which approves distribution, (ii) it is probable that the economic benefits associated with the dividend will flow to the entity and (iii) the amount of the dividend can be measured reliably.

INCOME TAXES

Current taxes are determined on the basis of estimated taxable income, in compliance with tax regulations applicable to Group companies and are recorded in the consolidated income statement under the item “Income taxes for the year”, with the exception of those relating to items directly debited or credited to a shareholders’ equity reserve; in such cases, the relative tax effect is directly recognised in the respective shareholders’ equity reserves. The consolidated comprehensive income statement shows the amount of income taxes for each item included in the “other components of the consolidated comprehensive income statement”.

Deferred tax assets and liabilities are calculated in accordance with the balance sheet liability method. Deferred taxes are calculated on temporary differences between the values recorded in the consolidated financial statements and the corresponding values recognised for tax purposes. The deferred tax assets, including those relating to any tax losses carried forward, are recognised only for those amounts for which it is probable there will be future assessable income to recover the amounts. Tax assets and liabilities are offset, separately for current taxes and for deferred taxes, when the income tax is applied by the same fiscal authority, there is a legal right of compensation and the payment of the net balance is expected. Deferred tax assets and liabilities are calculated utilising the tax rates which are expected to be applied in the years when the temporary differences will be realised or settled, taking into account current tax regulations or substantially in force at the reporting date. Other taxes not related to income, such as indirect taxes and duties are included under “Other operating costs and charges”.

From the year 2018, Aquafil S.p.A. was included in the tax consolidation regime with the parent company Aquafin Holding S.p.A. This was interrupted in 2017 due to its merger by incorporation into Space3 S.p.A. The tax consolidation regime is also confirmed for the year 2019.

Therefore, the consolidated financial statements take account of the effects of the transfer of tax positions arising from the “tax consolidation” and specifically recognise the consequent credit/debit relationships towards the tax consolidating company.

In addition, in relation to the Parent Company, it should be noted that Article 12 of Legislative Decree No. 142 of 29/11/2018 defined the concept of “non-financial holding companies” (*“Industrial Holdings”*), for which, “the prevalent exercise of acquiring investments in parties other than financial intermediaries exists when, based on the figures of the last approved year-end financial statements, the total amount of investments in these parties and other equity elements undertaken between them, considered as a whole, is higher than 50 per cent of the total assets on the balance sheet”, with effect from the year 2018.

Due to this amendment by Legislative Decree 142/2018, therefore, as of the year 2018, previously excluded companies fall under "industrial holdings" and particularly those which have holdings but whose financial income predominantly comprises revenues from industrial activity.

The Parent Company which qualifies as an "Industrial Holding" must calculate the Irap taxable base in accordance with Article 6, paragraph 9 of the Irap Decree, that is, by adding to the normally determinable taxable base, 100% of the interest income and other financial income and subtracting 96% of the interest expense and similar charges; in addition, *the increased rate envisaged for banks* and other financial institutions *must be applied to the value of production relevant for IRAP purposes*. At national level, this rate is 4.65% against an ordinary rate of 3.9%; in the Province of Trento, the IRAP rate applicable to banks is 5.57% and the subsidies normally ensured for industrial companies are not applied.

ASSETS AND LIABILITIES AVAILABLE FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets and current assets and non-current assets of discontinued operations are classified as held-for-sale where their book value will principally be recovered through sale. This condition exists when the sale is highly probable and the asset or discontinued operation is available for an immediate sale in its current conditions. Non-current assets held-for-sale, current assets and non-current assets of discontinued operations and the liabilities directly related to them are recorded separately to company assets and liabilities in the balance sheet.

Non-current assets held-for-sale are not depreciated and are valued at the lower of the subscription value and their fair value, less selling costs.

Any difference between the book value and the Fair Value less selling costs is recorded in the income statement as a write-down; any subsequent recoveries in value are recognised for the amount of the write-downs previously recorded, including those recognised before the definition of the asset as held-for-sale.

Non-current assets and current and non-current assets of disposal groups classified as held-for-sale constitute discontinued operations if, alternatively:

- they represent a significant autonomous branch of activity or a significant geographical area of activity; or
- is part of a disposal programme of an important independent activity or geographical area of activity;
- are a subsidiary acquired exclusively for the purpose of sale.

The results of discontinued operations, as well as any capital gain/loss realised following disposal, are shown separately in the income statement under a specific account, net of the related tax effects; the income statement values of discontinued operations are also presented for the comparative years.

If there is a plan to sell a subsidiary that results in the loss of control, all the assets and liabilities of that subsidiary are classified as held-for-sale.

It should be noted that at December 31, 2019, the Aquafil Group had only assets held-for-sale consisting of machinery and equipment and had no discontinued operations.

EARNINGS PER SHARE

a) Basic earnings per share
   The basic earnings per share is calculated by dividing the result of the Group by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares.

b) Diluted earnings per share
   The diluted earnings per share is calculated by dividing the result of the Group by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares. In order to calculate the diluted earnings per share, the average weighted number of shares outstanding is adjusted assuming the exercise of all the rights which have potential dilution effect, while the result of the Group is adjusted to take into account the effects, net of income taxes, of the exercise of these rights.

USE OF ACCOUNTING ESTIMATES

The preparation of the financial statements requires the directors to apply accounting principles and methods that, in some circumstances, are founded on difficult and subjective valuations and estimates, based on historical experience and assumptions which are from time to time considered reasonable and realistic under the relative circumstances. The application of these estimates and assumptions impact upon the amounts reported in the financial statements, the balance sheet, the income statement, the comprehensive income statement, the cash flow statement, the statement of changes to shareholders' equity and the notes to the accounts. The final outcome of the accounts in the financial statements which use the above-mentioned estimates and assumptions may differ, even significantly from those reported in the financial statements due to the uncertainty which characterises the assumptions and the conditions upon which the estimates are based.

Numerous items in the financial statements are subject to estimates and while not all of these accounts are individually significant, they are significant on an overall basis. The accounting policies which require greater subjectivity by the directors in the preparation of the estimates and for which a change in the underlying conditions or the assumptions may have a significant impact on the financial results of the Group are briefly described below.

Impairments

The tangible and intangible assets with definite useful lives are verified to ascertain if there has been a loss in value, which is recorded by means of a write-down, when it is considered there will be difficulties in the recovery of the relative net book value through use. The verification of such difficulties requires the directors to make valuations based on the information available within the Group and on the market, as well as from historical experience. In addition, when it is determined that there may be a potential reduction in value, the Group determines this through using the most appropriate technical valuation methods available. The correct identification of the indicators of a potential reduction in value of tangible and intangible assets, as well as the estimates for their determination depends on factors which may vary over time, impacting upon the valuations and estimates made by the directors.

Amortisation & Depreciation

The cost of property, plant and equipment and intangible assets is depreciated or amortised on a straight-line basis over the estimated useful life of the asset. The useful life of these assets is determined by the directors when the assets are purchased. This is based on the historical experience for similar assets, market conditions and considerations relating to future events which could have an impact on the useful life, such as changes in technology. Therefore, the effective useful life may differ from the estimated useful life.

Inventories

Inventories of products which are obsolescence or slow moving are periodically subject to valuation tests and written down when the recoverable value is lower than the carrying amount. The write-downs are made based on assumptions and estimates of the directors deriving from experience and historic results.

Doubtful debt provision

The recoverability of receivables is valued taking account of the non-payment risk, of aging of receivables and of the losses recorded in the past on similar receivables.

Provisions for risks and charges

Provisions for risks and charges are recorded to cover known or likely losses or liabilities, the timing and extent of which are not known with certainty at the reporting date.

They are recorded only where a present obligation exists (legal or implicit) for a future payment resulting from past events and it is probable that the obligation will be settled. This amount represents the best estimate of the costs required to settle the obligation. The rate used in the determination of the present value of the liability reflects the current market values and the specific risk associated to each liability.

If the financial effect of the period is significant and the payment dates of the obligations can be reliably estimated, the provisions are valued at the present value of the expected payment, utilising a rate which reflects market conditions, the change in the cost of money in the period and the specific risk related to the obligation. The increase in the value of the provision from changes in the cost of money in the period is recognised as a financial expense.

Possible risks that may result in a liability are disclosed in the notes on potential liabilities without any provision.

Deferred tax assets

Deferred tax assets are recognized with respect to deductible temporary differences between the values of assets and liabilities expressed in the financial statements compared to the corresponding tax value and tax losses that can be carried forward, to the extent that the existence of adequate future taxable profit is likely, with respect to which these losses may be used. A discretionary assessment is required of the directors to determine the amount of deferred tax assets that can be accounted for, which depends on the estimate of probable timing and the amount of future taxable profits.

2.5 Recently issued accounting standards

2.5.1 IFRS 16 – Leases

Introduction

On November 9, 2017, the European Commission endorsed with regulation 2017/1986 IFRS 16 "Leases" (hereafter IFRS 16) issued on January 13, 2016 by the IASB in replacement of IAS 17 and the relative interpretations.

IFRS 16 replaces IAS 17 (Leasing) and the relative interpretations (IFRIC 4 - Determining whether an arrangement contains a lease), SIC 15 (Operating leases - Incentives) SIC 27 (Evaluating the substance of transactions in the legal form of a lease).

The new International Accounting Standard identifies the principles for the recognition, measurement and presentation in the financial statements of leasing contracts, as well as enhancing the relative disclosure requirements.

Specifically, IFRS 16 defines leasing as a contract which assigns to the client (lessee) the right-of-use of an asset for a set period of time in exchange for consideration. The new International Accounting Standard eliminates the distinction between operating and finance leases for the purposes of the preparation of the financial statements of lessees and requires the recognition, at the commencement date of the lease, of an asset, representative of the right-of-use asset (defined as "Right-of-Use") and of a liability, as the obligation of the future commitments within the contract.

The lessee should subsequently recognise the interest concerning the lease liability separate from the depreciation of the right-of-use assets. IFRS 16 also requires lessees to restate the amounts of the lease liability on the occurrence of certain events (e.g. a change to the duration of the lease, a change to the value of the future payments due to a change in an index or rate utilised to determine these payments). In general, the restatement of the amount of the lease liability implies an adjustment also to the right-of-use asset.

Differing from that required for lessees, for the purposes of the preparation of the financial statements of lessors (the lessor), the new International Accounting Standard maintains the distinction between operating and finance leases as per IAS 17.

Main effects of IFRS 16 on the Aquafil Group

On initial application (January 1, 2019), for the contracts previously classified as "operating leases", the Aquafil Group applied the "simplified method" which provides for the calculation of the financial liability and the corresponding value of the right-of-use asset on the basis of the residual contractual payments at the transition date (or of first application); therefore no restatement was made of the comparative figures.

For the Aquafil Group, the contracts falling within the scope of IFRS 16 mainly concern:
- residential, office and industrial buildings;
- production related plant and machinery;
- industrial vehicles (principally forklifts);
- company vehicles.

The leasing contracts do not contain financial covenants, but the leased assets may not be utilised as guarantees against payables.

The incremental borrowing rate was utilised (IBR) for the calculation of the present value of the leasing liability. The incremental borrowing rate is defined as the interest rate each Group entity would incur to borrow over a similar term, and with a similar security, the funds necessary to purchase an asset of a similar value to the underlying right-of-use asset in a similar economic context.

An analysis was carried out for each individual company for the calculation of the incremental borrowing rate.

Effects deriving from the first-time application of IFRS 16

It should be noted that, on the first-time application of the new International Accounting Standard, the Aquafil Group utilised the following simplifications permitted by the new standard also based on the relative accounting effects:
- exclusion of those contracts concerned by transition to IFRS 16 with a residual duration of not more than 12 months (independent of the original duration of the contract) and so-called "Low-value leases";
- exclusion of the initial direct costs in the measurement of the right-of-use asset;
- estimate of the duration of the leases on the basis of experience acquired and information available at the date of the first-time application in relation to the exercise of the option extensions contained in the contracts;
- adoption of the so-called "modified retrospective" approach permitted by the new International Accounting Standard, with recognition of a right-of-use asset of the leased assets for an amount equal to the value of the lease liability and consequent effect of the IFRS 16 First Time Adoption on the opening equity at January 1, 2019.
- right-of-use are included in the balance sheet account "Property, plant and equipment", while they are detailed in the notes to the financial statements in the table of changes; liabilities are classified under "Financial liabilities" and in the notes to the financial statements will be separately identified and commented upon;

- any significant component concerning the provision of services included in the lease is excluded from IFRS 16;
- the accounting treatment of lease contracts effective at the transition date which according to IAS 17 are not considered “finance leases” are not amended.

For the contracts signed before the transition date of the new IFRS 16, the Company also decided to maintain the measurement (assessment) and accounting already applied based on the previous IAS 17 and IFRIC 4.

The table below shows the changes in the consolidated balance sheet at January 1, 2019 attributable to the application of IFRS 16.

(in Euro thousands)	At December 31, 2018	Effects first-time application IFRS 16	At January 1, 2019
Non-current assets			
Intangible assets	15,992		15,992
Property, plant & equipment	189,661	28,718	218,379
Financial assets	404		404
Deferred tax assets	7,841		7,841
Other assets	2,189		2,189
Total non-current assets	**216,087**	**28,718**	**244,805**
Current assets			
Trade receivables	34,046		34,046
Inventories	189,678		189,678
Cash and cash equivalents	103,277		103,277
Other assets	14,297		14,297
Tax receivables	451		451
Financial assets	2,878		2,878
Total current assets	**344,627**		**344,627**
Total assets	**560,714**	**28,718**	**589,432**
Share capital	49,722		49,722
Reserves	62,969		62,969
Group net result	31,119		31,119
Total Group net equity	**143,810**		**143,810**
Minority interest net equity	1		1
Total consolidated net equity	**143,811**		**143,811**
Non-current liabilities			
Provision for risks and charges	1,169		1,169
Employee benefits	5,702		5,702
Deferred tax liabilities	3,582		3,582
Financial liabilities	224,345	23,318	247,663
Other liabilities	11,833		11,833
Total non-current liabilities	**246,631**	**23,318**	**269,949**
Current liabilities			
Trade payables	106,895		106,895
Financial liabilities	39,090	5,400	44,490
Current tax payables	2,270		2,270
Other liabilities	22,017		22,017
Total current liabilities	**170,272**	**5,400**	**175,672**
Total liabilities and shareholders’ equity	**560,714**	**28,718**	**589,432**

The impact of the application of the new standard IFRS 16 on the net financial position is as follows:

Net Financial Debt (in Euro thousands)	**At December 31, 2018**	**Effects first-time application IFRS 16**	**At January 1, 2019**
A. Cash	103,277		103,277
B. Other liquid assets			-
C. Securities held-for-trading			-
D. Liquidity (A) + (B) + (C)	**103,277**		**103,277**
E. Current financial receivables	2,878		2,878
F. Current bank payables	(96)		(96)
G. Current portion of non-current debt	(35,496)		(35,496)
H. Other current financial payables	(3,498)	(5,400)	(8,898)
I. Current financial debt (F) + (G) + (H)	**(39,090)**	**(5,400)**	**(44,489)**
J. Net current financial debt (I) + (E)+ (D)	**67,066**	**(5,400)**	**61,666**
K. Non-current bank payables	(159,492)		(159,492)
L. Bonds	(53,578)		(53,578)
M. Other non-current financial receivables and payables	(11,275)	(23,318)	(34,593)
N. Non-current financial debt (K) + (L) + (M)	**(224,345)**	**(23,318)**	**(247,663)**
O. Net financial debt (J) + (N)	**(157,279)**	**(28,718)**	**(185,997)**

The impact of the application of the new standard IFRS 16 on the 2019 consolidated income statement was as follows:

(in Euro thousands)	**2019**
Reversal of lease charges	6,833
Effect on EBITDA	**6,833**
Recognition depreciation	(6,463)
Effect on EBIT	**370**
Financial charges	(707)
Effect on pre-tax result	**(337)**
Tax impact	(17)
Effects on the result	**(354)**

It is worth noting that certain leases include automatic renewal clauses which, unless terminated, extend the contractual duration and/or the right to withdrawal which, by definition, allow for the early termination of the effects of this contract. Approx. 22% of the leasing contracts contain these options.

Reconciliation between contractual commitments at December 31, 2018 for the use of third-party assets and lease liability at January 1, 2019

(in Euro thousands)	
Contractual commitments for the use of third-party assets at December 31, 2018	**31,329**
Other changes	1,174
Commitments for variable lease payments	-
Commitments for non-lease components (services)	(1,156)
Nominal value of contractual commitments	31,347
Discounting effect	(2,694)
Net lease liability at January 1, 2019	**28,652**

2.5.2 Accounting standards not yet applicable, as not yet endorsed by the European Union

At the reporting date, the European Union had not yet completed its endorsement process for the adoption of the following standards and amendments:

IFRS 17 "Insurance Contracts"	On May 18, 2017, the IASB issued IFRS 17 "Insurance contracts" which establishes the principles for the recognition, measurement, presentation and representation of insurance contracts included in the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents such contracts, in order to represent a basis for the reader's evaluation of the balance of such contracts' effects on an entity's equity and financial position, financial results and cash flows. The provisions of IFRS 17 are effective for financial years beginning on or subsequent to January 1, 2021, although it should be noted that in June 2019, the IASB published an exposure draft that includes amendments to IFRS 17 and the deferral of the entry into force of the new accounting standard to January 1, 2022.
Amendments to References to the Conceptual Framework in IFRS Standards	The IASB decided to review the document as some important issues were not considered and some of the guidelines were not clear or had not been updated. The revised conceptual framework, published by the IASB in March 2018, includes: a new chapter on measurement; guidelines for the reporting of financial results; improved definitions and guidelines for their usage; clarifications in important sectors, such as the roles of stewardship, prudency and uncertainty in the measurement of financial disclosure. The provisions are effective from years beginning on, or subsequent to, January 1, 2020, although advance application is permitted.
Amendments to IFRS 3 "Definition of Business"	These amendments were issued by the IASB in October 2018 in order to resolve the difficulties arising when an entity needs to establish whether it has acquired a business or a group of assets. The provisions are effective from years beginning on, or subsequent to, January 1, 2020.
Amendments to IAS 1 and IAS 8 "Definition of material"	These amendments were issued by the IASB in October 2018 to clarify the concept of "material". The provisions are effective from years beginning on, or subsequent to, January 1, 2020, although advance application is permitted.
Amendments to IFRS 9, IAS 39 and IFRS 7	These amendments are related reforms of the reference indices for the determination of interest rates (IBOR). The provisions are effective from years beginning on, or subsequent to, January 1, 2020, although advance application is permitted.

3. FINANCIAL RISK MANAGEMENT

The principal business risks identified, monitored and, as illustrated below, actively managed by the Group are as follows:
- market risk, deriving from fluctuations in exchange rates between the Euro and the other currencies in which the Group operates, the interest rate and raw material prices;
- Counterparty default risk;
- liquidity risk, deriving from insufficient financial resources to meet financial commitments.

The Group's objective is to maintain a balanced management of its financial exposure over time to ensure a liability structure that is in equilibrium with the composition of assets and capable of ensuring the necessary operational flexibility through the use of liquidity generated by current operating activities and recourse to bank financing.

The ability to generate liquidity from ordinary operations and debt capacity allow the Group to adequately meet its operational requirements, the financing of operating working capital and investment capital, and to meet its financial obligations.

The Group's financial policy and management of the relative financial risks are guided and monitored at central level. In particular, the central finance function is tasked with evaluating and approving forecast financial needs, monitoring the trend and, where necessary, implementing suitable corrective actions.

The following section provides qualitative and quantitative information on the impact of these risks on the Group.

3.1 Market risk

3.1.1 Currency risk

Exposure to the risk of exchange rate variations arises from the Group's commercial activities which are also carried out in currencies other than the Euro. Revenues and costs denominated in foreign currencies may be influenced by exchange rate fluctuations with an impact on trade margins (economic risk), just as trade and financial payables and receivables denominated in foreign currency may be affected by the conversion rates used, with an effect on the economic result (transaction risk). Finally, exchange rate fluctuations also reflect on the consolidated results and shareholders' equity since the financial statements of certain Group companies are drawn up in currencies other than the Euro and are subsequently converted (translation risk).

The principal exchange rates the Group is exposed to are:
- EUR/USD, in relation to transactions carried out in US Dollars;
- EUR/GBP, in relation to transactions carried out in UK Sterling;
- EUR/CNY, in relation to transactions carried out in renminbi mainly on the Asian market.

The Group does not generally adopt specific policies to hedge exchange rate fluctuations, with the exception of contracts occasionally entered into due to the contingent requirements of its commercial activities. It should be noted that there is periodic massive offsetting between the values of purchase components in foreign currencies, mainly US dollars, and the values of sales in the same currency, which significantly mitigates the Group's currency risk. Many Group companies are however exposed to a contained level of exchange rate risk stemming from operations as, in the individual countries, a portion of cash flows, sales and also costs are denominated in the same accounting currency of the country (natural hedging).

3.1.2 Analysis of sensitivity of exchange rate risk

For the purposes of an exchange rate sensitivity analysis, balance sheet items as at December 31, 2019 (financial assets and liabilities) denominated in a currency other than the functional currency of each Group company were identified. In assessing the potential effects arising from changes in exchange rates, inter-company payables and receivables in currencies other than the account currency were also taken into consideration.

Two scenarios were considered for the purposes of the analysis which respectively reflect a 10% appreciation and depreciation of the nominal exchange rate between the currency in which the balance sheet item is denominated and the accounting currency.

The table below highlights the results of the analysis:

(in Euro thousands)	**Consolidated financial statements**	**Exposition to currency risk (aggregated)**	**+10% (Gains)/Losses**	**-10% (Gains)/Losses**
Financial assets				
Cash and cash equivalents	90,400	9,631	(963)	963
Trade receivables	24,960	4,997	(500)	500
Tax effect			351	(351)
Total financial assets			**(1,112)**	**1,112**
Financial liabilities				
Trade payables	(76,089)	(4,359)	436	(436)
Tax effect			(105)	105
Total financial liabilities			**331**	**(331)**
Total			**(781)**	**781**

Note: the plus sign indicates a higher profit and an increase in shareholders' equity; the minus sign indicates a lower profit and a decrease in shareholders' equity.

3.1.3 Interest rate risk

The Group uses external debt funding and places available liquidity in market instruments. Changes in the interest rates impact on the cost and return of the various forms of loans and uses, with an effect therefore on the consolidated financial charges. The Group policy seeks to limit interest rate fluctuation risk through undertaking fixed or variable rate medium/long-term loans linked to hedging derivatives; hedging is carried out through the trading of derivative instruments (e.g. IRS - Interest Rate Swaps), utilised only for hedging purposes and not for speculative purposes. These contracts, although subscribed for hedging purposes relating to the financial exposure of the Group, were not treated as hedges for accounting purposes, given the technical complexity of the accounting demonstration of the hedging relationship and the relative effectiveness, and therefore with end-of-period Mark to Market (MTM) adjustment effects recognised directly in the consolidated income statement.

The following tables summarise the main information concerning hedging derivatives on interest rates as at December 31, 2019:

(in Euro thousands)	Contract opening date	Contract maturity date	Notional value at signing date in foreign currency	Notional currency	Fair value at December 31, 2019
IRS Banca Popolare Milano	15/09/2015	30/09/2020	13,334	Euro	(7)
IRS Intesa San Paolo	22/06/2016	30/06/2021	10,000	Euro	(12)
IRS Credit Agricole	29/05/2017	28/06/2024	10,000	Euro	(116)
IRS Intesa San Paolo	19/06/2018	31/01/2024	15,000	Euro	(157)
IRS Banca Popolare Milano	20/06/2018	30/06/2025	25,000	Euro	(484)
IRS Banca Popolare Milano	06/06/2019	30/06/2025	15,000	Euro	(114)
IRS Credit Agricole	09/08/2019	28/12/2025	10,000	Euro	7
IRS Intesa San Paolo	25/09/2019	31/12/2024	20,000	Euro	89
Total			**118,334**		**(794)**

3.1.4 Sensitivity analysis related to interest rate risk

With reference to interest rate risk, a sensitivity analysis was carried out to determine the effect on the consolidated income statement and consolidated shareholders' equity resulting from a hypothetical positive and negative change of 100 bps in interest rates compared to those actually recorded in each period.

The analysis was carried out by primarily focusing on the following items:
- cash and cash equivalents;
- short and medium/long-term financial liabilities.

With reference to cash and cash equivalents, reference was made to the average funds held and the average rate of return for the period. For short and medium/long-term financial liabilities, the impact was calculated on an actual basis. Financial payables settled at a fixed rate and those hedged through derivative instruments were not included in this analysis.

The table below highlights the results of the analysis:

(in Euro thousands)	Impact on Net Profit		Effect on Net Equity	
Change	+ 100 bps	- 100 bps	+ 100 bps	- 100 bps
FY 2019	(523)	523	(523)	523

Note: the plus sign indicates a higher profit and an increase in shareholders' equity; the minus sign indicates a lower profit and a decrease in shareholders' equity.

3.1.5 Raw material price risk

The Group's production costs are influenced by the price trends of the main raw materials used. The price of these materials varies depending on a wide range of factors, to a large extent uncontrollable by the Group and difficult to predict.

Specifically, the Group implements a strategy to offset the price volatility risk of the main production factors used through contractual hedging and/or purchase price indexing for raw materials, energy sources and partly, selling prices.

3.1 Credit risk

The Group's exposure to credit risk relates to the possibility of insolvency (default) and/or in the deterioration of the credit rating of a counterparty and is managed through adequate valuation instruments of all counterparties by a dedicated department, utilising the appropriate instruments to carry out constant monitoring, on a daily basis, of the behaviour and credit rating of clients. The Group hedges its credit risk through insurance policies on the client exposure, undertaken with primary debt insurance companies. External companies providing corporate information are utilised both to initially evaluate the reliability and for on-going monitoring of the economic and financial situation of clients.

The top 10 clients on the total Group trade receivables at December 31, 2019 was 46% (62% at December 31, 2018).

The following table provides a breakdown of trade receivables at December 31, 2019, grouped by due date and net of the doubtful debt provision:

(in Euro thousands)	**At December 31, 2019**	**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)	20,339	15,508	4,086	453	125	166
Non-guaranteed trade receivables (b)	6,154	3,157	2,100	341	34	522
Non-guaranteed trade receivables impaired (c)	306	0	0	0	0	306
Trade receivables before doubtful debt provision [(a) + (b) + (c)]	**26,798**	**18,665**	**6,186**	**794**	**159**	**994**
Doubtful debt provision	(1,838)	(1,280)	(424)	(54)	(11)	(68)
Trade receivables	**24,960**	**17,385**	**5,762**	**740**	**148**	**926**

2.2 Liquidity risk

Liquidity risk relates to the risk of the Group being unable to meet its payment obligations due to the inability to source new funds or liquidate assets on the market. This results in a negative impact on economic performance if it is obliged to incur additional costs to meet its commitments or insolvency.

The liquidity risk to which the Group is exposed relates to the inability to source sufficient funding for operations, in addition to industrial and commercial operations. The principal factors which determine the liquidity situation of the Group are, on the one hand, the resources generated and absorbed by the operating and investment activities and on the other the maturity dates and the renewal of the payable or liquidity of the financial commitments and also market conditions.

The Group can avail of on-demand liquidity and has a significant availability of credit lines granted by a number of leading Italian and international banks. The directors consider that the funds and credit lines currently available, in addition to those that will be generated from operating and financial activities, will permit the satisfaction of its requirements deriving from investment activities, working capital management and the repayment of debt in accordance with their maturities.

The total Group bank credit lines at year-end amount to Euro 83 million, completely unutilised.

The table below shows an analysis of amounts due, based on contractual repayment obligations relating to the convertible bond, leasing contracts, trade payables and other liabilities as at December 31, 2019:

(in Euro thousands)	**December 2019**	**Within 1 year**	**Between 1 and 5 years**	**Beyond 5 years**
Bond loan	94,361	3,903	33,316	57,143
Other current and non-current financial liabilities	247,342	50,830	184,774	11,738
Trade payables	76,089	76,089	0	0
Other current and non-current liabilities	38,934	23,551	12,628	2,756
Total	**456,725**	**154,372**	**230,717**	**71,636**

All the amounts in the table above refer to the nominal amounts not discounted, stated with regards to the residual contractual maturities, both in terms of the capital and interest portions. The Group expects to meet these commitments by liquidating financial assets and through cash flows that will be generated by operations.

In this risk analysis, we add the more detailed conclusions of the Directors' Report on the impact of the spread of Covid-19 (coronavirus). In particular, it can be stated that - overall and in view of the information currently available and the health emergency in progress - no impact and/or effect is seen (i) on the value of the assets shown in the financial statements (ii) on the recoverability of trade receivables (iii) on the net realisable value of inventories. The impact on the business thus far is limited. Therefore, no specific risks have been identified in terms of the Group's ability to meet its commitments (including compliance with the "covenants" set out in certain loan agreements) and/or which may impact the Group's ability to continue as a going concern.

4. MANAGEMENT OF CAPITAL

The Group's capital management is aimed at ensuring a solid credit rating and adequate levels of capital indicators to support investment plans, in accordance with contractual obligations entered into with lenders.

The Group acquires the necessary capital to finance the needs for business development and operations; financing sources are divided into a balanced mix of risk capital and debt capital to ensure a balanced financial structure and the minimisation of the total cost of capital, for the consequent benefit of all stakeholders.

The remuneration of risk capital is monitored on the basis of the market trend and business performance, once all other obligations have been met, including the debt service; therefore, in order to ensure an adequate remuneration of capital, the safeguarding of business continuity and business development, the Group constantly monitors the development of the debt level in relation to shareholders' equity, business performance and forecasts of expected cash flows in the short and medium/long-term.

5. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

The tables below illustrate the breakdown of financial assets and liabilities of the Group required

by IFRS 7, as per the categories identified by IAS 39, at December 31, 2019:

(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	96	2,306	0	0	2,402
Trade receivables		24,960			24,960
Current tax receivables	0	1,639	0	0	1,639
Other current & non-current assets	0	14,315	0	0	14,315
Cash and cash equivalents	0	90,400	0	0	90,400
Total	**96**	**133,619**	**0**	**0**	**133,715**
Current and non-current financial liabilities	890	0	0	340,812	341,702
Trade payables	0	0	0	76,089	76,089
Other current and non-current liabilities	0	0	0	38,934	38,934
Total	**890**	**0**	**0**	**455,835**	**456,725**

The other financial assets and liabilities are short-term and regulated at market interest rates and therefore the book value is considered to reasonably approximate fair value.

5.1 Measurement of the fair value

In relation to financial instruments measured at fair value, the table below reports information on the method chosen to measure the fair value. The methods applied are broken down into the following levels, based on the information available, as follows:
- Level 1: fair value determined with reference to listed prices (not adjusted), on active markets for identical financial instruments;
- Level 2: fair value determined with valuation techniques with reference to observable variables on active markets;
- Level 3: fair value determined with valuation techniques with reference to non-observable variables on markets;

The fair value calculation is determined in accordance with the methods classified in Level 2 and the general criterion utilised for this calculation is the present value of the expected future cash flows of the instrument subject to measurement - a method commonly applied in financial practice. There were no transfers between hierarchical levels of the fair value in the periods considered.

The table below summarises the assets and liabilities measured at fair value at December 31, 2019, on the basis of the level which reflects the inputs utilised in the determination of the fair value.

(in Euro thousands)	December 2019	December 2018
Derivative financial instruments – Assets	96	11
Derivative financial instruments – Liabilities	(890)	(481)
Total	**(794)**	**(470)**

6. DISCLOSURE BY OPERATING SEGMENT

For the purposes of IFRS 8 – Operating Segments, Group activity is identifiable in a single operating segment.

In fact, the Group structure identifies a strategic and singular vision of the business and this representation is consistent with the manner in which management takes its decisions, allocates resources and defines the communication strategy. Dividing the business into separate divisions is therefore currently viewed as detrimental to its economic interests.

7. NOTES TO THE CONSOLIDATED BALANCE SHEET

7.1. Intangible assets

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

	Develop-ment costs	Patents & property rights	Trademarks, concessions and licenses	Other intangible assets	Intangible assets in progress	Non Contractual Customer relationships	Total
December 31, 2017	**0**	**1,204**	**596**	**3,289**	**2,692**	**0**	**7,782**
Historic cost		*4,703*	*5,131*	*12,706*	*2,692*		*25,234*
Acc. amort.		*(3,499)*	*(4,536)*	*(9,417)*			*(17,452)*
Reclassifications		52	(24)	(37)			(9)
Increase			345	1,738	2,972	5,779	10,834
Decreases			(12)	0	0		(13)
Amortisation		(450)	(226)	(1,404)		(482)	(2,561)
Exchange differences		0	0	5		(45)	(40)
December 31, 2018	**0**	**804**	**680**	**3,592**	**5,663**	**5,253**	**15,992**
Historic cost		*5,220*	*4,710*	*13,646*	*5,663*	*5,730*	*34,969*
Acc. amort.		*(4,416)*	*(4,030)*	*(10,054)*		*(477)*	*(18,977)*
Entry during year				132			132
Reclassifications			72	392	(392)		72
Increases	1,812		85	1,491	4,489		7,876
Decreases				(2)			(2)
Amortisation		(450)	(301)	(1,538)		(729)	(3,018)
Exchange differences			1	4		45	49
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*
Acc. amort.		*(4,863)*	*(4,332)*	*(11,257)*		*(1,202)*	*(21,655)*

The increases in the year, overall amounting to Euro 7.9 million, principally relate to:

- approx. Euro 3.8 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 2.7 million regarding the long-term agreement with the US company Genomatica Inc. and for Euro 1.1 million costs for the Effective project;
- approximately Euro 1.9 million for Information and Communication Technology activities, concerning development costs for specific software installation projects;
- for approx. Euro 1.8 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. In this regard, it should be noted that only this year has the Group implemented a sufficiently sophisticated detection system to make it possible to accurately identify and recognise the development costs of those products that will reasonably be put into production starting from the next financial year. 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 and as described in detail in the financial statements at December 31, 2018.

7.2 Goodwill

As described in the "Business combination" paragraph, the company acquired the business of the US company O'Mara Incorporated, generating goodwill amounting to Euro 13.0 million which was allocated to the only identified CGU corresponding to the whole Group.

This value represents the excess between the consideration transferred, measured at fair value at the acquisition date, as subsequently updated, compared to the net value of the identifiable assets and liabilities of the purchase measured at fair value.

After initial recognition the goodwill is not amortised but subject to an annual impairment test as described in the previous paragraph "Impairment test - verification of recoverability".

In accordance with the provisions of IAS 36 the Group therefore undertook a specific impairment test in order to verify the recoverability of the goodwill recognised.

The impairment test was carried out determining the value in use with the discounted cash flow method (DCF) net of income taxes in line with the post-tax discount rate utilised.

The cash flows used to apply the DCF are those included in the Group's 2020 - 2022 business plan approved by the parent company's board of directors on February 14, 2020.

The growth rate applied (g) is 3.4%, prudentially lower than the estimates of the International Monetary Fund and of the main analysts of the market in which the Group operates, also in consideration of the uncertainty that currently exists regarding the global health emergency.

The discounting of the cash flows was carried out on the basis of a weighted average cost of capital which reflects the current market assessment of the cost of money. The value identified was 7.75%.

A sensitivity analysis was also carried out in order to determine the change to the value assigned to the base assumptions which, after having considered any amendments as a result of this change on the other variables utilised, renders the recoverable value of the CGU equal to its carrying amount.

This analysis indicated that only significant deviations in the achievement of the Group's business objectives, interest rates and perpetual growth rates would reduce the recoverable value to a level close to the book value, so it is not necessary, as required by IAS 36, to report in this note the effects of a sensitivity simulation.

From the impairment test carried out therefore no adjustments are required to the value of the goodwill.

It should also be noted that the company has carried out sensitivity tests in view of the current health crisis without identifying specific risks of impairment on the value of the CGU.

7.3 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 and commercial equipment	Other assets	Assets in progress	Investment property	Right-of-Use	Total
December 31, 2017	**52,128**	**73,726**	**673**	**1,869**	**25,530**	**0**		**153,927**
Historic cost	*98,891*	*361,172*	*10,330*	*6,234*	*25,530*			*502,156*
Acc. deprec.	*(46,763)*	*(287,445)*	*(9,656)*	*(4,365)*				*(348,230)*
Reclassifications	2,824	22,539	39	20	(25,763)	350		9
Increase	2,457	15,685	259	986	41,493			60,881
Decreases	(501)	(1,549)	(29)	(86)	(1,484)			(3,649)
Write-down		1,244						1,244
Depreciation	(3,246)	(19,581)	(321)	(642)		(11)		(23,800)
Exchange differences	3	475	2	46	523			1,049
December 31, 2018	**53,665**	**92,540**	**624**	**2,194**	**40,299**	**339**		**189,661**
Historic cost	*103,143*	*393,391*	*10,876*	*6,301*	*40,299*	*755*		*554,766*
Acc. deprec.	*(49,479)*	*(300,850)*	*(10,252)*	*(4,107)*		*(417)*		*(365,105)*
IFRS 16 effect at January 1, 2019							28,718	28,718
Change in consolidation scope	4,041	13,887		521	102		0	18,553
Reclassifications	3,633	35,163	25	16	(39,380)	43		(500)
Increases	3,519	18,337	80	869	25,395	0	5,794	53,993
Decreases		(196)	(1)	(27)	(314)	(2)	(4,893)	(5,434)
Depreciation	(3,795)	(23,391)	(250)	(822)		(11)	(6,482)	(34,751)
Exchange differences	151	394	4	26	500		177	1,252
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*
Acc. deprec.	*(53,303)*	*(305,523)*	*(10,503)*	*(4,621)*		*(425)*	*(5,362)*	*(379,736)*

The increases in the period, deducted by the relative decreases, amounting to Euro 48.6 million principally refer to:
- for Euro 17.9 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 10.2 million, the technological improvement and upgrading of the existing plants and equipment;
- for Euro 9.5 million, the expansion of fibre production capacity for the BCF Product Line (carpet fibres) in China and in the United States;
- for Euro 8 million, projects to improve production and industrial efficiency;
- for Euro 4.1 million, to increase logistics and warehousing efficiency;
- for Euro (1.2) million the divestment concerning the conclusion of the lease contract of the German company Aqualeuna G.m.b.H., previously recognised at January 1, 2019 according to the IFRS 16 criteria The contract was concluded in advance as part of the larger and complex reorganisation of the carpet fibre manufacturing structures in the EMEA geographical area, as described in the "Subsequent events" paragraph of the Directors' Report.

The increase relating to the “change in the consolidation scope” for Euro 18.6 million refers to the business combination regarding Aquafil O’Mara Inc. described in the specific paragraph above.

The reclassification of Euro 0.500 million refers to assets held-for-sale.

As illustrated in the column in the table above, the first-time application of IFRS 16, with the modified retrospective approach, resulted in the recognition at January 1, 2019 of right-of-use assets under non-current assets relating to the lease contracts. 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 other	Total
Balance at January 1, 2019	**24,482**	**4,232**	**5**	**0**	**28,718**
of which:					
- *Historical cost*	*24,482*	*4,232*	*5*		*28,718*
- *Accumulated depreciation*					*0*
Increases	4,156	879	674	85	5,794
Decreases	(4,848)	(45)			(4,893)
Depreciation	(5,139)	(1,239)	(99)	(4)	(6,482)
Exchange differences	167	10			177
Balance at December 31, 2019	**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)*

At December 31, 2019 the Group did not identify any impairment indicators relating to property, plant and equipment.

7.4 Current and non-current financial assets

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

(in Euro thousands)	December 2019	December 2018
Receivables from parent companies	234	0
Equity investments in group companies	1	1
Investments in other companies	18	18
Escrow bank deposits	1,682	2,919
Current and non-current financial assets	292	255
Receivables from related parties	79	79
Derivative financial instruments	96	11
Total	**2,402**	**3,282**
of which current	*1,637*	*2,878*
of which non-current	*765*	*404*

“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.

Investments in other companies relates to minor holdings.

The “Escrow bank deposits”, amounting to Euro 1.7 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.

7.5 Other non-current assets

The amount of Euro 2,189 thousand, unchanged on the previous year, mainly concerns the receivable of the parent company Aquafil S.p.A. and Aquafil SLO d.o.o. from the “EFFECTIVE” project of the European Union, for which reference should be made to the Directors’ Report. In particular, with the signing of the agreement between the partners and other lenders, an overall amount of Euro 3.3 million was stipulated, with deferred income recognised under Other liabilities (Note 7.17) which was equal to Euro 2.6 million at December 31, 2019. The receivable is reduced for the amounts effectively paid by the European Union, substantially recognised on the basis of the convention rules which provides for payment based on the state of advancement. At December 31, 2019, the residual receivable amounted to Euro 2.1 million.

7.6 Deferred tax assets and liabilities

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

(in Euro thousands)	December 2019	December 2018
Deferred tax assets	13,636	7,841
Deferred tax liabilities	(10,915)	(3,582)
Total	**2,721**	**4,259**

The relative movement is comprised of:

(in Euro thousands)	January 1, 2019	Provisions/ release to equity	Provisions/ release to income P&L	Provisions/ release to comprehensive income statement	December 31, 2019
Deferred tax assets					
Provision for risks and charges	130	0	3		134
Doubtful debt provision	190	0	34		224
Measurement of employee benefits as per IAS 19	326	33	226		585
Intangible and tangible fixed assets	3,934	2	213		4,149
Tax losses	1,165	(4)	5,249		6,410
Inventories	331	1	(10)		322
Other provisions	137	1	(138)		0
Derivative financial instruments	113	0	78		191
Ace	903	0	(37)		865
Other	612	4	141		757
Total deferred tax assets	**7,841**	**36**	**5,759**	**0**	**13,636**
Deferred tax liabilities					
Financial liabilities	0	0	(73)		(73)
Intangible and tangible fixed assets	2,238	2,836	4,674		9,748
Other	1,343	3	(107)		1,240
Total deferred tax liabilities	**3,582**	**2,840**	**4,494**	**0**	**10,915**
Total net deferred tax assets	**4,259**	**(2,803)**	**1,265**	**0**	**2,721**
Receivables from holding companies			332		
Total deferred tax assets and liabilities recognised to the income statement			**1,597**	**34**	

With regard to deferred tax assets:

- deferred tax assets on tangible and intangible assets which amount to Euro 4,15 million principally refer for Euro 1.88 million to the reversal of the gains realised among Group companies, for Euro 1.8 million to the reversal of amortisation on revaluations and depreciation carried out on the financial statements of the individual companies but not reported in the consolidated financial statements, for Euro 0.12 million to the reversal of intangible assets due to the adoption of IAS accounting principles and for Euro 0.33 million to the reversal of amortisation on brands and patents;
- deferred tax assets on tax losses, amounting to Euro 6.4 million, refer to the effect of the accumulated losses recognised by (i) the American subsidiaries for Euro 3.0 million and (ii) by Aqualeuna G.m.b.H. - in particular, it should be noted that in 2019, following the reorganization described in the Directors' Report involving the German subsidiaries, deferred tax assets on past losses were recognised for approx. Euro 1.7 million; all tax losses are deemed to be fully recoverable;
- deferred tax assets on inventories, which amount to Euro 0.32 million, principally refer to the reversal of the value of inter-company profits and losses included in the warehouse value;
- pursuant to the provisions of Article 1 of Decree Law 201/11, also called ACE or Aid for Economic Growth, in previous years the parent company Aquafil S.p.A. calculated deferred tax assets on exempt income, on the assumption that this benefit can be exploited to sufficiently reduce taxable income in future years and also given that the ACE notional return can be carried forward with no time limits as established by paragraph 4, Article 1 of Decree Law 201/2011; During the year, following the reintroduction of the ACE framework by virtue of Law 160/2019, previously repealed by the 2019 Budget Law, the 2018 ad 2019 national return of the new capital was calculated based on the coefficients of 1.5% and 1.3%, respectively. The item, which at December 31, 2019 amounts to Euro 0.9 million, increased by Euro 0.65 million of which Euro 0.31 million refer to the year 2018 and a decrease of Euro 0.69 million concerning the utilisation of the benefit reducing the assessable income tax amount for 2019 of Aquafil S.p.A..

With regard to Deferred tax liabilities, Property, plant and equipment and intangible assets mainly refer for Euro 8.55 million to the tax effect calculated on the temporary differences between amortisation and depreciation booked and that for tax purposes; in particular, it should be noted that the increase of Euro 4.7 million for the year mainly relates to the balances from the business combination involving Aquafil O'Mara Inc. described in the specific paragraph above regarding the assets of the United States and Chinese subsidiaries.

The "Other" account mainly refers to the effects of deferred taxation on consolidation adjustments. The main effect relates to the recognition of development costs as described in note 7.1 above.

7.7 Inventories

The changes in the account were as follows:

(in Euro thousands)	December 2019	December 2018
Raw materials, ancillary and consumables	63,658	81,713
Finished products and goods	121,242	107,962
Advances to suppliers	31	4
Total	**184,931**	**189,678**

Inventories are recorded net of the obsolescence provision amounting to Euro 0.82 million and relates to slow moving prior stock.

The change in inventories is mainly due, on the one hand, to the increase generated by the business combination involving Aquafil O'Mara Inc., partially mitigated by the working capital reduction policies implemented in Q4 2019 and outlined in the specific paragraph above.

7.8 Trade receivables

The changes in the account were as follows:

(in Euro thousands)	December 2019	December 2018
Trade receivables	26,729	36,636
Parent, associates and other related parties	69	66
Doubtful debt provision	(1,838)	(2,656)
Total	**24,960**	**34,046**

The following table shows the movement of the doubtful debt provision:

(in Euro thousands)	December 2019	December 2018
Balance at January 1, 2019	(2,656)	(2,700)
Provisions	(216)	(1,020)
Decrease	1,094	1,091
Change in consolidation scope	(41)	0
Other changes	(19)	(27)
Balance at December 31, 2019	**(1,838)**	**(2,656)**

The movement in trade receivables is due to:
- the increase generated by the business combination involving Aquafil O'Mara Inc. described in the specific paragraph above;
- the reduction in sales to Australian, New Zealand and Thai customers, who have a high average DSO resulting from long delivery times by ship, and the reduction in sales of Aquafil USA in the final period of the year compared to the same period in 2018.

7.9 Current tax receivables

Current tax receivables of Euro 1,639 thousand refer to advances paid for current tax by the Parent Company Aquafil S.p.A., by AquafilSlo d.o.o. and by Aquafil USA Inc..

7.10 Other current assets

The changes in the account were as follows:

(in Euro thousands)	December 2019	December 2018
Tax receivables	3,976	6,301
Supplier advances	791	702
Pension and social security institutions	138	133
Employee receivables	299	290
Tax receivables from parent	2,209	1,859
Other receivables	1,747	2,522
Prepayments and accrued income	2,966	2,489
Total	**12,126**	**14,297**

The following is specified in relation to the above items:

- tax receivables: refer mainly to an amount of Euro 3.0 million receivables for Value Added Tax (VAT) and Euro 0.83 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 0.6 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.

7.11 Cash and cash equivalents

The account is comprised of:

(in Euro thousands)	December 2019	December 2018
Cash and equivalents	25	24
Bank and postal deposits	90,375	103,254
Total	**90,400**	**103,277**

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

(in Euro thousands)	At December 31, 2019
EUR	57,814
HRK	106
TRL	23
USD	18,830
THB	3,678
CNY	9,672
GBP	206
AUD	71
Total	**90,400**

7.12 Assets held for sale

The item includes the net book value of the plants which Aqualeuna GmbH will sell to third parties in 2020 as a result of the wider reorganisation of production activities in EMEA, in relation to which reference should be made to the Directors' Report.

7.13 Shareholders' Equity

Share Capital

At December 31, 2019, the Parent Company Aquafil S.p.A.'s authorised share capital amounted to Euro 50.7 million, whose subscribed and paid-up capital amounts to Euro 49.72 million, while the unsubscribed and unpaid portion relates to: (i) an amount of Euro 0.15 million as the residual capital increase in service of Aquafil Market Warrants and (iii) an amount of Euro 0.80 million for the capital increase in service of Aquafil Sponsor Warrants.

The subscribed and paid-up share capital is divided into 51,218,794 shares without nominal value divided into:

- 42,822,774 ordinary shares, identified by the ISIN Code IT0005241192;
- 8,316,020 special Class B shares, identified by the ISIN Code IT0005285330 which, in compliance with any legal limits, assign 3 exercisable voting rights pursuant to Art. 127-sexies of Legislative Decree No. 58/1998 in shareholders' meetings of the company and which may be converted into ordinary shares under specific conditions and circumstances as regulated by the By-Laws, at the rate of one ordinary share for each Class B share;
- 80,000 special Class C shares, identified by the ISIN Code IT0005241747, without voting rights in the ordinary and extraordinary shareholders' meetings of the company and excluded from the right to receive profits which the company resolves to distribute as an ordinary, non-transferable dividend until April 5, 2022 and automatically converted into ordinary shares in the conversion ratio of 4.5 ordinary shares for each Class C share according to specific conditions and circumstances laid down by the By-Laws.

The detailed breakdown of Aquafil S.p.A.'s subscribed and paid-up share capital at December 31, 2019 is shown below:

Type of shares	No. shares	% of Share Capital	Listing
Ordinary	42,822,774	83.61%	MTA, STAR Segment
Class B	8,316,020	16.24%	Non-listed
Class C	80,000	0.15%	Non-listed
Total	**51,218,794**	**100%**	

On the basis of communications sent to the National Commission for Companies and the Stock Exchange "CONSOB", and received by the Company pursuant to Article 120 of Legislative Decree No. 58 of February 24, 1998, as well as the effect of the conversion of Market Warrants in the year, holders of a significant shareholding as at December 31 - i.e. considering Aquafil S.p.A.'s qualification as an SME pursuant to Article 1(w-quater.1) of the CFA and with a shareholding greater than 5% of the Aquafil S.p.A. voting share capital - are as follows:

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

Warrants

The following were initially issued on listing:

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

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

On December 31, 2019, 2,014,322 Aquafil Market Warrants were converted (with the assignment of 498,716 Conversion Shares) and therefore the number of Market Warrants still in circulation totalled 5,485,662.

At December 31, 2019, no Aquafil Sponsor Warrants have been converted.

Legal Reserve

The legal reserve at December 31, 2019 was equal to Euro 0.52 million; the increase of Euro 0.51 million was approved by the Shareholders' Meeting of April 23, 2019 which allocated to this reserve one twentieth of the profit for the year 2018.

Translation reserve

The translation reserve, negative at December 31, 2019 for Euro 9.51 million (reducing Euro 1.9 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 December 31, 2019 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 December 31, 2019 as a decrease in shareholders' equity and relates to the costs incurred in 2017 for the listing and thereafter the share capital increase.

"First Time Adoption" Reserve (FTA)

The item amounts to Euro 2.39 million and represents the conversion effects from Italian GAAP to IFRS.

IAS 19 Reserve

At December 31, 2019, 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 December 31, 2019 the account amounts to Euro 78.96 million and represents the results generated by the Aquafil Group in previous years (including pre-merger with Space3) net of the distribution of dividends as illustrated in the paragraph below.

Dividends

The Ordinary Shareholders' Meeting on April 23, 2019 approved the distribution of a gross dividend of Euro 0.24 for each ordinary share and for class B shares, while the class C shares by their nature do not receive the dividend. This dividend per share amounts to a total dividend of Euro 12.27 million, equal to a payout ratio of 40.7% of the 2018 net profit.

Non-controlling interest equity

As illustrated in paragraph "3 Consolidation scope" and consolidation criteria, the minority interest shareholders' equity substantially reduced to zero.

7.14 Employee benefits

The account is comprised of:

(in Euro thousands)	
Balance at December 31, 2018	**5,702**
Interest expense	54
Advances and settlements	(176)
Actuarial gains/(losses)	141
Balance at December 31, 2019	**5,721**

The post-employment benefits provision includes the effects of discounting as required by the IAS 19 accounting standard. The following is a breakdown of the main economic and demographic assumptions used for actuarial valuations:

	December 31, 2019
Financial assumptions	
Discount rate	0.37%
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%

It should be noted that the bond's financial average duration at December 31, 2019 is approximately 8 years.

7.15 Current and non-current financial liabilities

The account is comprised of:

(in Euro thousands)	December 2019	*current portion*	December 2018	*current portion*
Medium/long term bank loans	212,367	*42,571*	194,193	*34,421*
Accrued interest and amortised cost effect on med./long-term bank loans	(418)	*(418)*	(422)	*(142)*
Total medium/long-term bank loans	**211,949**	***42,153***	**193,771**	***34,279***
Bond loans	94,125	*3,667*	54,844	*719*
Accrued interest and charges on bonds	236	*236*	(50)	*497*
Total bond loan	**94,361**	***3,903***	**54,795**	***1,217***
Leasing and RoU financial payables	34,373	*8,547*	12,577	*1,782*
Financing payables to Finest S.p.A.	0	*0*	1,716	*1,716*
Liabilities for derivative financial instruments	890	*0*	481	*0*
Other lenders and banks – short term	129	*129*	96	*96*
Total	**341,702**	***54,733***	**263,435**	***39,090***

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	December 31, 2019	*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 (**)	13,500	3,000
Mediocredito Trentino Alto Adige	3,000	2017	2021	half-yearly from 28/12/2018	0.901% fixed	1,510	1,004
Banca Nazionale del Lavoro (*)	7,500	2018	2024	half-yearly from 31/12/2019	1.4% fixed	6,818	1,364
Banca Nazionale del Lavoro (*)	12,500	2018	2024	half-yearly from 31/12/2019	1.25% fixed	11,364	2,273
Credito Valtellinese (*)	15,000	2018	2023	quarterly from 05/10/2018	1% fixed	15,000	3,170
Deutsche Bank (*)	5,000	2016	2020	quarterly from 08/12/2016	IRS 4 years + 0.60% fixed	947	947
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
Total Medium/long term bank loans - fixed rate						**70,889**	**14,258**
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	4,484
Cassa Risparmio di Bolzano (*)	20,000	2018	2024	quarterly from 31/03/2020	Euribor 3 months + 0.85%	20,000	3,932
Cassa Centrale Banca – Credito Cooperativo del Nord Est (ex Casse Rurali Trentine)	5,000	2016	2021	half-yearly from 31/12/2017	Euribor 6 months + 1.50%	1,905	1,266
Banca di Verona	3,500	2016	2022	quarterly from 30/06/2017	Euribor 3 months + 1.80%	1,793	642
Banca di Verona	15,000	2017	2024	quarterly from 30/06/2017	Euribor 3 months + 2%	10,809	2,461
Deutsche Bank (*)	5,000	2018	2023	quarterly from 15/01/2019	Euribor 3 months +1.20%	5,000	1,250
Credit Agricole Friuladria (ex Banca Popolare Friuladria) (*) (**)	10,000	2017	2024	quarterly from 31/03/2019	Euribor 3 months + 1.30%	8,221	1,796
Credito Valtellinese	3,000	2017	2022	quarterly from 05/07/2017	Euribor 3 months + 0.90%	1,667	601
Banca Intesa (ex Veneto Banca)	3,000	2017	2021	quarterly from 31/05/2017	Euribor 6 months + 0.90%	949	758
Monte dei Paschi (*)	15,000	2018	2023	half-yearly from 31/12/2019	Euribor 6 months + 0.80%	13,125	3,750
Crediti Emiliano	5,000	2018	2021	monthly from 26/11/2018	Euribor 1 month + 0.35%	3,062	1,668
Cassa Rurale Raiffeisen Alto Adige	3,000	2017	2022	quarterly from 30/06/2018	Euribor 3 months + 0.90%	1,701	752
Banca Popolare di Sondrio	5,000	2017	2022	mensili dal 31/08/2018	Average Euribor 1 month + 0.80%	3,247	1,249
Banca Popolare di Milano (*) (**)	15,000	2019	2025	quarterly from 30/09/2020	Euribor 3 months + 1.05%	15,000	1,476
Banca Popolare Emilia Romagna (*) (**)	10,000	2019	2024	mensili dal 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	909
Banca del Mezzogiorno (*) (**)	10,000	2019	2025	quarterly from 09/11/2020	Euribor 1 month + 1.20%	10,000	500
Total Medium/long term bank loans - variable rate						**141,479**	**28,313**
Accrued interest on medium/long term bank loans						(418)	(418)
Medium/long term bank loans - fixed and variable rate						**211,949**	**42,153**

(*) 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	half-yearly	Net Debt/Net Equity	Group	≤ 2.50
	half-yearly	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

All financial covenants had been complied with at December 31, 2019.

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

Bond loans

The company had issued three fixed-rate bond loans for an original total value of Euro 95.0 million.

1. an initial bond, of Euro 5.0 million ("Bond Loan A") was 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. The residual debt of Bond Loan A was fully reclassified into 12-month instalments since it was fully repaid in advance in January 2020 with respect to the contractual plan;
2. a second 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 December 31, 2019, 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;
3. a third bond loan ("Bond 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 following table summarises the main characteristics of the aforementioned bond loans:

Bond loan	Total Nominal Value	Issue date	Maturity date	Capital portion repayment plan	Interest rate applied
Bond loan A	5,000,000	23/11/2015	23/06/2025	15 half-yearly instalments from 31/01/2018	3.75%
Bond loan B	50,000,000	23/06/2015	20/09/2028	7 annual instalments from 23/6/2019	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 A

Financial parameters	Parameter	2019
Leverage Ratio (*)	Net Debt / EBITDA	≤ 3.75
Net Debt Ratio	Net Debt / Net Equity	≤ 2.50

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.

As at December 31, 2019, financial covenants on bond loans were complied with. 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.

It should also be noted that on the basis of the forecasts set out in the business plan to date there are no elements to consider compliance with the above covenants to be at risk in the near future.

Leasing financial payables

The lease liability, which amounts to Euro 34.4 million, includes Euro 24.3 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 December 31, 2019, the residual capital relating to financial leasing contracts totalled Euro 9.7 million. The contract is regulated at the 6-month Euribor rate plus a spread of 0.50%. Following the updated repayment plan received from the counterparty, the initial residual debt at 31.12.2018 was recalculated from Euro 12.2 million to Euro 11.1 million, with a positive effect on the financial charges for the period of Euro 1.1 million, commented upon in note 8.10 and stated also in the non-recurring items described in note 8.14.

7.16 Provisions for risks and charges

The account is comprised of:

(in Euro thousands)	December 2019	December 2018
Agents' supplementary indemnity provision and others	1,022	904
Guarantee fund on client engineering orders	484	266
Total	**1,508**	**1,169**

7.17 Other current and non-current liabilities

The account is comprised of:

(in Euro thousands)	**December 2019**	*current portion*	**December 2018**	*current portion*
Employee payables	13,708	*13,708*	12,913	*12,913*
Social security payables	3,149	*3,149*	3,014	*3,014*
Payables to parent for income taxes	230	*230*	230	*230*
Tax payables	1,957	*1,957*	1,980	*1,980*
Other payables	738	*738*	541	*541*
Accrued liabilities and deferred income	19,152	*3,768*	15,172	*3,340*
Total	**38,934**	***23,551***	**33,850**	***22,017***

"Employee payables" encompasses the amount owed to employees including the amount due by the subsidiary Aqualeuna GmbH to its employees for the closure of production activity, as per the trade union agreement signed with 67 employees for a total cost of Euro 4.2 million. Cost of an extraordinary nature as detailed in the non-recurring income components described in note 8.14. For further details on this reorganisation, reference should be made to the Directors' Report.

"Social security payables" mainly includes the amount owed at year-end by the Group companies and their employees to social security institutions.

"Payables to parent for income taxes" entirely refer to Tessilquattro S.p.A. payables to the parent company Aquafin Holding S.p.A. as per the tax consolidation regime.

The item "Tax payables" mainly includes VAT payables, withholding taxes and other tax payables.

Accrued liabilities and deferred income comprise:
- the commercial contract with the US group Interface, involving a worldwide collaboration for supply and product development. In particular, Aquafil SpA undertook an obligation until 2026 to guarantee Interface conditions of supply, against which the client, in addition to committing to annual minimum volumes, paid to Aquafil USD 24 million in advance, of which USD 7.2 million in 2019. At December 31, 2019, this deferred revenue (recognised to deferred income) amounts to Euro 15.4 million;
- the deferral of the portion pertaining to future years of the contribution obtained from the European Union for the "EFFECTIVE" research project, described in the Directors' Report and also commented on in notes 7.1 and 7.5 above. The original deferred income recognised for Euro 3.3. million which concerns the overall contribution recorded at the signing date of the agreement with lending banks (with counter-entry to Other non-current assets), amounts to Euro 2.6 million at December 31, 2019. It should be noted that from 2019 onwards, costs relating to the EFFECTIVE project are capitalised under intangible assets in progress for the portion eligible under IAS 38. Therefore, the residual contribution relating to the capitalised portion will be charged to the income statement from the moment the capitalised asset starts to be used and then amortised.

7.18 Trade payables

The account is comprised of:

(in Euro thousands)	**December 2019**	**December 2018**
Trade payables	65,811	95,927
Payables to parent, associates and other related parties	772	762
Payments on account	9,505	10,206
Total	**76,089**	**106,895**

At December 31, there were no debts falling due over five years in the balance sheet.

Exposure to suppliers decreased mainly due to lower exposure both in value and quantity terms of raw materials purchased in the final months of 2019.

7.19 Current tax payables

Current tax payables at Euro 1.13 million refer to Euro 0.87 million in payables of the non-Italian companies in the Group related to current taxes and Euro 0.26 million for IRAP tax payables of the Italian companies in the Group.

8. NOTES TO THE CONSOLIDATED INCOME STATEMENT

8.1 Revenues

The breakdown of revenues is shown below:

	December 2019		December 2018		Change	
	in Euro millions	%	in Euro millions	%	in Euro millions	%
EMEA	327.2	59.6%	352.8	63.5%	(25.6)	(7.3%)
North America	127.9	23.3%	103.7	18.7%	24.2	23.3%
Asia and Oceania	92.2	16.8%	98.3	17.7%	(6.1)	(6.2%)
Rest of the world	1.7	0.3%	0.4	0.1%	1.3	325.0%
Total	**549.0**	**100.0%**	**555.2**	**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.

The breakdown of revenues by product line are described in the Directors' Report.

In accordance with IFRS 15, revenues include, as a direct reduction in their amount, cash discounts, which amount to Euro 3.2 million at December 31, 2019.

8.2 Other revenues and income

"Other revenues and income" amounts to Euro 2.56 million and mainly refers for Euro 1.32 million to the contributions obtained from US activities for the recovery of end-of-life carpets, for Euro 0.83 million to the tax credit accrued on the research and development expenses incurred by the parent company in the year 2019 and determined as per Article 1, paragraph 35 of Law No. 190 of 23/12/2014, in addition to Euro 0.6 million as the share of contribution for the Effective project.

8.3 Raw material costs

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

The account is comprised of:

(in Euro thousands)	December 2019	December 2018
Raw materials and semi-finished goods	260,190	247,569
Ancillaries and consumables	27,596	32,011
Other purchases and finished products	4,659	4,710
Change in inventories raw materials, ancillary, semi-finished and finished products	(9,603)	(2,024)
Total	**282,841**	**282,266**

8.4 Service costs

The account is comprised of:

(in Euro thousands)	December 2019	December 2018
Transport, shipping & customs	16,899	17,888
Electricity, propulsive energy, water and gas	36,180	35,570
Maintenance	10,156	8,517
Services for personnel	4,877	4,310
Technical, ICT, commercial, legal & tax consultancy	9,457	7,721
Insurance	2,241	2,090
Marketing and advertising	3,926	4,188
Cleaning, security and waste disposal	3,325	3,058
Warehousing and external storage	2,942	2,738
External processing	2,164	2,342
Other sales expenses	350	332
Statutory auditors' fees	156	164
Other service costs	3,901	4,427
Rentals and hire	3,838	7,591
Total	**100,412**	**100,935**

Consultancy costs rose over the previous year, particularly following the acquisition of the company Aquafil O'Mara, in relation to which reference should be made to the Directors' Report, in addition to the scouting and valuation costs of other acquisition projects incurred in the year by the parent company.

The reduction in the item "Rent, hire and leases" is principally attributable to the effects of the application of the new accounting standard IFRS 16 and the remainder recorded in the year 2019 refers to those lease contracts which do not fall within the new standard's scope of application.

8.5 Personnel costs

These costs are broken down as follows:

(in Euro thousands)	December 2019	December 2018
Wages and salaries	84,596	79,372
Social security charges	18,521	16,682
Post-employment benefits	2,228	2,332
Other non-recurring costs	5,849	3,983
Director fees	2,086	2,472
Long-term monetary incentive plan executive directors and senior executives		1,569
Total	**113,281**	**106,410**

"Other non-recurring costs" principally refer for Euro 1.7 million to the start-up of the companies Aquafil Carpet Recycling #1 and Aquafil Carpet Recycling #2 and for Euro 4.2 million to the restructuring within Aqualeuna G.m.b.H., as previously commented upon.

No top management bonuses were recognised as the operating objectives were not achieved.

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

	2019	2018	Average
Managers	51	41	49
Middle managers	130	123	133
White-collar	462	485	468
Blue-collar	2,292	2,164	2,303
Total	**2,935**	**2,813**	**2,953**

8.6 Other operating costs and charges

These costs are broken down as follows:

(in Euro thousands)	December 2019	December 2018
Taxes, duties & sanctions	2,068	1,559
Losses on asset sales	13	149
Penalties on supply contracts	511	221
Other operating charges	1,603	509
Total	**4,194**	**2,438**

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

"Other operating charges" mainly includes costs relating to the extraordinary shut-down of the ECONYL® caprolactam production plant in Slovenia in order to expand its capacity and the reinstatement of the productivity of certain elements of the polymerisation plant of the company AquafilSLO d.o.o., as well as the IMIS adjustment consequent to the amendment of the land register income value of the property of the subsidiary Tessilquattro S.p.A..

These costs were stated also in the non-recurring items described at note 8.14.

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

The account is comprised of:

(in Euro thousands)	December 2019	December 2018
Amortisation	2,727	2,561
Depreciation	28,557	23,800
RoU (Right-of-Use) depreciation	6,477	
Total	**37,765**	**26,361**

The RoU ("Right of Use") depreciation refers to the accumulated depreciation relating to the Tangible Assets recognised at January 1, 2019 in application of the new accounting standard IFRS 16.

8.8 Provisions and write-downs

The account is comprised of:

(in Euro thousands)	December 2019	December 2018
Doubtful debt provision	230	192
Provisions for risks and charges	325	93
Total	**555**	**285**

8.9 Costs for internal work capitalised

For the year ended December 31, 2019, this item amounting to Euro 4.9 million refers to the capitalisations made in relation to the following projects:

- Euro 0.6 million for the Effective research project described in the Directors' Report and in note 7.1;
- Euro 0.4 million for Information and Communication Technology activities;
- Euro 0.6 million for the expansion of fibre production capacity for the BCF Product Line (carpet fibres) in the United States;
- Euro 0.2 million for activities relating to the increase in logistics and warehousing efficiency;
- Euro 1.8 million for new product development, as described in note 7.1;
- Euro 0.7 million to expand the production capacity of the caprolactam production plant of AquafilSLO d.d.;
- Euro 0.6 million for projects to improve industrial production efficiency.

8.10 Financial income

The account is comprised of:

(in Euro thousands)	December 2019	December 2018
Other interest	1,088	7
Interest income current accts.	107	38
Total	**1,195**	**45**

Other financial income mainly refers to the recalculation of the repayment plan concerning the financial debt payable by the parent company for the property lease contract of the property at Via Linfano No. 9 in Arco (TN), described at note 7.15 above.

8.11 Financial charges

The account is comprised of:

(in Euro thousands)	December 2019	December 2018
Interest on bank loans and borrowings	2,530	2,090
Interest on bonds	2,779	2,320
Interest exp. on current accounts	830	876
Write-down of derivative financial instruments	323	344
Financial charges and interest expense	1,110	186
Total	**7,573**	**5,816**

The item “Other Financial charges and interest expenses” mainly refers to the effects deriving from the application of IFRS 16.

8.12 Exchange gains and losses

The breakdown of the account is as follows:

(in Euro thousands)	December 2019	December 2018
Total exchange gains	5,529	7,905
Total exchange losses	(6,016)	(6,237)
Total exchange differences	**(488)**	**1,668**

The amount, equal to a loss of Euro 0.49 million for the year ended December 31, 2019, is the net balance between exchange rate gains (realised and unrealised) and exchange rate losses (realised and unrealised).

8.13 Income taxes

The breakdown of the account is as follows:

(in Euro thousands)	December 2019	December 2018
Current taxes	3,116	3,657
Deferred taxes	(1,597)	3,330
Total	**1,519**	**6,986**

Aquafil S.p.A. and Tessilquattro S.p.A. opted for the group taxation procedure as chosen by Aquafin Holding S.p.A. in accordance with Article 117 and subsequent of the Income Tax Code. Therefore, the consolidated financial statements take account of the effects of the transfer of tax positions arising from the “tax consolidation” and specifically recognise the consequent credit/debit relationships towards the consolidating company.

For the current financial year, it should be noted that Aquafil S.p.A. has calculated IRAP tax in accordance with the new rules envisaged for non-financial holding companies (“industrial holdings) as defined by Article 162-*bis*, paragraph 1, letter c.1) of Presidential Decree 917/86 (“Income Tax Law”) and as set out in Article 6 of Presidential Decree 446/1997, for which a full increased rate of 5.57% is provided for. This has resulted in higher Irap tax of approximately Euro 0.16 million on the year.

In the year 2019, the higher Irap tax amounting to approx. Euro 0.35 million and referring to the previous year, was also recorded since it was considered that the new provision set out in Article 162-bis of the Income Tax Law is not applicable as from 2018 and given that on the basis of the figures of the last financial statements approved at the date of the standard's entry into force (i.e. the "2017 financial statements"), the Company did not exceed the parameters to qualify as an "industrial holding". In the absence of clarifications on current practices, the Company adopted a prudent approach, qualifying itself as an "industrial holding" for Irap purposes as from the 2018 tax period on the basis of the figures of the 2018 financial statements. The Company is now considering presenting an application for the reimbursement of the higher tax and, alternatively, the relative sanction for objective uncertainties in the standard's application.

The table below shows the reconciliation of the theoretical rate of income tax with the actual impact on the result:

(in Euro thousands)	At December 31, 2019	%	At December 31, 2018	%
Pre-tax profit	**10,524**		**37,084**	
Tax calculated on applicable rate	2,526	24.00%	8,900	24.00%
Effect difference between local and actual rates	(1,168)	(11.10%)	(1,298)	(3.50%)
Tax losses carried forward for which no deferred tax asset recorded	369	3.51%	147	0.40%
Tax effect other changes	839	7.97%	(2,371)	(6.40%)
Total current income taxes	918	8.72%	(698)	(1.90%)
Deferred tax income & charges	(366)	(3.48%)	(1,025)	(2.80%)
Total income taxes	**3,116**	**29.61%**	**3,656**	**9.90%**
Imposte anticipate e differite	(1,597)	(15.18%)	3,330	9.00%
Total imposte	**1,519**	**14.43%**	**6,985**	**18.90%**

8.14 Non-recurring items

The account is comprised of:

(in Euro thousands)	December 2019	December 2018
Non-recurring charges	584	620
Expansion costs Aquafil Group	1,522	923
ACR1 and ACR2 non-recurring costs	3,116	2,068
Aqualeuna restructuring	4,193	2,762
Non-recurring industrial charges	1,042	0
Total non-recurring costs	**10,457**	**6,373**
Financial income	(1,082)	0
Non-current deferred tax assets	(750)	0
Total non-recurring income	**(1,832)**	**0**
Non-operating income and charges	**8,625**	**6,373**

The item "Non-recurring charges" mainly refers to costs relating to previous years and to the adjustment of the IMIS tax as a result of the revision of the land register income value of the subsidiary Tessilquattro S.p.A.

"Expansion costs of the Aquafil Group" refers to the costs incurred for the acquisition of the company Aquafil O'Mara, in relation to which reference should be made to the Directors' Report, and to the scouting and valuation costs of other acquisition projects incurred in the year by the parent company for transactions which did not have a positive outcome.

"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.

"Aqualeuna Restructuring" refers mainly to that owed by the subsidiary Aqualeuna GmbH to its personnel to close production activities, as per the trade union agreement signed with 67 employees and commented upon in the Directors' Report.

The item "Non-recurring industrial charges" mainly refers to the partial effect of the extraordinary shut-down of the ECONYL® caprolactam production plant in Slovenia in order to expand its capacity, as well as to other extraordinary and unplanned shut-downs of Group production plants.

"Financial income" refers to the recalculation of the repayment plan concerning the financial debt payable by the parent company for the lease contract of the property at Via Linfano No. 9 in Arco (TN), described at note 7.15 above.

"Non-recurring deferred tax assets" refer to the allocation of deferred tax assets on previous losses of Aqualeuna GmbH, eligible in view of the sale of the Aquafil Engineering G.m.b.H. shareholding to the former by Aquafil S.p.A. in January 2020, in relation to which reference should be made to the paragraph "Subsequent events" in the Directors' Report.

The percentage of the non-recurring items of the result, of cash flows, of the equity position, and of the net debt, are reported below.

(in Euro thousands)		*of which non-recurring*	**Percentage**	
Net profit	9,005	*(8,625)*	(96%)	
Net cash flow in the year	(12,877)	*(5,904)*	45%	(*)
Total assets	618,332	*(3,017)*	1%	(**)
Net financial debt	(249,570)	*(5,904)*	2%	(*)

(*) This amount concerns the non-recurring items paid in the year.

(**) Amount of non-recurring income statement items yet to be paid at year-end.

8.15 Earnings per share

The breakdown of the account is as follows:

	December 2019	**December 2018**
Profit attributable to the owners of the Parent	9,005	30,097
Weighted average number of shares	50,991	50,991
Earnings per share (in Euro)	**0.18**	**0.59**

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

9. NET FINANCIAL DEBT

Below is the breakdown of the net financial debt as at December 31, 2019 and December 31, 2018, determined in accordance with ESMA/2013/319 Recommendations:

NET FINANCIAL DEBT

(in Euro thousands)	**At December 31, 2019**	**At December 31, 2018**
A. Cash	90,400	103,277
B. Other liquid assets		
C. Securities held-for-trading		
D. Liquidity (A) + (B) + (C)	**90,400**	**103,277**
E. Current financial receivables	1,637	2,878
F. Current bank payables	(129)	(96)
G. Current portion of non-current debt	(46,056)	(35,496)
H. Other current financial payables	(8,547)	(3,498)
I. Current financial debt (F) + (G) + (H)	**(54,733)**	**(39,090)**
J. Net current financial debt (I) + (E)+ (D)	**37,304**	**67,066**
K. Non-current bank payables	(169,796)	(159,492)
L. Bonds	(90,458)	(53,578)
M. Other non-current financial receivables and payables	(26,619)	(11,274)
N. Non-current financial debt (K) + (L) + (M)	**(286,874)**	**(224,344)**
O. Net financial debt (J) + (N)	**(249,570)**	**(157,269)**

Related party transactions took place in the year included in the above indicated net debt for Euro 13.2 million relating to the application of IFRS 16.

The net financial reconciliation between the beginning and end of the year are presented below. The effects indicated include the currency effects.

(in Euro thousands)		*current portion*	*non-current portion*
Net Debt at December 31, 2018	**(157,269)**	**67,066**	**(224,335)**
Net cash flow in the year	(12,878)	(12,878)	
Decrease in liquidity subject to restrictions	(1,241)	(1,241)	
New bank loans and borrowings	(103,000)		(103,000)
Repayment/reclass. bank loans and borrowings	45,425	(10,391)	55,816
Effects first-time application IFRS 16	(28,718)	(5,400)	(23,318)
Repayment/reclass. lease liability	6,922	(1,365)	8,287
Change in fair value derivatives	(324)		(324)
Other changes	1,512	1,512	
Net Debt at December 31, 2019	**(249,570)**	**37,304**	**(286,874)**

10. RELATED PARTY TRANSACTIONS

Transactions and balances with related parties are illustrated in the tables below. The companies indicated are considered related parties as directly or indirectly related to the majority shareholder of the Aquafil Group. Transactions with related parties were undertaken in line with market conditions.

Payables and receivables of the Group with related parties are illustrated in the table below:

(in Euro thousands)	**Parent companies**	**Related parties**	**Total**	**Total book value**	**% on total account items**
Non-current financial assets					
At December 31, 2019	234	79	313	765	40.90%
At December 31, 2018		79	79	404	19.43%
Trade receivables					
At December 31, 2019		69	69	24,960	0.28%
At December 31, 2018		66	66	34,046	0.19%
Other current assets					
At December 31, 2019	2,209	22	2,231	12,126	18.40%
At December 31, 2018	1,859		1,859	14,297	13.00%
Non-current financial liabilities					
At December 31, 2019	(2,419)	(7,205)	(9,624)	(286,970)	3.35%
At December 31, 2018				(224,345)	0.00%
Current financial liabilities					
At December 31, 2019	(519)	(3,052)	(3,572)	(54,733)	6.53%
At December 31, 2018				(39,090)	0.00%
Trade payables					
At December 31, 2019		(127)	(127)	(76,089)	0.17%
At December 31, 2018		(762)	(762)	(106,895)	0.71%
Other current liabilities					
At December 31, 2019	(230)	(6)	(236)	(23,551)	1.00%
At December 31, 2018	(230)	0	(230)	(22,017)	1.05%

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
Revenue					
December 2019		58	58	548,955	0.01%
December 2018		218	218	555,220	0.04%
Service costs and rent, lease and similar costs					
December 2019		(491)	(491)	(100,412)	0.49%
December 2018		(3,586)	(3,586)	(100,935)	3.55%
Other operating costs and charges					
December 2019		(70)	(70)	(4,194)	1.66%
December 2018		(96)	(96)	(2,438)	3.92%
Financial charges					
December 2019	(39)	(214)	(252)	(7,573)	3.33%
December 2018		(2)	(2)	(5,816)	0.04%

The following table summarises cash flows with related parties of the Group and their percentage out of the cash flow indicated in the cash flow statement:

(in Euro thousands)	Total cash flow statement account	*of which related parties*	% on total account items
Profit for the year	9,005	*(755)*	(8%)
Increase/(Decrease) in trade payables	(32,905)	*(635)*	2%
Increase/(Decrease) in trade receivables	12,975	*(3)*	(0%)
Changes to assets and liabilities	5,590	*(366)*	(7%)
Distribution dividends	(12,273)	*(7,316)*	60%

11. OTHER INFORMATION

11.1 Commitments and risks

Other commitments

At December 31, 2019, the parent company provided sureties in favour of credit institutions in the interest of subsidiaries for a total of Euro 19.75 million.

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 G.m.b.H. 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.

(ii) The disputes involving the parent company Aquafil S.p.A. concern:

- VAT refund relating to the 1997 financial year of approx. Euro 314 thousand, where the company also won the second level of judgement at the Regional Tax Commission of Milan and appeared before the Court of Cassation proceedings initiated by the Tax Agency. The risk of loss is considered remote.
- 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).
- 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.

11.2 Remuneration of senior management

The remuneration and benefits in favour of members of the Board of Directors and Senior Executives and the compensations due to the members of the Board of Statutory Auditors are presented below:

Name	Office	State	Emoluments Office	Emoluments Committees	Bonuses & Other Incentives	Remune-ration Employee (1)	Remune-ration Subsi-diaries (2)	Total
Giulio Bonazzi	Chairman BoD & CEO	In office	1,210,000				143,000	1,353,000
Adriano Vivaldi	Executive Director & CFO	In office	90,000			288,755	43,000	421,755
Fabrizio Calenti	Executive Director & Chairman NTF & ECONYL®	In office	90,000			331,922	6,667	428,589
Franco Rossi	Executive Director & Chairman BCF USA	In office	45,000				277,860	322,860
Simona Heidempergher	Lead Independent Director & Member Risk Control Committee & Appointments and Remuneration Committee	In office	40,000	25,000				65,000
Francesco Profumo	Independent Director Member Risk Control Committee & Appointments and Remuneration Committee	In office	40,000	25,000				65,000
Margherita Elena Maria Zambon	Independent Director Member Appointments and Remuneration Committee	In office	40,000	10,000				50,000
Carlo Pagliani	Director & Member Risks Control Committee	In office	40,000	10,000				50,000
Silvana Bonazzi	Director	In office	40,000					40,000
Stefano Giovanni Loro	Chairman BCF EMEA	In office				256,840	50,000	306,840
Giuseppe Crippa	Vice Chairman BFC industrial activities	In office				197,297	18,000	215,297
Sergio Calliari	Vice Chairman Finance Dept. Executive Officer ex 262/2005	In office				155,990	18,000	173,990
Karim Tonelli	Investor Relator & Performance Management Director	In office				169,240		169,240
Denis Jahic	Executive Director AquafilSLO & NTF Industrial Operations Manager	In office					178,774	178,774
Gregor Kranjc	Executive Director & CFO AquafilSLO	In office					135,859	135,859
Sasa Muminovic	Executive Director & Human Resources Manager AquafilSLO	In office					138,711	138,711
Poggi Longostrevi Stefano	Chairman Board of Statutory Auditors	In office	50,000					50,000
Buttignon Fabio	Statutory Auditor	In office	35,000					35,000
Solimando Bettina	Statutory Auditor	In office	35,000					35,000
Total			**1,755,000**	**70,000**	**0**	**1,400,044**	**1,009,871**	**4,234,915**

(1) Employee remuneration is to be understood as disbursed by Aquafil S.p.A..

(2) Remuneration by subsidiaries includes both employment income, directors' emoluments and any bonuses disbursed by Aquafil S.p.A. subsidiaries.

The following members of the Board of Directors or Senior Executives, Adriano Vivaldi, Fabrizio Calenti, Stefano Loro, Giuseppe Crippa, Sergio Calliari and Karim Tonelli are guaranteed policies for the reimbursement of medical expenses, injury and death that are as a minimum in line with the provisions of the National Collective Labour Agreement for Industrial Executives; moreover, Fabrizio Calenti, Stefano Loro and Giuseppe Crippa are granted the use of apartments for residential purposes.

11.3 Significant events after December 31, 2019

Reference should be made to the comment in the Directors' Report in the paragraph "Subsequent events and outlook" and particularly (a) on the effects of the spread of the Coronavirus and (b) on the corporate reorganisation of Aquafin Engineering G.m.b.H. and Aqualeuna G.m.b.H., which took place in February 2020.

11.4 Disclosure as per Article 1, paragraph 125 of Law No. 124 of August 4, 2017

With regards to that required by Article 1, paragraph 125 of Law 124/17, the companies of the Group recorded in 2018 the following:

i) Euro 77,823 of Aquafil S.p.A. relating to the sale of the external electricity distribution network produced by the photovoltaic plant;
ii) Euro 81,116 relating to training grants for Aquafil S.p.A. of Euro 57,312 and Tessilquattro S.p.A. of Euro 23,804;
iii) Euro 13,333 of Aquafil S.p.A. relating to De Minimis grants on rentals.

With regards to any subventions, contributions or other financial benefits received by the parent company in 2019 from the Tax Agency, reference should be made to the preceding paragraphs covering the tax items.

We also report that during the year the Group also recorded EU grants as described in the Directors` Report.

Attachment 1 - Disclosure pursuant to Article 149-*duodecies* of the Consob Issuer's Regulation

The following table, drawn up pursuant to Article 149-*duodecies* of the Consob Issuers' Regulation, highlights the fees charged in the year 2019 for auditing and non-auditing services rendered by this appointed independent audit firm and by the companies in its network.

Company providing service	Recipient of service	Type of services	Fees 2019
PwC S.p.A.	Aquafil S.p.A.	Audit separate financial statements	127,188
		Audit consolidated financial statements	40,047
PwC S.p.A.	Italian subsidiary companies	Audit separate financial statements and Group Reporting Package	24,900
PwC (1)	Foreign subsidiaries	Audit separate financial statements and Group Reporting Package	142,720
PwC S.p.A.	Aquafil S.p.A.	Limited Audit of the 2019 consolidated half-year report	29,100
PwC S.p.A.	Italian subsidiary companies	Limited Audit 2019 half-year Group Reporting Package	10,900
PwC (1)	Foreign subsidiaries	Limited Audit 2019 half-year Group Reporting Package	72,650
Total Audit services provided in 2019 to the Aquafil Group by Worldwide Audit firm			**447,505**
PwC S.p.A.	Aquafil S.p.A.	Limited audit of Consolidated Non-Financial Report	24,000
PwC S.p.A.	Aquafil S.p.A.	Audit of the statement of the 2018 research and development costs for the purposes of the tax credit Law 145/18	4,800
PwC S.p.A.	Aquafil S.p.A.	Supplement to the audit due to the introduction of IFRS 15 and the first analysis of the impacts of IFRS 16	58,000
PwC TLS	Overseas subsidiaries	Other permitted support services	6,720
Total other audit services provided in 2019 to Aquafil Group by Worldwide Audit Firm			**93,520**
PwC TLS	Foreign subsidiaries	Other permitted support services	20,000
Total services provided in 2019 to companies of the Aquafil Group by entities belonging to PwC network			**20,000**

(1) Other companies belonging to the same PwC S.p.A. network.

Arco, March 13, 2020

The Chairman of the Board of Directors
Mr. Giulio Bonazzi

The Executive Officer
Mr. Sergio Calliari

Aquafil S.p.A.
2019 Corporate Governance and Ownership Structure Report

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

(traditional administration and control model)
Website: www.aquafil.com
Year: 2019
Report approval date: March 13, 2020

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KEY DEFINITIONS

The key definitions utilized in this Report are illustrated below.

Borsa Italiana	Borsa Italiana S.p.A., with registered office at Milan, Piazza degli Affari No. 6.
Civil Code	refers to Legislative Decree 262 of March 16, 1942, and subsequent amendments and supplements.
Self-Governance Code or Code	the Self-Governance Code of listed companies approved in July 2018 by the Corporate Governance Committee and promoted by Borsa Italiana., ABI, Ania, Assogestioni, Assonime and Confindustria, available on the website www.borsaitaliana.it in the *"Borsa Italiana - Regulation - Corporate Governance"* section.
CONSOB	the National Commission for Companies and the Stock Exchange, with registered office in Rome, Via G.B. Martini No. 3.
Effective Merger Date	December 4, 2017.
Issuer, Aquafil or Company	Aquafil S.p.A., with registered office in Arco (Trento), Via Linfano, No. 9, VAT and Tax No. 09652170961.
Reporting Period	year-ended December 31, 2019
Merger	the merger by incorporation of Aquafil (pre-merger), completed on the Effective Merger Date.
Group or Aquafil Group	Aquafil and the companies within its consolidation scope.
Stock Exchange Regulation Instructions	the Instructions to the Regulation for Markets organized and managed by Borsa Italiana.
Market Warrants	the warrants pursuant to the regulation for *"Aquafil S.p.A. Market Warrants"*.
MIV	the Investment Vehicles Market organized and managed by Borsa Italiana.
MTA	the Italian Stock Exchange organized and managed by Borsa Italiana.
Transaction	the business combination between Space3 and Aquafil (pre-merger), as approved by the Board of Directors of the above-mentioned companies on July 15, 2017, undertaken principally through the Merger.
SME's	small and medium-sized issuers of listed shares pursuant to Article 1, paragraph 1, letter w-*quater.*1), of the CFA.
Related Party Transactions Policy or RPT Policy	the related party transactions policy adopted by the company in compliance with the Consob RPT Regulation.
Stock Exchange Regulation	the regulation for markets organized and managed by Borsa Italiana, and subsequent amendments and supplements.
Issuers' Regulation	the enacting regulation of the CFA concerning the governance of issuers, adopted by Consob with motion No. 11971 of May 14, 1999 and subsequent amendments and supplements.
Related Parties Regulation or RPT Regulation	the regulation adopted by Consob motion No. 17221 of March 12, 2010 (as subsequently amended and supplemented) in relation to related party transactions.
Report	this Corporate Governance and Ownership Structure Report, prepared in accordance with Article 123-*bis* of the CFA.
Space 3	Space 3 S.p.A.
Space Holding	Space Holding S.r.l., with registered office at Piazza Cavour 1, Milan, promotor of Space3.
Sponsor Warrants	the warrants pursuant to the regulation for "*Aquafil S.p.A. Sponsor Warrants*".
By-Laws	the By-Laws of the company in force at the reporting date.
CFA	Legislative Decree No. 58 of February 24, 1998, as subsequently amended and supplemented.

1. COMPANY PROFILE AND GOVERNANCE SYSTEM

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

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

The Group operates, with over 2,700 employees and 15 production facilities, in eight countries on three continents: Italy, Slovenia, Croatia, Germany, the United Kingdom, the United States, Thailand and China.

Aquafil's Corporate Governance system, i.e. the set of rules and conduct adopted for streamlined and transparent corporate board and control system operation, is based on the Code's principles and recommended application criteria.

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

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

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

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

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

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

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

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

This Report, approved by the Board of Directors on March 13, 2020, provides a comprehensive overview on the Issuer's corporate governance and ownership structure at December 31, 2019, pursuant to Article 123-*bis* of the CFA and in light of the Self-Governance Code's provisions, as well as the "*Format for the report on corporate government and ownership structure*" document (VII Edition, January 2019) prepared by Borsa Italiana.

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

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

2.1 SHARE CAPITAL STRUCTURE (AS PER ARTICLE 123-*BIS*, PARAGRAPH 1, LETTER A), CFA)

2.1.1 Share capital and shares of the Company

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

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

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

Taking account of the share's value at December 31, 2019 and the number of shares at that date, the capitalisation was Euro 321,377,444.83.

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

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

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

a. each B Share confers the right to three votes pursuant to Article 127-sexies of the CFA at all Shareholders' Meetings of the company, subject to any statutory limitation;
b. they automatically convert into ordinary shares, based on one ordinary share for each B Share (without requiring a motion of the B Shares special shareholders' meeting or of the shareholders' meeting of the company) in the event of: *(i)* transfer to parties who are not already holders of B Shares, except where the transferee is a parent, is controlled by or under common control of the transferor and, provided that, in this case, where the transferee losses the status of parent, control by or under the common control of the transferor, all the B Shares held by them are automatically converted into ordinary shares, based on one ordinary share for every B Share; *(ii)* in the case in which the holder of the B Shares ceases to be controlled, directly or indirectly, by (a) Giulio Bonazzi; (b) Roberta Previdi; (c) Silvana Bonazzi; (d) Francesco Bonazzi and/or (e) one or more direct line successors upon death of both (and not only one of) Giulio Bonazzi and Roberta Previdi, each of which, exclusively or jointly to one or more of the other above-mentioned parties;
c. they may be converted, in all or in part and also in several tranches, into ordinary shares on the simple request of the owner, to be sent to the Chairman of the Board of Directors of Aquafil and in copy to the Chairman of the Board of Statutory Auditors, also based on one ordinary share for every B Share.

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

Ordinary shares may not be converted into B Shares.

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

i. they are without voting rights at the ordinary and extraordinary shareholders' meetings of the company;
ii. they are excluded from the right to receive the profits which the company resolves to distribute by way of ordinary dividend;
iii. they are non-transferable until April 5, 2022, except for: (a) the transfer of the special shares to withdrawing shareholders of Space Holding, on the completion of the liquidation of their holding in kind; and (b) the assignment of the special shares to the beneficiary company of a proportional spin-off of Space Holding for, among other matters, the investment of Space Holding in the company;

iv. they attributed the right at the time of issue to the allocation of *"Space 3 S.p.A. Sponsor Warrants"* (now called *"Aquafil S.p.A. Sponsor Warrants"*) in the ratio of 2 warrants for every C Share;
v. they are automatically converted into ordinary shares, in the ratio of 4.5 ordinary shares for every C Share, without the need for holders to request such and without amending the share capital, notwithstanding that this conversion will reduce the implied par value of the ordinary shares within 60 months from the Effective Merger Date in the amount of 80,000 C Shares in the case in which the official ordinary share price, for at least 20 days, even non-consecutively, out of 30 open consecutive trading days, is higher or equal to Euro 13 per ordinary share, subject to the fact that the period for the recording of the official ordinary share price for the triggering of this conversion event runs between the Space 3 Shareholders' Meeting date approving the Merger and the completion of 60 months from the Effective Merger Date. Where this period of 60 months is completed without conversion, all C Shares will automatically convert into 1 ordinary share, without amending the share capital.

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

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

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

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

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

2.1.2 Warrants

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

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

On December 23, 2016, the Extraordinary Shareholders' Meeting of Space 3 pre-merger - among other matters - approved:
- the divisible paid-in share capital increase for a maximum amount of Euro 203,488.50, to be reserved for the exercise of 7,500,000 *"Aquafil S.p.A. Market Warrants"*, through the issue of a maximum 2,034,885 ordinary shares, without nominal value, at a price of Euro 0.10, entirely as the implied par value; and
- the divisible paid-in share capital increase for a maximum amount, including share premium, of Euro 10,400,000, to be reserved for the exercise of 800,000 *"Aquafil S.p.A. Sponsor Warrants",* through the issue of a maximum 800,000 ordinary shares, without nominal value, at a price of Euro 13.00, through the allocation of Euro 1.00 as the implied par value and Euro 12.00 as the share premium.

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

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

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

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

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

2.2 RESTRICTION ON THE TRANSFER OF SHARES (AS PER ARTICLE 123-*BIS*, PARAGRAPH 1, LETTER B), CFA)

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

It is recalled that Space Holding, the promotor of Space2, undertook a lock-up commitment with the Issuer on the ordinary Aquafil shares from the conversion [of special Space3 shares] under the Merger, as per the following terms and conditions: (i) with regards to the 630,000 ordinary Aquafil shares from the conversion, in compliance with Article 5.4, letter (f), point (ii) of the By-Laws [*pro tempore*], of 140,000 [Space3 special shares] at the Effective Merger Date, the lock-up commitment has a duration of 12 months from the Effective Merger Date; (ii) with regards to the 810,000 Aquafil shares from the conversion, in compliance with Article 5.4, letter (f), point (iii) of the By-Laws [*pro tempore*], of 180,000 [Space 3 special shares] at the Effective Merger Date, the lock-up commitment has a duration of 12 months from the Effective Merger Date; and (iii) with reference to the Aquafil ordinary shares from the conversion of the C Shares on the occurrence of the other events indicated at Article 5.5 of the By-Laws, the lock-up commitment will have a duration of 6 months from the relative conversion, subject to the fact that wherever the conversion is based on the other events at Article 5.5 of the By-Laws within the 12 months subsequent to the Effective Merger Date, the lock-up commitment with regards to the shares from this conversion will be considered undertaken until the latter between (a) 12 months from the Effective Merger Date and (b) 6 months from the conversion. At the Reporting date, only the agreement referred to in the preceding point (iii) remains effective.

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

2.3 SIGNIFICANT HOLDINGS (AS PER ARTICLE 123-*BIS*, PARAGRAPH 1, LETTER C), CFA)

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

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

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

SIGNIFICANT SHAREHOLDINGS

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

2.4 SHARES WHICH CONFER SPECIAL RIGHTS (AS PER ARTICLE 123-*BIS*, PARAGRAPH 1, LETTER D), CFA)

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

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

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

2.5 EMPLOYEE SHAREHOLDINGS: METHOD FOR THE EXERCISE OF VOTING RIGHTS (AS PER ARTICLE 123-*BIS*, PARAGRAPH 1, LETTER E), OF THE CFA)

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

2.6 VOTING RESTRICTIONS (AS PER ARTICLE 123-*BIS*, PARAGRAPH 1, LETTER F), CFA)

There are no restrictions on voting rights for holders of ordinary shares and/or B Shares. For completeness, the C Shares are without voting rights at the ordinary and extraordinary shareholders' meetings of the company;

2.7 SHAREHOLDER AGREEMENTS (AS PER ARTICLE 123-*BIS*, PARAGRAPH 1, LETTER G), CFA)

On June 15, 2017, as part of the Transaction, Aquafin Holding S.p.A., Adriano Vivaldi, Edi Kraus, Fabrizio Calenti, Franco Rossi, Sergio Calliari, Space 3, Space Holding and TH IV S.A. signed a Shareholder Agreement, entering into force on the Effective Merger Date and with a duration of 3 years, and consisting of a number of significant conditions in accordance with Article 122, paragraph 5 of the CFA.

Specifically, the Shareholder Agreement concerns: *(i)* the appointment and composition of the Board of Directors and of the Board of Statutory Auditors of the company resulting from the Merger (i.e. the Issuer); and *(ii)* the circulation of the shares of the company resulting from the Merger (i.e. the Issuer).

In accordance with the Shareholder Agreement, Aquafin Holding has, *inter alia*, undertaken commitments to ensure that the Board of Directors of the company, until the approval of the Aquafil 2019 Annual Accounts, contains 2 directors appointed by Space Holding, of which 1 belonging to the under-represented gender and independent pursuant to applicable regulations.

In particular, Aquafin Holding undertook commitments to Space Holding with regards to the appointment of the Board of Statutory Auditors with effect from the approval date of Aquafil's 2019 Annual Accounts.

In compliance with the Shareholders' Agreement, the above lock-up commitments were also undertaken.

Pursuant to Article 122 of the CFA, on June 20, 2017 an extract of the Shareholder Agreement was published in the daily newspaper "Il Sole 24 Ore", in accordance with Article 129 of the Issuers' Regulation, and the key information relating to the Shareholder Agreement was published on the Aquafil's website at www.aquafil.com,, in accordance with Article 130 of the Issuers' Regulation.

2.8 CHANGE OF CONTROL CLAUSES (AS PER ARTICLE 123-*BIS*, PARAGRAPH 1, LETTER H), OF THE CFA) AND STATUTORY PROVISIONS ON PUBLIC PURCHASE OFFERS (AS PER ARTICLE 104, PARAGRAPH 1-*TER* AND 104-*BIS*, PARAGRAPH 1, OF THE CFA)

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

Loan contracts

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

(in migliaia di Euro)	Original amount	Granting	Maturity
Fixed rate medium/long-term bank loans			
Banca Intesa	10,000	2016	2021
Banca Intesa	15,000	2018	2024
Mediocredito Trentino Alto Adige	3,000	2017	2021
Banca Nazionale del Lavoro	7,500	2018	2024
Banca Nazionale del Lavoro	12,500	2018	2024
Credito Valtellinese	15,000	2018	2023
Deutsche Bank	5,000	2016	2020
Banca di Verona	3,000	2019	2024
Cassa Centrale Banca - Credito Cooperativo del Nord Est (ex Casse Rurali Trentine)	15,000	2019	2026
Variable rate medium/long-term banks loans			
Banca Popolare di Milano	25,000	2018	2025
Cassa Risparmio di Bolzano	20,000	2018	2024
Cassa Centrale Banca - Credito Cooperativo del Nord Est (ex Casse Rurali Trentine)	5,000	2017	2021
Banca di Verona	3,500	2016	2022
Banca di Verona	15,000	2017	2024
Deutsche Bank	5,000	2018	2023
Credit Agricole Friuladria (ex Banca Popolare Friuladria)	10,000	2017	2024
Credito Valtellinese	3,000	2017	2022
Banca Intesa (ex Veneto Banca)	3,000	2017	2021
Monte dei Paschi	15,000	2018	2023
Crediti Emiliano	5,000	2018	2021
Cassa Rurale Raiffeisen Alto Adige	3,000	2017	2022
Banca Popolare di Sondrio	5,000	2017	2022
Banca Popolare di Milano	15,000	2019	2025
Banca Popolare Emilia Romagna	10,000	2019	2024
Credit Agricole	10,000	2019	2025
Banca del Mezzogiorno	10,000	2019	2025

In addition, at the Reporting date, the Company had issued two bonds:
- for Euro 50 million with maturity on March 20, 2029;
- for Euro 40 million with maturity on May 24, 2029.

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

Contracts and Agreements

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

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

Public Purchase Offer

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

2.9 POWER TO INCREASE THE SHARE CAPITAL AND AUTHORISATION TO PURCHASE TREASURY SHARES (AS PER ARTICLE 123-*BIS*, PARAGRAPH 1, LETTER M), CFA)

2.9.1 Share capital increases

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

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

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

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

2.9.2 Treasury shares

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

2.10 MANAGEMENT AND CO-ORDINATION (AS PER ARTICLE 2497 AND SUBSEQUENT OF THE CIVIL CODE)

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

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

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

* * *

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

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

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

This Report reflects and illustrates the corporate governance structure applied by the company in accordance with the Code, available at http://www. borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/codice2015.pdf.

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

Aquafil S.p.A. and its strategic subsidiaries — as identified by the Board of Directors motion of February 14, 2020, i.e. Aquafil USA, Aquafil SLO doo and Aquafil Synthetic Fibres and polymers (Jiaxing) Co., Ltd — as far as the Board of Directors is aware, are not subject to laws in force outside Italy which affect the corporate governance structure of the company.

4. BOARD OF DIRECTORS

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

4.1 APPOINTMENT AND REPLACEMENT (AS PER ARTICLE 123-*BIS*, PARAGRAPH 1, LETTER L), CFA)

The company is administered by a Board of Directors made up of between 8 and 15 members. The Shareholders' Meeting establishes the number of members on the Board of Directors, which remains in place until otherwise resolved.

All directors must satisfy the eligibility and good standing requirements established by applicable law and other provisions. In addition, in accordance with the legal and regulatory requirements, a number of directors should be independent.

The Shareholders' Meeting appoints the Board of Directors on the basis of slates presented by the shareholders, in accordance with the procedure set out in the following paragraphs, except where otherwise established by obligatory laws or regulations.

Shareholders can present a slate for the appointment of Directors who, alone or together with other presenting shareholders, have a shareholding at least equal to that determined by Consob in accordance with applicable provisions and regulations (which for the company with regards to 2019 is 2.5% of the share capital considering the share capital comprised of listed shares). Ownership of the minimum shareholding is determined according to the shares that are registered in favour of the shareholder on the day in which the slates are filed with the issuer; certification can also be presented subsequent to the filing provided that it is within the deadline for the publication of the slates.

The slates must be filed at the registered office of the company according to the manner prescribed by current regulations, at least twenty-five days prior to the Shareholders' Meeting called to appoint the directors. The slates must be made available to the public by the Company at least twenty-one days prior to the Shareholders' Meeting in accordance with the manner prescribed by current regulations.

The slates provide for a number of candidates not above 15, each listed by progressive number. The slates may not be composed of candidates only from the same gender (masculine or feminine); each slate must include a number of candidates of the under-represented gender to guarantee the composition of the Board of Directors in accordance with legal and regulatory provisions in relation to gender equality (masculine and feminine), rounded upwards.

The following must be attached to each slate, or else shall be considered as not presented:
- curriculum vitae of the candidates;
- declarations of the individual candidates, in which they accept their candidature and certify, under their own responsibility, the inexistence of any cause of ineligibility or incompatibility, as well as the satisfaction of the requirements prescribed by applicable regulations for the office of Director of the company, including where applicable, declarations on the independence of candidates;
- the shareholders who have presented the slates and their total shareholding;
- any other further declaration, disclosure and/or document required by law and applicable regulatory rules.

Individual Shareholders, shareholders belonging to the same group or members of a shareholder agreement pursuant to Article 122 of the CFA, may not present or be involved in the presentation, even through nominees or trust companies, of more than one slate or vote on other slates; in addition, each candidate may only be present on one slate, at the risk of being declared ineligible.

The candidates elected at the end of the voting shall be those on the two slates that have obtained the highest number of votes as follows: *(i)* from the slate which obtained the highest number of votes (the "Majority Slate"), all the directors shall be elected in progressive number, less one; and *(ii)* from the slate which obtained the second highest number of votes and that is not associated, even indirectly, with the shareholders who presented or voted for the Majority Slate (the "Minority Slate") one director shall be elected, being the first candidate indicated on the slate.

Consideration is not taken of the slates which have not obtained at least half of the votes required for the presentation of slates.

Should two slates receive the same number of votes, a second vote of the entire Shareholders' Meeting shall decide, with the candidate being elected by means of a simple majority of the votes.

If voting does not result in compliance with legal and regulatory provisions in relation to gender equality (including rounding up where necessary in relation to the under-represented gender), the elected candidate appearing last on the Majority Slate of the over-represented gender is excluded and will be replaced by the first candidates from the same slate belonging to the other gender. Where it is not possible to implement this replacement procedure in order to guarantee compliance with legal and regulatory provisions concerning gender equality, the non-elected directors will be elected by the Shareholders' Meeting through ordinary majority, with presentation of candidates belonging to the under-represented gender.

Where the candidates elected do not ensure the number of independent directors as required by applicable regulations, the non-independent candidate(s) elected last in progressive order of the Majority Slate will be replaced by the first independent candidate according to the progressive numbering not elected in the same Majority Slate. Where this procedure does not ensure the required number of independent directors, the Shareholders' Meeting will elect in accordance with ordinary majority, with presentation of independent candidates.

Where only one slate is presented, the Shareholders' Meeting will vote on that slate and, where this slate receives the majority of the votes, all the members of the Board of Directors will be taken from this slate in accordance with applicable law and regulations, including gender equality regulations (rounded upwards where resulting in a fraction).

In the absence of slates, or where only one slate is presented and this slate does not receive the majority of the votes, or where the number of directors elected based on the slates presented is below the number of members to be elected, or where the entire Board of Directors need not be re-elected, or where it is not possible for whatever reason to proceed with the nomination of the Board of Directors with the above-mentioned procedures, the members of the Board of Directors will be appointed by the Shareholders' Meeting through ordinary majority, without application of the slate voting mechanism, subject to the obligation to maintain the minimum number of independent directors established by law and in accordance with applicable law and regulations in relation to gender equality.

The directors are elected for a period, established by the Shareholders Meeting, of not greater than three years from the acceptance of their office and until the date of the Shareholders' Meeting for the approval of the annual accounts for the last year of their appointment.

Where over half the directors appointed by the Shareholders' Meeting resign, the entire Board shall be deemed to have vacated office with effect from the re-appointment of the Board of Directors and the remaining directors must promptly call a Shareholders' Meeting for the appointment of the new Board of Directors.

In the event that, for whatever reason, one or more directors are no longer sitting, the Board of Directors will proceed with co-option, where possible, from among the non-elected candidates from the slate from which the director leaving office had been elected, according to the progressive numbering of the slate, while maintaining the obligation of a minimum number of independent directors as established by law, considering also the share segment, and in accordance with the applicable law and regulations on gender equality quotas.

The Board of Directors elects a Chairman from among its members, who remains in this position for the duration of the Board's mandate.

4.2 COMPOSITION (AS PER ARTICLE 123-*BIS*, PARAGRAPH 2, LETTER D), CFA)

4.2.1 Members of the Board of Directors

The Board of Directors of the company is comprised of a minimum of 8 and a maximum of 15 members. The number of members is established by the Shareholders' Meeting.

As required by the Code, the Board of Directors consists of executive and non-executive directors; the number, the expertise, the authority and the availability of time of the non-executive directors is such to guarantee that their opinion can have a significant impact on board motions.

The Shareholders' Meeting of the Issuer of July 27, 2017 appointed the Board of Directors, entering office on the Effective Merger Date. In particular, the Shareholders' Meeting of the Issuer set the number of the members of Aquafil's Board of Directors as nine, establishing their term in office as three financial years from the Effective Merger Date.

Subsequently, by implementing the slate voting system provided for by Article 11 of the By-Laws *pro tempore*, the Shareholders' Meeting appointed the Board of Directors of Aquafil with effect from the Effective Merger Date. In particular, the members of the Board of Directors came from the slate presented by the exiting Board of Directors (as per Article 11.3 of the By-Laws applicable *pro-tempore*), as no other slate was presented in accordance with the applicable rules and regulations.

The Board of Directors comprises, also in view of the gender equality regulation at Article 147 *ter*, paragraph 1 *ter* of the CFA, 9 Directors, of which 4 executive, as follows:

Office	**Name**	**Place and date of birth**	**Date of appointment**
Chairman & Chief Executive Officer	Giulio Bonazzi	Verona, July 26, 1963	July 27, 2017
Executive Director	Adriano Vivaldi	Riva (Trento), December 15, 1962	July 27, 2017
Executive Director	Fabrizio Calenti	Turin, August 20, 1957	July 27, 2017
Executive Director	Franco Rossi	Milan, November 2, 1959	July 27, 2017
Director	Silvana Bonazzi	Bussolengo (Verona), February 27, 1993	July 27, 2017
Director	Simona Heidempergher	Milan, November 1, 1968	July 27, 2017
Director	Carlo Pagliani	Milan, January 25, 1962	July 27, 2017
Director	Margherita Zambon	Vicenza, November 4, 1960	July 27, 2017
Director	Francesco Profumo	Savona, May 3, 1953	July 27, 2017

The Board of Directors shall remain in office until the approval date of the 2019 Annual Accounts.

All members of the Board of Directors possess the standing requirements set out for control members with regulation of the Italian Ministry of Justice pursuant to Article 148, paragraph 4, of the CFA.

In addition, the Independent Directors Heidempergher, Zambon and Profumo declared their independence in accordance with Article 147-*ter*, paragraph 4 of the CFA and Article 3 of the Code.

The Non-executive and independent directors bring their specific expertise to Board discussions, contributing to the making of decisions in the company's interest.

The Directors act and deliberate in a knowledgeable and independent manner, pursuing the creation of value for the shareholders. They execute the role in the certainty of having the necessary time available to diligently perform their duties.

The Chairman coordinates activities and leads the Board of Directors' meetings and ensures that its members are informed appropriately in advance on the significant matters to be discussed and with regards to useful elements for constructive involvement, subject to necessity, urgency or confidentiality.

The Chairman, in addition, through the competent company functions, ensures that the Directors are involved in initiatives which improve their knowledge of the entity and its dynamics and that they are informed upon major legislative and regulatory developments regarding the company and the corporate boards.

The table on the following page provides further clarifications upon the Board of Directors' composition.

At the Reporting date, there were no changes to the Board of Directors.

The company highlights that no specific policies were adopted in terms of diversity, although it points out that the appointments of the members of administrative and control boards were driven by also taking account - in addition to applicable legal provisions - of: candidates' age (having therefore considered their possible experience and professional contribution) and individuals' training.

Taking into consideration the company's successful experience over the first three years of listing 2017-2019, the Board of Directors expects to be able to continue on this track in the year 2019.

Board of Directors

Office	Members	Year of birth	Date first appointment (*)	In office from
Chairman & Chief Executive Officer	Bonazzi Giulio	1963	27/07/2017	4/12/2017
Executive Director	Vivaldi Adriano	1962	27/07/2017	4/12/2017
Executive Director	Calenti Fabrizio	1957	27/07/2017	4/12/2017
Executive Director	Rossi Franco	1959	27/07/2017	4/12/2017
Director	Bonazzi Silvana	1993	27/07/2017	4/12/2017
Director	Heidempergher Simona	1968	27/07/2017	4/12/2017
Director	Pagliani Carlo	1962	27/07/2017	4/12/2017
Director	Zambon Margherita	1960	27/07/2017	4/12/2017
Director	Profumo Francesco	1953	27/07/2017	4/12/2017

Number of meetings held in the Reference Year: 6 **Control, Risks Committee & RPT Committee: 7**
Appointments and Remun. Committee: 3

Board of Directors

In office until	Exec.	Non Exec.	Ind. Code	Ind. CFA	Control and Risks Committee	Appointments and Remun. Committee
App. Accounts 31/12/2019	X					
App. Accounts 31/12/2019	X					
App. Accounts 31/12/2019	X					
App. Accounts 31/12/2019	X					
App. Accounts 31/12/2019		X				
App. Accounts 31/12/2019		X		X	X	X
App. Accounts 31/12/2019		X			X	
App. Accounts 31/12/2019		X		X		X
App. Accounts 31/12/2019		X		X	X	X

For further information on the slates filed for the appointment of the Board of Directors reference should be made to the website of the Company www.aquafil.com, where the professional curricula vitae of each director is available.

4.2.2 Maximum number of offices held in other companies

The Board of Directors has not defined the general criteria relating to the maximum number of offices of administration and control in other companies that may be considered compatible with the proper carrying out of their duties as directors of the company.

This decision was based on the Board's consideration that it was more appropriate for each Director to decide whether the office of Director or Statutory Auditor is compatible with positions held in other listed companies on regulated markets (including overseas), in financial, banking, insurance or large companies, with the diligent undertaking of their duties as Director of the Issuer.

This assessment is undertaken on an annual basis during the disclosures of the offices held by the Directors and, in the event of incompatibility arising, each Director will present to the Board any situations of accumulated offices not compatible which will be assessed on a case by case basis by the Board.

The Board meeting of December 4, 2017 assessed the offices held by its Directors in other companies, and considered the composition of the Board in accordance with the provisions of law and regulations, as well as compatible with an efficient undertaking of their duties as Director of the Issuer.

In relation to offices held by Directors of the Issuer in companies listed on regulated markets (including abroad) in financial, banking and insurance companies or companies of significant size, other than those belonging to the Group, reference should be made to the Prospectus (p.379-384), which is still current and which may be viewed on the company website (www.aquafil.com).

4.2.3 Induction Programme

The Board meetings, for their content and frequency, permits the Directors to receive adequate information on the sector in which the Issuer operates, on the business operations and their performances, on the principles of correct risk management, as well as the relative regulatory framework.

The induction process began in 2018, when the Board of Directors met in Phoenix (Arizona), visiting one of the Group plants, so as to have a more practical understanding of one of the specific sectors in which the Issuer undertakes its activities and to better understand the underlying business operations and relative developments.

Subsequently, at the Board of Directors meeting of November 14, 2019, a plant visit was organised at Lubiana (Slovenia) to concretely improve knowledge of the ECONYL® regeneration process, while training was also undertaken with an expert corporate governance lawyer on the main governance and risk management issues.

4.2.4 Board Evaluation

The Board of Directors carried out a self-assessment as per the Self-Governance Code.

Approved on November 14, 2019, the process was carried out internally with the drafting of a questionnaire which also takes into account the recommendations outlined in the Chairperson's Letter of the Corporate Governance Committee of December 19, 2019 and examining seven macro-areas of interest. This questionnaire was validated by the Chairperson of the Appointments and Remuneration Committee Mr. Profumo.

The responses were provided through: *(i)* integration into a single document of the individual responses provided by Directors, both in terms of the numeric assessment and the comments received; *(ii)* calculation of the assessment averages, both for the individual questions and for the areas of analysis; and finally, *(iii)* the collation and summary of the comments into individual profiles.

The results were therefore analysed by the Appointments and Remuneration Committee, and were subsequently presented to the Chairperson of the Board of Directors.

The Board Evaluation process was finalised at the meeting of March 13, 2020, informing the Board of Directors on how all areas of analysis returned more than satisfactory feedback, as well as ideas for improvement.

4.3 ROLE OF THE BOARD OF DIRECTORS (AS PER ARTICLE 123-*BIS*, PARAGRAPH 2, LETTER D OF THE CFA)

4.3.1 Powers attributed to the Board of Directors

The Board shall have the widest powers of ordinary and extraordinary administration of the company, with the power to carry out all acts it deems appropriate for attaining the corporate scope, with the sole exclusion of those attributed by law to the Shareholders' Meeting.

The Board of Directors, in accordance with Article 2365, paragraph 2 of the Civil Code is also empowered to pass the following motions, without prejudice to the concurrent competence of the Shareholders' Meeting: *(i)* the opening and closing of secondary offices; *(ii)* the appointment of directors as company representatives; *(iii)* the reduction of the share capital in the case of withdrawal of the shareholders; *(iv)* the transfer of the registered office within the national territory, *(v)* the merger of the company in the cases established by Articles 2505 and 2505-*bis* of the Civil Code, also with regards to that stated, for spin-offs, by Article 2506-*ter*, final paragraph; and *(vi)* amendment of the By-Laws in accordance with regulatory provisions.

The Board has a central role in operating activities, overseeing the various functions and is responsible for the organisational and strategic guidelines, as well as for verifying the existence of the necessary controls to monitor the performance of the Issuer and the Group.

The remit of the Board includes the review and approval of the strategic, industrial and financial plans of the Issuer and of the Group, periodically monitoring their implementation.

The Board also defines the corporate governance system of the Issuer and the structure of the Group.

In accordance with the regulatory provisions and the Code, the Board reviews and approves in advance the Issuers' and its subsidiaries' operations, when having a significant strategic, economic or financial importance for the Issuer, paying particular attention to the situations in which one or more directors have an interest on their own behalf or on behalf of third parties.

The Board has not established criteria for the identification of transactions which have significant strategic, economic, equity or financial importance for the Issuer, in that these transactions, where not within the powers conferred to the Chief Executive Officer, are within the remit of the Board.

This ensures that, with the exception of the powers expressly conferred to the Chief Executive Officer and the Executive Directors (listed in detail in paragraph 4.4.1 below), the Board of the Issuer reviews and assesses the most significant transactions which guarantees constant monitoring of the operating performance and taking an active part in the principal business decisions.

In relation to the management of conflicts of interest and related party transactions of the Issuer and of the Group, reference should be made to paragraph 13 below.

In compliance with Article 2381 of the Civil Code and application criterion 1.C.1., letter c) of the Code, the Board periodically assessed the adequacy of the organisational, administration and general accounting system of the Issuer, with particular reference to the internal control and risk management system, in accordance with the procedures adopted by the Issuer.

In the undertaking of these activities the Board shall be assisted, on a case by case basis, by the Control and Risks Committee, the Internal Audit Manager and the Executive Officer, as well as the procedures and verifications implemented in accordance with Law 262/2005.

Simultaneously, the Board at least quarterly shall assess the general operational performance, taking into account, in particular, the information received from the Chief Executive Officer and the Executive Directors, as well as periodically, comparing the results with the budgets.

Similarly, the Board shall undertake their annual assessment, in accordance with application criterion 1.C.1. letter g) of the Code, in order to establish whether the size, the composition and the functioning of the Board and of its committees shall be adequate in relation to the operational and organisational needs of the company, also taking into account the professional characteristics, experience, including managerial and sectorial, of its members as well as the presence, of a total of 9 directors, of 5 Non-Executive Directors (of which 3 independent), capable of influencing, for their number and authority, the Board decisions and contributing their specific know-how and which also guarantees an appropriate composition of the Committees within the Board.

As of the date of this Report, the Shareholders' Meeting has not authorized any general and pre-emptive departure from the competition restrictions envisaged by Article 2390 of the Italian Civil Code.

4.3.2 Procedures and frequency of board meetings

The validity of Board motions requires the presence of a majority of its members in office, with motions passed by a majority of those present.

The Board of Directors elects a Chairman from among its members, who remains in this position for the duration Board of Directors.

Under Article 12 of the By-Laws, the Board of Directors may delegate part of its powers to an Executive Committee, determining the limits of such mandate as well as the number of members of the committee and its operating procedures.

The Board of Directors may appoint one or more executive directors, granting them the relevant powers and conferring to one of them, where applicable, the role of Chief Executive Officer. In addition, the Board of Directors may also establish one or more committees with consulting, advisory, or audit functions in accordance with applicable laws and regulations. The Board of Directors may also appoint General Managers, defining their powers and granting powers of attorney to third parties for certain acts or categories of acts.

Under Article 13 of the By-Laws, the Board of Directors meets at the company's registered office or another location, whenever the Chairman deems it necessary or whenever a request is made by the Chief Executive Office, if appointed, or by at least two of its members or by the Board of Statutory Auditors.

The calling of the Board of Directors is made by the Chairman or, if absent, by the Chief Executive Officer, with notices to be sent, by letter, telegram, fax or email with proof of receipt, to the domicile address of each director and statutory auditor at least five days before the date set for the meeting; in case of urgency, the calling of the Board of Directors may be made at least two days before the date set for the meeting. The meeting of the Board and its motions are valid, even in the absence of formal call, where all directors in office and the majority of the Board of Statutory Auditors are in attendance, as long as the absent members of the Board of Statutory Auditors have been informed in advance of the meeting and are not opposed. In these cases (i) any of the attendees may oppose the discussion and voting of the matters on which they have not been adequately informed; and (ii) the motions undertaken should be communicated in a timely manner to the absent statutory auditors. In the absence of the Chairman, the chair of the meeting is assumed by the Chief Executive Officer, if appointed, or failing that the most senior director.

The meetings of the Board of Directors may also be held by audio or video conference, provided that: (i) the Chairman and the Secretary, if appointed, are present in the same location and write and sign the minutes, verifying that the meeting was held in that location; (ii) the Chairman of the meeting may verify the identity of the participants, direct the course of the meeting and witness and announce the results of the voting; (iii) the person taking the minutes may adequately observe the events of the meeting to be recorded in the minutes; and (iv) participants may participate in the discussion and the simultaneous voting on the matters on the agenda, as well as view, receive or transmit documents.

The Board of Directors, after prior mandatory consultation with the Board of Statutory Auditors, shall appoint an Executive Officer responsible for the preparation of the financial statements, in accordance with Art. 154-bis of the CFA (the Executive Officer), granting this person the adequate means and powers for the accomplishment of the tasks assigned.

In 2019, the Board of Directors met on 6 occasions, with an average meeting duration of approx. 3 hours and a 100% participation rate for all directors.

For 2020, the Board of Directors has already met twice (including the meeting held today) and are expected to meet at least 3 more times (according to that stated in the approved financial calendar).

The meetings were appropriately minuted.

The Chairman of the Board of Directors ensured that the documentation relating to the matters on the agenda was made available to the directors and statutory auditors with sufficient time before the date of each Board meeting. The timeliness and completeness of pre-meeting information is guaranteed by communication of the documentation with an advance of at least 2 days before the date of the meeting of the Board of Directors. This timeframe was always respected, reporting an average of 3 days in advance, while aiming for 4 days in order to meet the Issuer's firm commitment to make pre-meeting information flows increasingly efficient.

In addition, the Chairman of the Board ensured that sufficient time was provided to the matters on the Agenda in order that all the Directors may contribute, thereby guaranteeing, constructive debate in the Board meetings.

Executives of the Issuer attended Board meetings in order to provide detailed information on matters on the Agenda.

In general, the Chief Executive Officer and the Executive Directors ensure - within their respective scopes - that the executives are available to attend Board meetings so that valuable contributions may be made, in particular for the non-executive Directors to acquire adequate information on the operations of the Issuer.

The Executive Officer appointed normally attends the Board of Directors' meetings.

4.4 EXECUTIVE BODIES

In accordance with the By-Laws, the Board of Directors may delegate part of its powers to an Executive Committee, determining the limits of such mandate, as well as the number of members of the committee and its operating procedures.

Under Article 12.3 of the By-Laws, the Board of Directors may appoint one or more executive directors, granting them the relevant powers and conferring to one of them, where applicable, the role of Chief Executive Officer. In addition, the Board of Directors may also establish one or more committees with consulting, advisory, or audit functions in accordance with applicable laws and regulations. The Board of Directors may also appoint General Managers, defining their powers and granting powers of attorney to third parties for certain acts or categories of acts.

Under Article 12.4 of the By-Laws, the Chairman of the Board of Directors is the legal representative of the company in dealings with third parties and in legal matters (with the right to appoint lawyers and attorneys-of-record). Representation also rests with the directors who have delegated powers granted by the Board of Directors, with the General Managers, proxies and attorneys-in-fact, within the limits of the powers conferred to them.

4.4.1 Chief Executive Officer and Executive Directors

On December 4, 2017, the Board of Directors appointed Giulio Bonazzi as Chief Executive Officer and Adriano Vivaldi, Fabrizio Calenti and Franco Rossi as Executive Directors, assigning the powers outlined below.

The Chief Executive Officer is the main party responsible for the management of the Issuer. There are no interlocking directorates as per Criteria 2.C.5. of the Code.

(a) Powers of the Chief Executive Officer Giulio Bonazzi

all powers for the company's ordinary and extraordinary administration (with the sole exception of those that the By-Laws, the law or the Self-Governance Code reserve exclusively to the Board of Directors and the Shareholders' Meeting). In particular, Director Giulio Bonazzi is granted, including, and without limitation, full powers to manage the following areas, activities and corporate functions:

a) commercial, promotional, marketing and communication activities;
b) production and logistics activities;
c) financial and operational purchasing and/or sale and/or trade and/or leasing activities, and in any case, including through the signing of related lease and/or lease of use contracts and/or any contract, document or instrument required, of (a) movable assets (including those registered), (b) real estate, (c) services of any type and nature, (c) utilities, (d) rights and obligations of any nature and type, and (e) in any case, all that is deemed necessary by the Director for the company's management;
d) the acquisition and/or sale of corporate holdings of any type up to a maximum of Euro 25,000,000 per transaction and the disposal of the Company's strategic assets up to a maximum of Euro 25,000,000 per transaction, together with the establishment and dissolution and/or the liquidation of investee companies;
e) activities related to financial transactions, including, without limitation: (i) to request and obtain bank credit facilities and/or short, medium and long-term financing of any kind and nature; (ii) to open, close and change bank current accounts of any kind and to make deposits and withdrawals (by obtaining associated instruments such as bank cheques or bank drafts and any other instrument deemed necessary for this purpose); (iii) to submit, recall or defer bills of any kind for discount or collection; (iv) to carry out factoring transactions of any form and type; (v) to grant, where necessary and/or required for financing activities, any and all kinds of guarantor, guarantee and any other type of commitment, including collateral security, both on real estate and movable assets (including, but not limited to, the creation of liens and mortgages, *etc.*);
f) activities related to the assumption of guarantor and/or guarantee commitments of any kind in respect of third parties to guarantee the obligations assumed by the company's subsidiaries (directly or indirectly) or the obligations assumed by third parties, up to a maximum of Euro 15,000,000 per transaction;
g) activities connected to the issue of declarations of conformity (and/or any associated or related declaration) for products marketed by the company;
h) activities related to any operation or fulfilment of any kind and nature, to be carried out with both national and international government entities at all levels, supervisory authorities and/or surveillance authorities;
i) to represent the company in court and out of court in all matters and before national and international courts of all types and at all levels, both as the plaintiff and the defendant, with the power (without limitation) to appoint lawyers, attorneys-of-record, consultants and arbitrators, elect domicile, file complaints and lawsuits, bring civil actions, propose petitions and appeals, undertake and request procedural acts or protective, executive and insolvency measures, represent the company in court whenever the law or the court requests the participation of the company's legal representative, and to confer all powers upon any appointed attorneys-of-record, including the definition of rights in disputes, with the power to reconcile, settle, issue receipts, withdraw from proceedings, accept waivers and perform any other necessary act;
j) to represent the company at the shareholders' meeting of Italian and foreign investee companies, in any jurisdiction; and
k) activities related to personnel management in all respects, including, but not limited to, recruitment, dismissals, changes to any type of role, grading, duties and remuneration, as well as in connection with the management of trade union relations of all types and levels;

all this: (a) with the company's representation for all purposes, within the scope of the powers conferred, in respect of any third party, including, without limitation, any national or international authority, including, without limitation, civil, administrative, judicial, social security and insurance Authorities or Entities of any level, as well as tax and registry offices and, in general, the State Financial Administration, the central and peripheral offices of the *Cassa Depositi e Prestiti* (Deposit and Loan Bank), State Treasuries, Regions, Provinces and Municipalities as well as regional or trade Industrial Associations; (b) with the power to confer mandates and grant powers of attorney, according to the terms deemed most suitable by the director, for individual acts or categories of acts (or matters), within the scope of the powers conferred, as well as to revoke and/or modify them; (c) with all the necessary, useful or appropriate powers, without any limitation and including those not expressly mentioned, for the purposes of exercising the powers conferred, including, but not limited to, the power to sign, supplement and amend any and all deeds, attestations, declarations or documents and to perform all acts and actions that may be necessary, useful or even solely suitable for this purpose.

(b) Powers of the Executive Director Adriano Vivaldi

All powers for the ordinary and extraordinary management of the following business areas of the company and the Aquafil Group: administration, finance, control, legal, human resources and information and communication technology. In particular, within the scope of the foregoing, the broadest powers are attributed (without limitation) in relation to the following:

a) with regard to the administration activity's management, the broadest and full powers to organise, manage and supervise the activities of the company and the Group, ensuring the company's full compliance with applicable regulations through, *inter alia,* the correct management of relations with suppliers and customers, the drafting and relative submission of each declaration and/or in general any documentation for tax purposes, within the deadlines and in the manner prescribed by applicable regulations (in any case, including the power to make use of external consultants, where necessary);

b) with regard to the financial activity's management, the broadest powers to organise, manage and supervise the activities of the company and the Group, by ensuring and maintaining a correct and effective financial management of the company (in any case, including the power to make use of external consultants, where necessary);
c) with regard to the control activity's management, the broadest powers to organise, manage and supervise the activities of the company and the Group, ensuring and maintaining a management control system in line with any applicable standard or regulation and which allows for timely, correct and effective information on the company and Group's performance (with the power to make use of external consultants, where necessary);
d) with regard to the legal activity's management, the broadest powers to organise, manage and supervise the activities of the company and the Group, ensuring and maintaining adequacy in respect of applicable regulations and ensuring the company and the Group's compliance and conformity thereof (with the power to make use of external consultants, where necessary);
e) with regard to the management of human resources, the broadest powers to organise, manage and supervise the company and the Group's employees at all levels, and carrying out any necessary operation for the purposes of their management in every area (with the power to make use of external consultants, where necessary);
f) with regard to the management of information and communication technology, the broadest powers to organise, manage and supervise such activities, ensuring and maintaining a technological and performance level that is at least in line with the sector in general;
g) In addition to the above, the Director is specifically conferred (with full representation of the company) with the following powers:
    (i) maintaining relations and representing the company in respect of any financing institution, company and/or entity, with full delegation to operate with them in order to *inter alia* : (i) request and obtain bank credit facilities and/or short, medium and long term financing of any kind and nature; (ii) open, close and change bank current accounts of any kind and make deposits and withdrawals, by obtaining and signing associated instruments such as bank cheques or bank drafts and any other instrument or document deemed necessary for this purpose; (iii) submit, recall or defer bills of any kind for discount or collection; (iv) carry out factoring transactions of any form and type; (v) order payments and collect payments relating to the company's suppliers and customers with all necessary instruments; (vi) make transfers. All this, with the power to grant, where necessary and/or required, any and all kinds of guarantor, guarantee and any other type of commitment, including collateral security, both on real estate and movable assets (such as, without limitation, liens, mortgages, *etc.*);
    (ii) represent the company in all matters before national and international government entities of any kind and nature, and supervisory and/or surveillance authorities by signing statements, including tax statements, of any type, nature and form;
    (iii) to represent the company in any matter in court and out of court and before national and international courts of all types and all levels, both as the plaintiff and the defendant, to appoint lawyers, attorneys-of-record, consultants and arbitrators, elect domicile, file complaints and lawsuits, bring civil actions, propose petitions and appeals, undertake and request procedural acts or protective, executive and insolvency measures, represent the company in court whenever the law or the court requests the participation of the company's legal representative, and conferring all powers upon any appointed attorneys-of-record, including the definition of rights in disputes, with the power to reconcile, settle, issue receipts, withdraw from proceedings, accept waivers and perform any other act necessary for this purpose;
    (iv) activities related to personnel management in all respects, including, but not limited to, recruitment, dismissals, changes to any type of role, grading, duties and remuneration, as well as in connection with the management of trade union relations of all types and levels;
    (v) activities related to the assumption of guarantor and/or guarantee commitments of any kind in respect of third parties to guarantee the obligations assumed by the company's subsidiaries (directly or indirectly) or the obligations assumed by third parties, up to a maximum of Euro 15,000,000 per transaction;
h) the acquisition and/or sale of corporate holdings of any type up to a maximum of Euro 25,000,000 per transaction and the disposal of the company's strategic assets up to a maximum of Euro 25,000,000 per transaction, together with the establishment and dissolution and/or the liquidation of investee companies;
i) to represent the company at the shareholders' meeting of Italian and foreign investee companies, in any jurisdiction;
j) financial and operational purchasing and/or sale and/or trade and/or leasing activities, and in any case including through the signing of related lease and/or lease of use contracts and/or any contract, document or instrument required, of (a) movable assets (including those registered), (b) real estate, (c) services of any type and nature, (c) utilities, (d) rights and obligations of any nature and type, and as deemed necessary by the director for the company's management;

all this: (a) with the company's representation for all purposes, within the scope of the powers conferred, in respect of any third party, including, without limitation, any national or international authority, including, without limitation, civil, administrative, judicial, social security and insurance Authorities or Entities of any level, as well as tax and registry offices and, in general, the State Financial Administration, the central and peripheral offices of the *Cassa Depositi e Prestiti* (Deposit and Loan Bank), State Treasuries, Regions, Provinces and Municipalities as well as regional or trade Industrial Associations; (b) with the power to confer mandates and grant powers of attorney, according to the terms deemed most suitable by the director, for individual acts or categories of acts (or matters), within the scope of the powers conferred, as well as to revoke and/or modify them; (c) with all the necessary, useful or appropriate powers, without any limitation and including those not expressly mentioned, for the purposes of exercising the powers conferred, including, but not limited to, the power to sign, supplement and amend any and all deeds, attestations, declarations or documents and to perform all acts and actions that may be necessary, useful or even solely suitable for this purpose.

(c) Powers of the Executive Director Fabrizio Calenti

All powers for the management of the following business areas of the company and the Aquafil Group: activities in the *NTF* product area and the maintenance and development of *ECONYL®* technology, with the assignment of the office of *President of NTF Econyl & technology*. In particular, within the scope of the foregoing, the broadest powers are attributed (without limitation) in relation to the activities indicated below:
a) commercial, promotion and marketing;
b) production and logistics;
c) product development and associated customer technical assistance;
d) technological development and baseline and application R&D activities;

e) the purchase and/or sale and/or trade and/or lease (with the exclusion of financial leasing) of (a) movable assets including those registered, (b) services of any kind and nature, (c) utilities, (d) rights and obligations of any nature and type, and as deemed necessary by the director, within the limits of the powers conferred;
f) those related to the issue of declarations of conformity (and/or any associated or related declaration) for products marketed by the company;

all this: (a) with the company's representation for all purposes, within the scope of the powers conferred, in respect of any third party, including, without limitation, any national or international authority, including, without limitation, civil, administrative, judicial, social security and insurance Authorities or Entities of any level, as well as tax and registry offices and, in general, the State Financial Administration, the central and peripheral offices of the *Cassa Depositi e Prestiti* (Deposit and Loan Bank), State Treasuries, Regions, Provinces and Municipalities as well as regional or trade Industrial Associations; (b) with the power to confer mandates and grant powers of attorney, according to the terms deemed most suitable by the director, for individual acts or categories of acts (or matters), within the scope of the powers conferred, as well as to revoke and/or modify them; (c) with all the necessary, useful or appropriate powers, without any limitation and including those not expressly mentioned, for the purposes of exercising the powers conferred, including, but not limited to, the power to sign, supplement and amend any and all deeds, attestations, declarations or documents and to perform all acts and actions that may be necessary, useful or even solely suitable for this purpose.

(d) Powers of Executive Director Franco Rossi
All powers to manage the company's dealings and relations with Group subsidiaries in North America and Mexico. In particular, within the scope of the foregoing, the broadest powers are attributed in relation to managing the company's relations with the Aquafil Group's subsidiary companies in North America and Mexico, including the power to represent the company at the shareholders' meetings of the Group's subsidiaries in the above-mentioned territories.

4.4.2 Chairman of the Board of Directors

On December 4, 2017, Giulio Bonazzi was appointed Chairman of the Board of Directors.

In view of the composition of the Board of Directors in office from the Effective Merger Date and the conferment of the above offices and powers, the conditions at Application Criterion 2.C.3 of the Self-Governance Code have been satisfied; in particular, the Director Giulio Bonazzi is the Chairman of the Board of Directors post-Merger and is principally responsible for company management.

In accordance with the Self-Governance Code, it was found necessary for the Board of Directors to designate Independent Director Simona Heidempergher as Lead Independent Director.

Under Article 12.4 of the By-Laws, the Chairman of the Board of Directors is the legal representative of the company in dealings with third parties and in legal matters (with the right to appoint lawyers and attorneys-of-record).

4.4.3 Executive Committee

Under Article 12.2 of the By-Laws, the Board may delegate some of its powers to an Executive Committee, determining the limits of the mandate, as well as the number of members and the operating procedures.

Pursuant to Article 2389 of the Civil Code, the remuneration of the Executive Committee members is to be decided by the Shareholders' Meeting.

At the Reporting date, an Executive Committee had not been established.

4.4.4 Reporting to the Board of Directors

Pursuant to Article 14.5 of the By-laws, the Board of Directors and the Board of Auditors are kept informed, inter alia by the persons with delegated powers, about the performance of the Company, its prospects and the transactions of greatest significance for its profitability, financial position or assets and liabilities effected by the Company or its subsidiaries; in particular, such persons report any transactions in which they have an interest, for their own account or on behalf of third parties, or that are influenced by the person, if any, who performs management and coordination activities. The communication shall be made in good time and, in any case, at least on a quarterly basis, either on the occasion of a meeting or by means of a written note.

From the beginning of their mandate, at least on a quarterly basis, the Chief Executive Officer and the Executive Directors reported in an adequate and timely manner to the Board of Directors and the Board of Statutory Auditors on the activities undertaken concerning the powers conferred and in a manner to permit the Board to express opinions in an informed manner on the matters under examination.

4.5 **OTHER EXCUTIVE DIRECTORS**

At the Reporting date, beyond the Chief Executive Officer and the Executive Directors, no other directors have been assigned delegated duties.

4.6 INDEPENDENT DIRECTORS

Pursuant to the combined provisions of Articles 147-*ter*, paragraph 4, and 148, paragraph 3, of the CFA and in accordance with the requirements of Article 2.2.3, paragraph 3, letter m) of the Borsa Italiana Regulation and Article IA.2.10. 6 of the Instructions to the Borsa Italiana Regulation, three independent directors currently hold office on the Board of Directors, in the persons of Simona Heidempergher, Margherita Zambon and Francesco Profumo.

The Board of Directors assesses the existence and permanence of the requirements above, also applying all the criteria as per the Self-Governance Code (application criteria 3.C.1 and 3.C.2) on the basis of the information that the parties are required to provide under their own responsibility, or of the information available to the Board of Directors.

With reference to the Board of Directors currently in office, it is noted that during the meeting of February 14, 2020 the Board carried out the necessary checks on the fulfilment of the independence requirements of the afore-mentioned directors.

The Board of Statutory Auditors verified the correct application of the criteria and procedures adopted by the Board of Directors to assess the independence of its members on March 4, 2020.

The meeting of December 5, 2019 involved only Independent Directors - in the absence of other Directors - whereby considerations were developed and thereafter reported to the Board of Directors, concerning: **(i)** the organisation of Committee and Board works; **(ii)** their functioning, highlighting in particular the appreciation for increasing the teaching content of meetings; **(iii)** considerations concerning possible corporate governance improvements.

4.7 LEAD INDEPENDENT DIRECTOR

Considering the composition of the Board of Directors in office from the Effective Merger Date, the conditions at Application Criterion 2.C.3 of the Self-Governance Code have been satisfied; in particular, the Chairman of the Board of Directors is principally responsible for company management. Therefore, on December 4, 2017 the Board of Directors appointed a lead independent director in the person of Independent Director Ms. Simona Heidempergher. In accordance with the provisions of the Code, the Lead Independent Director was tasked with the duties of collecting and co-ordinating the petitions and contributions of non-executive directors, in particular of the independent directors, as well as working with the Chairman of the Board of Directors to ensure that directors receive adequate and timely information and may call meetings of the independent directors to discuss the functioning of the Board and corporate operations.

4.8 GENERAL MANAGER

As of the date of this Report, the Board of Directors has not appointed any General Manager.

5. PROCESSING OF CORPORATE INFORMATION

During the year, the company carried out a review and updating of the procedures concerning the processing of corporate information, with the support of an outside legal consultant in order to take into consideration the new rules and the Consob Guidelines.

On February 14, 2020, the Board of Directors adopted the new version of the following procedures: *(i)* the Relevant Information Processing Policy ("**RIL**"); and *(ii)* the Inside Information Processing Policy, reviewing the previous regulatory framework as approved by the Board of Directors on September 12, 2017 and entering into force on the Effective Merger Date.

It is indicated therefore that at the date of this Report, the following procedures are in force:
(i) Inside Information Processing Policy;
(ii) Inside information processing policy; and
(iii) Internal dealing code of conduct.

5.1 RELEVANT INFORMATION PROCESSING POLICY

The objective of the Relevant Information Processing Policy ("**Relevant Information Policy**") is to set the maximum level of confidentiality for information for which — as established by the Consob Guidelines and the Relevant Information Policy — there is a reasonable possibility that at a later date it may come at an inside nature.

The Relevant Information Policy therefore governs the identification of "Relevant Information" of Addressees (as therein defined) and the definition of the "List of Relevant Information".

A copy of the Inside Information Policy is available on the website of the company www.aquafil.com – Procedures and Regulations Section.

5.2 INSIDE INFORMATION PROCESSING POLICY

The purpose of the Inside Information Processing Policy (the Inside Insider Information Processing Policy) is to prevent the release of Inside Information (as defined below) in an untimely, incomplete or inadequate manner, or in any case in such a way as to cause asymmetric information within the market.

In particular, the dissemination of Inside Information, as governed by the afore-mentioned Inside Information Policy protects the market and investors, assuring them adequate knowledge of the events concerning the Issuer on which to base their investment decisions.

It is also the objective of the Policy to prevent certain persons or categories of persons from using information not known to the public to make speculative transactions on the markets to the detriment of the investors without knowledge of such information.

A copy of the Inside Information Policy is available on the website of the company www.aquafil.com - Procedures and Regulations Section.

5.3 INTERNAL DEALING POLICY

In compliance with the provisions of the MAR Regulation, the company adopted an Internal Dealing Policy which is available on the company website www.aquafil.com - Procedures and Regulations Section.

In accordance with the provisions of the Internal Dealing Policy, the Disclosure Officer is the person appointed for the implementation of the above-mentioned Policy and the updating of the list of Covered Persons. In this regard, the Board of Directors of the Issuer confirmed the appointment of Ivan Roccasalva as Disclosure Officer on December 4, 2017.

6. INTERNAL COMMITTEES TO THE BOARD OF DIRECTORS (AS PER ARTICLE 123-*BIS*, PARAGRAPH 2, LETTER D), OF THE CFA)

The Board of Directors of Aquafil have set up the following committees:
- The Control and Risks Committee;
- Appointments and Remuneration Committee.

The Board has not indicated the need to currently establish a Related Party Transactions Committee, as such oversight is provided by the Control and Risks Committee.

7. APPOINTMENTS AND REMUNERATION COMMITTEE

7.1 COMPOSITION AND OPERATION (AS PER ARTICLE 123-*BIS*, PARAGRAPH 2, LETTER D) OF THE CFA)

In accordance with Article 2.2.3., paragraph 3, letter n) of the Stock Exchange Regulation, applicable to issuers with shares traded on the MTA, STAR segment, as well as in accordance with the provisions of Article 6 of the Code, the Board of the company set up an Appointments and Remuneration Committee.

The Appointments and Remuneration Committee was established on September 12, 2017 by Board of Directors motion becoming effective on December 4, 2017 (i.e. the Effective Merger Date).

With motion of December 4, 2017 (i.e. the Effective Merger Date), the Board of Directors of the company appointed the following Non-Executive Directors, a majority of whom independent, to the Appointments and Remuneration Committee:

Chairman	**Francesco Profumo (*)**
Member	Margherita Zambon
Member	Simona Heidempergher

(*) Person with adequate financial and remuneration policy knowledge and experience, as assessed by the Board of Directors meeting of December 4, 2017.

The meetings of the Appointment and Remuneration Committee are coordinated by its Chairman and minutes of the meetings are kept. The Chairman regularly provided information on the meetings held by the Committee at the next Board of Directors' meeting.

In 2019, the Appointments and Remuneration Committee met 3 times, on March 7, March 14 and November 13; the meetings lasted on average approx. 1 hour and with almost full participation (i.e. 98% attendance).

The Chairperson of the Board of Statutory Auditors and at least one other member of the Board of Statutory Auditors always attended the Remuneration Committee meetings.

In accordance with the combined provisions of Article 2.2.3, paragraph 3, letter n) of the Stock Exchange Regulations - applicable to the issuers with shares traded on the MTA, STAR segment - and application criterion 6.C.6 of the Code, no director takes part in the meetings of the Appointment and Remuneration Committee in which the proposals to the Board of Directors relating to their remuneration is being discussed.

During 2019 no financial resources have been earmarked for the Control and Risks Committee as availing, to carry out its role, of the Issuer's corporate resources and structures, stating that the Board of Directors, with motion of February 14, 2020, set a budget for the Control and Risks Committee of Euro 50,000.00.

In 2020, at the Reporting Date, the Appointments and Remuneration Committee met on February 14, March 4 and March 13. All members attended the meetings, with each meeting lasting 1 hour on average.

7.2 APPOINTMENTS AND REMUNERATION COMMITTEE DUTIES AND ACTIVITIES

In accordance with the Appointments and Remuneration Committee governing regulation, entering into force from the Effective Merger Date, this Committee comprises three independent directors, or alternatively, non-executive directors, the majority of whom independent, from among whom the Chairman will be chosen; as per this regulation, in addition, the members of the Committee should have appropriate expertise to execute the duties required of them and at least one member of the Remuneration Committee should possess adequate knowledge and experience with regards to finance and remuneration policies, as per Article 6.P.4. of the Self-Governance Code and as assessed by the Board of Directors on appointment.

The Appointments and Remuneration Committee, with regards to appointments, supports the Board of Directors with investigative, proposal and consultation duties. In particular:

(i) it assists the Board in defining and preparing any criteria for the designation of the parties at point (ii) below;
(ii) it draws up opinions for the Board of Directors in relation to the size and composition of the Board and expresses recommendations on the professional roles whose presence on the Board of Directors is considered beneficial, and also with regards to the following matters:
   a) maximum number of director or statutory auditor positions in other companies compatible with the effective performance of the position of director with the company, taking account of the participation of directors on internal Board Committees. It therefore sets out general criteria based on the commitment related to each role (executive director, non-executive or independent), also in relation to the nature and to the size of the companies, as well as whether belonging to the Group. The committee also carries out investigative work with regards to the relative periodic checks and assessments.
   b) assessments upon each matter or issue handled by the Board with regards to authorisation by the Shareholders' Meeting of any exceptions to the non-competition requirement under Article 2390 (non-competition requirement);
(iii) reports to the Board its assessment with regards to the appointment of executives and members of the company's Boards and bodies, proposed by the Chief Executive Officer and/or by the Chairperson of the Board of Directors, appointed by the Board and oversees the relative succession plans. Where possible and appropriate, in relation to the ownership structure, proposes to the Board the Chief Executive Officer succession plan;
(iv) on the proposal of the Chief Executive Officer, reviews and assesses the criteria for the senior executive succession plans of the company;
(v) proposes to the Board directorship candidates where during the year one or more vacancies arises on the Board (Article 2386, first paragraph of the Civil Code), ensuring compliance with the minimum number of independent directors requirement and the under-represented gender quota;
(vi) oversees the annual self-assessment of the Board and its Committees in accordance with the Self-Governance Code, undertaking the research for the appointment of an outside consultant for the self-assessment; taking account of the results of the self-assessment, draws up opinions for the Board with regards to its size and that of its Committees, and also with regards to the managerial and professional expertise and roles which would support the Board or the Committees to express their position to the shareholders before the appointment of the new Board;
(vii) undertakes the investigations required for the periodic verifications upon the independence and standing requirements of directors and on the absence of reasons for incompatibility or ineligibility;
(viii) draws up an opinion for the Board with regards to any activities carried out by directors in competition with those of the company;
(ix) reports to the next appropriate Board meeting, through the Chairman of the Committee, on the main issues reviewed by the Committee at its meetings; in addition, reports to the Board, on at least a half-yearly basis and not beyond the deadline for approval of the annual and half-year financial reports, on the activities carried out, and also on the adequacy of the appointment system, at the Board meeting indicated by the Chairperson of the Board of Directors.

The Appointments and Remuneration Committee is also assigned the duty, with regards to remuneration, to assist the Board of Directors through investigative, proposal and consultation duties, for the evaluations and decisions concerning the remuneration policy of senior directors and executives. In particular:

(i) it draws up for the Board of Directors proposals upon the remuneration policy of senior directors and executives;

(ii) it periodically evaluates the adequacy, the overall compliance and the application of the remuneration policy of directors and senior executives, utilising for this latter issue the information provided by the Chief Executive Officers; draws up for the Board of Directors related proposals;
(iii) it presents proposals or expresses opinions to the Board of Directors on the remuneration of executive directors and other senior directors, as well as establishing the performance objectives related to the variable component of this remuneration; monitors the application of the decisions adopted by the Board verifying, in particular, the achievement of the performance objectives;
(iv) it reviews in advance the annual remuneration report to be made available to the public at the Shareholders' Meeting for presentation of the Annual Financial Statements;
(v) it carries out additional duties assigned by the Board of Directors;

The Appointments and Remuneration Committee may access all information and departments necessary for the undertaking of their duties, as well as utilising outside consultants within the budget approved by the Board of Directors. In this latter regard, where wishing to utilise the services of a consultant for information on remuneration policy market practice, the Committee in advance verifies that such consultants are not in a position whereby their independence of judgement may be affected.

No financial resources have been earmarked for the Appointments and Remuneration Committee as availing, to carry out its role, of the Issuer's corporate resources and structures.

8. REMUNERATION OF DIRECTORS AND SENIOR EXECUTIVES

The remuneration of the Directors is established by the Shareholders' Meeting. Pursuant to Article 15 of the By-Laws, the Shareholders' Meeting may determine the total amount of the remuneration of all of the directors, including senior directors, whose division is established by the Board of Directors, having consulted with the Board of Statutory Auditors, for the remuneration of the senior directors pursuant to Article 2389 of the Civil Code.

On July 27, 2017, the Shareholders' Meeting of the company set the emolument of the Board of Directors in office from the Effective Merger Date as Euro 600,000.00, to be broken down among its members as per the relative Board of Directors' motions, subject to any additional compensation devolving to senior directors to be established by the Board of Directors in accordance with Article 2389, third paragraph of the Civil Code.

On December 4, 2017, the Board of Directors passed a motion breaking down the fixed emolument among the members of the Board of Directors in the lesser sum of Euro 430,000.00, and, having received a favourable opinion from the Board of Statutory Auditors and the Remuneration Committee, the Board of Directors also decided, on December 7, 2017, to allocate additional remuneration for the powers conferred to the Chairman and CEO Giulio Bonazzi and the Executive Directors Adriano Vivaldi, Fabrizio Calenti and Franco Rossi for the three-year tenure.

For information on the remuneration policy adopted by the Issuer and the remuneration of the members of the Board of Directors and senior executives, reference should be made to the Remuneration Report prepared pursuant to Article 123-*ter* of the CFA and 84-*quater* of the Issuer's Regulation available on the company website atwww.aquafil.com.

9. INCENTIVE MECHANISMS FOR THE INTERNAL AUDIT MANAGER AND THE EXECUTIVE OFFICER FOR FINANCIAL REPORTING

The incentive mechanisms for the Executive Officer are in line with the relative duties assigned, as confirmed by the Board of Directors with motion of January 30, 2018 (concerning the pre-existing system).

The incentive mechanisms for the Internal Audit Officer are in line with the relative duties assigned, as confirmed by the Board of Directors with motion of January 30, 2018 (concerning the pre-existing system) and remained unchanged also with the new appointment of the Internal Audit manager.

10. CONTROL AND RISKS COMMITTEE

10.1 COMPOSITION AND OPERATION (AS PER ARTICLE 123-*BIS*, PARAGRAPH 2, LETTER D) OF THE CFA)

In accordance with the combined provisions of Article 2.2.3., paragraph 3, letter o) of the Stock Exchange Regulation, applicable to issuers with shares traded on the Italian Stock Exchange, STAR segment, as well as in accordance with the provisions of principle 7.P.4 of the Code, the Board of Directors internally set up a Control and Risks Committee.

With motion of December 4, 2017 (i.e. the Effective Merger Date), the Board of Directors appointed to the Control and Risks Committee:

Chairperson	**Simona Heidempergher (*)**
Member	Francesco Profumo
Member	Carlo Pagliani

(*) Person with adequate accounting, financial and risk management knowledge and experience, as assessed by the Board of Directors meeting of December 4, 2017.

The meetings of the Control and Risks Committee are coordinated by its Chairman and minutes of the meetings are kept. The Chairman regularly provided information on the meetings held by the Committee at the next Board of Directors' meeting. The Chairman of the Board of Directors attended all Committee meetings.

The role, composition and functioning of the Control and Risks Committee is governed by a specific regulation approved by the Board on September 12, 2017, becoming effective on the Effective Merger Date.

The Chairperson of the Board of Statutory Auditors and at least one other member of the Board of Statutory Auditors always attended the Control and Risks Committee meetings.

In 2019, the Control and Risks Committee met 7 times, of which on one occasion with RPT functions. The average duration of meetings was approx. one and a half hours and all Committee members were in attendance.

During 2020, the Control and Risks Committee has already held 3 meetings - on February 14, March 4 and March 13.

10.2 DUTIES ATTRIBUTED TO THE CONTROL AND RISKS COMMITTEE

In accordance with the Control and Risks Committee regulation, the Committee supports the Board of Directors, with appropriate investigative activity, in their assessments and decisions concerning the internal control and risks management system, and with regards to the approval of the periodic financial reports.

The Control and Risks Committee also assists the Board of Directors with regard to its duties concerning (i) the drawing up of the internal control and risk management system guidelines, so as to ensure that the principal risks concerning the company and its subsidiaries may be correctly identified, adequately measured, managed and monitored, establishing the basis for whether such risks are compatible with a sound and correct management of the company according to the identified strategic objectives; (ii) the periodic verification, undertaken at least annually, upon the adequacy and efficacy of the internal control and risk management system according to the specific characteristics of the company and the risk profile assumed; (iii) the description, in the corporate governance report, of the principal characteristics of the internal control and risk management system and the means for co-ordination among the parties involved, to assess its adequacy; (iv) the assessment, having consulted the Board of Statutory Auditors, of the results of the independent audit firm in its report and any letter of recommendations and in the report of fundamental questions established during the audit; (v) the management of risks from impacting events which the Board becomes aware of, supporting, through appropriate investigative actions, the assessments and decisions of the Board of Directors, (vi) the approval, at least annually, of the work plan drawn up by the internal audit manager, having consulted the Board of Statutory Auditors and the Director in charge of the internal control and risk management system.

The Control and Risks Committee in accordance with the Self-Governance Code, in assisting the Board of Directors:

(i) evaluates, together with the executive officer for financial reporting and having consulted the independent audit firm and the Board of Statutory Auditors, the correct application of the accounting standards and their uniformity for the preparation of the consolidated financial statements;
(ii) defines the control mechanisms to verify compliance with the duties allocated and periodically monitors their functioning, reporting in a timely manner any irregularities to the Board of Directors;
(iii) expresses opinions on specific aspects concerning the identification of the principal corporate risks;
(iv) examines the periodic reports, concerning the assessment of the internal control and risk management system, and those of particular importance, prepared by the Internal Audit Department;
(v) monitors the independence, adequacy, efficacy and efficiency of the internal audit department;
(vi) may request the internal audit department to carry out verifications on specific operational areas, simultaneously communicating such to the Chairman of the Board of Statutory Auditors;
(vii) reports, at least every six months, on the approval of the annual and half-year accounts, to the Board of Directors on the work carried out and on the adequacy of the internal control and risk management system;
(viii) expresses opinions on the appointment, revocation, remuneration and budget made available to the internal audit function manager;
(ix) it carries out additional duties assigned by the Board of Directors;

The Committee, in exercising its duties, may access the information and departments necessary to complete their tasks, as well as utilise, at the expense of Aquafil and to the extent of the budget approved by the Board of Directors, outside consultants where their independence of judgment is not affected.

Other duties assigned to the Control and Risks Committee are set out in paragraph 12 below, including the assigned duties of the Related Parties Committee under the Related Party Transactions Policy.

On March 4, 2020 and on March 13, 2020, the Control and Risks Committee assessed the correct utilization of the accounting policies and their uniformity in the preparation of the financial statements for the period and planned the constant review of the advancement of the projects for the review of the organization systems and models of the Group, of the internal control and risk management system as well as in this context, the completion of the 2018 audit plan and the compliance controls undertaken in accordance with Law 262/2005 and Legislative Decree No. 231/2001 and subsequent amendments.

During the meetings held the Control and Risks Committee discussed the most appropriate initiatives in relation to its own remit and functions, within a progressive improvement of the internal control and risk management system in order to ensure maximum efficiency and security of the system.

The meetings of the Control and Risks Committee will largely be undertaken simultaneously with the meetings of the Board of Statutory Auditors of the Issuer and in the presence of the members of the Board of Statutory Auditors, of the Executive Officer for financial reporting and the internal audit manager and, where beneficial, also with the participation of a representative from the independent audit firm. The presence of these control and oversight bodies is expected to permit the communication and discussion of the principal aspects relating to the identification of the business risks.

In the carrying out of its functions, the Control and Risks Committee has and will have full access to the information and to the corporate functions necessary for the carrying out of its remit.

During 2019 no financial resources have been earmarked for the Control and Risks Committee as availing, to carry out its role, of the Issuer's corporate resources and structures, stating that the Board of Directors, with motion of February 14, 2020, set a budget for the Control and Risks Committee of Euro 30,000.00.

11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM (AS PER ARTICLE 123-*BIS*, PARAGRAPH 2, LETTER 3) OF THE CFA)

The Internal Control and Risk Management System is the set of rules, procedures and organizational structures aimed at facilitating, through an adequate process of identification, measurement, management and monitoring of the main risks, a sound and correct management consistent with the established goals.

An effective internal control and risk management system contributes to ensuring the protection of corporate assets, the efficiency and effectiveness of business operations, the reliability of financial reporting and compliance with laws and regulations.

This system allows managers to have on a regular and timely basis a sufficient overview of the economic and financial situation of the company and of the main companies of the Group and soundly and correctly facilitates: *(i)* the monitoring of the main key performance indicators and risk factors that relate to the company and to the main Group companies; *(ii)* the collection of data and information with particular reference to financial information, in adequate quantities for analysis according to type of business activity, organizational complexity and specificity of the information needs of management ; *(iii)* the development of prospective financial data for the business plan and the budget, as well as for the verification of the meeting of business objectives through an analysis of variances.

In 2019 the Board of Directors, among other issues:
- approved the work plan drawn up by the internal audit manager, after review by the Board of Statutory Auditors and the Director in charge of the internal control and risk management system (Director in charge);
- assessed, having consulted the Board of Statutory Auditors, the results presented by the Independent Audit Firm.

In the exercise of these functions, the Board of Directors shall be supported by the Supervisory Director and the Control and Risks Committee.

On December 7, 2017, the Board of Directors approved the guidelines of the Executive Officer for Financial Reporting in compliance with Law 262/05, together with the procedure for collecting the related internal representations on behalf of the companies of the Group.

At the Reporting date, the Issuer had completed the drafting and formulisation of the company policies to guarantee compliance with the applicable regulation.

At the Reporting date, the company:
- had renewed the following certifications:
  for the BCF sector:
  - REACH (Letter Conformity REACH);
  - ECONYL® Product Certificate (certification body: DNV);
  - ISO 14001: 2004;
  - ISO 9001: 2008 (Aquafil Quality management system);

– ISO 9001: 2008 (Quality management system / TESSIL4);
– ISO 9001: 2008 (*Quality Management System Certificate* / Group);
– ECONYL® caprolactam certificate (certification body: DNV);
– OEKO – TEX (Aqualeuna);
– OHSAS 18001:2007;
– EPD* (ECONYL® polymer);
– EPD* (ECONYL® yarn (BCF Reprocessed));
– ISO 9001 (AquafilUSA);
– UL 2018 (AquafilUSA);
– ISO 9001:2008 (AquafilAsia Pacific);
– ISO 9001:2008 (Aqualeuna);
– ISO 14001:2004 (Aqualeuna);
– ISO 50001:2011 (Aqualeuna);
– ISO 9001:2008 (Aquafil Jaxing English language);
– ISO 9001:14001 (Aquafil Jaxing English language);
– OHSAS 18001:2007 (Aquafil Jaxing English language);
– OEKO – TEX (standard 100);

for the NTF sector:
– REACH (Letter Conformity REACH);
– ECONYL® Product certificate (certification body: DNV);
– ISO 14001 (quafilSLO entire facility);
– *Responsible care*, AquafilSLO – Ljubljana (certification body: ICCA);
– OEKO - TEX Standard 100 Aquafil (standard 100);
– EPD * (ECONYL® polymer);
– EPD * (ECONYL® yarn);
– ISO 14001_2004 (AquafilCRO d.o.o.);
– ISO 50001_2011 (AquafilCRO d.o.o.);
– IQNet SR 10:2015 – *Social Responsibility Management System* (AquafilCRO d.o.o.);
– OHSAS 18001:2007 (AquafilCRO d.o.o.);
– OEKO – TEX (standard 100 AquafilSLO);
– OEKO TEX Standard 100 Aquafil S.p.A. ECONYL® (ECONYL® yarns);

- confirmed the adoption of the Ethics Code and ensures the continual update of its Organisational and Management Model, with reference to the prevention of offences as per Legislative Decree No. 231/01 and subsequent amendments, under the constant guidance of the supervisory board in office;
- had completed the assessment on the IT Risk Management and the analysis of the IT risks.

One of the main elements of the Internal Control and Risk Management System is the internal control of the financial reporting process. This aims to ensure integrity, accuracy, reliability and timeliness in the preparation and communication of disclosure (including financial).

In addition, the internal control and risk management system was further strengthened in 2019. This process comprised the following macro-elements:

- definition of the procedures and risk control matrices for each business process for each Company falling within the consolidation scope;
- identification of corrective actions, follow-ups and reporting - definition and sharing of corrective actions with the management, assessment of the effective implementation of the same, preparation of reports to the Executive Officer for financial reporting and for the supervisory and control bodies;
- updating of Model 262 and related documentation, on the basis of corporate, organizational and procedural changes made.

The methodology followed for designing and for carrying out checks concerning the Model 262 were in line with best international practice and shall ensure full traceability in its implementation.

With reference to the identification and assessment of financial reporting risks, the Issuer carries out its analyses and audit activities on subsidiaries with levels of revenue and balance sheet assets in excess of a threshold of predefined materiality, as well as on the management of intercompany transactions. Following qualitative considerations, routine analyzes and audits are performed also on other subsidiaries, regardless of their quantitative contribution to the consolidated financial statements.

The risks, measured and evaluated according to best practices in the field of international risk assessment, cover the operational processes relating to general accounting entries and the estimates and financial statement declarations, with a view to prevent errors of accuracy and completeness and to prevent fraud. The assessment of the 'inherency' of the risks is qualitative and is performed both with regard to the materiality and the nature of the accounting entries and with regard to the frequency of the operational processes.

In relation to the identification and the assessment of controls for identified risks, the 262 Model considers preventive, investigative and second level controls on processes relating to accounting entries and on the estimates. The assessment of the adequacy and effectiveness of controls to mitigate risks shall be qualitative, based on the outcome of the checks carried out in the course of the 262 Model monitoring activities.

The monitoring activities are concentrated on the operational processes relating to the material accounting items, which are identified annually via a preliminary scope analysis. In addition, ad-hoc checks were carried out on activities relating to accounts closures and consolidation entries, which the company documented and which were allocated in terms of responsibilities and authorized via a dedicated computer program in order to guarantee completeness and accuracy of information.

The Executive Officer and the Internal Audit Manager report periodically to the Control and Risks Committee, the Board of Statutory Auditors and to the Director in charge and, to the extent of its remit, to the Supervisory Board concerning the management of the 262 Model, expressing an assessment of the adequacy of the administrative and accounting control system and corrective actions to be implemented.

The Board of Directors periodically monitors the adequacy of the internal control and risks management system in relation to the requirements of the business, as well as its efficiency, based on the periodic report received from the Director in charge of the Internal Control and Risks Management System, of the Control and Risks Committee, of the internal audit manager, of the Supervisory Board and of the Board of Statutory Auditors.

11.1 DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

As part of the structuring and strengthening of the risk management and control system, on October 17, 2017, the Board of Directors appointed, with effect from the Effective Merger Date, Adriano Vivaldi as the Director in charge of the establishment and maintenance of an effective internal control and risk management system (the Director in charge). This appointment was confirmed by the Board of Directors on December 4, 2017

In this regard, in 2019, based on the results of the risk assessment activities previously carried out, the ongoing procedural framework updates and improvements to the internal control system continued, ensuring overall compliance with legislative and regulatory requirements and an efficient and effective system in line with operating conditions.

11.2 INTERNAL AUDIT MANAGER

On November 14, 2018, after receiving the opinion of the Control and Risks Committee and the Board of Statutory Auditors, the Board of Directors appointed Barbara Dalla Piazza as the new Internal Audit Manager to pursue and execute the functions indicated in Application Criterion 7.C.5 of the Self-Governance Code.

At the Reporting date, the internal audit manager:

- fully implemented the activities set out in the 2019 Audit Plan, as approved by the Board of Directors in the meeting of March 14, 2019, with prior review by the Control and Risks Committee and the Director in charge and, among others, carried out direct and specific control activities within the Issuer and the most significant Group companies, in order to uncover any deficiencies in the Internal Control and Risk Management System in the various risk areas; the internal audit manager also audited and assessed the suitability, efficiency and the effective functioning of the internal control and risk management system on an ongoing basis in relation to specific needs and in compliance with international standards;
- prepared periodic reports containing sufficient information on activities, on the manner in which risk management is carried out, as well as compliance with defined plans for their containment, for the purposes of the appropriateness of the internal control and risk management system; these reports were sent to the Director in charge, the Chairman of the Board of Statutory Auditors, the Chairman of the Control and Risks Committee and, where required in relation to events under examination, to the Chairman of the Board and the Supervisory Board;
- prepared the 2020 Audit Plan, approved by the Board of Directors meeting of March 13, 2020, with prior review by the Control and Risks Committee and the Director Appointed.

In particular, the internal audit manager, carried out the verifications on the internal control and risk management system, in line with the audit plan and undertaking the follow up activities (in particular with reference of the controls in compliance with the provisions of Law 262/2005 and Legislative Decree 231/2001).

In addition, during the Reporting Period, the results of the audit activities were analyzed, discussed and shared, between the internal audit department, the head of the processes/departments involved from time to time and management of the company in order to agree upon and undertake appropriate preventative/corrective action, whose realization was constantly monitored until their complete execution.

The remuneration of the internal audit manager was determined in accordance with company policies. The Board ensures that the internal audit manager has adequate resources for the undertaking of his duties.

11.3 ORGANISATION MODEL AS PER LEGS. DECREE 231 OF 2001

The Issuer's Board of Directors, at its meeting of March 14, 2019, approved amendments to the Organizational, Management and Control Model comprising the Ethics Code, the General Part, the Special Parts and the Governance System.

The Model provides for policies and measures to guarantee the performance of activities in accordance with law and to identify and eliminate situations of risk, as well as for a system of prevention designed to mitigate offence risk that is consistent with the organisational structure and with best practice.

It comprises a General Section and 1 Special Section (with 13 sub sections).

In particular, the Special Sections clarify the nature and the possible ways of committing the types of Relevant Offenses identified in the Risk areas, as well as the specific organizational controls implemented to prevent their commission.

Forming an integral part of the Model are the following documents attached thereto: *(i)* the Supervisory Board Regulation; *(ii)* the Governance System and *(iii)* the Ethics Code.

The Ethics Code is an integral part of the Model. It sets ethical principles and prescriptive rules of conduct for employees and other recipients, contributing to establish an appropriate control environment to ensure that the Issuer's activity is always based on the principles of fairness and transparency and to reduce the risk of the offenses covered under Legislative Decree No. 231/2001 and subsequent.

The requirement for exemption from administrative liability has led to the establishment of a Supervisory Board within the Issuer, which has independent powers of initiative and control, with the task of: *(i)* monitoring the effectiveness of the model, which is embodied in the verification of consistency between actual conduct and the model established; *(ii)* conducting the examination of the adequacy of the model, or rather its real capacity to prevent, in principle, undesirable conduct; *(iii)* carrying out an analysis of the maintenance over time of the soundness and functionality of the Model; *(iv)* ensuring the necessary dynamic update of the Model, through the formulation of specific suggestions, in the event that analyses performed require corrections and adjustments; *(v)* carrying out the so-called "follow-up", or rather verifying the implementation and the functionality of the solutions proposed.

The Supervisory Board was appointed by the Board of Directors, taking office on December 4, 2017 (i.e. the Effective Merger Date) and comprises three members - Fabio Egidi, outside member, as Chairman; Marco Sargenti, outside member; and Karim Tonelli, internal member.

On March 13, 2020, the Supervisory Board presented a report to the Board of Directors on the controls and checks performed in the reference Year and their outcome.

The Supervisory Board, during 2019, met 6 times, in addition to holding meetings for training purposes.

The offenses covered by the Issuer's model are in line with current law and in particular the Model was latterly updated at the Board meeting of March 14, 2019.

The Model introduces an adequate system and sanctioning mechanisms for conduct in violation.

The Ethics Code and Model may be consulted on the company website www.aquafil.com – Corporate Governance – Documents section.

11.4 INDEPENDENT AUDIT FIRM

On January 30, 2018, the Shareholders' Meeting of Aquafil, *inter alia*: (i) approved, pursuant to Article 13 of Legislative Decree No, 39/2010 and Article 7 of the Regulation adopted with Ministerial Decree No. 261/2012, the mutual resolution of the audit appointment of KPMG S.p.A. for 9 years of which the last for the year ended December 31, 2024; and (ii) simultaneous appointed Pricewaterhousecoopers S.p.A. (PwC) for the duration of 9 years (from 2017 to 2025), in accordance with Article 13 of Legislative Decree No. 39/2010.

Therefore, the audit for 2017-2025 period was awarded to PwC S.p.A..

11.5 EXECUTIVE OFFICER FOR FINANCIAL REPORTING

In accordance with Article 16 of the By-Laws, the Board of Directors appoints, upon obligatory approval of the Board of Statutory Auditors, the Executive Officer for financial reporting pursuant to Article 154-*bis* of the CFA, providing him/her with adequate means and powers to carry out the role.

On September 12, 2017, the Board of Directors of the Issuer appointed Mr. Sergio Calliari (Issuer employee in the role of Group Administration Director) as the Executive Officer for financial reporting as per Article 154-*bis* of the CFA, with effect from the Effective Merger Date (i.e. December 4, 2017). The Board of Directors on December 4, 2017, following the issue of a favourable Board of Statutory Auditors' opinion, confirmed the appointment.

The Executive Officer for financial reporting must be of a professional standard such as to have qualified experience of at least three years in the exercise of administration and control activities, or in executive or consultancy functions, with listed companies and/or relative groups of companies, or companies, entities and enterprises of large and significant size, including the preparation and control of accounting and corporate documents. The Executive Officer must also meet the requirements of good standing as provided for auditors by the applicable legal provisions.

The Executive Officer has the primary duty to design, manage and monitor the processes concerning, in particular, administrative-accounting information flows, including automatic data processing and accounting recording systems, also to provide — in the legally and regulatory required forms — the declarations on their adequacy and effective application.

The Executive Officer, in addition, is required to identify and assess the financial disclosure risks, identify and implement the required controls to mitigate the possibility that these risks occur and monitor and assess the effectiveness of the controls within a risk management and internal control system, in relation to the financial disclosure process, which is adequate and functioning.

As per Article 154-*bis* of the CFA, the Executive Officer is required to: *(i)* declare that the deeds and communications of the Issuer communicated to the market and concerning accounting disclosure (including interim) of the Issuer corresponds to the underlying accounting records and entries; *(ii)* prepare appropriate administrative and accounting policies for the drafting of the statutory and consolidated financial statements, in addition to any other communications of a financial nature; and *(iii)* jointly with the Chief Executive Officer declare through a specific report attached to the statutory financial statements, the condensed half-year financial statements and the consolidated financial statements, among others, the adequacy and effective application of the procedures at point *(ii)*, during the period to which the documents refer and declare, in addition, the correspondence of such to the accounting records and entries and their suitability to provide a true and fair view of the company financial statements and any companies included in the consolidation, assigning for this purpose the following powers:
(a) full access to all information considered relevant for the execution of duties, both at the company and at any parent companies;
(b) attend the meetings of the Board of Directors concerning matters within their scope;
(c) faculty for dialogue with all administrative and control boards of the company and the subsidiaries;
(d) faculty to approve company policies with an impact on the financial statements, on the consolidated financial statements or on other documents requiring certification;
(e) involvement in the design of IT systems impacting the company financial statements;
(f) the possibility to utilise IT systems.

In order to permit the Board of Directors to properly execute its supervisory powers, the Executive Officer should, in addition, report at least quarterly to the Board with regards to activities carried out, in addition to any emerging critical issues.

The Executive Officer is provided with all the necessary powers and means for the execution of his duties.

The Executive Officer, together with the Chief Executive Officer, has the duty to provide instructions also to the subsidiaries belonging to the Group, to ensure adoption of all provisions, administrative and accounting procedures and all other acts and measures necessary for the correct drafting of the consolidated financial statements, in addition to all measures communicated by the Executive Officer in accordance with Law No. 262/05, which ensures the maximum reliability of information flows to the Executive Officer and concerning the preparation of the financial statements.

11.6 COORDINATION OF THE PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The coordination procedures put in place by the Issuer between the different parties involved in the internal control and risk management system guarantee an efficient and effective coordination and sharing of information between the bodies involved. In particular:

- the internal audit manager Ms. Barbara Dalla Piazza maintains periodic communication with the other company bodies and structures with oversight and monitoring functions upon the internal control and risk management system, such as the Executive Officer, the Supervisory Board as per Legislative Decree 231/01 and the independent audit firm, each within their respective scopes and responsibilities;
- the participation of the internal audit manager at the meetings of the Supervisory Board and at the meetings of the Control and Risks Committee enables the internal audit function to maintain adequate visibility of pressing company risks and managed by the Group and of issues emerging and brought to the attention of the various oversight and control boards;
- the Board of Statutory Auditors maintains periodic communication with the Board of Directors and with the Control and Risks Committee. In particular, at least one member of the Board of Statutory Auditors always attends the meetings of the Control and Risks Committee;
- the members of the Supervisory Board may attend, on invitation, the meetings of the Board of Directors and the Control and Risks Committee, reporting half-yearly on the activities undertaken;
- the independent audit firm attends, where invited, the meetings of the Control and Risks Committee so as to be constantly up to date on activities and on that decided by the Committee, and also for the purposes of reporting on planning and on the outcome of audit activities.

12. DIRECTORS INTERESTS AND RELATED PARTY TRANSACTIONS

12.1 COMPOSITION AND APPOINTMENT

12.1.1 Composition and operation (as per Article 123-*bis*, paragraph 2, letter d) of the CFA)

The Board of Directors allocated these functions to the Control and Risks Committee.

The meetings of the Control and Risks Committee are coordinated by its Chairman and minutes of the meetings are kept. The Chairman regularly provided information on the meetings held by the Committee at the next Board of Directors' meeting.

The Chairperson of the Board of Statutory Auditors and at least one member of the Board of Statutory Auditors attended the Committee meeting.

In 2019, the Control and Risks Committee, under its remit as the Related Party Transactions Committee, met once, on January 11, 2019 and on this occasion all members were present (100% of the members).

12.1.2 Functions assigned to the Control and Risks Committee with regards to Related Party Transactions and activities carried out

At the date of this Report, the Related Party Transactions Committee executed its functions in compliance with the Related Party Transactions Policy. In particular, the Related Party Transactions Committee, in the undertaking of its duties, reviewed the relationships and transactions with related parties which existed prior to the Merger and took note of these.

12.2 RELATED PARTY TRANSACTIONS POLICY

On September 12, 2017, the Board of Directors approved a draft of the Related Party Transactions policy, in accordance with Article 2391-*bis* of the Civil Code (with effect from the Effective Merger Date). In line with that established by the Related Parties Regulation, a draft of this policy, subsequent to the Effective Merger Date, was submitted to the Control and Risks Committee (in execution of its role as the Related Parties Committee), which issued a favourable opinion upon the policy, which was thereafter definitively approved by the Board of Directors on December 7, 2017.

On January 30, 2018, the Shareholders' Meeting also approved an amendment to the By-Laws which is functional to incorporate Consob indications regulating Related Party Transactions.

The Related Party Transactions Policy and the relative annexes applied by the Issuer are available on the Issuers' website at www.aquafil.com - Corporate Governance - Policies and Regulations section.

13. APPOINTMENT OF STATUTORY AUDITORS

In accordance with Article 17 of the By-Laws, the Board of Statutory Auditors is comprised of 3 statutory auditors and 2 alternate auditors, appointed by the Shareholders' Meeting on the basis of slates presented by shareholders.

As per Article 17 of the By-Laws, shareholders may present a slate for the appointment of statutory auditors who, alone or together with other presenting shareholders, hold a percentage in the share capital at least equal to that determined by Consob in accordance with applicable legislation and regulations (which for the company, for 2019, is 2.5% of the share capital for such purposes referring to the share capital represented by listed shares]. Ownership of the minimum shareholding is determined according to the shares that are registered in favour of the shareholder on the day in which the slates are filed with the issuer; certification can also be presented subsequent to the filing provided that it is within the deadline for the publication of the slates.

Slates are filed at the registered office in accordance with applicable law, at least twenty-five days prior to the date of the Shareholders' Meeting called to approve the election of the statutory auditors. The slates must be made available to the public by the Company at least twenty-one days prior to the Shareholders' Meeting in accordance with the manner prescribed by current regulations.

The slates must include the names of one or more candidates for the position of auditor and one or more candidates for the position of alternate auditor. The names of the candidates are divided between each section (standing statutory auditors' section, alternate statutory auditors' section) with a progressive number and in any event with a number not exceeding the board members to be elected. The slates, if they contain, in both sections, a number of candidates equal to or greater than 3, must contain a number of candidates in both sections to ensure that the composition of the Board of Statutory Auditors, both for statutory auditors and alternate auditors, complies with the legal and regulatory provisions that are in force in relation to gender equality (male and female), provided that if the application of the criterion for the gender equality quota does not result in a full number, this should be rounded up to the next unit.

The following documents must be attached to each slate, at the risk of ineligibility: (i) information on the identity of shareholders who have presented them, with an indication of the total percentage of shares held; (ii) a declaration by shareholders other than those who hold, even jointly, a controlling or majority shareholding, attesting to the absence of any relationship with these latter in accordance with applicable law; (iii) detailed information about the personal and professional characteristics of the candidates, as well as a declaration by the candidates certifying that they meet the statutory requirements, and acceptance of the candidature, accompanied by a list of administrative and control positions held with other companies; (iv) any additional or differing declaration, information, and/or documents provided for by applicable law and regulations.

Each shareholder, shareholders who belong to the same group of companies, as well as shareholders involved in a shareholders' agreement in accordance with Art. 122 of Legislative Decree No. 58/1998, may not present or participate in presenting, even through a nominee or trust company, more than one slate nor can they vote for differing slates; in addition, each candidate may be present in only one slate, at the risk of ineligibility.

In the case where only one slate is filed at the expiry date of the term for presentation of the slates, or slates are only presented by related shareholders pursuant to the applicable directives, slates can be presented up to the third day subsequent to such date. In this case, the percentage threshold established for the presentation of the slate is reduced by half.

The Statutory Auditors are elected as follows: (i) from the slate that obtained the largest number of votes (Majority Slate) taken in the progressive order in which they appear in the slate, 2 (two) statutory auditors and one alternate auditor; (ii) from the slate that obtained the second largest number of votes and are not connected, even indirectly, with the shareholders who presented or voted for the Majority Slate in accordance with the applicable provisions and taken in the progressive order in which they appear on the slate, the third statutory auditor will be chosen (Minority Statutory Auditor), who will chair the Board of Statutory Auditors, and the second alternate auditor (Minority Alternate Auditor). Should two slates receive the same number of votes, a second vote of the entire Shareholders' Meeting shall decide, with the candidate being elected by means of a simple majority of the votes.

Where the result of voting does not satisfy the applicable gender equality law and regulations that are in force (including the rounding up to the next unit if the application of the criterion for the gender equality quota does not result in a full number), the candidate for the office of standing or alternate auditor from the most represented gender elected as last in progressive order from the Majority Slate will be excluded and will be replaced by the next candidate for the office of standing or alternate auditor from the same slate belonging to the other gender.

Where only one slate is presented, the Shareholders' Meeting will vote on that slate and, where this slate receives the majority of the votes, all the standing auditors and alternate auditors will be taken from this slate in accordance with applicable law and regulations, including gender equality regulations.

The standing auditors are appointed for a period of three years (and may be re-elected), which expires on the date of the Shareholders' Meeting called for the approval of the financial statements relating to the final year in office.

Subject to compliance with the applicable law and regulations in force in relation to gender equality, in cases where, for whatever reason, *(i)* a statutory auditor from the Majority Slate leaves office, the alternate auditor elected from the Majority Slate will take their place, *(ii)* a Minority Statutory Auditor leaves office, they will be replaced by the Minority Alternate Auditor. If, for whatever reason, it is not possible to proceed as indicated above, the Shareholders' Meeting must be called in order to supplement the Board through statutory majority, without the application of slate voting, subject to compliance with the applicable law and regulations in relation to the gender equality quotas.

In the absence of slates, or where it is not possible for whatever reason to appoint the Board of Statutory Auditors with the procedures provided for in this Article, the three standing auditors and the two alternate auditors will be appointed by the shareholders' meeting through the majority provided for by law, in accordance with the laws and regulations in force also in relation to the gender equality quota.

14. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS (EX ARTICLE 123-*BIS*, PARAGRAPH 2, LETTER D) OF THE CFA)

On January 30, 2018, the Shareholders' Meeting appointed the following members to the Board of Statutory Auditors of the company:

Office	Name	Date of appoint.
Chairperson	Stefano Poggi Longostrevi	January 30, 2018
Statutory Auditor	Bettina Solimando	January 30, 2018
Statutory Auditor	Fabio Buttignon	January 30, 2018
Alternate Auditor	Marina Manna	January 30, 2018
Alternate Auditor	Davide Barbieri	January 30, 2018

Messrs. Bettina Solimando, Fabio Buttignon and Marina Manna came from the slate filed by the shareholder Aquafin Holding (obtaining 52,272,119 votes, equal to 92.41% of the voting share capital), while Messrs. Stefano Poggi Longostrevi and Davide Barbieri came from the slate filed jointly by a group of asset management companies and international and domestic institutional investors (obtaining 4,294,000 votes, equal to 7.59% of the voting share capital).

The Board of Statutory Auditors will remain in office until the Shareholders' Meeting called for the approval of the 2020 Annual Accounts.

For further information on the slates filed for the appointment of the Board on January 30, 2018, reference should be made to the company website www.aquafil.com, in the Investor Relations – Shareholders' Meetings section, where the professional curriculum vitae of each statutory auditor is available.

TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Board of Statutory Auditors									
Office	**Members**	**Year of birth**	**Date first appoint-ment (*)**	**In office from**	**In office until**	**Slate (**)**	**Ind. Code**	**Attendance at Board meetings (***)**	**No. of other offices (****)**
Chairperson	Poggi Longostrevi Stefano	1965	January 30, 2018	January 30, 2018	Approv. Accounts December 31, 2020	2	x	100%	17
Standing Auditor	Solimando Bettina	1974	January 30, 2018	January 30, 2018	Approv. Accounts December 31, 2020	1	x	92%	17
Standing Auditor	Buttignon Fabio	1959	January 30, 2018	January 30, 2018	Approv. Accounts December 31, 2020	1	x	100%	10
Alternate Auditor	Manna Marina	1960	January 30, 2018	January 30, 2018	Approv. Accounts December 31, 2020	1	x	N/A	5
Alternate Auditor	Barbieri Davide	1984	January 30, 2018	January 30, 2018	Approv. Accounts December 31, 2020	2	x	N/A	8
Quorum required for the presentation of slates by minority shareholders for the election of one or more members (as per Article 148 CFA): 2.5%									

NOTE

(*) The first appointment of each Statutory Auditor refers to the date on which the Statutory Auditor was appointed for the first time to the Board of Statutory Auditors of the Issuer.

(**) This column indicates the slate from which each Statutory Auditor originated ("M": majority slate; "m": minority slate).

(***) This column indicates the percentage of attendance of the Statutory Auditors in relation to the number of meetings of the Board of Statutory Auditors (indicates the number of meetings attended compared to the amount they could have attended; e.g. 6/8; 8/8 etc.).

(***) This column indicates the number of offices of director or statutory auditor in accordance with Article 148 *bis* of the CFA and the relative enacting provisions in the Consob Issuers' Regulations. The complete list of offices held is published by Consob on its website pursuant to Article 144-quinquiesdecies of the Consob Issuers' Regulations.

Meetings of the Board of Statutory Auditors may be held with participants located in several places, near or far, linked by audio or video, provided that: *(i)* the Chairman of the meeting is able to verify the identity and the legitimacy of the participants, direct the proceedings of the meeting and witness and announce the results of the vote; *(ii)* the person taking the minutes is able to adequately observe the events of the meeting that is to be minuted; *(iii)* the participants are able to follow the discussion and vote simultaneously on the matters on the agenda, as well as view, receive or transmit documents. If all the above-mentioned conditions are complied with, the meeting shall be deemed to have been held in the place where the Chairman is present and where the secretary of the meeting must be present, to permit the minute-taking of the meeting.

In 2019, the Board of Statutory Auditors held 12 meetings (including individual meetings and joint sessions with the Control and Risks Committee), on January 14, February 12, March 7, March 14, March 22, March 25, May 14, July 16, August 26, October 7, November 12 and November 27. The average duration of meetings was approx. 2 hours and 15 minutes, with 97% attendance.

At the meeting of March 4, 2020, the Board of Statutory Auditors assessed the correct application - by the Board of Directors - of the procedures to assess the independence of the Independent Directors according to the Self-Governance Code. In addition, on March 4, 2020, the Board of Statutory Auditors also assessed the independence of its members, already assessed on appointment, and also in accordance with the requirements for independence of Directors by the Self-Governance Code, while also undertaking its self-assessment. The result of these assessments was sent to the Board of Directors [and announced to the market through the publishing of this Report, available on the company website www.aquafil.com.

The Board of Statutory Auditors reviewed and shall review the independence of the Audit Firm, ensuring compliance with regulatory provisions, and the nature and extent of the various services provided to the Issuer and its subsidiaries by the Audit Firm and its network.

The Board constantly maintained normal coordination activities with the Control and Risks Committee, the Internal Audit Department and the Supervisory Body. For information on the manner of the coordination reference should be made to paragraph 11.6.

Legislative Decree No. 39/2001 ("Implementation of EU Directive No. 43/2006, relating to the audit of separate and consolidated annual accounts, which modifies EU Directive 78/660 and EU Directive 83/349, and which revokes EU Directive 84/253) attributed to the Board of Statutory Auditors the functions of the Internal Control and Audit Committee and, in particular the oversight functions on (i) the financial reporting process; (ii) the efficiency of the internal control system, internal audit, where applicable, and risk management; (iii) the audit of the separate and consolidated annual accounts; (iv) the independence of the Audit Firm, in particular in relation to non-audit services by the party providing audit services.

For the entire duration of the admission to trading of the company's shares on an Italian regulated market, the Board of Statutory Auditors in addition exercises all other duties and powers established by the special laws; with regards to mandatory reporting, the directors are required to report on a quarterly basis, in accordance with Article 150 of the CFA.

The Chairman of the Board of Directors ensured that the Statutory Auditors received adequate information on the sector in which the Issuer operates, on the business operations and their performances, of the principles of correct risk management as well as the relative regulatory framework. In particular, during the Board meetings held at the headquarters of the company, the Statutory Auditors regularly received detailed information on the sector in which the Issuer undertakes its activities, in order to fully understand the underlying business operations and the relative developments during the year.

In addition, during the first visit of the new members of the Board of Statutory Auditors to the company's headquarters, on February 5, 2018, the Statutory Auditors of Aquafil were able to make an extended visit to the Arco (Trento) production facility in order gain adequate knowledge of the sector in which the Issuer operates, in addition to company and production dynamics. Subsequently, on November 14, 2019, the Statutory Auditors visited the Lubiana (Slovenia) facility to improve their knowledge on the ECONYL® chemical regeneration process.

The remuneration of the Statutory Auditors is commensurate with the commitment required, the importance of the role covered, in addition to the size and sector of the company.

The Issuer does not provide a specific obligation for the Statutory Auditors to promptly inform the other members of the Board of Statutory Auditors and the Chairman of the Board on the nature, terms, origin and size of their interest, where the Statutory Auditor have, on their own behalf or on behalf of third parties, an interest in a transaction of the Issuer; this is due to the fact that the Issuer considers that this disclosure information a normal duty for the parties which hold the position of statutory auditor.

In accordance with the By-Laws, the Chief Executive Officer shall report adequately and promptly to the Board of Statutory Auditors on the activities undertaken, on the general operating performance and outlook, as well as on major operations for their size or nature by the Issuer and its subsidiaries, in accordance with the provisions of law and the By-Laws, and therefore on a quarterly basis.

15. RELATIONS WITH SHAREHOLDERS

The disclosure with shareholders is ensured by making available the most relevant corporate documents in a timely and continuous manner on the Issuer's website www.aquafil.com in the "Investor Relations", "Corporate Governance" and "News&Media" sections and, where required by the applicable regulations, on the authorized storage mechanism eMarket STORAGE at www.emarketstorage.com.

In particular, all press releases issued to the market and the Issuer's periodic financial reports are available on the above-mentioned website as soon as they have been approved by the relevant bodies (annual report, interim report, quarterly report).

Also available on the aforementioned website are the main Corporate Governance documents, the Organization, Management and Control Model in accordance with Legislative Decree No. 231/2001 and subsequent and the Ethics Code.

In accordance with Application Criterion 9.C.1 of the Self-Governance Code, relations with institutional investors are managed by the Investor Relator.

The duty of the Investor Relator is to constantly ensure that senior management are updated on the financial market disclosure obligations and, in particular, those concerning investors.

The Investor Relator represents, therefore, the point of contact between the Issuer and the market and has the duty to liaise with company structures to maintain and incentivise compliance with corporate disclosure regulations. Investor relation activities are shared with and supported by management.

On December 4, 2017, the Board of Directors appointed Mr. Karim Tonelli as Investor Relator of Aquafil (contact: investor.relations@aquafil.com), for the maintenance of relations with shareholders and institutional investors and to undertake any specific tasks for the management of price sensitive information and relations with Consob and Borsa Italiana.

The Board of Directors will assess the implementation of any further initiatives to ensure shareholders more timely and straightforward access to essential information upon the Issuer.

16. SHAREHOLDERS' MEETINGS (AS PER ARTICLE 123-*BIS*, PARAGRAPH 2 OF LETTER C) OF THE CFA)

16.1 SHAREHOLDERS' MEETING CALL

As per Article 8 of the By-Laws, the Shareholders' Meeting deliberates upon matters reserved to it by law and the By-Laws. Shareholders' Meeting motions, taken in accordance with law and the By-Laws, are binding on all shareholders. The Shareholders' Meeting takes place in single call.

For the purposes of calculating the quorum required by law and the By-Laws for the holding of an ordinary and extraordinary Shareholders' Meeting and for passing of the relevant motions, the number of votes represented by the shares, and not the number of shares, will be counted. Motions for the amendment of Articles 5.6, 5.8 and 8.3 of the By-Laws are passed with majorities of at least 70% of the total number of votes devolving to the issued shares.

As per Article 8.3 of the By-Laws, the Related Party Transactions Policy of the company may establish (i) that the Board of Directors approves the "significant transactions", as defined by the RPT regulation, despite an opinion to the contrary issued by the Independent Directors Committee responsible for issuing an opinion on the above-mentioned transactions, provided that the execution of such transactions are authorised by the Shareholders' Meeting in accordance with Art. 2364, paragraph 1, No. 5 of the Civil Code. In this case, the Shareholders' Meeting will resolve by statutory majority, provided that, where the unrelated shareholders present at the Shareholders' Meeting account for at least 10% of the voting share capital, considering every ordinary share and every multi-vote share individually, without consideration of the right to multiple votes attributed to the special shares, the majority of unrelated shareholders voting at the Shareholders' Meeting do not vote against.

Pursuant to Article 9 of the by Laws, the Shareholders' Meeting for the approval of the financial statements must be called by the Board of Directors at least once a year, within one hundred and twenty days from the end of the year or, in the cases provided for by Article 2364, paragraph 2, of the Civil Code, within one hundred and eighty days from the end of the year, pursuant to the provision of Article 154-*ter* of the CFA.

The Shareholders' Meeting may be called in Italy, even outside the municipality in which the registered office is located, or in other countries of the European Union, in Switzerland or in the United Kingdom.

The Shareholders' Meeting shall be called by publishing a notice on the company website, in addition to the other manners established by applicable law, and shall contain the information required by applicable law, also by reason of the subjects covered.

As per Article 126-*bis* of the CFA, shareholders who represent, even jointly, at least one-fortieth of the share capital may request - except for matters within the remit of the Board or based on projects or a report prepared by them - within ten days of publication of the Call Notice, or within five days in the case of calling as per Article 125-*bis*, paragraph 3, of the CFA or Article 104, paragraph 2, of the CFA, a supplementation to the matters on the Agenda, indicating in the request the further matters to be included on the Agenda, or present proposals on matters already on the Agenda.

In accordance with Article 2367 of the Civil Code, the Directors shall call without delay the Shareholders' Meeting where requested by shareholders collectively representing at least one-twentieth of the share capital.

Pursuant to Article 127-*ter* of the CFA establishes that shareholders may submit questions on the matters on the Agenda, also before the Shareholders' Meeting. For questions submitted before the Shareholders' Meeting, responses will be made, at the latest, during the Meeting itself. The company may provide a single reply to questions with the same subject matter. The call notice indicates the deadline by which questions submitted before the Shareholders' Meeting should reach the company. The deadline may not be more than three days in advance of the Shareholders' Meeting in first or single call, or five days where the call notice establishes that the company provides, before the Shareholders' Meeting, a response to the questions received. In this case, the responses are provided at least two days before the Shareholders' Meeting, also through publication in a separate section of the company website.

16.2 RIGHT TO ATTEND SHAREHOLDERS' MEETINGS

As per Article 10 of the By-Laws, those with voting rights have a right to attend the Shareholders' Meeting.

The right to attend the Shareholders' Meeting and the right to vote is verified by a notice to the company, effected by the authorised intermediary in accordance with law, based on the accounting records at the end of the seventh trading day prior to the date fixed for the Shareholders' Meeting in single call, and submitted to the company in accordance with law.

Those who have the right to vote in the Shareholders' Meeting can be represented by a proxy in accordance with law. Electronic notification of proxy may be made, in the manner indicated in the call notice, by sending a message addressed to the certified email address indicated in the notice itself or by using the appropriate section of the Company's website.

For each Shareholders' Meeting, the company may designate, through notification in the call notice, a person to whom shareholders can confer proxy, with voting instructions on all or some of the proposals on the agenda, in the terms and manner provided by law.

16.3 HOLDING OF THE SHAREHOLDERS' MEETING

The Shareholders' Meeting shall be chaired by the Chairman of the Board of Directors, or in such absence or impediment or at the request of the Chairman himself, by another person elected by the Shareholders' Meeting, including the Chief Executive Officer (if elected). The Chairman shall be assisted by a Secretary elected on his proposal by majority of those present. In the Extraordinary Shareholders' Meeting and, in any case, when the Chairman considers it appropriate, the functions of the Secretary shall be carried out by a Notary appointed by the Chairman.

For the valid constitution of the Shareholders' Meeting, both ordinary and extraordinary, and resolutions thereof, the legal and statutory provisions are applied. For the purposes of calculating the quorum required by law and the By-Laws for the holding - in a single notice - of an ordinary and extraordinary Shareholders' Meeting and for passing of the relevant motions, the number of votes represented by the shares, and not the number of shares, will be counted.

The Shareholders' Meeting may be held with participants located in several places, near or far, linked by audio/video, provided that they comply with the collegial approach and the principles of good faith and equal treatment of shareholders, and in particular provided that: *(a)* the Chairman of the Shareholders' Meeting is able to verify the identity and the legitimacy of the participants, direct the proceedings of the meeting, note and announce the results of the vote; *(b)* the person taking the minutes is able to adequately observe the events of the Shareholders' Meetings that are to be minuted *(c)* the participants are able to follow the discussion and vote simultaneously on the matters on the agenda; *(d)* this method is provided for in the call notice of the Shareholders' Meeting which states, in addition, the places to be attended. The meeting shall be considered to have been held in the place where there are, simultaneously, the Chairman and the person taking the minutes.

Pursuant to Article 7 of the By-Laws, shareholders may withdraw in accordance with the mandatory cases provided for by law.

The opposition of Shareholders to motions regarding the extension of the duration of the company or the introduction or the removal of provisions concerning the circulation of shares does not constitute a right to withdrawal.

As per Article 20 of the By-Laws, the net profit for the period, excluding the five per cent share allocated to the legal reserve until the reaching of one-fifth of the share capital, is divided among the shareholders, as resolved by the Shareholders' Meeting.

* * *

The Shareholders' Meetings of the Issuer adopted Shareholder Meeting regulations, approved on December 23, 2016 by the Shareholders' Meeting of Space 3. This Shareholders' Meeting Regulation establishes, among other matters, that:

- the Chairman (the Chairman of the Board of Directors or, in his/her absence or impediment the person designated by the Shareholders' Meeting) may adopt any provision considered appropriate to ensure the correct execution of Shareholders' Meeting business and the exercise of the rights of participants;
- in the discussion of such matters and proposals, the Chairman, where a majority of the share capital is not in opposition, may follow a different order of consideration from that stated in the formal notice of the meeting and may call for some or all of the matters on the agenda to be discussed together;
- the chairman conducts the discussion, giving the floor to directors, to statutory auditors and any parties so requesting. Those holding the right to vote and the bondholders' joint representative may request the floor on only one occasion for each matter on the agenda, making observations and requesting information. Those persons entitled to vote may also draw up proposals. Requests to contribute may be made from the constitution of the shareholders' meeting until the time at which the chairman has not declared the discussion of the matter closed. In order to ensure the orderly conduct of the meeting, the Chairman has the power to determine, at the opening of or during the discussion of individual matters, a deadline for the submission of requests to contribute. The chairman establishes the manner in which contribution requests are made and the order in which they are heard. The Chairman and, on his invitation, those assisting him respond to speakers at the end of all contributions under discussion, or after each contribution, taking account also of any questions drawn up by shareholders before the Shareholders' Meeting, which have not been responded to by the company. Those who have requested the floor have the right to a brief reply;
- before voting commences, the chairman readmits to the Shareholders' Meeting any persons excluded during the discussion in accordance with the regulation;
- the chairman shall decide the order in which the proposals on the individual matters on the agenda are put to the vote, generally giving priority to those formulated by the Board of Directors.

In 2019, one shareholders' meeting was held on April 23, 2019.

With regards to the rights of shareholders not outlined in this Report, reference should be made to the applicable *pro tempore* laws and regulations.

17. FURTHER CORPORATE GOVERNANCE ACTIVITIES

At the Reporting date, no additional corporate governance practices effectively applied by the Issuer outside of the obligations established by legislation or regulations exist.

18. CHANGES SINCE THE END OF THE REPORTING PERIOD

Since the end of the Reference Year no changes have been made to the corporate governance structure.

19. CONSIDERATIONS ON THE LETTER OF DECEMBER 19, 2019 OF THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE

The considerations formulated in the letter of December 19, 2019 of the Chairman of the Corporate Governance Committee were brought to the attention of the Board of Directors and of the Committees.

These were of particular interest to the Chairman of the Board of Directors and the Appointments and Remuneration Committee who, respectively, took account of these recommendations during the preparation of the self-assessment questionnaire and in the meeting of February 14, 2020, focusing in detail on the recommendations and invitations contained therein.

Arco (Trento). March 13, 2020

Aquafil S.p.A.

On behalf of the Board of Directors

Mr. Giulio Bonazzi

Chairperson

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 YEAR END FINANCIAL STATEMENTS OF AQUAFIL GROUP CLOSED ON 2019.12.31 IN ACCORDANCE WITH ART 81-TER OF CONSOB REGULATION N. 11971 OF 14 MAY 1999 AND ANY SUBSEQUENT AMENDEMENTS AND ADDITION

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 2019/12/31.

2. No relevant issues arose.

3. It is also certified that the consolidated financial statements as of 2019/12/31:

   a) are drafted based on the International Financial Reporting Standards (I.F.R.S.), recognized in the European Community in accordance with Regulation (EC) n. 1606/2002 of the European Parliament and of the Council of 19 July 2002;

   b) match with the results of the accountability books and registrations;

   c) are appropriate to give a truthful and correct representation of the statement of the assets, liabilities, and capital of the Company and of the group of companies included in the consolidation process.

Arco, March 13 2020

Managing Director
Adriano Vivaldi

Principal Financial Officer
Sergio Calliari

Board of Statutory Auditor's Report

Aquafil S.p.A.
Via Linfano, 9 - Arco (TN) - 38062 - Italy
Fiscal Code and Trento Company's Registration Office 09652170961

BOARD OF STATUTORY AUDITORS' REPORT
IN ACCORDANCE WITH ARTICLE 153 OF LEGISLATIVE DECREE 58/1998
AND ARTICLE 2429 OF THE CIVIL CODE
TO THE SHAREHOLDERS' MEETING OF AQUAFIL S.p.A.

Dear Shareholders,

This Report was prepared by the Board of Statutory Auditors of **Aquafil S.p.A.** (hereinafter, also the "**Company**"), appointed on January 30, 2018 and will cease its mandate with the shareholders' meeting for the approval of the financial statements as at December 31, 2020.

Pursuant to Article 153, paragraph 1 of Legislative Decree No. 58 of February 24, 1998, Consolidated Finance Act (hereinafter, the "**CFA**"), the Board of Statutory Auditors is reporting on the supervisory and control activities provided for by applicable legislation, with particular regard to the provisions of the Civil Code, Arts. 148 et seq. of the CFA, Legislative Decree No. 39 of January 27, 2010 as amended by Legislative Decree No. 135 of July 17, 2016 and Legislative Decree No. 254/2016. Instructions contained in the CONSOB communications concerning corporate controls and the activity of the Board of Statutory Auditors, indications contained in the Self-Governance Code of listed companies, as well as the principles of conduct recommended by the National Council of Accountants and Accounting Professionals are also taken into consideration.

This Report is provided to the shareholders of Aquafil S.p.A. in view of the Shareholders' Meeting which will be called to approve the Annual Financial Statements and the Consolidated Financial Statements as at December 31, 2019 by the deadline of 180 days from financial year-end, taking account of Article 106 of Legislative Decree No. 18 of March 17, 2020, as announced by the company on March 18, 2020.

It is issued by the Board of Statutory Auditors according to the terms of Article 154-*ter* of Legislative Decree No. 58 of February 24, 1998 and taking account of the Markets Regulation of Borsa Italiana (Article 2.2.3, paragraph 3, letter a) for STAR listed companies.

***

Activities carried out by the Board of Statutory Auditors in 2019 and up to the date of this report are presented below, also with reference to the requirements of Consob Communication No. DEM/1025564 of April 6, 2001 and subsequent amendments.

1. Significant economic, financial and equity transactions.

The following are the significant economic, financial and equity transactions and events that occurred in financial year 2019.

On May 31, 2019, the company completed, through the subsidiary Aquafil U.S.A. Inc., the acquisition of the company O'Mara Inc., now Aquafil O'Mara Inc., a company which produces mainly stock-dyed nylon, polypropylene and polyester yarns at its Rutherford College plant in North Carolina.

The purchase price of the investment was USD 36.1 million. The total investment was USD 40.6 million as, in addition to the full equity investment, the production building was also acquired, previously utilised by O'Mara Inc. through a rental contract, for an amount of USD 4.5 million. In the consolidated financial statements, this transaction was recognised as a business combination as per IFRS 3; the goodwill recognised for USD 14.6 million (corresponding to Euro 13 million) subject to an impairment test, as outlined in the Notes to the financial statements.

From a financial point of view, the acquisition transaction was assisted by the issue on May 24, 2019 by Aquafil S.p.A. of an unsecured bond loan for a value of Euro 40 million, the conditions of which are described in the Notes to the financial statements.

Aquafil S.p.A. in turn financed the acquisition undertaken by its subsidiary Aquafil U.S.A. Inc. through a share capital increase of the subsidiary of USD 45 million fully paid on May 24, 2019.

On September 24, 2019, the company Aqualeuna G.m.b.H., wholly-owned by Aquafil S.p.A., announced the closure of the production facility in Leuna (Germany), as part of the reorganisation of the EMEA BCF Product Line. Closure costs totalled Euro 4.2 million, mainly regarding employment termination charges for the 67 employees, recognised to non-recurring costs in 2019.

For the other significant events in the year, reference should be made to the Directors' Report.

The Board of Statutory Auditors received information from Directors with due periodicity on the activities and significant economic, financial and equity transactions carried out by the Company and its subsidiaries. The Directors have reported these transactions in their Directors' Report, to which reference should be made, also as regards the nature of the transactions and their economic effects.

The Board of Statutory Auditors acquired adequate information on these transactions which has made it reasonably possible to believe that these transactions were compliant with the law, the By-Laws and the principles of correct administration and are not imprudent, risky or inconsistent with the resolutions passed by the shareholders' meeting or, in any case, such as to compromise the integrity of corporate assets.

Transactions involving Directors' interests or with other related parties were subject to transparency procedures envisaged by applicable legislation.

2. Third party, intragroup or related party atypical and/or unusual transactions.

The Board of Statutory Auditors has not come across or received information from the Board of Directors, the Independent Audit Firm or the *pro tempore* Internal Audit Manager concerning the existence of atypical and/or unusual transactions undertaken with third parties, related parties or intragroup, as defined by the CONSOB Communication DEM/6064293 of July 28, 2006.

In the notes to the financial statements, Directors have given an account of ordinary transactions carried out during the year with Group companies and related parties, to which reference is made, also as regards the nature of the transactions and their economic effects.

Their examination revealed no critical issues with regard to adequacy, congruity and compliance with the company's interests.

The Board of Statutory Auditors has verified the effective implementation and the practical functioning of the procedure for transactions with related parties adopted by the company, including periodic information from the Board of Directors in the event such transactions are carried out.

3. Observations and proposals on the findings and requests for disclosure contained in the independent audit firm's report.

The independent audit firm PricewaterhouseCoopers S.p.A. on March 30, 2020 issued its reports as per Article 14 of Legislative Decree 39/2010 and Article 10 of Regulation EC 537/2014, in which the independent audit firm declared in its judgment that:

- *the separate and consolidated financial statements as at December 31, 2019 provide a true and fair view of the equity and financial situation of the company and of the Group, of the result for the year and of the cash flows for the year ending at that date, in compliance with International Financial Reporting Standards, adopted by the European Union, in addition to the implementation provisions of Article 9 of Legislative Decree 38/2005;*
- *the directors' report and certain specific information contained in the corporate governance and ownership structure report indicated in Article 123-bis, paragraph 4 of Legislative Decree 58/1998, are consistent with the separate and consolidated financial statements of the Company and of the Group at December 31, 2019 and are drawn up in accordance with law;*
- *with regards to the statement as per Article 14, paragraph 2, letter e) of Legislative Decree No. 39/2010, issued on the basis of its knowledge and understanding of the company and the relative overview acquired during the audit activities, we do not have any matters to report.*

The auditors' report of PricewaterhouseCoopers S.p.A. on the financial statements at December 31, 2019 does not contain any "Emphasis of matter".

The independent audit firm PricewaterhouseCoopers S.p.A. on March 30, 2020 in addition issued its additional report on the Internal Control and Audit Committee, as per Article 11 of Regulation EC 537/2014.

4. Statements pursuant to Article 2408 of the Civil Code and submission of petitions. Initiatives taken by the Board of Statutory Auditors and related outcomes.

No statements or matters reported were received from shareholders during the year 2019. No petitions were submitted to the Board of Statutory Auditors during the year 2019.

In this regard, we highlight that the company has adopted a "whistleblowing" procedure, providing for the setting up of appropriate disclosure channels to ensure the receipt, analysis and handling of reports, regarding internal control, corporate disclosure, administrative responsibility of the company, fraud or other matters, sent by employees, members of the corporate boards or third parties and also confidentially or anonymously.

5. Conferment of appointments to the independent audit firm and associated costs.

The Board of Statutory Auditors was provided with evidence of the following fees accruing to the independent audit firm PricewaterhouseCoopers S.p.A. and the companies belonging to its network for services in 2019 (amounts in Euro):

Company providing service	Recipient of service	Type of services	Fees 2019
		Audit separate financial statements	127,188
PwC SpA	Aquafil SpA	Audit consolidated financial statements	40,047
PwC SpA	Italian subsidiary companies	Audit separate financial statements and Group Reporting Package	24,900
PwC (1)	Foreign subsidiaries	Audit separate financial statements and Group Reporting Package	142,720
PwC SpA	Aquafil SpA	Limited Audit of the 2019 consolidated half-year report	29,100
PwC SpA	Italian subsidiary companies	Limited Audit 2019 half-year Group Reporting Package	10,900
PwC (1)	Foreign subsidiaries	Limited Audit 2019 half-year Group Reporting Package	72,650
Total Audit services provided in 2019 to the Aquafil Group by Worldwide Audit firm			**447,505**
PwC SpA	Aquafil SpA	Limited Audit of Consolidated Non-Financial Report	24,000
PwC SpA	Aquafil SpA	Supplement to the audit due to the introduction of IFRS 15 and the first analysis of the impacts of IFRS 16	58,000
PwC SpA	Aquafil SpA	Audit of the statement of the 2018 research and development costs for the purposes of the tax credit Law 145/18	4,800
PwC (1)	Foreign subsidiaries	Other "audit related" services	6,720
Total other audit services provided in 2019 to Aquafil Group by Audit Firm worldwide			**93,520**
PwC (1)	Foreign subsidiaries	Other permitted support services	20,000
Total non-audit services provided in 2019 to companies of the Aquafil Group by entities belonging to PwC network			**20,000**

(1) Other companies belonging to the same PwC SpA network

Pursuant to the provisions of Article 6, paragraph 2, letter a) of EU Regulation 537/2014, PricewaterhouseCoopers S.p.A. has provided the Board of Statutory Auditors with a statement that, up to this date, it is has taken account of the activities performed, has maintained its position of independence and objectivity in respect of the Company and of the Aquafil Group, and has provided timely communication of non-audit services to the company by PricewaterhouseCoopers. S.p.A. and entities in its network.

The conferment of the above-mentioned appointments for non-audit services was approved by the Board of Statutory Auditors in advance, taking account of the declarations of independence issued by PricewaterhouseCoopers S.p.A. on these appointments.

6. Main opinions issued by the Board of Statutory Auditors in accordance with applicable legislation.

The undersigned members of the Board of Statutory Auditors declare that they have not issued any opinions in 2019 in accordance with applicable legislation.

In 2019, the Board of Statutory Auditors:

- examined and positively assessed, together with the Control and Risks Committee, the 2019 Audit Plan drawn up by the Internal Audit Manager and approved by the Board of Directors in the meeting of March 14, 2019;
- examined and positively assessed the Remuneration Policy for the year 2019 as per the proposal approved by the Appointments and Remuneration Committee, as well as the Remuneration Report's text approved by the Board of Directors in the meeting of March 14, 2019 and verified that this contains the information required by Article 123-ter of the CFA and Article 84-quater of Consob Regulation 11971/1999;
- examined and positively assessed the text of the Corporate Governance and Ownership Structure Report approved by the Board of Directors in the meeting of March 14, 2019, and verified that this contains the information required by Article 123-bis of the CFA.

Following the supervisory activities carried out in the year and outlined above, which did not indicate any omissions or reportable events, the Board of Statutory Auditors does not indicate any observations to be reported to the Shareholders' Meeting in accordance with Article 153 of the CFA.

7. Attendance of the meetings of the corporate bodies

In 2019, the Board of Statutory Auditors attended all sessions of the Board of Directors' meetings of Aquafil, during which it was informed of activities performed and significant transactions made by the company and its subsidiaries. In this context, the Board has received the periodic disclosure on powers conferred from the Chief Executive Officer.

The Board of Statutory Auditors in 2019 held 12 meetings (including meetings of the Board alone and those together with the Control and Risks Committee), during which exchanges of information with the independent audit firm also took place to ensure that no transactions occurred that were imprudent, risky, with a potential conflict of interest, in breach of the law or the By-Laws or shareholders' meeting resolutions or such as to compromise the integrity of the company's assets.

With regards to the meetings of the internal Board Committees, the Board of Statutory Auditors attended in 2019, through its Chairperson and at least one other member, 7 Control and Risks Committee meetings (of which 1 meeting of the Related Party Transactions Committee) and 3 Appointments and Remuneration Committee meetings, acquiring knowledge on the work carried out by these Committees during the year.

The Board of Statutory Auditors also attended the Shareholders' Meeting of April 23, 2019.

The Board of Statutory Auditors in 2020 has thus far held 5 meetings (between meetings of the Board alone and together with the Control and Risks Committee). The Board of Statutory also attended 2 Board of Directors meetings and, through its Chairperson and at least one other member, 3 Control and Risks Committee meetings and 2 meetings of the Appointments and Remuneration Committee.

8. Observations on compliance with the principles of correct administration.

Following its supervisory activities, the Board of Statutory Auditors has no observations to make concerning compliance with the principles of correct administration and has confirmed that directors of Aquafil S.p.A. are aware of the risk involved and the effects of transactions made.

In particular, the Board of Statutory Auditors verified that the operating choices were adopted in the interest of the company, compatible with the resources and capital available and adequately supported by disclosure, documentation, analysis and verification processes, also making recourse, where considered necessary, to consultation with the Committees and outside consultants.

9. Observations on the suitability of the organisational structure.

The Board of Statutory Auditors constantly gathered information on the company's organisational structure and changes made to it, including by holding meetings with the relevant company managers.

With regards to the Internal Audit function structure, given that the 2019 Audit Plan was carried out and completed according to schedule, the Board of Statutory Auditors notes that the company continued to strengthen its internal structure, currently comprising the Internal Audit Manager and a full-time support staff member, maintaining also the assistance of outside consultants, who mainly provide operating support.

With regards to the strategically important subsidiaries, as identified by the Board of Directors with resolution of February 14, 2020 and with regards to the provisions of Article 15 of the Consob Markets Regulation (regulation No. 20249 of December 28, 2017), concerning significant subsidiaries set up and governed according to the laws of non-European Union member States, the Board of Statutory Auditors indicates that the Aquafil Group companies applying this provision are included among the entities for the purposes of Internal Control on Financial disclosure, with regards to which no significant deficiencies are reported.

In light of what has been confirmed, the Board of Statutory Auditors considers that the company's organisational structure, procedures, competences and responsibilities are suitable for the size of the company and the type of activity performed.

10. Suitability of the Internal Control and Risks Management System.

The Board of Statutory Auditors has monitored the suitability of Aquafil S.p.A.'s Internal Control and Risks Management System through:

a. the gathering of information, including during meetings of the Control and Risks Committee, as well as through meetings with the Internal Audit Manager and with the managers of other functions, activities performed, mapping of risks related to activities in progress, audit plans and the internal control system's implementation projects, with the acquisition of associated documentation;

b. regular participation in the work of the Control and Risks Committee set up in accordance with the Self-Governance Code for listed companies and, where required, the joint collaboration of such with the Committee;

c. the review of the Annual Report of the Control and Risks Committee issued on March 13, 2020;

d. the review of the Internal Audit Manager reports, concerning the checks on the various company areas established by the 2019 Audit Plan, in addition to the follow-ups of the Audit Plan of the preceding year;

e. the review of the Internal Audit Manager's annual report together with the Internal Audit Manager's positive assessment of the suitability of the company's internal control and risk management system with respect to the company's characteristics and risk profile assumed.

In this regard, the Board of Statutory Auditors agreed with the favourable assessment of the Control and Risks Committee on (i) the suitability, efficacy and effective functioning of the company's internal control and risk management system with respect to its characteristics and risk profile assumed; (ii) the company's organisational, administrative and accounting structure with particular reference to the internal control and risk management system.

The Board of Statutory Auditors in addition:

- Confirmed that the company has an Organisation, Management and Control Model that is compliant with the principles contained in Legislative Decree 231/01 and the guidelines drawn up by Trade Associations, as last updated and approved by the Board of Directors on March 14, 2019;
- reviewed the periodic reports at June 30, 2019 and December 31, 2019 of the Supervisory Board as per Legislative Decree 231/2001, which summarised the activities carried out during the year, and periodically met with its members;
- met, also at the Board of Statutory Auditors meeting, the Director in charge of the Internal Control and Risk Management System;
- met the representatives of the Board of Statutory Auditors of the Aquafil Group Italian subsidiaries;
- obtained information from the corporate boards (without Board of Statutory Auditors) of the main overseas subsidiaries, as per Article 151, paragraphs 1 and 2 of Legislative Decree 58/1998.

In conclusion, in the process of performing the above activities, the Board of Statutory Auditors:

a) did not find any critical situations or facts suggesting that Aquafil S.p.A.'s internal control and risk management system is inadequate;

b) took note of the information provided by the Chairman of the Supervisory Board and of the above-mentioned reports concluding that there were no reprehensible facts or violations of the Model in the year 2019;

c) took note of the positive assessment delivered by the Board of Directors on the suitability and effective functioning of the Internal Control and Risk Management System for the financial year 2019.

11. Suitability of the administrative and accounting system and its reliability.

The Board of Statutory Auditors, for all aspects falling within its competence, supervised the administrative and accounting system's suitability and its reliability in correctly representing accounting data and activities performed under the coordination of the Executive Officer for Financial Reporting, for the purposes of the requirements referred to in Law 262/05 "Provisions for the protection of savings and the regulation of financial markets" and subsequent amendments and additions through:

a) the acquisition of information from the Executive Officer for Financial Reporting and managers of other business functions, including during participation in the work of the Control and Risks Committee;

b) the acquisition of information on procedures adopted and instructions issued by Aquafil S.p.A. for the preparation of the Group's Annual Financial Report as at 31/12/2019;

c) the review of the report drawn up by the Executive Officer on Financial Reporting on the suitability of administrative and accounting procedures as per Law 262/05 and on the outcome of the related tests performed;

d) the meetings with the Independent Audit Firm and the results of the work it performed.

The Board of Statutory Auditors also noted that the impairment test applied by the company in preparing the financial statements at December 31, 2019 was that approved by the Board of Directors on February 15, 2019, following the favourable opinion issued by the Control and Risks Committee, a procedure which was applied for the preceding financial statements.

While performing the above activities, the Board of Statutory Auditors did not find any critical situations or facts suggesting that Aquafil S.p.A.'s administrative and accounting system for the year 2019 was inadequate and/or unreliable.

12. Suitability of instructions imparted to subsidiaries.

The Board of Statutory Auditors considers the instructions imparted by the Company to its subsidiaries pursuant to Art. 114, paragraph 2 of the CFA suitable to fulfil the communication requirements envisaged by law.

13. Any relevant aspects relating to meetings with the auditors.

The Board of Directors met the independent audit firm to:

a) exchange information on the audits performed by the latter, pursuant to Legislative Decree 39/2010 and Article 150, paragraph 3 of the CFA, on the company's accounting records and on the correct recording of accounting data in the accounting records. No critical issues or anomalies emerged from these meetings;

b) for the acquisition of information on the planning of activities of the independent audit firm concerning the audit on the Annual Financial Report at 31.12.2019, in addition to the separate financial statements of Aquafil S.p.A. and the consolidated financial statements of the Aquafil Group;

c) for the review and assessment of the compilation process, including the evaluation of the correct application of accounting principles and their homogeneity, and the Aquafil Group's Annual Financial Report as at 31/12/2019, together with the results of the audit activities and evaluation of these documents.

In addition to what is reported in paragraph 3, the Board of Statutory Auditors also:

a) received the independent audit firm's report, pursuant to Art. 11, paragraph 2 of EU Regulation No. 537/2014, also highlighting the fundamental issues that emerged during the audit and any significant shortcomings detected in the internal control system on the financial reporting process, in which no significant shortcomings were found;

b) noted the statement concerning the independence of PricewaterhouseCoopers S.p.A., as per Article 6 of Regulation (EC) No. 537/2014, annexed to the additional report, which does not indicate any situations which may compromise its independence;

c) discussed with the independent audit firm, pursuant to the provisions of Art. 6, paragraph 2(b) of EU Regulation No. 537/2014, the risks associated with the firm's independence and the measures adopted by it to limit these risks.

In particular, the Board of Statutory Auditors, with regards to the activities of the independent audit firm, noted that the methodologies and planning for the audit work, the audit approach utilised for the various significant areas of the financial statements and regarding corporate risks and the planned response by the auditor with the profiles, structures and risk, of the company and of the Group.

14. Adherence to the Self-Governance Code of the Governance Committee for listed companies.

The Board of Statutory Auditors has verified that the Company adheres to the Self-Governance Code for listed companies approved in March 2006 and last amended in July 2015 (hereinafter, the "Code").

Pursuant to Art. 149, paragraph 1(c-bis) of the CFA, it therefore monitored the practical implementation methods of the corporate governance rules envisaged by the Code, with particular regard to:

- the correct application of criteria and assessment procedures adopted by the Board of Directors to assess the independence of its members;
- the procedures with which the Internal Committees to the Board of Directors are composed, in particular with reference to directors' independence requirements, noting also that a meeting of only the Independent Directors was held;
- the manner by which the self-assessment activities of the Board of Directors and its Internal Committee were undertaken, following which guidelines and recommendations emerged regarding the expertise considered beneficial and regarding the composition of the newly appointed Board of Directors;

- the Corporate Governance structure of the company, examining in addition the Annual Corporate Governance and Ownership Structure Report.

In this regard, the Board of Statutory Auditors indicates that the Board of Directors of the company, at its meeting of February 14, 2020, following the preparatory activities carried out in the final months of 2019 also on the suggestion of the Board of Statutory Auditors, approved the Significant transactions management policy, in addition to an update to the inside information processing policy.

In 2019, the Induction course for Directors and Statutory Auditors continued, with regards to the company's ECONYL® regeneration process, in addition to corporate governance.

The Board of Statutory Auditors oversaw the activities carried out by the Control and Risks Committee (also acting as the Related Party Transactions Committee) and the Appointments and Remuneration Committee, through the attendance of the Chairperson of the Board of Statutory Auditors and at least one other member at all meetings of these Committees.

The Board of Statutory Auditors also noted that the recommendations of the Corporate Governance Code contained in the letter of December 21, 2019 addressed to the Chairperson of the Committee, Patrizia Grieco, to the Chairpersons of the Boards of Directors of listed Italian companies and, on their behalf, to the relative Chief Executive Officers and Chairpersons of the Control bodies, were brought to the attention of the Board of Directors and the Appointments and Remuneration Committee, for the undertaking of the necessary decisions in this regard.

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In addition to the above, the Board of Statutory Auditors:

- on March 4, 2020 concluded the self-assessment of the Board, confirming the consistency of its composition with the applicable legal provisions, in addition to its adequacy in terms of diversity of age and training and professional experience of its members and compliance with the regulatory provisions regarding the accumulation of statutory auditor positions. The self-assessment of the Board of Statutory Auditors was disclosed to the Board of Directors on March 13, 2020, which communicated such to the Market in the press release issued on the same date and in the Annual Corporate Governance and Ownership Structure Report for 2019;
- within the self-assessment process of the Board of Statutory Auditors, it positively verified the compliance of independence criteria for each of its members, as required by the Self-Governance Code. The results of the self-assessment checks of the Board of Statutory Auditors are reported in the Corporate Governance and Ownership Structure Annual Report drawn up for the year 2019.

Final evaluations on the supervisory activity performed and proposal to the Shareholders' Meeting

Having regard to the above and having:

- monitored the observance of the law and the By-Laws, compliance with the principles of correct administration and, in particular, the suitability of the organisational, administrative and accounting structure adopted by the company and its practical functioning;
- monitored compliance with disclosure obligations on insider information;

- monitored the functioning and effectiveness of the internal control system and the administrative and accounting system, in order to assess their adequacy in meeting corporate needs and their reliability for representing accounting data;
- monitored compliance with legal provisions concerning the formation and preparation of the company's Annual Financial Statements and the Group's Consolidated Financial Statements and the Directors' Report for the financial year 2019 (which also contains information on significant events occurring after 31 December 2019 including the effects deriving from the spread of Covid-19), including by means of direct audits and information gathered by the independent audit firm;
- monitored that, in compliance with Regulation (EC) No. 1606/2002 and Legislative Decree No. 38/2005, Aquafil S.p.A.'s financial statements at December 31, 2019 and the Group consolidated financial statement were drawn up in accordance with IAS/IFRS international accounting standards approved by the European Commission and supplemented by the related interpretations issued by the International Accounting Standard Board (IASB);
- monitored compliance with the procedure for the preparation and presentation of the Annual Financial Statements and Consolidated Financial Statements to the Shareholders' Meeting;
- monitored compliance with the provisions established by Legislative Decree 254/2016 and Consob Regulation No. 20267/2018, by examining, inter alia, the Non-Financial Statement (NFS) contained in the Consolidated Financial Statements and also ascertaining compliance with the provisions governing its drafting, pursuant to the above-mentioned decree and, therefore, its preparation in accordance with these regulations. The Board of Statutory Auditors has, inter alia, confirmed the approval of the above-mentioned Statement by the Board of Directors on March 13, 2020 and the independent audit firm's issuing of the Statutory Declaration on March 30 2020, concerning the compliance of information provided in this document as envisaged by Arts. 3 and 4 of Legislative Decree 254/2016.

Therefore, the Board of Statutory Auditors declares that, during its supervisory activity, as described above, no reprehensible facts, omissions or irregularities emerged that would require a statement to be made to the competent bodies.

In consideration of the above, the Board of Statutory Auditors of Aquafil S.p.A requests you to approve the financial statements at December 31, 2019, as presented by the Board of Directors together with the Directors' Report and the allocation proposal for the year's result.

Milan, Padua, Verona, March 30, 2020

The Board of Statutory Auditors

Mr. Stefano Poggi Longostrevi – Chairman

Mr. Fabio Buttignon- Statutory Auditor

Ms. Bettina Solimando – Statutory Auditor

Report on the Audit of the Consolidated Financial Statement

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Independent auditor's report
in accordance with article 14 of Legislative Decree n° 39
of 27 January 2010 and article 10 of Regulation (EU) n° 537/2014

Aquafil SpA

Consolidated Financial Statements
as of 31 dicembre 2019

Independent auditor's report

in accordance with article 14 of Legislative Decree n° 39 of 27 January 2010 and article 10 of Regulation (EU) n° 537/2014

To the shareholders of
Aquafil SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Aquafil Group (the Group), which comprise the statement of financial position as of 31 December 2019, the income statement, the statement of comprehensive income and the statement of changes in equity, the statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2019, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Aquafil SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Revenue recognition *Paragraph 2.4 "Accounting standards and valuation methods" item "Revenues and costs"* At 31 December 2019, revenues of the Aquafil Group amounted to Euro 548.955 thousand, mainly due to the sale of finished products. These revenues are recognised in the financial statements when control of the goods produced is transferred to the customer and only if all criteria under IFRS 15 are met. As part of our audit procedures on the consolidated financial statements, the correct recognition of revenues was considered as a key area, since it represents the most significant P&L item and an incorrect recognition of them would cause a considerable alteration of the result for the year.	The audit approach preliminarily consisted in understanding and assessing the internal control system and the procedures set by the Parent Company for the recognition of revenues from sale. The audit approach then provided to perform compliance testing on key controls, which might have been put in place by the Group companies as part of the above-mentioned procedures, in order to verify the operating efficacy of such controls in the context of the revenue recognition process, with particular reference to the existence of such revenues and their recognition in the correct accrual period. Taking into account the understanding, assessment and validation of the internal controls mentioned above, validity tests were planned and performed on the relevant financial statement item. In particular, in relation to a sample of transactions deemed representative in the context of each individual consolidated entity, procedures were carried out on the existence and accuracy of revenues recognised in the financial statements, by examining the information included in the available documentation as supporting evidence. In addition, we verified the reconciliation of the intercompany balances and their being correctly written off in the consolidated financial statements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/05 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, management uses the going concern basis of accounting unless management either intends to liquidate Aquafil SpA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- we obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- we concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

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

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) n° 537/2014

On 30 January 2018, the shareholders of Aquafil SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2017 to 31 December 2025.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) n° 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree n° 39/10 and Article 123-bis, paragraph 4, of Legislative Decree n° 58/98

Management of Aquafil SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Aquafil Group as of 31 December 2019, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) n° 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree n° 58/98, with the consolidated financial statements of the Group as of 31 December 2019 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of Aquafil Group as of 31 December 2019 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree n° 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree n° 254 of 30 December 2016

Management of Aquafil SpA is responsible for the preparation of the non-financial statement pursuant to Legislative Decree n° 254 of 30 December 2016.
We have verified that management approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree n° 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Trento, 30 March 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.

Indipendent Auditor’s Report on the Non Financial Report

AQUAFIL SPA

INDEPENDENT AUDITOR’S REPORT ON THE CONSOLIDATED NON FINANCIAL STATEMENT PURSUANT TO ARTICLE 3, PARAGRAPH 10, OF LEGISLATIVE DECREE NO. 254/2016 AND ARTICLE 5 OF CONSOB REGULATION NO. 20267 OF JANUARY 2018

YEAR ENDED 31 DECEMBER 2019

Independent auditor's report on the consolidated non-financial statement

pursuant to article 3, paragraph 10, of Legislative Decree No. 254/2016 and article 5 of CONSOB Regulation No. 20267 of January 2018

To the Board of Directors of Aquafil SpA

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016 (the "Decree") and article 5 of CONSOB Regulation No. 20267/2018, we have performed a limited assurance engagement on the consolidated non-financial statement of Aquafil S.p.A. and its subsidiaries (hereafter the "Group") for the year ended 31 December 2019 prepared in accordance with article 4 of the Decree, and approved by the Board of Directors on 13 March 2020 (hereafter the "NFS").

Responsibility of Management and the Board of Statutory Auditors for the NFS

The Directors are responsible for the preparation of the NFS in accordance with article 3 and 4 of the Decree and with the "GRI-Sustainability Reporting Standards" defined in 2016 (hereafter the "GRI Standards"), identified by them as the reporting standards.

The Directors are responsible, in accordance with the law, for the implementation of internal controls necessary to ensure that the NFS is free from material misstatement, whether due to fraud or unintentional errors.

Moreover, the Directors are responsible for identifying the content of the NFS, within the matters mentioned in article 3, paragraph 1, of the Decree, considering the activities and characteristics of the Group and to the extent necessary to ensure an understanding of the Group's activities, its performance, its results and related impacts.

Finally, the Directors are responsible for defining the business and organisational model of the Group and, with reference to the matters identified and reported in the NFS, for the policies adopted by the Group and for the identification and management of risks generated and/or faced by the Group.

The Board of Statutory Auditors is responsible for overseeing, in the terms prescribed by law, compliance with the Decree.

PricewaterhouseCoopers SpA

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Auditor's Independence and Quality Control

We are independent in accordance with the principles of ethics and independence set out in *the Code of Ethics for Professional Accountants* published by the *International Ethics Standards Board for Accountants*, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behavior. Our audit firm adopts *International Standard on Quality Control 1 (ISQC Italy 1)* and, accordingly, maintains an overall quality control system which includes processes and procedures for compliance with ethical and professional principles and with applicable laws and regulations.

Auditor's responsibilities

We are responsible for expressing a conclusion, on the basis of the work performed, regarding the compliance of the NFS with the Decree and with the GRI Standards. We conducted our engagement in accordance with "*International Standard on Assurance Engagements ISAE 3000* (Revised) – *Assurance Engagements Other than Audits or Reviews of Historical Financial Information"* (hereafter "ISAE 3000 Revised"), issued by the *International Auditing and Assurance Standards Board* (IAASB) for limited assurance engagements. The standard requires that we plan and apply procedures in order to obtain limited assurance that the NFS is free of material misstatement. The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised ("*reasonable assurance engagement*") and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement. The procedures performed on the NFS were based on our professional judgement and consisted in interviews, primarily with company personnel responsible for the preparation of the information presented in the NFS, analysis of documents, recalculations and other procedures designed to obtain evidence considered useful.

In particular, we performed the following procedures:

1. analysis of the relevant matters reported in the NFS relating to the activities and characteristics of the Group, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree and with the reporting standards adopted;
2. analysis and assessment of the criteria used to identify the consolidation area, in order to assess their compliance with the Decree;
3. understanding of the following matters:
    - business and organisational model of the Group, with reference to the management of the matters specified by article 3 of the Decree;
    - policies adopted by the Group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;
    - main risks, generated and/or faced by the Group, with reference to the matters specified in article 3 of the Decree.

With reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 4 a) below;

4. understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS. In particular, we held meetings and interviews with the management of Aquafil S.p.A. and with the personnel of Aquafil USA Inc. and Aquafil SLO d.o.o., and we performed limited analysis of documentary evidence, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.
   Moreover, for material information, considering the activities and characteristics of the Group:
   - at group level,
     a) with reference to the qualitative information included in the NFS, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify their consistency with available evidence;
     b) with reference to quantitative information, we performed analytical procedures as well as limited tests, in order to assess, on a sample basis, the accuracy of consolidation of the information;
   - for the following subsidiaries, divisions and sites, Aquafil SpA (Arco di Trento's plant), Aquafil SLO d.o.o. (Ljubljana's plant) and Aquafil USA Inc. (Cartersville's plant), which was selected on the basis of its activities, its contribution to the performance indicators at a consolidated level and its location, we carried out site visits during which we met local management and gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

Conclusions

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of Aquafil Group as of 31 December 2019 has not been prepared, in all material respects, in compliance with articles 3 and 4 of the Decree and with the GRI Standards.

Trento, 30 March 2020

PricewaterhouseCoopers SpA

Signed by	*Signed by*
Alberto Michelotti (Partner)	Paolo Bersani (Authorised signatory)

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Note

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