Annual Report
2023

Index

CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2023

STATUTORY FINANCIAL STATEMENTS AT DECEMBER 31, 2023

Corporate Boards

Board of Directors at December 31, 2023

CHIARA MIO	Chairperson (*)
GIULIO BONAZZI	Chief Executive Officer
GIOVANNI STEFANO LORO	Director
FRANCO ROSSI	Director
SILVANA BONAZZI	Director
FRANCESCO BONAZZI	Director
FRANCESCO PROFUMO	Director (*)
ILARIA MARIA DALLA RIVA	Director (*)
PATRIZIA RIVA	Director (*)

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

Control and Risks Committee

PATRIZIA RIVA	Chairperson
FRANCESCO PROFUMO	Member
CHIARA MIO	Member

Appointments and Remuneration Committee

FRANCESCO PROFUMO	Chairperson
PATRIZIA RIVA	Member
ILARIA MARIA DALLA RIVA	Member

Supervisory Board

FABIO EGIDI	Chairperson
KARIM TONELLI	Internal member
MICHELE PANSARELLA	External member

Board of Statutory Auditors

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

Independent Audit Firm

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

The Board of Directors will remain in office until the approval of the financial statements for the year 2025 and the Board of Statutory Auditors will remain in office until the approval of the financial statements for the year 2023. The independent audit firm was appointed for the 2017-2025 period.

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

Directors' Report on the Separate and Consolidated Financial Statements of Aquafil S.p.A. 2023

Dear Shareholders,

the separate financial statements, which we submit for your review and approval, in 2023 report "Total revenues" of Euro 518.4 million and a net loss of Euro 5.6 million, after current and deferred taxes for a net positive total of Euro 6.7 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 2023, which report "Total revenues" of Euro 571.8 million and a Group net loss of Euro 25.8 million.

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

1. INTRODUCTION

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

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

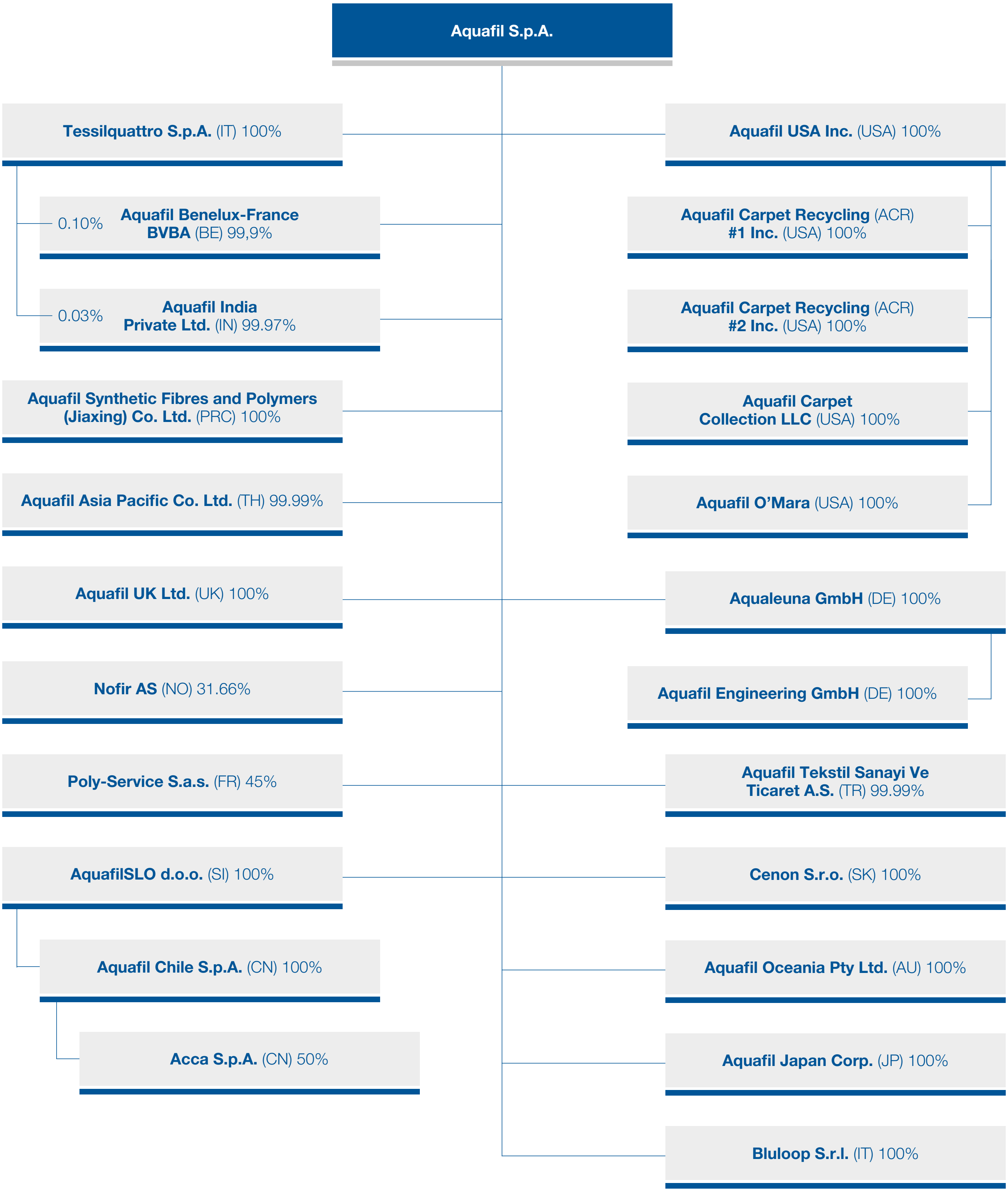
2. GENERAL INFORMATION OF THE PARENT COMPANY AQUAFIL S.P.A.

Registered Office: Via Linfano, 9 - Arco (TN) - 38062 - Italy
Telephone: +39 0464 581111- Fax: +39 0464 532267
Certified e-mail:pec.aquafil@aquafil.legalmail.it
E-mail: info@aquafil.com
Website: www.aquafil.com
Share capital (at the approval date of the financial statements at 31.12.2023):

- Approved: 50,522,417.36
- Subscribed: 49,722,417.28
- Paid in: 49,722,417.28

Tax and VAT number: IT 09652170961
Trento Economic & Administrative Registration No. 228169
Company duration: 31/12/2100
There are no changes relating to the name of the entity preparing the financial statements or other means of identification with respect to the end of the previous year.

3. CONSOLIDATION SCOPE



The Group is composed of the Parent Company Aquafil S.p.A. and 21 companies consolidated on a line-by-line basis as a result of direct or indirect control. In addition to these are the associated companies Nofir A.S. and Poly-Service S.a.s., as well as the joint venture Acca S.p.A., which are valued at equity.

Production is carried out at 21 plants located in Europe, the United States, South America, Asia and Oceania.

4. GENERAL AND ECONOMIC OVERVIEW

Climate change

The Aquafil Group passionately pursues its environmental, social and governance policy and takes an active role in the community in which it operates.

The Group's organisational structure has evinced a long-standing interest in the environmental impact of processes and products, and continuously assesses possible avenues for improvement, with an approach firmly focused on sustainability and circularity.

In particular, this structure considers the consequences of climate change for its activities, processes and local organisations, the risk of which is consistently monitored and assessed. It can thus be stated that no significant impacts are currently expected on operating activities in the regions where the Group operates.

For further information regarding the Aquafil Group's sustainability goals and policies, please refer to the Non-Financial Report pursuant to Legislative Decree No. 254 of 2016 published on the Group's website at the same time as these financial statements.

Implications of the COVID-19 pandemic and the Russia-Ukraine and Israel-Palestine conflicts

On May 5, 2023, the World Health Organisation officially declared the health emergency over. This had begun on March 11, 2020, when it was first declared a pandemic.

The conflict between Russia and Ukraine that began on February 24, 2022 has brought severe repercussions to Europe in terms of economic instability, resulting in significant inflation for the broad range of products - caused particularly by the sudden unavailability of imports from Russia and Belarus of the products subject to sanctions and the high price levels of energy components - and increased shipping costs by sea and on land. As illustrated in the Directors' Report relating to the previous year, the Group does not have a dependence on particular products and/or suppliers/clients in these areas which may impact upon operations. No direct consequences were therefore felt from the stoppage of import/exports of the products and businesses subject to limitations having definitively interrupted suppliers already in October 2022.

The armed conflict between the State of Israel and Hamas that began on October 7, 2023 led Israel to declare a state of war and invade and take control of the Gaza Strip, where the Palestinian organisation's bases are located.

The economic consequences of the war, and its continuation to date with no peaceful solution in sight in the immediate future, have not demonstrated significant impacts on the markets in which the Aquafil Group operates for the time being, nor have they affected the procurement of goods and services, which are not usually sourced from those areas.

The effect for the entire European economic area that the slowdown in goods traffic through the Suez Canal, which may be related to the Israeli-Palestinian conflict, may bring during 2024 to international trade and the availability of products from or destined for Far Eastern markets, which as of today cannot be quantified in terms of magnitude and duration, is to be evaluated.

5. SIGNIFICANT EVENTS IN 2023

The Group's key events in the year included:

1. *Acca S.p.A.*: on January 18, 2023 through its subsidiary Aquafil Chile S.p.A., a joint venture was created with the company Atando Cabos S.p.A. called Acca S.p.A., with registered office in Santiago, Chile, and share capital of CLP 1 million. The company has the corporate purpose of acquiring, storing and recycling fishing nets, nautical ropes and other plastic waste;
2. *Aquafil S.p.A. dividend distribution*: on April 27, 2023, the Shareholders' Meeting of Aquafil S.p.A. approved the distribution of dividends totalling Euro 12.3 million, which were paid out on May 10, 2023, with coupon date of May 8, 2023;
3. *Treasury share purchases*: as part of the treasury share purchase plan approved by the Shareholders' Meeting on October 20, 2021, it should be noted that, in January 2023, Aquafil continued to purchase shares up to the 1,278,450 treasury shares held, equal to 2.4961% of the share capital. The authorisation by shareholders had a validity of 18 months from the date of the related resolution and therefore authorised the purchase, in one or more tranches, of ordinary shares up to a maximum number which, taking account of the ordinary shares which may be held in portfolio by the company and by its subsidiary, does not total more than 3% of share capital;
4. *Aquafil Jiaxing Co. Ltd. share capital increase:* on May 8, 2023, the parent company Aquafil S.p.A. paid in the remaining portion of the share capital subscribed and not yet paid of the subsidiary Aquafil Jiaxing Co. Ltd. for a total amount of Euro 1,348 thousand. Following the final payment, the entire share capital of the company Aquafil Jiaxing Co. Ltd. has therefore been fully paid-in;

5. *Karun World Ltd.:* in May 2023, the stake in the company Karun World Ltd., with registered office in Warwick (Great Britain), was recognised for Euro 150 thousand, equal to 1.83% of the share capital. The company is engaged in the environmentally-sustainable production of eyewear from the collection of waste materials, such as rope or fishing nets recovered from the coasts and mountains of Patagonia;
6. *Tax assessment FY 2017:* with regard to the audit referring to the 2017 fiscal year involving the parent company Aquafil S.p.A., on May 15, 2023, the case was initiated for the recovery of taxation for a total of Euro 853 thousand. On September 4, 2023, the Company reached an IRES and IRAP settlement agreement, which did not involve any payment to the tax authority due to the offsetting against the period's losses, and amounts to Euro 187 thousand. For further details, reference should be made to the "Contingent liabilities" paragraph of the Explanatory Notes;
7. *Aquafil S.p.A./Aqualeuna GmbH:* the company aqualeuna GmbH, which was the subject of a tax audit by the Federal Tax Office ("Bundeszentralamt fur Steuern"), division of Leuna (Germany), received in May 2023 from the Finanzamt Merseburg office notification of the closure of the audit for the tax periods 2018 and 2019 and the subsequent assessment and settlement notices for the company's income tax. For further details, reference should be made to the "Contingent liabilities" paragraph of the Explanatory Notes;
8. *Poly-Service S.a.s.:* on August 7, 2023, Aquafil S.p.A. and Politecnici Srl incorporated the company Poly-Service SAS, based in Lyon (France), with share capital of Euro 10,000. Aquafil holds a 45% interest, with Politecnici S.r.l. holding 55%. The corporate purpose of the company is the design, production and marketing of plastics, rubber, nylon and related products, in addition to semi-finished, finished and recycled products based on plastics, particularly nylon, in addition to the collection of post-consumer plastics, rubber, nylon and related products and subsequent processing into secondary raw materials;
9. *Aquafil UK Ltd.:* on September 22, 2023, Aquafil UK Ltd. began the process of ceasing its manufacturing operations, which will be reabsorbed by other European Group companies, resulting in the collective redundancy of 35 employees.

6. AQUAFIL ON THE STOCK MARKET

At December 29, 2023, the Aquafil share price (ISIN IT0005241192) was Euro 3.44, down approx. 44% on December 30, 2022 (Euro 6.14), against an increase in the STAR segment of the Italian Stock Exchange of approx. 3%.

The Aquafil share generally declined in the period, between a minimum of Euro 2.08 (on October 23, 2023) and a maximum of Euro 6.30 (on January 12, 2023).

The *average traded volume* in the year was 62,874 shares, with a maximum daily volume (traded on October 13, 2023) of 365,025 shares and a minimum daily volume (traded on January 23, 2023) of 1,089 shares.

7. AQUAFIL GROUP AND PARENT COMPANY FINANCIAL HIGHLIGHTS

7.1 Definition of alternative performance indicators

Gross operating profit (EBITDA)

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

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

Adjusted EBIT

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

Net Financial Position

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

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

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

7.2 Key Group Financial Highlights

(in Euro thousands)	**2023**	**2022**
Profit for the year	(25,849)	29,151
Income taxes	(143)	7,717
Investment (income)/Charges	(90)	(23)
Amortisation, depreciation and write-downs	49,635	47,851
Provisions and write downs/(Releases)	(1,002)	180
Financial items (*)	20,002	4,484
Non-recurring items (**)	4,946	2,901
EBITDA	**47,500**	**92,261**
Revenues	**571,806**	**684,074**
EBITDA margin	**8.3%**	**13.5%**

(in Euro thousands)	**2023**	**2022**
EBITDA	**47,500**	**92,261**
Amortisation, depreciation and write-downs	(49,635)	(47,851)
(Provisions and write downs)/Releases	1,002	(180)
Adjusted EBIT	**(1,133)**	**44,229**
Revenues	**571,806**	**684,074**
Adjusted EBIT margin	**(0.2%)**	**6.5%**

(*) Comprises: (i) financial income for Euro 1.1 million, (ii) interest expense on loans and other bank charges for Euro 19.1 million, (iii) customer cash discounts for Euro 2.8 million and (iv) net exchange gains for Euro 0.8 million.

(**) Comprises: (i) non-recurring charges related to the expansion of the Aquafil Group for Euro 0.6 million; (ii) restructuring charges of Euro 3.0 million; (iii) legal consultancy and extraordinary administrative costs of Euro 0.5 million; (iv) non-recurring costs of Euro 1.1 million, mainly incurred by Aquafil UK Ltd following the notice of cessation of production activities, as stated above and (v) other non-recurring income of Euro 0.3 million. Reference should be made to paragraph 8.14 of the Notes to the consolidated financial statements.

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

7.3 Key Group balance sheet and financial indicators

(in Euro thousands)	At December 31, 2023	At December 31, 2022
Consolidated Shareholders' Equity	125,253	175,402
Net Financial Position	248,537	247,885
NFP/EBITDA	5.232	2.687

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

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

(in Euro thousands)	2023	2022
Net profit/(loss) for the year	(5,641)	15,930
Income taxes	(6,701)	3,625
Investment income and charges	(16,487)	(183)
Amortisation, depreciation and write-downs	10,466	10,711
Provisions and write downs/(Releases)	(773)	360
Financial items (*)	19,579	6,975
Non-recurring items (**)	2,142	922
EBITDA	**2,585**	**38,340**
Revenues	**518,444**	**694,343**
EBITDA margin	**0.5%**	**5.5%**

(in Euro thousands)	2023	2022
EBITDA	**2,585**	**38,340**
Amortisation, depreciation and write-downs	(10,466)	(10,711)
(Provisions and write downs)/Releases	773	(360)
Adjusted EBIT	**(7,109)**	**27,269**
Revenues	**518,444**	**694,343**
Adjusted EBIT margin	**(1.4%)**	**3.9%**

(*) Comprises: (i) financial income for Euro 2.2 million, (ii) interest expense on loans and other bank charges for Euro 19.1 million, (iii) customer cash discounts for Euro 2.4 million and (iv) net exchange losses for Euro 0.3 million.

(**) Comprises: (i) non-recurring charges related to the expansion of the Aquafil Group for Euro 0.6 million, (ii) company restructuring charges of Euro 1.1 million, (iii) legal consultancy and extraordinary administration costs of Euro 0.1 million and (iv) other non-recurring charges of Euro 0.3 million. For further details, see paragraph 9 of the Notes to the Separate Financial Statements.

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

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

(in Euro thousands)	At December 31, 2023	At December 31, 2022
Shareholders' Equity	102,432	120,679
Net Financial Position	316,934	298,938

The net financial position of the Parent Company Aquafil S.p.A. does not reflect the real debt of the company as not taking account of liquidity available in the bank accounts of the subsidiaries at year-end (Euro 85 million). Funding from the financial system in fact was undertaken largely by the parent company, which plays a financial support role for all of the subsidiaries. The only funding line undertaken by subsidiaries is the loan taken out in July 2020 by Tessilquattro S.p.A. for a total of Euro 5 million.

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

8. GROUP OPERATING PERFORMANCE

The 2023 Income Statement compared with the previous year is reported below:

Consolidated income statement (in Euro thousands)	**Note**	**2023**	*of which non-recurring*	**2022**	*of which non-recurring*
Revenues	8.1	571,806	*209*	684,074	*1,160*
of which related parties		*283*		*435*	
Other revenues and income	8.2	8,902	*676*	13,031	*218*
of which related parties		*0*		*0*	
Total revenues and other revenues and income		**580,708**	***885***	**697,105**	***1,378***
Cost of raw materials and changes to inventories	8.3	(291,620)	*(269)*	(317,815)	*(480)*
of which related parties		*0*		*0*	
Service costs and rents, leases and similar costs	8.4	(126,907)	*(2,065)*	(168,472)	*(1,581)*
of which related parties		*(524)*		*(465)*	
Labour costs	8.5	(125,034)	*(3,004)*	(126,875)	*(1,565)*
Other costs and operating charges	8.6	(3,644)	*(493)*	(4,038)	*(653)*
of which related parties		*(70)*		*(70)*	
Amortisation & write-downs	8.7	(49,635)		(47,851)	
(Provisions and write downs)/Releases	8.8	1,002		(180)	
Increase in internal work capitalised	8.9	6,271		5,687	
Operating Profit/(loss)		**(8,859)**	***(4,946)***	**37,561**	***(2,901)***
Financial Income/(Charges) from Investments		90		23	
of which related parties		*90*		*183*	
Financial income	8.10	1,022		4,869	
Financial charges	8.11	(19,041)		(8,368)	
of which related parties		*(146)*		*(140)*	
Exchange gains/(Losses)	8.12	796		2,783	
Profit/(Loss) before taxes		**(25,992)**	***(4,946)***	**36,868**	***(2,901)***
Income taxes	8.13	143		(7,717)	
Net profit/(Loss)		**(25,849)**	***(4,946)***	**29,151**	***(2,901)***
Minority interest profit/(Loss)		0		0	
Group net result		**(25,849)**	***(4,946)***	**29,151**	***(2,901)***
Basic earnings/(Loss) per share	8.15	*(0.51)*		*0.57*	
Diluted earnings/(Loss) per share	8.15	*(0.51)*		*0.57*	

Revenues

2023 Consolidated revenues decreased on the previous year by Euro 112.3 million (16.4%), from Euro 684.1 million to Euro 571.8 million.

This decrease can be attributed to multiple factors: reduction in quantities sold throughout the year (down 4.7% on the previous year), a different sales mix (less fibres but more polymers) and a decrease in average sales price due to their alignment with lower raw material costs. Please see below for further details.

Other Revenues and Income

Other revenues and income amounted to Euro 8.9 million with a decrease of Euro 4.1 million compared to December 31, 2022 (Euro 13 million). The decrease in mainly due to increased tax credits for government contributions for electricity intensive and natural gas intensive companies meeting the regulation's requirements, received by Aquafil S.p.A. and by Tessilquattro S.p.A. in the previous year.

Raw material costs

Raw materials, ancillaries and consumables amount to Euro 291.6 million, decreasing Euro 26.2 million on the previous year (8.2%). The decrease is mainly due to a quantity effect and a price effect and was impacted by the high unitary stock values in 2022, despite the reduction in raw material costs during 2023.

Service costs and rent, lease and similar costs

Service costs and rent, lease and similar costs amounted to Euro 126.9 million, decreasing Euro 41.6 million on 2022 (Euro 168.5 million).

The reduction, related to the lower production volumes, was particularly significant in terms of transport and utility costs which significantly declined in 2023. Reference should also be made to the table in the Explanatory Notes.

Labour costs

Labour costs totalled Euro 125.0 million, decreasing Euro 1.8 million on 2022 (Euro 126.9 million). Labour costs, net of non-recurring components, account for 21.3% of revenues, compared to 18.3% in 2022. The average workforce for the Group decreased by 6 employees, from an average of 2,795 in 2022 to 2,789 in 2023.

Reference should also be made to paragraph 8.5 of the Explanatory Notes.

Other costs and operating charges

Other costs and operating charges amounted to Euro 3.6 million compared to Euro 4 million in 2022, decreasing by Euro 0.4 million. The percentage of these costs and charges on total revenues remained substantially in line with the previous year (0.6%).

Increases for internal work

Increases for internal work amounted to Euro 6.3 million, substantially in line with 2022 (Euro 5.7 million). For further details, reference should be made to paragraph 8.9 of the Explanatory Notes.

EBITDA

EBITDA was Euro 47.5 million, decreasing Euro 44.8 million (48.5%) on 2022 (Euro 92.3 million).

The EBITDA Margin in 2023 was 8.3%, compared to 13.5% in 2022.

The decrease is mainly attributable to the effect of the high unit cost of raw materials arising in 2022 for approx. Euro 24 million, in addition to the decrease in quantities sold.

Amortisation, depreciation and write-downs

Amortisation, depreciation and write-downs of Euro 49.6 million increased by Euro 1.8 million on 2022 (Euro 47.9 million). This figure, substantially in line with the preceding period, relates to the straight-line amortisation and depreciation of fixed assets.

Provisions and write downs/releases

“Provisions and write-downs/releases” present a positive balance of Euro 1.0 million, compared to a negative Euro 0.2 million at December 31, 2022. The movement is due to an updated analysis of the collectability of trade receivables outstanding at the balance sheet date.

EBIT

The 2023 EBIT was a loss of Euro 8.9 million compared to a profit of Euro 37.6 million in 2022 (down Euro 46.5 million). The movement is mainly due to the reduction in EBITDA.

Financial Management Result

Net financial charges of Euro 17.1 million were reported in 2023, compared to net charges of Euro 0.7 million in 2022. The increase is mainly due to higher interest charges on mortgages and bank loans and the negative fair value measurement of derivatives (IRS). For further details reference should be made to paragraphs 8.10 and 8.11 of the Explanatory Notes.

Income taxes

Income taxes reported income of Euro 0.1 million compared to income tax charges of Euro 7.7 million in 2022. For further details reference should be made to paragraph 8.13 of the Explanatory Notes.

Consolidated Result

The Group net loss was Euro 25.8 million, compared to a net profit of Euro 29.1 million in 2022.

9. 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 (fibre for carpet)				NTF (fibre for fabrics)				Polymers				Total			
	YTD 2023	YTD 2022	Change	Change %	YTD 2023	YTD 2022	Change	Change %	YTD 2023	YTD 2022	Change	Change %	YTD 2023	YTD 2022	Change	Change %
EMEA	184.6	217.9	(33.3)	(15.3%)	71.4	103.3	(31.9)	(30.9%)	39.2	51.8	(12.6)	(24.3%)	295.2	372.9	(77.8)	(20.9%)
North America	148.1	166.1	(18.0)	(10.8%)	29.7	31.9	(2.3)	(7.2%)	4.9	4.0	0.8	20.7%	182.7	202.1	(19.4)	(9.6%)
Asia and Oceania	87.0	100.3	(13.3)	(13.2%)	4.2	4.1	0.1	3.5%	0.8	1.4	(0.6)	(45.6%)	92.0	105.8	(13.8)	(13.0%)
RoW	0.8	0.8	0.1	6.6%	1.2	2.5	(1.4)	(54.2%)	0.0	0.0	0.0	0.0%	2.0	3.3	(1.3)	(40.0%)
Total	**420.6**	**485.0**	**(64.5)**	**(13.3%)**	**106.4**	**141.8**	**(35.4)**	**(25.0%)**	**44.8**	**57.2**	**(12.4)**	**(21.6%)**	**571.8**	**684.1**	**(112.3)**	**(16.4%)**

The comparison indicates the following:

1. revenues in **EMEA** amounted to Euro 295.2 million, decreasing by 20.9% (Euro 77.8 million) in 2023 compared to the previous year, mainly due to a decrease in quantities sold (5.8% decrease), a different sales mix, and lower sales prices on all product lines. Specifically, the BCF product line saw a 15.3% decrease due to lower selling prices and lower quantities sold. The NTF product line contracted 30.9% due to the combined effect of lower selling prices and lower quantities sold. Finally, the polymers product line shows a decrease of 24.3%, mainly due to the reduction in quantities sold;
2. **North America** revenues totalled Euro 182.7 million, compared to Euro 202.1 million in the previous year, decreasing Euro 19.4 million (-9.6%), with a decrease of 4.2% in quantities sold. For the BCF product line revenues decreased Euro 18.0 million compared to the previous year (10.8%), mainly due to lower volumes and sales prices. The NTF line saw a reduction of Euro 2.3 million (7.2%), mainly due to the decrease in quantities sold in 2023 (9.1%), in addition to lower sales prices;
3. **Asia and Oceania revenues** amounted Euro 92.0 million, compared to Euro 105.8 million in the previous year, a decrease of Euro 13.8 million (13%). For the BCF product line revenues decreased Euro 13.3 million compared to the previous year, mainly due to lower volumes (1.8%).

Finally, ECONYL® brand revenues accounted for 49.6% of fibre revenues in FY2023 compared to 43.5% in the previous year.

10. GROUP BALANCE SHEET AND FINANCIAL SITUATION

The following table reclassifies the consolidated equity and financial position of the Group at December 31, 2023, and December 31, 2022.

Group balance sheet and financial situation (in Euro thousands)	**At December 31, 2023**	**At December 31, 2022**	**Variazione**
Trade receivables	26,206	28,553	(2,347)
Inventories	189,493	260,808	(71,315)
Trade payables	(116,006)	(126,840)	10,834
Tax receivables	1,619	580	1,039
Other current assets	14,644	15,861	(1,217)
Other current liabilities	(20,846)	(25,163)	4,317
Net working capital	**95,110**	**153,800**	**(58,690)**
Property, plant and equipment	251,604	247,469	4,135
Intangible assets	19,080	21,596	(2,516)
Goodwill	15,103	15,647	(544)
Financial assets	1,558	1,850	(292)
Net fixed assets	**287,345**	**286,561**	**783**
Employee benefits	(5,104)	(5,192)	88
Other net assets/(liabilities)	(3,561)	(11,883)	8,322
Net Capital Employed	**373,790**	**423,287**	**(49,497)**
Cash and banks	157,662	110,682	46,980
ST bank payables and loans	(77,841)	(60,481)	(17,360)
M-LT bank payables and loans	(225,658)	(202,234)	(23,425)
M-LT bond loan	(57,391)	(70,301)	12,910
ST bond loan	(13,258)	(13,108)	(150)
Current loans	5,703	9,964	(4,262)
Other financial payables	(37,753)	(22,407)	(15,346)
Net Financial Position	**(248,537)**	**(247,885)**	**(652)**
Group shareholders' equity	(125,253)	(175,401)	50,148
Minority interest net equity	(1)	(1)	
Total shareholders' equity	**(125,253)**	**(175,402)**	**50,149**

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 2023 (currency translation effects) principally between the Euro the US and Chinese currencies: the changes in the balance sheet items compared to 2022 arose partly due to this factor.

Net working capital amounts to Euro 95.1 million, decreasing Euro 58.7 million on Euro 153.8 million at December 31, 2022.

The movement is mainly due to the reduction in the value of inventories, both in view of their quantity and the lower price of raw materials as previously illustrated.

Fixed assets at December 31, 2023 amounted to Euro 287.3 million, substantially in line with December 31, 2022 (Euro 286.6 million), due to the combined effect of:

1. net investment activities in tangible and intangible assets of Euro 55.2 million, including Euro 22.2 million regarding the increase in the year concerning the movement in goods recognised as per IFRS 16;
2. negative conversion differences and other minor items for Euro 4.8 million;
3. amortisation and depreciation in the year of Euro 49.6 million.

Investments in tangible assets are outlined in the Explanatory Notes and mainly concerned (a) the industrial and energy efficiency improvements at the Group's facilities, (b) the industrial efficiency and energy improvement regarding the production of ECONYL® caprolactam and of its raw materials, in addition to the development of circularity-focused technologies, (c) the expansion of existing production capacity, (d) the improvement and technological upgrading of existing plants and equipment, and (e) the right-of-use as per IFRS 16.

The increase in intangible assets is mainly due to (a) development costs for textile fibre samples, which comply with the criteria set out by IAS 38, (b) costs incurred to roll out and improve the digitalisation of the Aquafil Group and (c) the acquisition by Aquafil Carpet Collection, as set out in the Notes to the financial statements.

Shareholders' Equity decreased by Euro 50.1 million, from Euro 175.4 million to Euro 125.3. million, substantially due to the consolidated net loss of Euro 25.8 million and the negative exchange differences from the translation of the financial statements expressed in currencies other than the Euro for Euro 11.5 million, the distribution of dividends for Euro 12 million, the purchase of treasury shares for Euro 0.6 million and the effect from the application of IAS 19 for Euro 0.2 million.

The **Net Financial Position** (net debt) at December 31, 2023 amounted to Euro 248.5 million, compared to Euro 247.9 million in the previous year, increasing Euro 0.6 million. The main factors are explained in detail in the consolidated cash flow statement, where we mainly note the generation of cash from operating activities of Euro 39.6 million, the generation of cash from Working Capital of Euro 63.7 million, the decrease in other assets and liabilities of Euro 7.8 million, in addition to Euro 2.7 million of derivatives with negative fair value included in "Net changes in current and non-current financial assets and liabilities", cash absorption for net investments of Euro 33.2 million, the payment of net financial charges of Euro 15.3 million, the payment of taxes and use of provisions of Euro 10.7 million, the non-cash change related to the application of IFRS 16 of Euro 22.2 million, the payment of dividends of Euro 12 million, as well as the purchase of treasury shares of Euro 0.6 million.

Group company current account liquidity, diversified by region and institution, increased from Euro 110.7 million at December 31, 2022 to Euro 157.7 million at December 31, 2023.

During the year new loans totalling Euro 100 million were agreed. A breakdown of the bank debt is provided in the Explanatory Notes.

The short-term credit lines granted to the Group companies were available for a total amount at period-end of Euro 69.8 million, and all the relative lines remain substantially unused.

11. INTERCOMPANY TRANSACTIONS AND TRANSACTIONS WITH RELATED COMPANIES

11.1 Inter-company transactions

Aquafil Group operations directly involve — both in terms of production and distribution — the Group companies, which are assigned, interconnected and 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 2023, broken down by each of the three product lines, were as follows.

BCF (Bulk Continuous Filament for textile floor covering) Line

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

The Group companies involved in the production and sales processes for this product line are the parent company Aquafil S.p.A., with production site in Arco (Italy), Tessilquattro S.p.A., with production based in Cares (Italy) and in Rovereto (Italy), Aquafil SLO d.o.o., with facilities in Ljubljana, Store and Ajdovscina (Slovenia), Aquafil USA Inc. with two facilities in Aquafil Drive and Fiber Drive in Cartersville (USA), 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), limited to the first nine months of the year following the beginning of the process to conclude its production activities, as outlined in the "Significant events in 2023" paragraph, the commercial company Aquafil Benelux-France BVBA 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) 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 and designers 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. (Arco), Aquafil SLO doo with facilities in Ljubljana and Senozece (Slovenia), AquafilCRO doo, with facilities in Oroslavje (Croatia), Aquafil O'Mara Inc., with facilities in Rutherford College (North Carolina) and Aquafil Tekstil Sanayi Ve Ticaret A. S., with commercial operations based in Istanbul (Turkey).

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

Nylon 6 polymer line

The Group produces and sells polymers and polyamide 6 for end segments, including "engineering plastics" (injection moulding).

The polymers are mainly produced/sold by Aquafil S.p.A., Tessilquattro S.p.A., Aquafil SLO doo and Aquafil USA Inc. Cartersville (USA).

ECONYL® regeneration process

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

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

The ECONYL® regeneration process is fed by recovering polyamide-6 textile flooring materials and fish netting at the end of their useful lives and a series of other industrial and consumer waste materials with high polyamide-6 content. The process is completed at the facilities of AquafilSLO d.o.o. in Ljubljana (SLO), while taking advantage of synergies within a single system of logistics and production across multiple Group companies. For the regeneration of textile flooring, certain stages of material collection and pre-treatment of used carpeting are carried out by the companies Aquafil Carpet Recycling (ACR) #1 Inc. in Phoenix, Arizona (USA) and Aquafil Carpet Collection (ACC) Inc., Phoenix, Arizona (USA), Miramar, Chula Vista and Anaheim (California). For the regeneration of fish netting, in the previous year the company Aquafil Chile S.p.A., Santiago (Chile) was incorporated in order to strengthen and consolidate the procurement of good quality polyamide 6 based fishing nets to ensure consistent and stable support for the ECONYL® regeneration process, while the collaboration continued with the company in which a minority interest is held Nofir AS in Bodǿ, Norway, a European leader in the collection and treatment of end-of-life fish netting.

Other assets

The Slovak company *Cenon S.r.o.* (Slovakia) no longer carries out production activities, and as of November 2, 2023, the process of voluntary liquidation of the company has been initiated, which does not bring substantial economic and financial effects for the Group.

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

Aqualeuna GmbH, with registered office in Berlin (Germany), does not conduct operations-related activities and is solely the holding company, with a 100% stake, of Aquafil Engineering GmbH. The company currently has a tax dispute pending with the German Tax Agency, a detailed explanation of which may be found in the Notes.

The subsidiary *Aquafil India Private Ltd.* (India) does not undertake operational activities.

During FY2023, the following companies entered the consolidation scope: *Acca S.p.A.*, a joint venture between Aquafil Chile S.p.A. and the other equal partner Atando Cabos S.p.A. with the corporate purpose of acquiring, storing and recycling fishing nets, nautical ropes and other plastic waste, and the company *Poly-Service S.a.s.*, formed by Aquafil S.p.A. and Politecnici S.r.l. of which Aquafil holds 45% of the capital and with the corporate purpose of designing, manufacturing and marketing plastics, rubber, nylon and related products, as well as semi-finished, finished and recycled plastic-based products. For further information, reference should be made to the Explanatory Notes.

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.

11.2 Related party transactions

The transactions of the Aquafil Group with related parties, as defined by international accounting standard IAS 24, relating to the consolidated financial statements for the year ended December 31, 2023, 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.. and the company Bluloop S.r.l.. The transactions are shown in the Explanatory 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, 2023, reference should be made to the Explanatory Notes.

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

12. RESEARCH AND DEVELOPMENT

Introduction

The Aquafil Group has a Research & Development unit that manages and oversees all product and process innovation applied mainly to BCF yarns, NTF yarns, PA6 polymers and the ECONYL® regeneration process.

Technological research, development and innovation undertaken in 2023 constitutes the natural continuation of the work carried out in the preceding years, and concerned the main stages of production and the materials used, from the production inputs to the by-products of polymerisation, spinning, reprocessing and, for ECONYL®, regeneration and recycling of materials.

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

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

Research and Development carried out by the Aquafil Group in 2023 incurred operating costs and investment activity totalling Euro 10.7 million, corresponding to 1.9% of consolidated revenues.

12.2 Summary and description of the individual projects

Technological research, development and innovation concerned numerous projects, some of which began in 2023, while others began in prior years. The main projects are listed below:

1. “Ecodesign”: identification of basic knowledge and technology for the creation of industrial prototypes of textile flooring designed at origin to be recognisable (through dedicated voluntary marking) and recyclable, and to recover the residual value of the materials at the end-of-use. The project is carried out in collaboration with carpet manufacturers and suppliers of the materials they use (e.g., primary backing, latexes, etc.) to create know-how that has industrial value.
   The project also includes the identification and/or development of new technologies for separating multilayers in complex carpets, where standard grinding technologies cannot work, in critical flooring types such as (a) carpet tiles, where separation would lead to the creation of full product circularity and (b) rubber underlay carpets, where a new technology, characterised by its small and portable scale, has been identified and developed that would enable an on-site material pre-processing model, resulting in optimised reverse logistics costs.
2. Within the EcoDesign activity, Aquafil participated in the European project CISUFLO (CIrcular SUstainable FLOor covering), an initiative for a total duration of 4 years funded by the European Commission under the Horizon 2020 programme and involving 23 partners, and which has the objective of identifying innovative EcoDesign flooring solutions and recycling technologies. Aquafil S.p.A. participates in two capacities: as a recycler of polyamide 6, with responsibility for assessing the effectiveness of new design criteria in terms of recyclability of developed carpet tiles, and as an innovator of the product (EcoDesign) and dedicated recycling technologies. In this regard, Aquafil has invested in the building of innovative machinery capable of separating the polyamide obtained from carpet tiles (carpet tiles), from rubber mats (rubber mats) and from woven carpets (aviation segment); a pilot plant was installed for this purpose. Furthermore, within the consortium, they are working for the development of innovative technologies for the separation and removal of glue mixtures and the relating inorganic loads from the ECONYL® regeneration products.
3. Continuation of the development and fine-tuning of process technology for the selection and recycling of end-of-life polyamide carpets, which is being conducted in both Slovenia by AquafilSLO and the USA by the companies ACR #1 Inc. and Aquafil Carpet Collection LLC in order to improve the quality of materials to feed the process of producing ECONYL® polyamide 6.
4. Development of flame-retardant carpets in association with certain customers, working on the individual components and especially on latexes. The combination of additives to meet the performance demands of the market, meaning a reduction in the weight of the finished product and passing the flammability tests required by the airlines.
5. Development of a BCF fibre with stain-resistant and water-repellent properties, based on existing products and introducing improvements in product performance, by validating options for surface treatments available on the market.
6. Development of new NTF fibres with high conductivity for application in the carpet industry, and testing of functionality by industrial partners in accordance with ISO standards.
7. Study and engineering of polyamide 6 stabilising molecules aimed at increasing the UV and heat resistance for outdoor applications of nylon textile fibres (NTFs).
8. Along with industrial partners, joint development of new types of high resistance polyamide 6 fibres for specific technical applications.
9. Study of innovative auxiliary products, including those of a natural origin, aimed at improving the chemical and physical characteristics of BCF and NTF yarns.
10. Optimisation of the opacifier master batch production method in order to produce nylon textile filaments (NTF) by way of the development and application of technologically innovative solutions.
11. Research and development of ECONYL® PA6-based materials (with special additives developed in-house) that can be used in 3D printing. What sets these materials apart is that they can be regenerated using the ECONYL® process, without the need for pre-separation of the various components. The compound created was the subject of a patent application filed in November 2022, and is awaiting publication, expected in May 2024.
12. Study and development of “cast” nylon based on polyamide 6 ECONYL® with high mechanical performance, conducted in collaboration with the University of Trento’s Department of Mechanical and Industrial Engineering, to produce mono-material composite polymers that can be fully regenerated using the ECONYL® process;
    A new mould was developed in 2023 to secure fibres with greater thermal control uniformity, in order to improve single-material composites. This has allowed various types of fibres to be tested in the Cast Nylon composite, both in terms of section and resistance. A scientific article has been published on this project in association with the University of Trento. A multipurpose pilot plant suitable also for moulding ECONYL® anionic rods and sheets was set up at Aquafil S.p.A..
13. A standard methodology was developed to determine the microplastics present in various matrices (solids, liquids, gases). H1 2023 saw the draft version revised to its final editorial version, which was submitted for final ISO voting (duration 3 months). In H2 (September 2023) the final version of method ISO 4484-2:2023 was published and in November 2023 the relative UNI publication, UNI ISO 4484-2:2023 was released. The work permitted the publication of several scientific articles and making an important contribution to a few chapters of a book on the subject of microplastics.

14. “EFFECTIVE” project, coordinated by AquafilSLO and financed by the Circular Bio-based Europe (CBE, previously the Bio-Based Industries Joint Undertaking - BBI JU) public-private partnership between the European Union and a consortium of circular bio-economics enterprises and research centres) under the EU research programme Horizon 2020 aimed at developing fibres and films for consumer goods derived from bio-polyamides and bio-polyesters that fit within the circular economy. The project ended in February 2023, demonstrating the technical feasibility of producing bio polyamide 6 and 6.9 on a demo scale. Bio-Nylon 6 polymers have been successfully validated for the production of prototype textile flooring, textiles and sportswear (swimsuits and technical sportswear), and eyewear frames. Bio-PA6.9 polymers and PA6.9-6 copolymers were found to be useful materials for special applications (e.g. hot melt) due to their random structure and melting points that are much lower than standard polyamides. Some specific development of these particular copolyimides has therefore continued, especially for 3D printing applications.
15. “Organic caprolactam” project in collaboration with Genmatica Inc., in San Diego, California (USA). 2023 saw the completion of the validation tests of the bio polymer PA6 produced from bio-caprolactam, in the second campaign carried out in 2022 in the specially built demonstration plant at AquafilSLO. Product prototypes confirmed that the bio-polymer is usable both for spinning and Engineering Plastic using the standard machinery and conditions already used for traditional PA6. During the year, Genomatica and Aquafil have continued work to: a) improve yields and productivity of the microorganism which leads to the formation of the linear bio-intermediate 6-amino caproic acid (6-ACA); b) study the impact of byproducts in the linear intermediate on its cyclisation to caprolactam, and c) identify new bio-byproducts to stabilise the bio-polymer over time; d) optimise purification of raw bio-6-ACA, to obtain sufficient supply to improve the yield for industrial purposes in future cyclisation campaigns at the Ljubljana plant.
16. Develop a technology to depolymerise PET: in 2023 in the Aquafil S.p.A. plant, construction was completed of a innovative pilot plant for depolymerising PET in order to obtain the product “BHET”, similar to monomer (as it can be used for the polymerisation of new PET).

    The procedure for obtaining REACH registration of BHET was also completed, and new analytical methods were developed to determine the quantities of BHET. The plan will be launched at the beginning of 2024 in order to optimise the process based on both the various source materials and based on the variety of colours used in the sectors that employ polyester (packaging, yarns for carpets, textile uses, etc.).
17. Development of a process to separate polymer fibres (as such and/or in the form of fabrics) from elastomers by means of liquid phases, avoiding the use of organic solvents. The process was found to be suitable for PA6, PA66 and PET-based fabrics and was therefore the subject of a special patent application filed in December 2022. The research and laboratory tests in 2023 led to the identification of parameters that must be optimised to improve the separation of elastomer, particularly from polyamide 6-based fabrics.

    A project was launched to construct a specific industrial plan and the selection of the best technologies currently available is in progress.

    Tests for the regeneration of PA6 fabrics were also carried out. This fabric can be derived from elastomer separation at the pilot plant, obtaining a standard quality monomer.
18. Research and development of processes aimed at the chemical recovery of polymers from polycondensation (polyamides and polyesters), also in composite form: this activity was undertaken in partnership with the University of Padua and the University of Trento and has produced two new patents held by Aquafil S.p.A..

    In a parallel effort, in November 2023 a doctoral research degree course was lunched with the Department of Physics at the University of Trento on the topic of “Composition, structure and chemical recycling of polymers from polycondensation”. The work began with the analysis of the BHET obtained from PET regeneration, to identify any oligomers/impurities and will continue with analysis of the chemical structure of elastomer post-separation from the fabric.
19. Development of a proprietary system (ATPD - Aquafil Technology Polymer Detector) for the on-field identification of various polymer classes with a specific algorithm developed for analysing the composition of various types of waste, with data traceability and cloud storage; the project had the objective of introducing the same system as the primary input control tool for plastic waste, with a view to reducing costs related to input control analysis while maintaining a high capacity for sorting various materials. Use of the tool was implemented at the plants of suppliers of materials for use in the ECONYL® regeneration process, reducing complaints and increasing transport efficiency. The check at the beginning of the load also allows the presence of materials that cannot be regenerated in the ECONYL® regeneration process to be minimised.
20. Identification, development and assessment of an appropriate pyrolysis technology for recovery and utilisation of by-products of the ECONYL® process, enabling the additional recovery of a monomer from the remaining portion of polyamide.

    In 2023, a collaboration began to study the process and pyrolysis plant specifically dedicated to the residual material from the regeneration of polyamide 6.
21. Optimisation of polymerisation production processes, in order to reduce energy and water consumption.
22. As part of the ongoing improvement of the ECONYL® process, the caprolactam distillation and purification processes were optimised in order to reduce energy consumption and reduce the process by-products. In 2023, these studies enabled the start-up of a light by-product separation column, which reduces unblocking by improving monomer recovery. The purification and reuse processes of the water used for washing fishing nets were also redefined to reduce primary water consumption.

Finally, analysis and considerations were made of ECONYL® process technology data to identify correlations and cause/effect relationships between regenerated materials and properties of the final product. This seeks to create digital tools that can assist production management by increasing quality and minimising the quantities of product discarded based on quality parameters;

23. Introduction of new processes designed to reduce costs relating to industrial water disposal at the AquafilSLO site of Ljubljana, working on both water reuse and reducing the variable cost share related to wastewater treatment.

12.3 Patent developments

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

a) Patent on textile flooring waste treatment and recycling process.
Priority 17.07.2023.
The filing was made as a PCT international patent through the European patents office and the first opinion will be obtained by the end of 2024, to subsequently proceed with the extensions to the individual countries of interest.

b) Patent on the separation of elastomers from polymeric fabrics, with a particular focus on PA6 for recycling by means of the ECONYL® process.
Priority 09.12.2022, PCT filing 06.12.2023 (PCT/IB2023/062290).
In May 2023, the UIBM (Italiano Patent and Trademark Office) sent the opinion drawn up by the EPO and in December 2023, the responses were sent to the observations raised.
In December 2023, the PCT filing was made. International publication is expected to take place in June 2024, and entry into the national phases must be launched in the first half of 2025.

c) Patent on the composition of a compound for 3D printing that can be directly chemically recycled.
Priority 03.11.2022, PCT filing 31.10.2023 (PCT/IB2023/060952).
In May 2023, the UIBM sent the opinion drawn up by the EPO, according to which all the claims are new and inventive. The PCT filing was therefore made in November 2023.
International publication is expected to take place in May 2024, and entry into the national phases must be launched in the first half of 2025.

d) Patent on the separation of fibreglass from polymers with a particular focus on PA6 for recycling by means of the ECONYL® process, with inventors Aquafil and University of Padua (Department of Industrial Engineering), but the exclusive property of Aquafil.
Priority 10.11.2021, PCT filing 10.11.2022 international publication WO/2023/084441.
International publication took place in 2023 (19.05.2023) and hence the ISA opinion has arrived. According to the opinion, all the claims are deemed new and inventive.
Entry into the national phases is planned for 2024 for the regions with high levels of availability of PA6 reinforced with fibreglass, in order to increase the sources of raw materials for ECONYL®: Europe, Eurasia (Russia and a further seven countries that were formerly part of the USSR), the USA, Canada, Brazil, China, Japan, South Korea, and India.

e) Patent on the catalyst synthesis for PET glycolysis, with inventors Aquafil and University of Padua (Department of Industrial Engineering), but the exclusive property of Aquafil.
Priority 17.05.2021, PCT filing 16.05.2022 international publication WO/2022/243832.
The national extensions were launched in the areas where polyester and processes for its chemical recycling play a key role; Europe, Eurasia, the USA, Canada, Mexico, Brazil, China, Japan, South Korea, Thailand, Indonesia, India, and Saudi Arabia.
In 2023, the opinions were received from the ISA (International Search Authority) and IPEA (International Preliminary Examining Authority) and in the first half the certification granting Italian patent was received (05.06.2023), following the responses given to the EPO (European Patent Office) opinion.
In the second half of 2023, the patent was published in Canada (18.10.2023) and Mexico (11.12.2023) and the subsequent publication will be that of South Korea in the short term.

f) Patent on the production process of a new multicomponent NTF fibre with reduced impact on GWP (global warming potential).
Priority and PCT filing 10.02.2021 international publication WO/2022/173379.
For the patent, the extension was launched in Europe, where, in 2023, publication was launched (20.12.2023)

g) Patent on synthesis of caprolactam from 6-ACA, principally designed for the production of caprolactam from raw material of plan origin, jointly owned by Aquafil and Genomatica.
Priority 28.12.2018, PCT filing 23.12.2019 international publication WO/2020/136547.
The national extensions were launched in the areas where there is production of caprolactam and available of renewable raw materials: Europe, Eurasia, the USA, Mexico, Brazil, China, Japan, South Korea, Thailand
In the two-year period 2021-2022, the patent was published in the countries of interest, whereas the first patents arrived in 2023: Eurasia (31.07.2023) and India (12.09.2023). In addition, Brazil has sent payment notifications for annual fees in connection with the patent grant.

h) Patent on improvements and optimization of solvent-free caprolactam purification technology.
Priority and PCT filing 15.12.2017, international publication WO/2019/117817.
For this patent, regional extensions were requested in the main areas where there are caprolactam production plants present, and in the two-year period 2020-2021 patents were obtained, in chronological order in the USA, Europe, Eurasia and Japan.
In 2023, a final opinion was received from the Chinese Patent Office. This followed the receipt of two opinions in 2022, which provided exhaustive answers and technical explanations, and in turn received a specific response. The patent was therefore also granted in China (12.05.2023), a key country for caprolactam production;

i) Patent on the recovery and separation of the waste components of end-of-life polyamide carpeting.
Priority and PCT filing 29.05.2017, international publication WO/2018/222142.
For the patent, valid in the USA, a further patent application was made for additions to the same process, which led to the patent being granted in Europe (06.09.2023).

l) Patent on the recovery of copper from discarded fishing nets used to supply Econyl.
Priority and PCT filing 22.12.2016, international publication WO/2018/117978.
The patent was obtained in 2020 in the USA and in Japan, and in 2021 in China and Europe. The extension of the patent is currently under way to Chile and India (where the company is waiting for the patent office to carry out its work) and to Canada, where the patent grant is pending.

13. 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 (https://www.aquafil.com/it/investor-relations/bilanci-e-relazioni).

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.

14. OTHER INFORMATION

14.1 Management and co-ordination

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

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

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

14.2 Treasury shares

At December 31, 2023, the Company holds a total of 1,278,450 treasury shares, comprising 2.4961% of the share capital, for a total value of Euro 8,612,054. 96,765 treasury shares were acquired in 2023, with a total equivalent value of Euro 597,523.

14.3 Group IRES (Corporate Income Tax) taxation procedure

Aquafil S.p.A. is the consolidating company of the group taxation procedure, as chosen by Aquafin Holding S.p.A. for the 2023-2025 three-year period in accordance with Articles 117 to 128 of Presidential Decree 917/1986, as amended by Legs. Decree No. 344/2003. Similarly, the companies Tessilquattro S.p.A. and Bluloop S.r.l. are consolidated companies within the Group taxation procedure, in accordance with the option exercised by Aquafin Holding S.p.A. as consolidating company.

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

14.4 Organisation, management and control model in accordance with Legs. Decree 231/2001

The Italian companies of the Aquafil Group have supplemented the organisation, management and control model as per Legislative Decree No. 231 of June 8, 2001, including the conduct code and operating procedures. Specifically, the Model provides for the drafting of a Code of Conduct, mapping of the corporate areas at risk, assessment of the control safeguards, and a disciplinary system to punish any offences. The Supervisory Board, appointed by the Board of Directors, is appointed to oversee its operation and update, and compliance with the law. The Model was adopted by means of a Board resolution in 2014 and was updated in 2023. It is application to Italian Group companies that have adopted it, whose employees may also use the whistleblowing system to report any offences. Over the last year, the model has been revised based on the extended catalogue of 231 offences provided for under Italian law. Specifically, three families of offences have been added to the list of predicate offences in the General Section of the Model: Crimes against cultural heritage; and Laundering of cultural property and devastation and looting of cultural and scenic heritage; Offences involving non-cash payment instruments. In relation to these offences, the Special Section of the Model has also been updated. This section describes the types of offence, risk areas and sensitive activities, and the existing safeguards, with general principles and specific protocols.

14.5 Application IFRS 17

It should be noted that from the analyses conducted, there are no transactions performed by the Group that fall under the scope of the new IFRS 17.

14.6 Impairment Test Procedure

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

14.7 Article 15 of Consob Market Regulation No. (updated by Consob Resolution No. 20249 of December 28, 2017): conditions for listing shares of parent companies incorporated and regulated by the law of non-EU states

In relation to the regulations concerning the conditions for the listing of companies that control companies constituted and regulated according to laws outside of the European Union and of significant importance for the purposes of the consolidated financial statements, it is reported that:

- at December 31, 2023, the regulatory requirements of Article 15 of the Market Regulations apply to the Group's subsidiaries;
- appropriate procedures have been adopted to ensure full compliance with the aforementioned regulations.

15. RECONCILIATION BETWEEN THE PARENT COMPANY AND GROUP SHAREHOLDERS' EQUITY AND OPERATING RESULT AT DECEMBER 31, 2023

A breakdown of the composition and movement of shareholders' equity of the parent company and the Group consolidated financial statements at December 31, 2023 is presented in the following table:

(in Euro thousands)	Shareholders' Equity	Net Result
Parent company net equity and net result	**102,432**	**(5,641)**
Consol. Adjustments on parent company	10,344	1,651
Elimination of carrying amounts of consolidated investments		
Difference between Shareholders' Equity & Carrying amount	46,359	
Pro-quota results of investees	(15,327)	(15,327)
Elimination of the effects of transactions between consolidated companies		
Reversal of write-downs net of revaluations of investments	557	557
Inter-company dividends	(16,954)	(16,954)
Inter-company profit/(loss) included in inventories & other minor	(2,158)	9,865
Net equity and net result as per consolidated financial statements	**125,253**	**(25,849)**
Minority interest net equity and net result	1	0
Group net equity and net result	**125,252**	**(25,849)**

16. OUTLOOK

In 2023, Europe saw a rapid and major drop in the price of raw materials, which led to a significant mismatch between unit values of stock built up in 2022 and the market price, with a significant — although temporary — impact on the Group margin. The performance presented in this report reflects these trends but is in line with previous guidance

Despite the uncertainty surrounding trends in raw materials, the company's outlook for 2024-2025 is for volumes to grow across all three product lines. We expect the clothing-fibres market to recover in the EMEA and the United States, following the sharp downturn seen in 2023, as well as a new outlook for polymers, backed by the efforts of Engineering Plastics, and continuing growth in carpet fibres in the Asia-Pacific region.

Our goal is to reduce net debt by approximately Euro 50-60 million by 2025. This is to be achieved as a result of both increased EBITDA and broader optimisation efforts put in place throughout the period.

The company continues to monitor progress towards the targets of the business plan, including in light of the ongoing macroeconomic instability brought about by the current geopolitical uncertainty around the globe.

The initial months of the year are confirming the guidance presented last November.

Consolidated Financial Statements at December 31, 2023

Consolidated Financial Statements at December 31, 2023

CONSOLIDATED BALANCE SHEET

(in Euro thousands)	Notes	At December 31, 2023	At December 31, 2022
Intangible assets	7.1	19,080	21,596
Goodwill	7.2	15,103	15,647
Property, plant & equipment	7.3	251,604	247,469
Financial assets	7.4	534	831
of which parent companies, related parties, associates		*79*	*318*
Investments valued at equity	7.4	1,023	1,018
Other assets	7.5	0	426
of which parent companies, related parties		*0*	*0*
Deferred tax assets	7.6	18,545	11,519
Total non-current assets		**305,889**	**298,506**
Inventories	7.7	189,493	260,808
Trade receivables	7.8	26,206	28,553
of which parent companies, related parties		*351*	*376*
Financial assets	7.4	5,703	9,964
Tax receivables	7.9	1,619	580
Other assets	7.10	14,644	15,862
of which parent companies, related parties		*5,854*	*247*
Cash and cash equivalents	7.11	157,662	110,682
Assets held-for-sale		0	0
Total current assets		**395,327**	**426,449**
Total assets		**701,216**	**724,955**
Share capital	7.12	49,722	49,722
Reserves	7.12	101,379	96,528
Group net result	7.12	(25,849)	29,151
Total parent share. equity		**125,252**	**175,401**
Minority interest shareholders' equity	7.12	1	1
Minority interest net profit	7.12	0	0
Total consolidated net equity		**125,253**	**175,402**
Employee benefits	7.13	5,104	5,192
Financial liabilities	7.14	308,741	285,385
of which parent companies, related parties		*3,217*	*5,262*
Provisions for risks and charges	7.15	1,710	1,975
Deferred tax liabilities	7.6	13,324	9,237
Other liabilities	7.16	5,852	8,985
of which parent companies, related parties		*0*	*0*
Total non-current liabilities		**334,731**	**310,774**
Financial liabilities	7.14	103,161	83,146
of which parent companies, related parties		*1,872*	*2,957*
Current tax payables	7.9	1,219	3,630
Trade payables	7.17	116,006	126,840
of which parent companies, related parties		*551*	*270*
Other liabilities	7.16	20,846	25,163
of which parent companies, related parties		*0*	*230*
Total current liabilities		**241,232**	**238,779**
Total shareholders' equity and liabilities		**701,216**	**724,955**

CONSOLIDATED INCOME STATEMENT

(in Euro thousands)	Notes	2023	*of which non-recurring*	2022	*of which non-recurring*
Revenues	8.1	571,806	*209*	684,074	*1,160*
of which related parties		*283*		*435*	
Other revenues and income	8.2	8,902	*676*	13,031	*218*
of which related parties		*0*		*0*	
Total revenues and other revenues and income		**580,708**	***885***	**697,105**	***1,378***
Cost of raw materials and changes to inventories	8.3	(291,620)	*(269)*	(317,815)	*(480)*
of which related parties		*0*		*0*	
Service costs and rents, leases and similar costs	8.4	(126,907)	*(2,065)*	(168,472)	*(1,581)*
of which related parties		*(524)*		*(465)*	
Labour costs	8.5	(125,034)	*(3,004)*	(126,875)	*(1,565)*
Other costs and operating charges	8.6	(3,644)	*(493)*	(4,038)	*(653)*
of which related parties		*(70)*		*(70)*	
Amortisation & write-downs	8.7	(49,635)		(47,851)	
(Provisions and write downs)/Releases	8.8	1,002		(180)	
Increase in internal work capitalised	8.9	6,271		5,687	
Operating Profit/(loss)		**(8,859)**	***(4,946)***	**37,561**	***(2,901)***
Financial Income/(Charges) from Investments		90		23	
of which related parties		*90*		*183*	
Financial income	8.10	1,022		4,869	
Financial charges	8.11	(19,041)		(8,368)	
of which related parties		*(146)*		*(140)*	
Exchange gains/(Losses)	8.12	796		2,783	
Profit/(Loss) before taxes		**(25,992)**	***(4,946)***	**36,868**	***(2,901)***
Income taxes	8.13	143		(7,717)	
Net profit/(Loss)		**(25,849)**	***(4,946)***	**29,151**	***(2,901)***
Minority interest profit/(Loss)		0		0	
Group net result		**(25,849)**	***(4,946)***	**29,151**	***(2,901)***
Basic earnings/(Loss) per share	*8.15*	*(0.51)*		*0.57*	
Diluted earnings/(Loss) per share	*8.15*	*(0.51)*		*0.57*	

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(in Euro thousands)	Notes	2023	2022
Profit/(loss) for the year		**(25,849)**	**29,151**
Actuarial gains/(losses)		(252)	724
Tax effect from actuarial gains and losses		60	(81)
Other income items not to be reversed to income statement in subsequent periods		**(192)**	**643**
Currency difference from conversion of financial statements in currencies other than the Euro		(11,511)	4,957
Total other components of comprehensive income		**(11,703)**	**5,600**
Comprehensive income/(loss)	**7.12**	**(37,552)**	**34,751**
Minority interest comprehensive income		0	0
Group comprehensive income	**7.12**	**(37,552)**	**34,751**

CONSOLIDATED CASH FLOW STATEMENT

(in Euro thousands)	Notes	At December 31, 2023	At December 31, 2022
Operating activities			
Profit/(loss) for the year	7.12	(25,849)	29,151
of which related parties:		*(367)*	*(57)*
Income taxes	8.13	(143)	7,717
Financial (Income)/expenses on investments		(90)	(23)
of which related parties:		*(90)*	*(183)*
Financial income	8.10	(1,022)	(4,869)
of which related parties:		*0*	*0*
Financial charges	8.11	19,041	8,369
of which related parties:		*146*	*140*
Net exchange gains/(losses)	8.12	(796)	(2,783)
Asset disposal (gains)/losses		(177)	(183)
Provisions & write-downs/(Releases)	8.8	(1,002)	180
Amortisation, depreciation & write-downs of tangible and intangible assets	8.7	49,635	47,851
Cash flow from operating activities before working capital changes		**39,597**	**85,410**
Decrease/(Increase) in inventories	7.7	71,315	(83,469)
Increase/(Decrease) in trade payables	7.17	(10,834)	245
of which related parties:		*281*	*(82)*
Decrease/(Increase) in trade receivables	7.8	3,242	2,722
of which related parties:		*25*	*(305)*
Changes to assets and liabilities		(7,754)	(4,169)
of which related parties:		*(5,837)*	*2,905*
Net paid financial charges		(15,311)	(8,005)
Income taxes paid		(9,637)	(3,840)
Utilisation of provisions		(1,033)	(2,012)
Cash flow generated/(absorbed) from operating activities (A)		**69,585**	**(13,118)**
Investing activities			
Investments in tangible assets	7.3	(29,157)	(34,864)
Disposal of tangible assets	7.3	608	384
Investments in intangible assets	7.1	(4,620)	(4,163)
Disposal of intangible assets	7.1	13	132
Aquafil Chile and Bluloop Effect		0	(146)
of which fixed assets			*(37)*
of which goodwill			*0*
of which liquidity			*0*
of which current assets			*(109)*
Investments in financial assets	7.4	(155)	(160)
Dividends received		90	183
of which related parties:		*90*	*183*
Cash flow generated by investing activities (B)		**(33,221)**	**(38,634)**
Financing activities			
Drawdown non-current bank loans and borrowings	7.14	100,049	94,000
Repayment non-current bank loans and borrowings	7.14	(72,026)	(53,244)
Net changes in current and non-current financial assets and liabilities (including IFRS 16)	7.14	(4,818)	(19,462)
of which related parties:		*(8,497)*	*(2,208)*
Distribution of dividends		(11,992)	(6,046)
of which related parties:		*(7,169)*	*(3,576)*
Treasury share purchases	7.12	(597)	(5,470)
Cash flow from generated/(absorbed) by financing activities (C)		**10,616**	**9,778**
Net cash flow in the year (A + B + C)		**46,980**	**(41,974)**
Opening cash and cash equivalents	7.11	110,682	152,656
Closing cash and cash equivalents	7.11	157,662	110,682

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(in Euro thousands)	Share capital	Legal reserve	Translation reserve	Share premium reserve	Listing cost reserve	FTA Reserve
December 31, 2021	49,722	700	(8,052)	19,975	(3,287)	(2,389)
Sale minority interest						
Other changes						
Allocation of prior-year result		558				
Distribution dividends						
Profit/(loss) for the year						
Actuarial gains/(losses) employee benefits						
Translation difference			4,957			
Comprehensive income			**4,957**			
At December 31, 2022	**49,722**	**1,258**	**(3,095)**	**19,975**	**(3,287)**	**(2,389)**
Sale minority interest						
Other changes						
Allocation of prior-year result		797				
Distribution of dividends						
Share capital increase						
Profit/(loss) for the year						
Actuarial gains/(losses) employee benefits						
Translation difference			(11,511)			
Comprehensive income			**(11,511)**			
At December 31, 2023	**49,722**	**2,054**	**(14,605)**	**19,975**	**(3,287)**	**(2,389)**

IAS 19 Reserve	Treasury shares	Retained earnings	Net result	Total parent share. equity	Min. interest share. equity	Total consol. share. equity
(1,060)	(2,545)	88,367	10,670	152,101	1	152,102
				0		0
	(5,470)	65	0	(5,405)		(5,405)
		10,112	(10,670)	0		0
		(6,046)		(6,046)		(6,046)
			29,151	29,151		29,151
643				643		643
				4,957		4,957
643	**0**		**29,151**	**34,751**		**34,751**
(417)	**(8,015)**	**92,498**	**29,151**	**175,401**	**1**	**175,402**
				0		0
	(598)	(8)		(606)		(606)
		28,354	(29,151)	0		0
		(11,992)		(11,992)		(11,992)
				0		0
			(25,849)	(25,849)		(25,849)
(192)				(192)		(192)
				(11,511)		(11,511)
(192)	**0**		**(25,849)**	**(37,552)**		**(37,552)**
(609)	**(8,612)**	**108,852**	**(25,849)**	**125,252**	**1**	**125,253**

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

1.1 Introduction

Aquafil S.p.A., with registered office at Via Linfano, 9 – Arco (TN) – 38062 Italy, (“Aquafil”, “Company” or “Parent company” and, together with its subsidiaries, “Group” or “Aquafil Group”), renowned for the production and distribution of fibres and polymers, principally polyamide, 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), into Space3 S.p.A., as an Italian registered Special Purpose Acquisition Company (SPAC), with efficacy from December 4, 2017.

The duration of the Company is until December 31, 2100.

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, 2023 (“**Consolidated Financial statements**”) in accordance with EU Regulation 1606/2002 of July 19, 2022 and Article 9 of Legislative Decree No. 38 of February 28, 2005, 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 14, 2024 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 2022 and those applied at December 31, 2023.

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;
- 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;
- 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.

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* 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, 2023:

Company	Registered office	Share capital	Profit/(loss) for the year	Currency	Group holding	% of votes	Method of consoli-dation
Parent company:							
Aquafil S.p.A.	Arco (ITA)	49,722,417	(5,641,004)	Euro			
Subsidiary companies:							
Aquafil SLO d.o.o.	Ljubjiana (SLO)	75,135,728	(19,939,623)	Euro	100.00%	100.00%	Line-by-line
Aquafil USA Inc.	Cartersville (USA)	77,100,000	(53,733,531)	Dollaro USA	100.00%	100.00%	Line-by-line
Tessilquattro S.p.A.	Arco (ITA)	3,380,000	(2,239,289)	Euro	100.00%	100.00%	Line-by-line
Aquafil Jiaxing Co. Ltd.	Jiaxing (CHN)	531,408,631	100,003,421	Yuan Cinese	100.00%	100.00%	Line-by-line
Aquafil UK Ltd.	Ayrshire (UK)	3,669,301	(2,531,588)	Sterlina Britannica	100.00%	100.00%	Line-by-line
Aquafil CRO d.o.o.	Oroslavje (HRV)	9,436,800	(2,744,981)	Euro	100.00%	100.00%	Line-by-line
Aquafil Asia Pacific Co. Ltd.	Rayoung (THA)	53,965,000	35,062,158	Baht Thailandese	99.99%	99.99%	Line-by-line
Aqualeuna GmbH	Berlino (DEU)	2,325,000	(699,781)	Euro	100.00%	100.00%	Line-by-line
Aquafil Engineering GmbH	Berlino (DEU)	255,646	(983,758)	Euro	100.00%	100.00%	Line-by-line
Aquafil Tekstil Sanayi Ve Ticaret A.S.	Istanbul (TUR)	1,512,000	(2,302,452)	Lira Turca	99.99%	99.99%	Line-by-line
Aquafil Benelux France B.V.B.A.	Harelbeke (BEL)	20,000	16,639	Euro	100.00%	100.00%	Line-by-line
Cenon S.r.o.	Zilina (SVK)	26,472,682	(80,763)	Euro	100.00%	100.00%	Line-by-line
Aquafil Carpet Recycling #1. Inc.	Phoenix (USA)	250,000	41,832,917	Dollaro USA	100.00%	100.00%	Line-by-line
Aquafil Carpet Recycling #2. Inc.	Woodland California (USA)	250,000	9,556,018	Dollaro USA	100.00%	100.00%	Line-by-line
Aquafil Oceania Ltd.	Melbourne (AUS)	49,990	(24,231)	Dollaro Australiano	100.00%	100.00%	Line-by-line
Aquafil India Private Ltd.	New Dehli (IND)	557,860	(*)	Rupia Indiana	100.00%	100.00%	Line-by-line
Aquafil O'Mara Inc.	North Carolina (USA)	36,155,327	(282,272)	Dollaro USA	100.00%	100.00%	Line-by-line
Aquafil Carpet Collection LLC	Phoenix (USA)	3,400,000	4,217,087	Dollaro USA	100.00%	100.00%	Line-by-line
Aquafil Japan Corp.	Chiyoda (JPN)	150,000,000	(260,967,066)	Yen Giapponese	100.00%	100.00%	Line-by-line
Bluloop S.r.l. Benefit Company	Arco (ITA)	50,000	(34,612)	Euro	100.00%	100.00%	Line-by-line
Aquafil Chile S.p.A.	Santiago del Chile (CHL)	351,576,000	(80,812,755)	Peso Cileno	100.00%	100.00%	Line-by-line
Associated companies:							
Nofir AS	Bodo (NOR)	665,804	10,980,800	Corona Norvegese	31.66%	31.66%	Shareholders' Equity
Poly-Service S.a.s.	Lyon (FRA)	10,000	(*)	Euro	45.00%	45.00%	Shareholders' Equity
Companies under joint control:							
Acca S.p.A.	Santiago del Chile (CHL)	1,000,000	(20,904,000)	Peso Cileno	50.00%	50.00%	Shareholders' Equity

(*) Company no longer operative.

The changes in the Aquafil Group consolidation scope for the year concerned:

- in January 2023, the company Acca S.p.A. was incorporated, a joint venture between Aquafil Chile S.p.A. and its other equal partner Atando Cabos Chile S.p.A. The company has its registered office in Santiago, Chile, and share capital of CLP 1 million. Its corporate purpose is the acquisition, storage and recycling of fishing nets, nautical ropes and other plastic waste;
- in August 2023, Aquafil S.p.A. and Politecnici S.r.l. incorporated the company Poly-Service SAS, based in Lyon (France), with share capital of Euro 10,000. Aquafil S.p.A. holds a 45% interest, with Politecnici S.r.l. holding 55%. The corporate purpose of the company is the design, production and marketing of plastics, rubber, nylon and related products, in addition to semi-finished, finished and recycled products based on plastics, particularly nylon, in addition to the collection of post-consumer plastics, rubber, nylon and related products and subsequent processing into secondary raw materials.

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 and Joint Ventures

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

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

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

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

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

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

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

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

Translation of foreign companies' financial statements

The financial statements of subsidiaries are prepared in the primary currency in which they operate. The rules for the translation of financial statements of companies in currencies other than the functional currency of the Euro are as follows:

- the assets and the liabilities were translated using the exchange rate at the balance sheet date;
- the costs and revenues were translated at the average exchange rate for the period;
- the "translation reserve" recorded among comprehensive income and, therefore, directly within shareholders' equity, includes both the currency differences generated from the translation of foreign currency transactions at a different rate from that at the reporting date and those generated from the translation of the opening shareholders' equity at a different rate from that at the reporting date;
- the goodwill, where existing, and the fair value adjustments related to the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate at the reporting date.

The exchange rates utilised for the conversion of these financial statements are shown in the table below:

	Rate at December 31, 2023	Average rate 2023	Rate at December 31, 2022	Average rate 2022
Thai Baht	37.97	37.63	36.84	36.86
Australian Dollar	1.63	1.63	1.57	1.52
US Dollar	1.11	1.08	1.07	1.05
Swiss Franc	0.93	0.97	0.98	1.00
Turkish Lira	32.65	25.76	19.96	17.41
Chilean Peso	977.07	908.20	913.82	917.86
Indian Rupee	91.90	89.30	88.17	82.69
UK Sterling	0.87	0.87	0.89	0.85
Japanese Yen	156.33	151.99	140.66	138.03
Chinese Yuan	7.85	7.66	7.36	7.08

Translation of balances 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). 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 re-cognised 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.

No business combinations were undertaken in the period.

2.4 Accounting principles and policies

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

CLASSIFICATIONS OF CURRENT AND NON-CURRENT ASSETS AND LIABILITIES:

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

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

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

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

INTANGIBLE ASSETS

An intangible asset is an asset without physical substance, identifiable, controlled by the Group and capable of generating future eco-nomic 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 LIVES

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

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

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

	Estimated useful life
Concessions, licences and trademarks	10 years
Development costs	5 years
Industrial patents & intellectual property rights	10 years
Other intangible assets	Duration of contract

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

These costs are capitalised only when all of the following conditions set out in IAS 38 are met:
- the technical feasibility of developing new products and raw materials which will then be available for sale or use respectively;
- the Group's willingness to complete development, its ability to reliably assess the costs necessary for development and therefore the availability of sufficient technical and financial resources to execute it;
- the forecast likely future economic benefits that new products and new raw materials will be able to generate through sale and use for commercial purposes, in order to at least ensure the full recovery of costs incurred.

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

PROPERTY, PLANT & EQUIPMENT

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

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

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

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

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

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

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

LEASED ASSETS

International Accounting Standard IFRS 16 identifies the principles for the recognition, measurement and presentation in the financial statements of leasing contracts, as well as enhancing the relative disclosure requirements.

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

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

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

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

IMPAIRMENT OF INTANGIBLE AND TANGIBLE ASSETS

Intangible and tangible assets with definite useful life

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

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

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

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

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

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

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

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

Where the book value of an asset is higher that its recoverable value a loss in value is recognised which is recorded in the income statement.

The loss in value of a cash generating unit 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. Considering that the production processes of the various companies of the Aquafil Group are closely interrelated and interdependent, as the significant level of intercompany transactions demonstrates, thereby enabling ongoing synergies and the sharing of capabilities and know-how, we have always defined a single CGU for the entire Group, given that there is no production unit or commercial area that could be seen as broadly autonomous from the rest. In fact, the Group operates under a unified strategy that arranges the various production sites into one overarching production process.

When the reasons for the write-down no longer exist, the carrying 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.

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

SECURITIES OTHER THAN EQUITY INVESTMENTS

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

LOANS, RECEIVABLES AND FINANCIAL ASSETS HELD-TO-MATURITY

The financial assets are measured based on IFRS 9.

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

IMPAIRMENT OF FINANCIAL **ASSETS**

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

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

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

INVENTORIES

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

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

TRADE AND OTHER RECEIVABLES (CURRENT AND NON-CURRENT)

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

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

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

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

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

CASH AND CASH EQUIVALENTS

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

EMPLOYEE BENEFITS

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

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

TRADE AND OTHER PAYABLES (CURRENT AND NON-CURRENT)

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

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

DERIVATIVE FINANCIAL INSTRUMENTS

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

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

The Group's financial derivative instruments are undertaken to hedge against the interest rate risk. In accordance with IAS 39, which remains applicable optionally with respect to IFRS 9 in the case of the hedging of interest rate exposure, derivative financial instruments are accounted for in accordance with the procedures established for hedge accounting only when:
- the hedging instrument is formally designated and documented at the start of hedging;
- the hedge is expected to be highly effective;
- such efficacy can be reliably measured;
- the hedge is highly effective during the various accounting periods for which it is designated.

It should be noted that the derivative instruments currently in place (IRS - Interest Rate Swaps and IRC – Interest Rate Collar), 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.

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 warrants issued were of two types: "Market warrants," which were also listed and were fully cancelled in FY2022 due to expiration of the term, and unlisted "Sponsor warrants" which remain outstanding.

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").

Specifically for the Sponsor warrants, an exchange between equity instruments and cash at an already pre-determined value is provided in case of execution. Information on these instruments is available in the paragraph on shareholders' equity.

PROVISION FOR RISKS AND CHARGES

Provisions for risks and charges relate to costs and charges of a defined nature and of certain or probable existence whose amount or date of occurrence are uncertain at the reporting date. Accruals to provisions are recorded when:
- the existence of a present obligation, legal or implicit, deriving from a past event is probable;
- it is probable that compliance with the obligation will result in a charge;
- the amount of the obligation can be estimated reliably.

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

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

REVENUES AND COSTS

Revenues from the sale of goods and services as well as the purchase costs of goods and services are recognised on the transfer of control of the relative goods 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.

Costs incurred by the company however are recognized on an accrual basis.

FINANCIAL INCOME AND CHARGES

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

DIVIDENDS

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

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

INCOME TAXES

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

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

From the year 2018, the Parent Company was included in the tax consolidation regime with the holding 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 2023.

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. It should be noted that also for 2023, the IRAP rate for the industrial holding companies in the province of Trento, applicable to non-financial holding companies and similar entities pursuant to paragraph 9 of Article 6 of Legislative Decree No. 446/97 is 4.65%, and the benefits normally granted to industrial companies are not applied.

ASSETS AND LIABILITIES AVAILABLE FOR SALE AND DISCONTINUED OPERATIONS

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

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

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

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

- they represent a significant autonomous branch of activity or a significant geographical area of activity; or

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

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

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

It should be noted that at December 31, 2023, the Aquafil Group had only assets held-for-sale consisting of machinery and equipment and had no discontinued operations.

EARNINGS PER SHARE

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

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

USE OF ACCOUNTING ESTIMATES

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

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

Impairments

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

Amortisation & Depreciation

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

Inventories

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

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 charges.

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

Deferred tax assets

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

2.5 Accounting standards not yet applicable

The developments in the IFRS and the relative interpretations (IFRIC) applicable from periods beginning after December 31, 2023 are outlined below.

Document endorsed by the EU at November 30, 2023

Document title	Issue date	Effective date	Endorsement date	EU Regulation and publication date	Notes and references to this checklist
Lease Liabilities in a Sale and leaseback transaction (Amendments to IFRS 16)	September 2022	January 1, 2024	November 20, 2023	(EC) 2023/2579 November 21, 2023	See point 535

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

Document title	Issue date by the IASB	Effective date of the IASB document	Expected endorsement date by EU
Standards			
IFRS 14 Regulatory Deferral Accounts	January 2014	January 1, 2016	Postponed pending the new accounting standard on "rate-regulated activities"
Amendments			
Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28)	September 2014	Postponed until the completion of the IASB project on the equity method	Endorsement process postponed pending the conclusion of the IASB project on the equity method
Classification of liabilities between current and non-current (Amendments to IAS 1) and non-current liabilities with covenants (Amendments to IAS 1)	January 2020 July 2020 October 2022	January 1, 2024	Q4 2023
Financial Arrangements with Suppliers (Amendments to IAS 7 and IFRS 7)	May 2023	January 1, 2024	TBD
Lack of convertibility (Amendments to IAS 21)	August 2023	January 1, 2025	TBD

3. FINANCIAL RISK MANAGEMENT

The principal business risks identified, monitored and, as illustrated below, actively managed by the Group are as follows:

- market risk, deriving from fluctuations in exchange rates between the Euro and the other currencies in which the Group operates, the interest rate and raw material prices;
- Counterparty default risk;
- liquidity risk, deriving from insufficient financial resources to meet financial commitments.

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

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

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

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

3.1 Market risk

3.1.1 Currency risk

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

The principal exchange rates the Group is exposed to are:
- EUR/USD, in relation to transactions carried out in US Dollars;
- EUR/GBP, in relation to transactions carried out in UK Sterling;
- EUR/CNY, in relation to transactions carried out in Chinese 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, 2023 (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	157,662	32,163	(3,216)	3,216
Trade receivables (net of credit notes)	26,206	1,032	(103)	103
Tax effect			797	(797)
Total financial assets			**(2,523)**	**2,523**
Financial liabilities				
Trade payables	(116,006)	(4,382)	446	(446)
Tax effect			(107)	107
Total financial liabilities			**339**	**(339)**
Total			**(2,184)**	**2,184**

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.

For comparability with the previous year, a similar analysis at December 31, 2022 is presented below:

(in Euro thousands)	Consolidated financial statements	Exposition to currency risk (aggregated)	+10% Gains/(Losses)	-10% Gains/(Losses)
Financial assets				
Cash and cash equivalents	110,682	23,853	(2,385)	2,385
Trade receivables (net of credit notes)	28,553	2,763	(276)	276
Tax effect			639	(639)
Total financial assets			**(2,022)**	**2,022**
Financial liabilities				
Trade payables	(126,840)	(5,047)	505	(505)
Tax effect			(121)	121
Total financial liabilities			**384**	**(384)**
Total			**(1,639)**	**1,639**

It should also be noted that, for the purposes of consolidated reporting, the Company recognises currency differences generated by the year-end translation of the financial statements of foreign subsidiaries prepared in a currency other than the Euro among comprehensive income and, therefore, directly within the shareholders' equity "translation reserve".

Therefore, there is the risk that fluctuations in exchange rates in countries where the Group's subsidiaries operate (esp. the USA and China) could have an impact on consolidated shareholders' equity. In 2023 specifically, this translation had a negative effect of Euro 11,511 thousand as shown in the statement of changes in shareholders' equity and in the consolidated comprehensive income statement.

3.1.3 Raw material price risk

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

Specifically, the Group implements a strategy to offset the price volatility risk of the main production factors used through contractual hedging which limits changes to the prices of raw materials, energy sources and partly, selling prices.

3.1.4 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 and IRC – Interest Rate Collar), 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, 2023 (held exclusively by the Parent Company):

(in Euro thousands)	Contract opening date	Contract maturity date	Notional value at signing date in foreign currency	Notional currency	Fair value at December 31, 2023
IRS Banca Popolare Milano	20/06/2018	30/06/2025	25,000	Euro	171
IRS Banca Popolare Milano	06/06/2019	30/06/2025	15,000	Euro	126
IRS BNL	05/07/2023	05/07/2028	10,000	Euro	(175)
IRS Crédit Agricole	09/08/2019	28/12/2025	10,000	Euro	148
IRS Crédit Agricole	29/05/2017	28/06/2024	10,000	Euro	12
IRS Intesa San Paolo	19/06/2018	31/01/2024	15,000	Euro	29
IRS Intesa San Paolo	25/09/2019	31/12/2024	20,000	Euro	101
IRS Intesa San Paolo	28/12/2021	31/12/2027	30,000	Euro	1,387
IRS Monte dei Paschi Siena	30/09/2023	30/09/2026	20,000	Euro	(445)
Total			**155,000**		**1,354**

For comparability with the previous year, a similar analysis at December 31, 2022 is presented below:

(in Euro thousands)	Contract opening date	Contract maturity date	Notional value at signing date in foreign currency	Notional currency	Fair value at December 31, 2022
IRS Intesa San Paolo	28/12/2021	31/12/2027	30,000	Euro	2,514
IRS Credit Agricole	29/05/2017	28/06/2024	10,000	Euro	68
IRS Intesa San Paolo	19/06/2018	31/01/2024	15,000	Euro	77
IRS Banca Popolare Milano	20/06/2018	30/06/2025	25,000	Euro	434
IRS Banca Popolare Milano	06/06/2019	30/06/2025	15,000	Euro	322
IRS Credit Agricole	09/08/2019	28/12/2025	10,000	Euro	323
IRS Intesa San Paolo	25/09/2019	31/12/2024	20,000	Euro	325
Total			**125,000**		**4,063**

3.1.5 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 mainly regarding 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 2023	(1,056)	1,056	(1,056)	1,056

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.

For comparability with the previous year, a similar analysis at December 31, 2022 is presented below:

(in Euro thousands)	Impact on Net Profit		Effect on Net Equity	
Change	+ 100 bps	- 100 bps	+ 100 bps	- 100 bps
FY 2022	(668)	668	(668)	668

3.2 Credit risk

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

The top 10 clients on the total Group trade receivables at December 31, 2023 was 34% (48% at December 31, 2022).

The following table provides a breakdown of trade receivables at December 31, 2023, grouped by due date and net of the doubtful debt provision:

(in Euro thousands)	December 31, 2023	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)	18,795	12,445	5,976	108	36	230
Non-guaranteed trade receivables (B)	7,769	7,068	572	(20)	(1)	150
Non-guaranteed trade receivables impaired (C)	237	30	7			200
Trade receivables before doubtful debt provision (A + B + C)	**26,801**	**19,543**	**6,555**	**88**	**35**	**580**
Doubtful debt provision	(595)		(537)	(7)	(3)	(48)
Trade receivables	**26,206**	**19,543**	**6,018**	**81**	**32**	**532**

3.3 Liquidity risk

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

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

The Group can avail of on-demand liquidity of Euro 158 million at December 31, 2023, 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 69.8 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, 2023:

(in Euro thousands)	December 31, 2023	Within 1 year	Between 1 and 5 years	Beyond 5 years
Bond loan	70,649	13,258	51,677	5,714
Other current and non-current financial liabilities	341,253	89,903	241,124	10,226
Trade payables	116,006	116,006		
Other current and non-current liabilities	26,698	20,846	5,852	
Total	**554,606**	**240,013**	**299,195**	**15,398**

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), the conflict between Russia and Ukraine and the most recent conflict between Israel and Palestine. In particular, it can be stated that - overall and based on the declaration of the World Health Organisation on the conclusion of the global health emergency - no impact and/or effect is seen (i) on the value of the assets shown in the financial statements (ii) on the recoverability of trade receivables (iii) on the net realisable value of inventories. As mentioned previously, the impact on the business thus far has remained, on the whole, limited. Therefore, no specific risks have been identified in terms of the Group's ability to meet its future commitments (including compliance with the "covenants" set out in certain loan agreements at December 31, 2024) and/or which may impact the Group's ability to continue as a going concern.

With regards to the conflict between Russia and Ukraine and between Israel and Hamas, it is confirmed that this situation does not have direct impacts on the company, as currently not having (i) any investment in any the countries involved, nor (ii) financial instruments or liquidity in the currencies of the countries involved.

3.4 Climate change risks

The Aquafil Group passionately pursues its environmental, social and governance policy and takes an active role in the community in which it operates.

The Group's organisational structure has evinced a long-standing interest in the environmental impact of processes and products, and continuously assesses possible avenues for improvement, with an approach firmly focused on sustainability and circularity.

In particular, this structure considers the consequences of climate change for its activities, processes and local organisations, the risk of which is consistently monitored and assessed. It can thus be stated that no significant impacts are currently expected on operating activities in the regions where the Group operates.

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 IFRS 9, at December 31, 2023:

(in Euro thousands)	Financial assets and liabilities measured at fair value through P&L	Loans and receivables	Financial liabilities at amortised cost	Total
Non-current financial assets	1,188	370		1,558
Current financial assets	1,974	3,729		5,703
Trade Receivables		26,206		26,206
Current tax receivables		1,619		1,619
Other current & non-current assets		14,644		14,644
Cash and cash equivalents	157,662			157,662
Total financial assets	**160,823**	**46,569**		**207,392**
Non-current financial liabilities			308,741	308,741
Current financial liabilities			103,161	103,161
Trade payables			116,006	116,006
Other current and non-current liabilities			26,698	26,698
Total financial payables			**411,901**	**411,901**

It should be noted that the carrying amounts above are in line with their respective fair values.

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, 2023, on the basis of the level which reflects the inputs utilised in the determination of the fair value.

(in Euro thousands)	December 31, 2023	December 31, 2022
Derivative financial instruments – Liabilities	(619)	
Derivative financial instruments – Assets	1,974	4,063
Total	**1,354**	**4,063**

6. 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.

More specifically, and given that Group operations are entirely interconnected, financial performance figures, which are reviewed periodically by the Board of Directors, refer to the Group as a whole.

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.

7. NOTES TO THE CONSOLIDATED BALANCE SHEET

7.1 Intangible assets

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

(in Euro thousands)	Development costs	Patents & property rights	Trademarks, concessions and licenses	Other intangible assets	Intangible assets in progress	Non Contractual Customer relationships	Total
December 31, 2021	**4,660**	**52**	**359**	**4,789**	**10,295**	**3,397**	**23,551**
Historical cost	*6,370*	*5,213*	*4,767*	*19,485*	*10,295*	*6,272*	***52,401***
Acc. amort.	*(1,710)*	*(5,162)*	*(4,408)*	*(14,696)*		*(2,875)*	***(28,850)***
Reclassifications			159	9,805	(9,798)		**166**
Increases	1,675		60	1,437	991		**4,163**
Decreases					(132)		**(132)**
Amortisation	(1,482)		(108)	(3,617)		(797)	**(6,004)**
Exchange diff. - Historic cost		(1)	(120)	24		(139)	**(236)**
Exchange diff. - Acc. amort.		1	1	(6)		94	**90**
December 31, 2022	**4,852**	**52**	**350**	**12,432**	**1,355**	**2,555**	**21,596**
Historic cost	*8,044*	*5,212*	*5,152*	*30,692*	*1,355*	*6,132*	***56,587***
Acc. amort.	*(3,192)*	*(5,160)*	*(4,802)*	*(18,260)*		*(3,577)*	***(34,991)***
Reclassifications			17	280	(380)		**(84)**
Increases	2,519		7	232	1,044	817	**4,620**
Decreases				(13)			**(13)**
Amortisation	(2,026)		(100)	(3,722)		(893)	**(6,741)**
Write-downs	(137)						**(137)**
Exchange diff. - Historic cost			515	(9)		(402)	**104**
Exchange diff. - Acc. amort.		(52)	(464)	4		246	**(265)**
December 31, 2023	**5,208**		**326**	**9,205**	**2,019**	**2,322**	**19,080**
Historic cost	*10,340*	*5,212*	*5,687*	*30,783*	*2,019*	*6,547*	***60,588***
Acc. amort.	*(5,132)*	*(5,212)*	*(5,361)*	*(21,578)*		*(4,224)*	***(41,508)***

“Other intangible assets” mainly includes the costs of development projects incurred by the Parent Company for the digitization of processes. During the previous year the bio-caprolactam production process was started on a pilot basis, resulting in a Euro 9.1 million transfer from intangible assets in progress to other intangible assets and consequently amortisation over a 5-year period began. This project (“Effective”) was coordinated by Aquafil and funded by the Bio-Based Industries Joint Undertaking (BBI JU) as part of the European Horizon 2020 research programme and focused on the production of bio-caprolactam.

The increases in the year overall amounting to Euro 4.6 million, mainly related to:

- for Euro 2.5 million new product development costs (IAS38);
- for Euro 1.0 million costs incurred for the implementation and upgrading of the Aquafil Group’s digitization processes;
- for Euro 0.8 million the acquisition by Aquafil Carpet Collection of certain assets from Keith Bauer and James Williams in 2023, the purpose of which was to increase the amount of material recycled in California directly by the U.S. subsidiary. A portion of this acquisition involved physical assets, while another concerned the seller’s customer list, which was recognised among non-contractual customer relationships.

Amortisation in the year, in the amount of Euro 6.7 million, includes Euro 1,821 thousand for the beginning of amortisation on the effective project, which took place last year as described above. At December 31, 2023, the Group had no significant contracts for the purchase of intangibles.

7.2 Goodwill

Goodwill was Euro 15,103 thousand at December 31, 2023. This figure includes the goodwill recognised on the Aquafil O'Mara business combination in 2019 and the goodwill on the acquisition in 2020 of Aquafil Carpet Recycling, now Aquafil Carpet Collection LLC.

It should also be noted that the goodwill related to Aquafil O'Mara and Aquafil Carpet Collection LLC, having been recognised by the direct subsidiary Aquafil USA, was negatively affected by the translation from Dollars to Euro as part of the consolidation process.

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

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

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

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

The cash flows used to apply the DCF are those included in the Group's 2024 - 2026 business plan approved by the Parent Company's board of directors on February 15, 2024 and based on the following assumptions:
- An overall organic volume increase of between 4% and 7% compared to 2023 is expected for 2024. Specifically, the textile flooring product line is expected to grow by 3-6%, the clothing fibres product line by 13-16%, and the Polymers product line is expected to grow by 6-9%, due to the consolidation of the Engineering Plastics business. Raw materials were considered at a price level in line with the final months of FY2023. Expected EBITDA for fiscal year 2024 is in the range of Euro 76 to 82 million. In terms of Net Financial Position, a range of Euro 225-235 is projected for 2024.
- An overall organic increase of between 6-9% compared to 2024 is projected for 2025. Specifically, the textile flooring product line is expected to grow by 4-7%, the clothing fibres product line by 8-11%, and the Polymers product line is expected to grow by 14-17%. Raw materials were considered at a price level about 5% higher than in FY2024. Expected EBITDA for fiscal year 2025 is in the range of Euro 84 to 92 million. In terms of Net Financial Position, a range of Euro 190-200 is projected for 2025.
- The growth rate (g) applied was 2.7% (in line with the previous year), which is equal to the expected global average growth beginning in 2024.

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 identified value is 9.3%, compared with 8.2% applied in 2022.

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 equal to its carrying amount.

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

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

7.3 Property, plant & equipment

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

(in Euro thousands)	Land & buildings	Plant & equipment	Industrial and commercial equipment	Other assets	Assets in progress	Investment property	Total before Right-of-Use	Right-of-Use	Total
December 31, 2021	**54,769**	**119,935**	**381**	**1,775**	**45,020**	**344**	**222,224**	**18,265**	**240,489**
Historical cost	*126,870*	*499,888*	*10,503*	*7,257*	*45,020*	*793*	*690,331*	*35,855*	***726,186***
Acc. deprec.	*(72,102)*	*(379,953)*	*(10,122)*	*(5,482)*		*(449)*	*(468,108)*	*(17,591)*	***(485,699)***
Change in consolidation scope		9			28		36		**36**
Reclassifications	1,873	39,134	47	38	(41,280)		(188)		**(188)**
Increase	371	10,119	310	489	23,574		34,863	10,545	**45,408**
Decreases	(8)	(23)		(5)	(163)		(199)	(885)	**(1,084)**
Depreciation	(4,374)	(28,697)	(137)	(589)		(12)	(33,809)	(8,329)	**(42,138)**
Exchange diff. - Historic cost	2,203	4,748	(25)	141	1,244		8,311	747	**9,058**
Exchange diff. - Acc. deprec.	65	(3,740)	(2)	(153)			(3,830)	(283)	**(4,113)**
December 31, 2022	**54,898**	**141,485**	**574**	**1,696**	**28,423**	**333**	**227,407**	**20,060**	**247,467**
Historic cost	*128,288*	*543,135*	*10,798*	*7,690*	*28,423*	*793*	*719,127*	*36,122*	***755,249***
Acc. deprec.	*(73,390)*	*(401,650)*	*(10,224)*	*(5,994)*		*(460)*	*(491,718)*	*(16,062)*	***(507,780)***
Reclassifications	(513)	16,963	97	52	(16,525)		74	17	**91**
Increases	1,137	11,101	290	802	15,828		29,157	23,855	**53,012**
Decreases		(304)	(7)	(32)	(88)		(431)	(1,698)	**(2,129)**
Depreciation	(3,411)	(28,989)	(203)	(617)		(12)	(33,233)	(9,525)	**(42,757)**
Exchange diff. - Historic cost	(819)	(1,565)	(5)	(220)	(709)		(3,318)	(701)	**(4,019)**
Exchange diff. - Acc. deprec.	258	(902)	5	149			(491)	426	**(65)**
December 31, 2023	**51,551**	**137,789**	**750**	**1,829**	**26,928**	**321**	**219,168**	**32,435**	**251,604**
Historic cost	*129,596*	*554,187*	*11,121*	*7,379*	*26,928*	*793*	*730,005*	*51,810*	***781,814***
Acc. deprec.	*(78,045)*	*(416,398)*	*(10,371)*	*(5,549)*		*(472)*	*(510,836)*	*(19,375)*	***(530,211)***

The increases in the year, excluding the effect of changes in “Right-of-use”, amounted to Euro 29.2 million and mainly refer to:

- for Euro 12.2 million, the increase in industrial and energy efficiency at Group plant;
- for Euro 9.0 million to activities to improve industrial and energy efficiency in the production of ECONYL® caprolactam and its raw materials, in addition to the development of circularity-focused technologies;
- for Euro 3.5 million to expand existing production capacity;
- for Euro 3.2 million, the technological improvement and upgrading of the existing plants and equipment.

All assets in progress concern industrial investments that are either incomplete or not fully operational, but for which full operability is certain and currently envisaged in the Group’s strategic plans.

The recoverability of both intangible assets and property, plant and equipment has been assessed by way of impairment testing as described in the paragraph “Goodwill” above, and no issues concerning their recoverability have been identified.

The table below, in accordance with IFRS 16, presents the right-of-use of the non-current asset subject to the leasing contract. In particular this refers to buildings, equipment and transport and motor vehicles as illustrated in the table below.

(in Euro thousands)	Right-of-use buildings	Right- of-use equipment and transport vehicles	Right-of-use motor vehicles	Right-of-use other	Right-of-use Plant and Machinery	Total
December 31, 2021	**14,237**	**2,887**	**1,084**	**57**		**18,265**
Historical cost	*28,417*	*5,720*	*1,616*	*102*		***35,855***
Acc. deprec.	*(14,180)*	*(2,833)*	*(532)*	*(45)*		***(17,591)***
Increase	7,848	2,356	341			**10,545**
Decreases	(329)	(483)	(72)			**(885)**
Depreciation	(6,452)	(1,434)	(420)	(22)		**(8,329)**
Exchange diff. - Historic cost	618	87	36	6		**747**
Exchange diff. - Acc. deprec.	(230)	(46)	(4)	(3)		**(283)**
December 31, 2022	**15,691**	**3,366**	**964**	**39**		**20,060**
Historic cost	*27,912*	*6,385*	*1,717*	*109*		***36,122***
Acc. deprec.	*(12,221)*	*(3,018)*	*(753)*	*(70)*		***(16,062)***
Reclassifications			17			**17**
Increases	5,206	2,022	578	216	15,833	**23,855**
Decreases	(1,467)	(202)	(29)			**(1,698)**
Depreciation	(7,209)	(1,820)	(463)	(32)		**(9,525)**
Exchange diff. - Historic cost	(587)	(98)	(7)	(8)		**(701)**
Exchange diff. - Acc. deprec.	369	45	9	3		**426**
December 31, 2023	**12,003**	**3,314**	**1,069**	**217**	**15,833**	**32,435**
Historic cost	*26,208*	*7,536*	*1,917*	*317*	*15,833*	***51,810***
Acc. deprec.	*(14,206)*	*(4,222)*	*(848)*	*(99)*		***(19,375)***

Increases for the year, in the amount of Euro 23.9 million, are mainly attributable to: the contract signed during the year by AquafilSLO and EON concerning the provision of electricity and thermal energy by a co-generation plant in Lubiana for Euro 15.8 million; the renewal of lease agreements for properties at the plants of the U.S. companies for Euro 3.7 million; and the renewal of the lease agreements related to the equipment of the parent company, Aquafil USA Inc., and Tessilquattro S.p.A. for Euro 1.8 million.

At December 31, 2023, the Group had no significant contracts for the purchase of material goods.

7.4 Current and non-current financial assets and investments valued at equity

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

(in Euro thousands)	December 31, 2023	December 31, 2022
Receivables from parent companies		234
Investments valued at equity	1,023	1,018
Escrow bank deposits	3,770	5,943
Investments in other companies	164	20
Current and non-current financial assets	251	457
Receivables from related parties	79	79
Derivative financial instruments - Current	1,974	4,062
Total	**7,260**	**11,813**
of which current	*5,703*	*9,964*
of which non-current	*1,557*	*1,849*

"Receivables from parent companies" were collected in their entirety following payment to Aquafil S.p.A. by Aquafin Holding S.p.A. to return the security deposit paid in relation to the long-term lease agreement on the logistics property at Viale dell'Industria 5, Verona (Italy) upon consensual termination of said agreement.

"Investments valued at equity", in the amount of Euro 1,023 thousand, concern the following investments in associates or joint ventures:

(i) Nofir A.S., a Norwegian company based in Mørkved, Bodǿ, Norway, a European leader in the collection and treatment of end-of-life netting for fishing and aquaculture, of which a 31.66% stake was acquired on October 10, 2021, for Euro 1,018 thousand; the company has roughly Euro 2.5 million in assets, mainly in the form of cash and cash equivalents, trade receivables, and inventories and shareholders' equity of Euro 1.8 million;

(ii) investment in Acca S.p.A. for Euro 0.5 thousand. The company is a joint venture between Aquafil Chile S.p.A. and its equal partner Atando Cabos Chile S.p.A., is based in Santiago (Chile), and has share capital of CLP 1 million and negative shareholders' equity of Euro 20 thousand. For more information, please see paragraph 5 of the Directors' Report;

(iii) investment in Poly-Service S.a.s. for Euro 4.5 thousand. Based in Lyon (France), the company was incorporated on August 7, 2023 and has share capital of Euro 10 thousand, in which Aquafil S.p.A. holds a 45% stake and Politecnici S.r.l. holds a 55% stake. For more information, please see paragraph 5 of the Directors' Report. The company, which is not yet operational, has a shareholders' equity of Euro 10 thousand.

"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.

"Investments in other companies" relates to minor holdings.

The fair value of derivative financial instruments (IRS-IRC) reports a decrease of Euro 2.1 million substantially due to the change in the market interest rate curve. As previously illustrated, these derivatives have not been treated, for accounting purposes and consistently with the past, as 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.

The "Escrow bank deposits", amounting to Euro 3.8 million, are held by the Group companies Aquafil Jiaxing Co. Ltd. and Aquafil USA Inc. These deposits earn interest and are under short-term escrow. The decrease from December 31, 2022, is essentially due to a reduction in the deposit balance by the subsidiary Aquafil Jiaxing Co. Ltd.

7.5 Other non-current assets

"Other non-current assets" at December 31, 2023 amount to zero, as in 2023 the final transfer was received to settle the receivable from the EU for the "Effective" research project co-ordinated by Aquafil and funded by Bio-Based Industries Joint Undertaking (BBI JU) as part of the European Horizon 2020 research programme, with the entire chain (from raw material manufacturers to brands) involved in validating the use of bio Nylon 6 and other bio-polymer consumer market products; reference should be made also to the Directors' Report for more details on the project.

In particular, with the signing of the agreement between the partners and other lenders, an overall amount of Euro 1.7 million was stipulated, with deferred income recognised under Other liabilities (Note 7.16) which was equal to Euro 673 thousand at December 31, 2023. The receivable was 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. Therefore, at December 31, 2023, the company did not have any residual receivable from the EU.

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 31, 2023	December 31, 2022
Deferred tax assets	18,545	11,519
Deferred tax liabilities	(13,324)	(9,237)
Total	**5,221**	**2,281**

The relative movement is comprised of:

(in Euro thousands)	January 1, 2023	Provisions/ (Releases) to net equity	Provisions/ (Releases) to P&L	December 31, 2023
Deferred tax assets				
Provision for risks and charges	205		(72)	133
Doubtful debt provision	292	(7)	(258)	27
Measurement of employee benefits as per IAS 19	483	60	470	1,013
Intangible and tangible fixed assets	4,276		(3,309)	967
Tax losses	2,433	(40)	7,024	9,417
Inventories	2,900	(6)	(2,150)	744
Other	931	(61)	5,375	6,245
Total deferred tax assets	**11,519**	**(54)**	**7,080**	**18,545**
Deferred tax liabilities				
Intangible and tangible fixed assets	8,652	(203)	3,632	12,081
Other	585	(16)	674	1,243
Total deferred tax liabilities	**9,237**	**(219)**	**4,306**	**13,324**
Total net deferred tax assets	**2,280**	**165**	**2,774**	**5,221**

During the year, deferred tax assets were allocated on fiscal losses, after restoring deferred tax assets in relation to the mutual agreement procedure initiated on October 4, 2023, as was done for fiscal year 2017 (and as described in the section “Contingent Liabilities”), as well as on non-deducted interest expense related to the parent company in accordance with Italian income tax law (TUIR). This was partially offset by amounts resulting from previously allocated taxes on intangible and tangible fixed assets and on inventories.

The “Deferred tax liabilities” mainly refers to the tax effect calculated on the temporary differences between book and tax depreciation of some companies of the Group.

The net DTA balance is considered fully recoverable based on the projected tax bases of Group companies.

7.7 Inventories

The changes in the account were as follows:

(in Euro thousands)	December 31, 2023	December 31, 2022
Inventories of raw materials, supplies and consumables	68,727	98,093
Finished products and goods	120,741	162,653
Advances	25	63
Total	**189,493**	**260,808**

Inventories are recorded net of the obsolescence provision amounting to Euro 0.4 million and relates to slow-moving stock.

The significant decrease is mainly as a combined effect of the reduction in stock and the decrease in the average price.

7.8 Trade receivables

The changes in the account were as follows:

(in Euro thousands)	December 31, 2023	December 31, 2022
Trade receivables	26,450	30,235
Parent, associates and other related parties	351	376
Doubtful debt provision	(595)	(2,057)
Total	**26,206**	**28,553**

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

(in Euro thousands)	2023	2022
Balance at January 1	**(2,057)**	**(1,765)**
Provisions		(47)
Utilisations	567	156
Release	895	89
Balance at December 31	**(595)**	**(2,057)**

Reference should be made to the previous paragraph 3.2 for details on the credit risk management policy.

The utilisation of the doubtful debt provision relates to the closure of certain receivables arising in previous years deemed uncollectible. Releases are the result of an updated analysis of the collectibility of trade receivables outstanding at the balance sheet date.

7.9 Current tax receivables and payables

Current tax receivables of Euro 1.6 million mainly refer to payments on account paid by the company Aquafil USA Inc. for Euro 1 million, Aquafil Carpet Recycling #1 Inc. for Euro 0.2 million and Aquafil SLO d.o.o. for Euro 0.2 million.

Current tax liabilities, which amount to Euro 1.2 million, mainly refer to amounts owed by Aquafil Jiaxing Co. Ltd. for Euro 0.9 million and Aquafil Asia Pacific Co. Ltd. for Euro 0.1 million.

7.10 Other current assets

The changes in the account were as follows:

(in Euro thousands)	December 31, 2023	December 31, 2022
Tax receivables	3,431	9,408
Supplier advances	667	885
Pension and social security institutions	155	406
Employee receivables	261	275
Tax receivables from parent	5,854	247
Other receivables	683	974
Prepayments and accrued income	3,594	3,665
Total	**14,644**	**15,861**

This amounted to Euro 14.6 million and presented a decrease of Euro 1.3 million compared to the previous year ended December 31, 2022 (Euro 15.9 million). The account comprises:

- taxes and social security receivable for Euro 3.6 million, a decrease from Euro 9.8 million at December 31, 2022, due mainly to uses by way of offsetting energy-consumption credits, credits for research and development, and Industry 4.0 investment credits, as well as to the change in the payable position at December 31, 2023, related to VAT paid as compared to the credit balance at the end of the previous year;
- taxes receivable from parent companies in the amount of Euro 5.9 million, which concern gains from tax consolidation generated on the transfer of the fiscal gain following fiscal losses accumulated in the previous year by Tessilquattro S.p.A. and Aquafil S.p.A.. This latter, as 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 with Tessilquattro S.p.A. and Bluloop S.r.l.;
- prepayments and accrued income in the amount of Euro 3.6 million, Euro 2.1 million of which related to Aquafil S.p.A., which mainly include insurance premiums for Euro 165 thousand, information and communication technology consultancy fees invoiced in advance of completion of service for Euro 467 thousand, prepaid fees for electricity system charges during the year for Euro 726 thousand, and personnel training grants for Euro 393 thousand. This aggregate also includes an allocation by Aquafil USA for a duty-drawback programme that allows for the recovery of duties incurred in relation to shipments made to Europe;
- other receivables in the amount of Euro 0.7 million, mainly related to a security deposit paid by Aquafil Jiaxing Co. Ltd. for a lease agreement.

7.11 Cash and cash equivalents

The account is comprised of:

(in Euro thousands)	December 31, 2023	December 31, 2022
Cash and equivalents	18	19
Bank and postal deposits	157,644	110,662
Total	**157,662**	**110,682**

Liquidity at year-end on the current accounts of the various operating companies of the Group, increased from Euro 110.7 million to Euro 157.7 million.

The item relates to the current account balances of the different Group companies.

The breakdown of cash and cash equivalents in thousands of Euro of foreign currencies is illustrated in the table below:

(in Euro thousands)		December 31, 2023
AUD	Australian Dollar	243
INR	Indian Rupee	6
CLP	Chilean Peso	3
CNY	Chinese Yuan	14,207
EUR	Euro	86,695
GBP	UK Sterling	275
JPY	Japanese Yen	2,202
THB	Thai Baht	799
TRL	Turkish Lira	84
USD	US Dollar	53,148
Total		**157,662**

It should be noted that the increase in cash and cash equivalents at December 31, 2023, as compared to the previous year, is mainly attributable to the new financing received during the year by Aquafil S.p.A. as detailed below, as well as to the greater cash generated on operating activities by the subsidiaries Aquafil USA Inc. and Aquafil Jiaxing Co. Ltd..

In 2023 we report:
- new medium-term, unsecured loans underwritten by the Aquafil S.p.A. for a total of Euro 100 million, of which Euro 40 million backed by SACE SupportItalia guarantee. Borrowings are detailed in paragraph 7.14;
- repayments of loans and bond instalments totalling Euro 72 million by the Parent Company Aquafil S.p.A..

There were no restrictions on liquidity.

7.12 Shareholders' Equity

Share capital

At December 31, 2023, the Company authorised share capital amounted to Euro 50,522 thousand, whose subscribed and paid-up capital amounts to Euro 49,722 thousand, while the unsubscribed and unpaid portion relates to: (i) Euro 800 thousand, 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:
- 42,902,774 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 Article 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.

In 2022, following the fulfilment of that indicated at Article 5 of the By-Laws of Aquafil S.p.A., 100% of the Class C shares (i.e. 80,000 class C shares) were automatically converted into ordinary shares, according to the conversion ratio of 1 ordinary share for each Class C share, without the expression of interest from their respective holders and without any change in the total amount of the company share capital.

It is recalled that the 80,000 special Class C shares, identified by the ISIN Code IT0005241747, were 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.

As a result of this share conversion, the Group's share capital remains at Euro 49,722,417 while the number of ordinary shares increases from 42,822,774 to 42,902,774, while the class B shares remained unchanged (8,316,020 shares) and consequently the total number of shares remains unchanged (51,218,794 shares).

The breakdown of Aquafil S.p.A.'s subscribed and paid-up share capital at December 31, 2023 is shown below:

Type of shares	No. shares	% of Share Capital	Listing
Ordinary	42,902,774	83.76%	MTA segmento STAR
Class B	8,316,020	16.24%	Non quotate
Class C			
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, holders of a significant shareholding as at December 31, 2023 - i.e. considering Aquafil S.p.A.'s qualification as an SME pursuant to Article 1 (w-*quater*). 1 of the CFA, of a shareholding of greater than 5% of Aquafil S.p.A. share capital with voting rights;

The declarant or subject at the top of the equity chain	Direct shareholder	Type of shares	Number of shares	No. of voting rights
GB&P S.r.l.	Aquafin Holding S.p.A.	Ordinary	21,554,705	21,554,705
		Class B	8,316,020	24,948,060
Total			**29,870,725**	**46,502,765**
Holding			**58.32%**	**68.52%**

Warrants

The following were initially issued on listing:

(i) 7,499,984 Aquafil Market Warrants, listed and identified by the ISIN Code IT0005241200, which incorporate the right to the allocation of Aquafil S.p.A. ordinary shares 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. Pursuant to the Aquafil S.p.A. Market Warrant Regulation (ISIN IT0005241200), December 4, 2022 was the deadline for the exercise of the Aquafil Warrants financial instruments, as 60 (sixty) months had elapsed since the date of admission to listing of Aquafil's ordinary shares (ISIN IT0005241192);

(ii) 800,000 Aquafil Sponsor Warrants, identified by the ISIN Code IT0005241754, non-listed and exercisable within ten years from the date of December 4, 2017, payable at the unit exercise price of Euro 13.00 (on achieving a "Strike Price" of Euro 13.00), in response to the allocation of an ordinary Aquafil share for each Sponsor Warrant exercised.

On December 4, 2022, the exercise deadline for the Aquafil Market Warrants financial instruments concluded, and therefore as of December 31, 2022, 2,014,322 Aquafil Market Warrants have been converted with the allotment of 498,716 Conversion Shares. As of December 31, 2023, therefore, no other Market Warrants are outstanding, while it is noted that no Aquafil Sponsor Warrants have been converted.

Legal reserve

The legal reserve at December 31, 2023 was equal to Euro 2.1 million; the increase of Euro 0.8 million was approved by the Shareholders' Meeting of April 27, 2023 which allocated to this reserve one twentieth of the profit for the year 2022.

Translation reserve

The translation reserve, negative at December 31, 2023 for Euro 14.6 million (increased by a negative effect of Euro 11.5 million in the year), includes all the differences arising from the translation into Euro of the subsidiaries' financial statements included in the consolidation scope expressed in foreign currency.

This is the effect of statement translation, so it had no impact on profits for the year, but is recognised on the consolidated comprehensive income statement as reserves to be carried forward.

Share premium reserve

The item amounted to Euro 19.98 million at December 31, 2023 and is derived from the merger transaction between Aquafil S.p.A. and Space 3 S.p.A. in December 4, 2017.

Listing costs/Share capital increase reserve

The item amounted to Euro 3.29 million at December 31, 2023 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 as a reduction of shareholders' equity and represents the conversion effects from Italian GAAP to IFRS.

IAS 19 reserve

At December 31, 2023, it was equal to a Euro 0.6 million reduction in shareholders' equity and includes the actuarial effects at that date of severance indemnities and all the other benefits for employees of Group companies.

Negative reserve for treasury shares in portfolio

The negative reserve for treasury shares in portfolio totalled Euro 8.6 million at December 31, 2023.

As also reported in the 2021 Integrated Report, it is recalled that on October 20, 2021, Aquafil S.p.A. announced that the Company's Shareholders authorised the purchase of treasury shares in accordance with Article 2357 of the Italian Civil Code. The authorisation by Shareholders had a duration of 18 months from the date of the authorising resolution. The operation was aimed at enabling the Company to purchase and/or make use of the Company's ordinary shares for: (i) making investments and limiting anomalous changes in share prices so as to promote regular trading outside of normal fluctuations tied to market trends, while, in any event, observing applicable laws and regulations; and (ii) establishing a securities reserve for future uses in accordance with the strategies that the Company intends to pursue as payment in corporate transactions with other parties or other extraordinary uses. The Shareholders authorised the purchase, in one or more tranches, of ordinary shares up to a maximum number which, taking account of the ordinary shares which may be held in portfolio by the company and by its subsidiary, does not total more than 3% of share capital.

On December 31, 2023, following the purchases made, Aquafil held 1,278,450 treasury shares, equal to 2.4961% of the share capital.

Retained earnings

At December 31, 2023, the account amounts to Euro 108.9 million and represents the results generated by the Aquafil Group in previous years (including pre-merger with Space3 S.p.A.) net of the distribution of dividends.

Dividends

The Shareholders' Meeting held on April 27, 2023 approved the distribution of a dividend of Euro 12 million (Euro 0.24 per share), which was paid out on May 10, 2023 with coupon date of May 8, 2023.

Minority interest net equity

As illustrated in paragraph 2.3 "Consolidation scope" and consolidation criteria, the minority interests shareholders' equity substantially reduced to zero.

7.13 Employee benefits

The account is comprised of:

(in Euro thousands)	
Balance at December 31, 2022	**5,192**
Financial charges	166
Provisions	(184)
Advances and settlements	(322)
Actuarial losses/(gains)	252
Balance at December 31, 2023	**5,104**

For completeness the table below shows the changes in the previous year:

(in Euro thousands)	
Balance at December 31, 2021	**5,910**
Financial charges	66
Provisions	422
Advances and settlements	(482)
Actuarial losses/(gains)	(724)
Balance at December 31, 2022	**5,192**

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, 2023
Financial assumptions	
Discount rate	2.95%
Inflation rate	2.00%
Annual increase in employee leaving indemnity	3.00%
Demographic assumptions	
Death	The RG48 mortality tables published by the General State Controller
Disability	INPS tables by age and gender
Retirement	100% on satisfying AGO requirements
Annual frequency of Turnover and leaving indemnity advances	
Frequency advances	4.50%
Frequency turnover	2.50%

The bond's financial average duration at December 31, 2023 is approximately 7 years.

For comparability with the previous year a breakdown of the main economic and demographic assumptions used for actuarial valuations at December 31, 2022 is shown below:

	December 31, 2022
Financial assumptions	
Discount rate	3.57%
Inflation rate	2.30%
Annual increase in employee leaving indemnity	3.23%
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%

7.14 Current and non-current financial liabilities

The account is comprised of:

(in Euro thousands)	December 31, 2023	*of which current portion*	December 31, 2022	*of which current portion*
Medium/long term bank loans	303,516	*77,857*	263,114	*60,880*
Accrued interest and accessory charges on medium/long-term bank loans	(16)	*(16)*	(399)	*(399)*
Total medium/long-term bank loans	**303,499**	***77,841***	**262,715**	***60,481***
Bond loans	70,248	*12,857*	83,158	*12,857*
Accrued interest and charges on bonds	401	*401*	251	*251*
Total bond loan	**70,649**	***13,258***	**83,409**	***13,108***
Leasing and RoU financial payables	34,696	*9,005*	21,074	*8,224*
Liabilities for derivative financial instruments	619	*619*		
Other lenders and banks – short term	2,438	*2,438*	1,333	*1,333*
Total	**411,901**	***103,161***	**368,531**	***83,146***

Medium/long term bank loans

This item refers to payables relating to financing agreements obtained from credit institutions.

These agreements stipulate the payment of interest at a fixed rate or, alternatively, at a variable rate typically linked to the Euribor rate for the period plus a spread.

With the exception of the loans undertaken by Tessilquattro S.p.A. and Aquafil Benelux, at year-end all the Group’s loans had been contracted by Aquafil S.p.A., in view of its positive rating and the favourable situation within the Italian financial market. During the year Aquafil S.p.A. thus provided financial support, through share capital increases for the investment activities of the subsidiaries, particularly to the Slovenian subsidiary.

During 2023, loans were repaid on schedule and new medium/long term loans totalling Euro 100 million were entered into with leading banking institutions.

The funds raised were used to maintain liquidity.

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

(in Euro thousands)	Original amount	Granting date	Maturity date	Repayment plan	Rate applied	At December 31, 2023	*of which current portion*
Medium/long term bank loans - fixed rate							
Cassa Centrale Banca (former Casse Rurali Trentine) (*)	15,000	2019	2026	Quarterly from 30/09/2021	1.25% fixed, from 01/07/2024 3 months Euribor +1%	7,617	*2,977*
Cassa Centrale Banca (former Casse Rurali Trentine) (*)	11,000	2022	2029	Quarterly from 31/12/2023	1.20% fixed, from 01/04/2026 3 months Euribor +1%	10,516	*1,952*
Crédit Agricole (former Credito Valtellinese) (*)	15,000	2018	2024	Quarterly from 05/10/2018	1% fixed	3,259	*3,259*
Cassa Depositi e Prestiti (*)	20,000	2020	2027	Half-yearly from 20/06/2023	1.48% fixed	16,000	*4,000*
ING Belgie NV	49	2023	2026	Monthly	4.23% fixed	49	*16*
Total Medium/long term bank loans - fixed rate						**37,440**	***12,204***
Medium/long term bank loans - variable rate							
Deutsche Bank (*)	5,000	2018	2024	Quarterly from 15/01/2019	Euribor 3 months + 1.20%	938	*938*
Deutsche Bank (*)	20,000	2022	2028	Quarterly from 01/10/2023	Euribor 3 months + 1.20%	18,000	*4,000*
Sparkasse - Cassa Risparmio di Bolzano (*)	20,000	2018	2025	Quarterly from 31/03/2020	Euribor 3 months + 0.85%	8,102	*4,034*
Sparkasse - Cassa Risparmio di Bolzano (*)	10,000	2022	2028	Quarterly from 31/12/2024	Euribor 3 months + 1.05%	10,000	*600*
Banca Intesa (*) (**)	15,000	2018	2024	Half-yearly from 31/07/2019	Euribor 6 months + 0.95%	2,571	*2,571*
Banca Intesa (*) (**)	30,000	2021	2027	Half-yearly from 30/06/2023	Euribor 6 months + 1.10%	24,000	*6,000*
Banca Intesa (*)	20,000	2023	2028	Quarterly from 31/12/2025	Euribor 3 months + 0.95%	20,000	
Banca di Verona	15,000	2017	2024	Quarterly from 30/06/2017	Euribor 3 months + 2%	3,275	*3,275*
Banca di Verona	3,000	2019	2024	Quarterly from 06/08/2021	Euribor 3 months + 1.30%	1,182	*1,182*
Banca di Verona	5,000	2022	2027	Quarterly from 27/04/2024	Euribor 6 months + 1.20%	5,000	*388*
Banca di Verona	5,000	2023	2028	Quarterly from 04/04/2024	Euribor 6 months + 1.20%	5,000	*570*
BPM - Banca Popolare di Milano (*) (**)	25,000	2018	2025	Quarterly from 31/03/2020	Euribor 3 months + 0.90%	11,672	*4,491*
BPM - Banca Popolare di Milano (*) (**)	15,000	2019	2025	Quarterly from 30/09/2020	Euribor 3 months + 1.05%	6,173	*3,010*
BPM - Banca Popolare di Milano (*)	15,000	2023	2028	Quarterly from 30/09/2023	Euribor 3 months + 1.15%	13,657	*2,772*
BPER - Banca Popolare Emilia Romagna (*) (**)	10,000	2019	2025	Monthly from 26/09/2020	Euribor 3 months + 0.75%	4,203	*2,516*
BNL - Banca Nazionale del Lavoro (*)	7,500	2018	2025	Half-yearly from 31/12/2019	Euribor 6 months + 1.40%	2,727	*2,045*
BNL - Banca Nazionale del Lavoro (*) con fondo BEI	12,500	2018	2025	Half-yearly from 31/12/2019	Euribor 6 months + 1.25%	4,545	*3,409*
BNL - Banca Nazionale del Lavoro (*)	20,000	2022	2027	Quarterly from 08/12/2023	Euribor 3 months + 1.40%	18,750	*5,000*
BNL - Banca Nazionale del Lavoro (*) (**)	10,000	2023	2028	Quarterly from 05/10/2024	Euribor 3 months + 1.55%	10,000	*625*
Crédit Agricole (former Banca Popolare Friuladria) (*) (**)	10,000	2017	2024	Quarterly from 31/03/2019	Euribor 3 months + 1.30%	2,814	*1,852*
Crédit Agricole (former Banca Popolare Friuladria) (*) (**)	10,000	2019	2025	Half-yearly from 28/12/2020	Euribor 6 months + 1.05%	3,636	*1,818*
Crédit Agricole (former Banca Popolare Friuladria) (*)	10,000	2023	2029	Half-yearly from 29/09/2024	Euribor 6 months + 1.35%	10,000	*795*
Crédit Agricole (former Credito Valtellinese) con garanzia Fondo Centrale	5,000	2020	2026	Quarterly from 30/09/2021	Euribor 3 months + 1.40%	2,457	*977*
Credito Emiliano	5,000	2022	2027	Quarterly from 16/09/2023	Euribor 3 months + 0.90%	4,494	*1,043*
Mediocredito Trentino Alto Adige	3,000	2022	2026	Quarterly from 16/10/2023	0.85% fixed until 15/10/2022 Euribor 3 months +1%	2,753	*994*
Monte dei Paschi di Siena (*)	15,000	2018	2025	Half-yearly from 31/12/2019	Euribor 6 months + 0.80%	5,625	*3,750*
Monte dei Paschi di Siena (*) (**) with SACE guarantee	20,000	2023	2028	Quarterly from 30/09/2025	Euribor 3 months + 0.75%	20,000	
MCC - Banca del Mezzogiorno (*)	10,000	2019	2026	Quarterly from 09/11/2020	Euribor 1 month + 1.20%	4,500	*2,000*
MCC - Banca del Mezzogiorno (*)	15,000	2023	2028	Quarterly from 30/06/2025	Euribor 3 months + 1.20%	15,000	
Cassa Depositi e Prestiti (*)	20,000	2022	2027	Half-yearly from 30/06/2024	Euribor 6 months + 1.55%	20,000	*5,000*
Volksbank	5,000	2023	2028	Quarterly from 31/03/2025	Euribor 3 months + 1.60%	5,000	
Total Medium/long term bank loans - variable rate						**266,075**	***65,653***
Accrued interest on medium/long term bank loans						(16)	*(16)*
Medium/long term bank loans - fixed and variable rate						**303,499**	***77,841***

(*) 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
Crédit Agricole (former Banca Friuladria)	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Crédit Agricole (former Banca Friuladria) - Loan disbursed in 2023	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 4.00
Banca Intesa San Paolo	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Sparkasse - Cassa di Risparmio di Bolzano	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
BNL - Banca Nazionale del Lavoro	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Banco BPM	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Crédit Agricole	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Deutsche Bank	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Monte dei Paschi di Siena	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Cassa Centrale Banca (former Casse Rurali Trentine)	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
BPER - Banca Popolare Emilia Romagna	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
MCC - Banca del Mezzogiorno	Annually	Net Debt/Net Equity	Group	< 2.50
	Annually	Net Debt/EBITDA		< 3.75
CDP - Cassa Depositi e Prestiti	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75

In relation to the financial covenants established in the bond and loan agreements detailed above, the Group prudently obtained before the end of the financial year:

1. by the lenders, the "holiday" covenant for verification of the consolidated "NFP/EBITDA leverage ratio" and of the "NFP/Shareholders' Equity" covenant for the year ended December 31, 2023, and for the cases applicable to the consolidated half-year report at June 30, 2024, with the return to contractual status at December 31, 2024;
2. by the bond subscribers the redrafting of the following financial covenants:
   - "NFP/EBITDA leverage ratio" financial covenant to 5.50 and the return to contractual status at December 31, 2024;
   - Consolidated "Interest Coverage Ratio" from 4 to 2.50 at December 31, 2023, to 3 at December 31, 2024, and to 3.5 at December 31, 2025.

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

Bond loans

The Company has two fixed-rate bonds outstanding, with a total original value of Euro 90 million, which at December 31, 2023 amounted to Euro 70 million, decreasing on the previous year by approx. Euro 12.9 million due to the repayment of the instalment due in 2023. The outstanding bonds have the following features:

- a first bond loan ("A"), initially issued on June 23, 2015 and subscribed by companies belonging to the US Group Prudential Financial Inc., with a value equal to Euro 50 million, to be repaid in 7 equal instalments of Euro 7.1 million, of which final maturity on September 20, 2028, with residual debt at December 31, 2023 of Euro 35.7 million; the loan is subject to a fixed interest rate of 3.70% with the application of a "margin ratchet" 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. The NFP/EBITDA ratio at December 31, 2022, resulted in a rate increase from 3.75% to 4.20% for the following six-month period (from March to September 2023). Due to the NFP/EBITDA ratio at June 30, 2023, the interest rate increased from 4.20% to 4.70%, which remains valid until March 2024;
- a second bond "B" was issued on May 24, 2019, to finance the business combination of Aquafil O'Mara Inc., and subscribed by companies belonging to the US Group Prudential Financial Inc. for a total of Euro 40 million; the terms provide for repayment in 7 annual instalments from May 24, 2023, the remaining balance of which was Euro 34.3 million at December 31, 2023; the fixed interest rate is equal to 1.87%, with the application of the same margin ratchet condition as for bond "A". As a result of the NFP/EBITDA ratio at June 30, 2022, the interest rate remained at 1.87% until May 2023, then increased to 2.37% for the period May–November 2023 as a result of the ratio at December 31, 2022. Due to the NFP/EBITDA ratio at June 30, 2023, the interest rate increased to 2.87% until May 2024.

The following table summarises the main characteristics of the aforementioned bond loans:

Bond loan	Total nominal value	Issue date	Maturity date	Capital portion repayment plan	Interest rate applied
Bond loan A	50,000,000	23/06/2015	20/09/2028	7 annual instalments from 20/09/2022	4.70%
Bond loan B	40,000,000	24/05/2019	24/05/2029	7 annual instalments from 24/05/2023	2.87%

Bond loans envisage compliance with the following financial covenants, as contractually defined, to be calculated on the basis of the Group's consolidated financial statements:

Bond loan A – B

Financial parameters	Parameter	Covenant limit
Interest Coverage Ratio	EBITDA/Net financial charges	> 2.5
Leverage Ratio (*)	Net Debt/EBITDA	< 3.75
Net Debt Ratio	Net Debt/Net Equity	Minimum Net Equity threshold levels

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

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

The terms and conditions of the above bond loans also envisage, as is customary for financial transactions of this type, a structured series of commitments to be borne by the Company and Group companies ("Affirmative Covenants") and a series of limitations on the possibility of carrying out certain transactions, if not in compliance with certain financial parameters or specific exceptions provided for by the agreement with the bondholders ("Negative Covenants"). Specifically, there are in fact certain limitations on the assumption of financial debt, on carrying out certain investments and on acts of disposal of corporate assets. To ensure the timely and correct fulfilment of obligations arising on account of the Parent Company from the issue of securities, the companies Aquafil Usa Inc. and Aquafil SLO d.o.o. have issued joint corporate guarantees in favour of underwriters.

Lease liability

Financial payables for leases, which amounted to Euro 34.7 million, increased on December 31, 2022 (Euro 21.1 million), and refer to the effects of the application of IFRS 16. The increase is mainly attributable to the signing of new lease agreements during the year, as detailed in paragraph 7.3 of these explanatory notes.

7.15 Provisions for risks and charges

The account is comprised of:

(in Euro thousands)	December 31, 2023	December 31, 2022
Agents' supplementary indemnity provision and others	1,600	1,734
Guarantee fund on client engineering orders	109	241
Total	**1,710**	**1,975**

The balance at December 31, 2023 of Euro 1.7 million is in line with December 31, 2022.

7.16 Other current and non-current liabilities

The account is comprised of:

(in Euro thousands)	December 31, 2023	*of which current portion*	December 31, 2022	*of which current portion*
Employee payables	9,912	*9,912*	12,532	*12,532*
Social security payables	3,103	*3,103*	3,229	*3,229*
Payables to parent for income taxes			230	*230*
Tax payables	2,511	*2,511*	2,125	*2,125*
Other payables	2,021	*2,021*	1,215	*1,215*
Accrued liabilities and deferred income	9,151	*3,299*	14,817	*5,832*
Total	**26,698**	***20,846***	**34,148**	***25,163***

“Employee payables” refers to sums due by Group companies to their employees at the end of the year and amounts to Euro 9.9 million, decreasing Euro 2.6 million on December 31, 2022 (Euro 12.5 million). This decrease is strictly correlated with the reduction in the total active workforce at December 31, 2023, compared to the end of the previous year.

“Social security payables” mainly includes the amount owed at year-end by the Group companies and their employees to social security institutions and amounts to Euro 3.1 million, in line with December 31, 2022.

“Payables to parent for income taxes”, which at December 31, 2023 amounted to Euro 0.2 million, refer to Tessilquattro S.p.A. payables to the parent company Aquafin Holding S.p.A. as per the tax consolidation regime. They were fully settled in the current year.

“Tax payables”, in the amount of Euro 2.5 million, are essentially in line with the previous year.

“Accrued liabilities and deferred income” mainly comprise:
- the commercial contract with the US group Interface, involving a worldwide collaboration for supply and product development. In particular, Aquafil S.p.A. undertook an obligation until 2026 to guarantee Interface conditions of supply, against which the client, in addition to committing to annual minimum volumes, paid to Aquafil S.p.A. USD 24 million in advance. At December 31, 2023, this deferred revenue (recognised to deferred income) amounts to Euro 4.6 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 the notes 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 1.4 million at December 31, 2023. It should be noted that from 2019 onwards, costs relating to the “Effective” project have been capitalised under intangible assets in progress for the portion eligible under IAS 38. Therefore, the residual contribution concerning the capitalised portion is recognised to the income statement from 2022, for a period of 5 years, as the asset has been capitalised and is depreciated over that timeframe.

7.17 Trade payables

The account is comprised of:

(in Euro thousands)	December 31, 2023	December 31, 2022
Trade payables	114,950	125,445
Payables to parent, associates and other related parties	551	270
Payments on account	506	1,126
Total	**116,006**	**126,840**

Trade payables amount to Euro 116 million, decreasing Euro 10.8 million from December 31, 2022 (Euro 126.8 million), due essentially to the decrease in the cost of raw materials and of services, as detailed in both the Directors’ Report and the Explanatory notes.

It should be noted that at the end of the year that approx. Euro 2.6 million were ceded by the parent company in confirming mode at market conditions.

At December 31, 2023 there were no commercial payables falling due over five years.

8. NOTES TO THE CONSOLIDATED INCOME STATEMENT

8.1 Revenues

The breakdown of revenues is shown below:

	2023		2022		Change	
	in Euro millions	%	in Euro millions	%	in Euro millions	%
EMEA	295.2	52%	372.9	55%	(77.8)	(21%)
North America	182.7	32%	202.1	30%	(19.4)	(10%)
Asia and Oceania	92.0	16%	105.8	15%	(13.8)	(13%)
Rest of the world	2.0	0%	3.3	0%	(1.3)	(40%)
Total	**571.8**	**100%**	**684.1**	**100%**	**(112.3)**	**(16%)**

Revenues almost entirely include the value of the sale of goods of the three Group product lines described above, that is, the BCF Product Line (carpet fibres), the NTF Product Line (clothing fibres) and the Polymers Product Line.

Revenues by Product Line are detailed in the Directors' Report, which reports that the significant decrease in revenues came in the EMEA (decrease of Euro 77.8 million, down 21% on 2022), in North America (decrease of Euro 19.4 million, down 10% on 2022), and in Asia and Oceania (decrease of Euro 13.8 million, down 13% on 2022).

Generally speaking, the decrease in revenues was the result of both a reduction in quantities sold and a decline in average sales prices, as described in greater detail in the Directors' Report.

"Revenues" include, in accordance with IFRS 15, "cash discounts" as a direct reduction, amounting to Euro 2.8 million at December 31, 2023 (Euro 3.8 million at December 31, 2022).

8.2 Other revenues and income

"Other revenues and income" amount to Euro 8.9 million and refers mainly to:

- Euro 4.8 million grants received for the U.S. activities, mainly for the recovery of end-of-life carpets;
- Euro 2.5 million for the energy and gas tax credit subsidy granted during the year for electricity-intensive and natural gas-intensive companies that have met the requirements under the regulations (Decree Law No. 4 of 27/01/2022 and subsequent, Law No. 197, Legs. Decree No. 34 of 2023) concerning the parent company Aquafil S.p.A. and the subsidiary Tessilquattro S.p.A.;
- Euro 0.3 million for the 2023 portion of investments made by the subsidiary Tessilquattro S.p.A. beginning in 2020 as allowed under the tax incentives created under Article 1(9) of Italian law no. 232 of December 11, 2016, and subsequent law nos. 205 of December 27, 2017, 145 of December 30, 2018, 160 of December 27, 2019, 178 of December 30, 2020, and 234 of December 30, 2021;
- Euro 0.4 million regarding the portion in the year of the deferral related to the grant recognised by the EU for the "Effective" research project, relating to the parent company Aquafil S.p.A. for Euro 0.2 million and the subsidiary AquafilSLO doo for Euro 0.2 million;
- Euro 0.2 million related to the grant received by Aquafil S.p.A. and by the subsidiary Tessilquattro S.p.A. in accordance with Article 1(1054) of Italian law no. 178/2020, which establishes a grant for companies that invest in capital goods to be used in production;
- Euro 0.1 million relating to the tax credit on the purchase of capital goods and for the contribution recognised by the EU for the "Cisuflo" 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)	2023	2022
Raw materials and semi-finished goods	260,497	275,505
Ancillaries and consumables	25,918	34,830
Other purchases and finished products	5,206	7,480
Total	**291,620**	**317,815**

Raw materials, ancillaries and consumables amount to Euro 291.6 million, decreasing Euro 26.2 million (8%) on the previous year (Euro 317.8 million). As also outlined in the Directors' Report, 2023 was impacted by the high stock values in 2022, despite the reduction in raw material costs during 2023.

8.4 Service costs and rent, lease and similar costs

The account is comprised of:

(in Euro thousands)	2023	2022
Transport, shipping & customs	16,187	34,940
Electricity, propulsive energy, water and gas	55,848	77,529
Maintenance	10,023	10,364
Services for personnel	6,240	6,210
Technical, ICT, commercial, legal & tax consultancy	11,828	10,360
Insurance	3,599	3,428
Marketing and advertising	3,478	4,341
Cleaning, security and waste disposal	3,620	4,002
Warehousing and external storage	4,337	4,483
External processing	5,328	5,777
Other sales expenses	262	298
Statutory auditors fees	163	161
Other service costs	3,332	4,068
Rentals and hire	2,661	2,510
Total	**126,907**	**168,472**

Service costs amount to Euro 126.9 million, decreasing Euro 41.6 million on 2022 (Euro 168.5 million). The reduction, related to the lower production volumes, was particularly significant in terms of transport and utility costs which, as outlined in the Directors' Report, significantly declined during 2023.

8.5 Labour costs

These costs are broken down as follows:

(in Euro thousands)	2023	2022
Wages and salaries	97,540	97,772
Social security charges	20,846	20,783
Post-employment benefits	1,732	2,003
Other non-recurring costs	3,006	1,565
Director fees	1,910	4,753
Total	**125,034**	**126,875**

Labour costs amount to Euro 125.0 million, decreasing Euro 1.8 million on 2022. The reduction in labour costs is mainly due to the change in the composition of the workforce in 2023, particularly in relation to the reduction in the average number of senior managers (as detailed in the table below), which was partially offset by rising inflation, which led to an increase in wages and salaries in a number of countries in which the Aquafil Group operates.

Other non-recurring costs mainly concern the leaving incentives incurred by Aquafil S.p.A. for Euro 1.1 million, AquafilSLO d.o.o. for Euro 0.7 million, Aquafil UK Ltd. for Euro 0.8 million, and Aquafil Carpet Recycling #1 Inc. for Euro 0.3 million.

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

	31.12.2023	**31.12.2022**	**Average 2023**	**Average 2022**
Managers	41	47	45	51
Middle managers	183	160	171	157
White-collar	382	433	419	433
Blue-collar	2,031	2,132	2,154	2,155
Total	**2,637**	**2,772**	**2,789**	**2,795**

8.6 Other operating costs and charges

These costs are broken down as follows:

(in Euro thousands)	**2023**	**2022**
Taxes, duties & sanctions	2,720	2,494
Losses on asset sales	20	167
Other operating charges	904	1,377
Total	**3,644**	**4,038**

“Other operating costs and charges” amounted to Euro 3.6 million, decreasing Euro 0.4 million on 2022. The account mainly comprises “Taxes, duties and sanctions” for Euro 2.7 million, which mainly concern local property taxes and for Euro 1.0 million “Other operating charges”.

8.7 Amortisation, depreciation and write-downs

The account is comprised of:

(in Euro thousands)	**2023**	**2022**
Amortisation	6,741	6,252
Depreciation	33,233	33,270
RoU (Right-of-Use) depreciation	9,525	8,329
Write-down of intangible assets	137	
Total	**49,635**	**47,851**

Amortisation and depreciation totalled Euro 49.6 million, increasing Euro 1.8 million on 2022. The increase is due to the straight-line amortisation and depreciation in the year, in addition to the amortisation and depreciation on the bio-caprolactam project initiated in the previous year.

8.8 Provisions and write-downs/(Releases)

The account is comprised of:

(in Euro thousands)	2023	2022
Doubtful debt provision	(895)	(42)
Provisions for risks and charges	(107)	222
Total	**(1,002)**	**180**

The increase from the previous year is mainly due to the release of a portion of the doubtful debt provision of the parent company.

8.9 Increases in fixed assets for internal work

In 2023 this item, amounting to Euro 6,3 million (Euro 5.7 million in 2022), mainly refers to the capitalisation during the year of the following projects:

- for Euro 2.6 million new product development costs (IAS 38);
- for Euro 1.6 million, the increase in industrial and energy efficiency and capacity at Group plant;
- for Euro 0.8 million the increase in industrial and energy efficiency in the production of ECONYL® caprolactam and its raw materials, in addition to the development of circularity-focused technologies;
- for Euro 0.3 million other activities mainly related to the Group's digitization processes.

8.10 Financial income

The account is comprised of:

(in Euro thousands)	2023	2022
Derivative financial instruments		4,506
Other interest	19	73
Interest income current accts.	1,003	290
Total	**1,022**	**4,869**

"Financial income" amounted to Euro 1.0 million, decreasing Euro 3.8 million on 2022 which had benefited from the fair value movement of derivatives (IRS). As previously illustrated, "hedge accounting" was not applied to these derivatives as, although entered into for hedging purposes, have been considered 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.

8.11 Financial charges

The account is comprised of:

(in Euro thousands)	2023	2022
Interest on bank loans and borrowings	9,067	3,197
Interest on bonds	2,570	2,705
Interest exp. on current accounts	1,135	797
Write-down of derivative financial instruments	2,709	
Other financial and interest expense	3,560	1,669
Total	**19,041**	**8,369**

"Financial charges" of Euro 19.0 million increased Euro 10.7 million on 2022, mainly due to the increase in interest charges on mortgages and bank loans, in addition to the decrease of Euro 2.7 million in the fair value of derivatives (IRS).

8.12 Exchange gains and losses

The breakdown of the account is as follows:

(in Euro thousands)	2023	2022
Total exchange gains	7,695	16,069
Total exchange losses	(6,901)	(13,286)
Total exchange differences	**796**	**2,783**

A net gain of Euro 0.8 million is reported for 2023, as the net balance between realised exchange gains and losses.

8.13 Income taxes

The breakdown of the account is as follows:

(in Euro thousands)	2023	2022
Current and prior-year taxes	2,631	9,171
Deferred tax income/charges	(2,774)	(1,454)
Total	**(143)**	**7,717**

The total of current and deferred taxes at December 31, 2023, came to a positive Euro 0.1 million, as a result of positive deferred taxes in the amount of Euro 2.7 million, which were partially offset by current and prior-year taxes in the amount of Euro 2.6 million.

For better comparability, we indicate that a reclassification of the figures at December 31, 2023 for the "Current and prior-year taxes" and "Deferred tax income/charges" account was made.

The table below shows a reconciliation of the theoretical tax charge for the Group (estimated at 24% of pre-tax profit) and the actual tax charge:

(in Euro thousands)	2023	Theoretical rate	2022	Theoretical rate
Pre-tax profit	**(25,992)**		**36,868**	
Tax calculated on applicable rate	6,238	24%	(8,848)	24%
Total current income taxes	(2,631)		1,454	
Total deferred taxes	2,774		(9,171)	
Total effective taxes	**143**		**(7,717)**	
Change tax rate	**6,095**		**(1,132)**	
Changes permanent increases	837		894	
Changes permanent decreases	(237)		(2,204)	
Non-accrual of deferred tax assets	4,346		514	
Prior year taxes	1,590		647	
Other taxes (WHT)	1,618		(379)	
Other changes	(2,050)		(603)	

The difference between the theoretical and actual tax rate of the Group (24%) is mainly due to the prudent non-accrual of deferred tax assets by certain companies of the Group, as well as to prior-year taxes and other taxes incurred during they year, partially offset by the recovery of deferred tax assets in relation to the mutual agreement procedure initiated on October 4, 2023, as was done for fiscal year 2017 (and as described in the section "Contingent Liabilities"). It should be noted that, based on estimates made at that time, the Group did not fall within the scope of application of the rules of Pillar 2, the goal of which is to ensure that large multinationals pay income taxes of at least 15%.

8.14 Non-recurring items

The account is comprised of:

(in Euro thousands)	2023	2022
Non-recurring charges	390	530
Expansion costs Aquafil Group	600	417
ACR1 non-recurring costs and revenues	308	853
Costs and revenues closure and extraordinary management Aquafil UK	1,348	
Restructuring and other personnel costs	1,897	1,109
Extraordinary administrative and legal consultancy	456	123
Total non-recurring costs	**4,999**	**3,032**
Extraordinary income	(53)	(132)
Total non-recurring income	**(53)**	**(132)**
Non-operating income and charges	**4,946**	**2,901**

The item "Expansion costs Aquafil Group" refers to costs incurred by the group in order to assess new business opportunities.

The item "ACR1 non-recurring costs and revenues" refers to costs and revenues of Aquafil Carpet Recycling # 1, which was impacted by an extraordinary event in the United States that involved extraordinary restoration work.

As described in greater detail in relation to the significant events for the year, the net costs related to Aquafil UK Ltd. refer to the process of ceasing production, which began in September 2023.

The item "Restructuring and other personnel costs" mainly refers to costs incurred by certain group companies within the scope of reorganisation efforts, as described in greater detail in paragraph 8.5.

The item "Extraordinary administrative and legal consultancy" refers to extraordinary fiscal consultancy costs incurred in 2023.

The percentage of the non-recurring items of the result, of cash flows, of the equity position, and of the net debt, are reported below.

(in Euro thousands)		*of which non-recurring*	**Percentage**	
Net Profit/(loss)	(25,849)	*(4,946)*	19.1%	
Net cash flow in the year	46,980	*(4,361)*	(9.3%)	(*)
Total assets	701,216	*(585)*	(0.1%)	(**)
Net financial debt	(248,537)	*(4,361)*	1.8%	(*)

(*) This amount concerns the non-recurring items paid in the year.
(**) Amount of non-recurring income statement items yet to be paid at year-end.

8.15 Earnings per share

The breakdown of the account is as follows:

(in Euro thousands)	2023	2022
Profit attributable to the owners of the Parent	(25,849)	29,151
Weighted average number of shares	51,139	51,139
Earnings/(Loss) per share (in Euro)	**(0.51)**	**0.57**
Earnings/(Loss) per share – diluted (in Euro)	**(0.51)**	**0.57**

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

9. NET FINANCIAL DEBT

Below is the breakdown of the net financial debt at December 31, 2023 and December 31, 2022, determined in accordance with the ESMA Guidelines (32-382-1128):

(in Euro thousands)		At December 31, 2023	At December 31, 2022
A.	Cash	157,662	110,682
B.	Cash and cash equivalents		
C.	Other current financial assets	5,703	9,964
D.	**Liquidity (A + B + C)**	**163,364**	**120,646**
E.	Current financial debt (including debt instruments but excluding the current portion of non-current financial debt)	(2,438)	(1,333)
F.	Current portion of non-current financial debt	(100,723)	(81,814)
G.	**Current financial debt (E + F)**	**(103,161)**	**(83,146)**
H.	**Net current financial debt (G – D)**	**60,204**	**37,500**
I.	Non-current financial debt (excluding current portion and debt instruments)	(251,350)	(215,084)
J.	Debt instruments	(57,391)	(70,301)
K.	Trade payables and other non-current payables		
L.	**Non-current debt (I + J + K)**	**(308,741)**	**(285,385)**
M.	**Total financial debt (H + L)**	**(248,537)**	**(247,885)**

The net financial reconciliation between the beginning and end of the period are presented below. The effects indicated include the currency effects.

(in Euro thousands)		*current portion*	*non-current portion*
Net Debt at December 31, 2022	**(247,885)**	***37,500***	***(285,385)***
Net cash flow in the year	46,980	*46,980*	
Change in liquidity subject to restrictions	(2,173)	*(2,173)*	
New bank loans and borrowings	(100,049)	*(4,778*	*(95,270)*
Repayment bank loans	72,025	*(12,731)*	*84,756*
Leasing New Funding	(24,040)	*(3,420)*	*(20,620)*
Repayment of leasing loans	10,418	*2,639*	*7,779*
Change in fair value derivatives	(2,709)	*(2,709)*	
Other changes	(1,105)	*(1,105)*	
Net Debt at December 31, 2023	**(248,537)**	***60,204***	***(308,741)***

10. RELATED PARTY TRANSACTIONS

Transactions and balances with related parties are illustrated in the tables below. The companies indicated are considered related parties as directly or indirectly related to the majority shareholder of the Aquafil Group. Transactions with related parties were undertaken in line with market conditions.

Payables and receivables of the Group with related parties are illustrated in the table below:

(in Euro thousands)	Parent companies	Subsidiaries	Associates	Related parties	Total	Total book value	% on total account items
Non-current financial assets							
December 31, 2023			1,023	79	**1,102**	1,558	70.7%
December 31, 2022	234	6	1,018	79	**1,336**	1,849	72.3%
Trade receivables							
December 31, 2023	275			77	**351**	26,206	1.3%
December 31, 2022	305			71	**376**	28,553	1.3%
Other current assets							
December 31, 2023	5,854				**5,854**	14,644	40.0%
December 31, 2022	247				**247**	15,862	1.6%
Non-current financial liabilities							
December 31, 2023				(3,217)	**(3,217)**	(308,741)	1.0%
December 31, 2022	(831)			(4,431)	**(5,262)**	(285,385)	1.8%
Current financial liabilities							
December 31, 2023				(1,872)	**(1,872)**	(103,161)	1.8%
December 31, 2022	(537)			(2,420)	**(2,957)**	(83,146)	3.6%
Trade payables							
December 31, 2023	(184)			(367)	**(551)**	(116,006)	0.5%
December 31, 2022				(270)	**(270)**	(126,840)	0.2%
Other current liabilities							
December 31, 2023						(20,846)	0.0%
December 31, 2022	(230)				**(230)**	(25,163)	0.9%

"Non-current financial assets" with associates amount to Euro 1,023 thousand and concern the equity measurement of investments held by the parent company in the associated companies Nofir AS and Poly-Service S.a.s., as well as the investment held by Aquafil Cile S.p.A. in the joint venture Acca S.p.A..

"Trade receivables" from parent companies total Euro 275 thousand and concern the trade receivable of Aquafil S.p.A. from Aquafin Holding S.p.A..

"Other non-current assets" amount to Euro 5,854 thousand and concern the receivable of Aquafil S.p.A. from Aquafin Holding S.p.A. for the transfer of taxes within the scope of the tax consolidation agreement.

"Non-current financial liabilities" amount to Euro 3,217 thousand and concern long-term financial payables for the lease agreement related to the Rovereto plant, the payable to Aquaspace S.p.A. by Aquafil S.p.A. for Euro 1,224 thousand and by the subsidiary Tessilquattro S.p.A. for Euro 1,993 thousand.

"Current financial liabilities" amount to Euro 1,872 thousand and concern: the short-term portion of the lease agreement related to the Rovereto plant payable to Aquaspace S.p.A. by Aquafil S.p.A. for euro 273 thousand and by Tessilquattro S.p.A. for Euro 474 thousand; Euro 467 thousand for the short-term portion of the lease agreement related to the Slovenian plant payable to Aquasava d.o.o. by AquafilSLO; and Euro 751 thousand for the short-term portion of the lease agreement related to the US plant payable to Aquafin USA Inc. by Aquafil USA Inc.

"Trade payables" amount to Euro 551 thousand and mainly concern Euro 184 thousand in trade payables of Aquafil S.p.A. to Aquafin Holding S.p.A. and Euro 367 thousand in trade payables to Aquaspace S.p.A.

The transactions of the Group with related parties are illustrated in the table below:

(in Euro thousands)	Parent companies	Associates	Related parties	Total	Book value	% on total account items
Revenues						
FY 2023	231		52	**283**	571,806	
FY 2022	250		185	**435**	684,074	0.1%
Service costs and rent, lease and similar costs						
FY 2023	(2)		(522)	**(524)**	(126,907)	0.4%
FY 2022			(465)	**(465)**	(168,472)	0.3%
Other operating costs and charges						
FY 2023			(70)	**(70)**	(3,644)	1.9%
FY 2022			(70)	**(70)**	(4,038)	1.7%
Investment income/charges						
FY 2023			90	**90**	90	99.8%
FY 2022			183	**183**	23	801.4%
Financial charges						
FY 2023	(23)		(124)	**(146)**	(19,041)	0.8%
FY 2022	(32)		(108)	**(140)**	(8,368)	1.7%

"Revenues from parent companies" total Euro 231 thousand and concern the administrative consultancy revenues of Aquafil S.p.A. received from Aquafin Holding S.p.A.. Other related-party revenues amount to Euro 52 thousand and are mainly related to revenues of the parent company in relation to Aquaspace S.p.A. for administrative consultancy by Tessilquattro S.p.A..

"Service costs and rent, lease and similar costs" are mainly due to costs incurred by Tessilquattro S.p.A. in relation to Aquaspace S.p.A. for waste-disposal services.

"Other operating costs and charges" amount to Euro 70 thousand and concern costs related to the payment of taxes regarding the rebilling of local property taxes of Aquaspace S.p.A. to Aquafil S.p.A. and Tessilquattro S.p.A..

Investment income amounts to Euro 90 thousand and concerns dividends received from Nofir AS in 2023.

Financial charges with parent companies amount to Euro 23 thousand and concern charges related to the property lease agreement in effect between the parent company and Aquafin Holding S.p.A., whereas financial charges with other related parties mainly concern the charges related to lease agreements between Aquaspace S.p.A. and Tessilquattro S.p.A. (Euro 44 thousand), between Aquaspace S.p.A. and Aquafil (Euro 29 thousand), and between Aquafin USA Inc. and Aquafin USA Inc. (Euro 42 thousand).

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/(loss) for they year	(25,849)	*(367)*	1%
Financial charges	19,041	*146*	1%
Increase/(Decrease) in trade payables	(10,834)	*281*	(3%)
Decrease/(Increase) in trade receivables	3,242	*25*	1%
Changes to assets and liabilities	(7,754)	*(5,837)*	75%
Net changes in current and non-current financial assets and liabilities (including IFRS 16)	(4,818)	*(2,890)*	60%
Distribution of dividends	(11,992)	*(7,169)*	60%

11. OTHER INFORMATION

11.1 Commitments and risks

Other commitments

At December 31, 2023, the parent company Aquafil S.p.A. provided sureties in favour of credit institutions in the interest of subsidiaries, companies subject to the control of the parent company and third parties for a total of Euro 25.1 million.

Contingent liabilities

Provided below is a list of fiscal positions and disputed defined and pending as at the balance sheet date that concern the Parent Company, Aquafil S.p.A.. We are not aware of the existence of further disputes or proceedings that are likely to have significant repercussions on the Group's economic and financial situation.

1) *Tax audit Aqualeuna GmbH*

   Periods 2013-2015 and 2016-2017

   The company Aqualeuna GmbH was involved in a tax audit by the competent German federal tax office in Leuna concerning inter-company transactions. On July 15, 2021, the company was notified by the German tax administration's audits unit in Halle of the conclusion of the tax audits for fiscal years 2013-2017. The upward adjustment to Aqualeuna's assessable income concerned:

   (a) for the period 2013-2015, not subject to international cooperation with the Italian administration, for Euro 735 thousand, offset by the equal utilisation of the company's prior year losses;
   (b) for the period 2016, subject to joint audit by the two administrations, upward adjustment for Aqualeuna of Euro 1.4 million, with corresponding equal adjustment to the benefit of Aquafil in Italy, for which during the first half of 2022 the corresponding adjustment was made official by the Trento Provincial Office. In fact, on July 26, 2022, the Office recognised the amount of Euro 410 thousand upon closure of the reimbursement file and therefore without impact on the consolidated results;
   (c) for the 2017 period, not subject to joint audit by the two administrations, upward adjustment for Aqualeuna of Euro 3.7 million and the submission of a request to recognise a decrease in IRES and IRAP assessable income, filed by Aquafil on January 21, 2022. Given the use of past losses of Aqualeuna, the increased taxes for the company for 2013-2017 came to Euro 207 thousand. Aquafil, on January 21, 2022, forwarded to the International Dispute Resolution and Prevention Office of the Large Taxpayers Central Directorate in Rome of the Tax Agency a special Application pursuant to Article 31-*quater*, paragraph 1, letter c) of Presidential Decree September 29, 1973, No. 600 for the unilateral recognition for IRES and IRAP purposes of the downward adjustment of income against the upward adjustment amounting to Euro 3,733 thousand made in Germany for the stated tax period; the initiation of the procedures provided for in Arbitration Convention No. 90/436/EEC of July 23, 1990, on the elimination of double taxation in the case of adjustments to profits of associated companies. On December 22, 2022, the aforementioned International Dispute Resolution and Prevention Office notified the Company that the mutual agreement procedure pursuant to Article 6 of Arbitration Convention No. 90/436/EEC resulted in an agreement being reached between the competent Italian and German Authorities on the basis of which it was agreed to confirm the adjustments made by the German tax authorities in the amount of Euro 3,733 thousand and to recognise Aquafil the same amount as a corresponding adjustment by the Italian tax authorities.

   The German competent authority sent a similar notice to Aqualeuna.

   Both companies have sent acceptance of the agreement in relation to the year 2017 to their respective competent authorities.

   Similarly to 2016, on February 15, 2023 the Company submitted, pursuant to Article 3, paragraph 1, of Law No. 99 of March 22, 1993, a refund application for IRES and IRAP purposes to the Provincial Directorate of Trento for Euro 997 thousand (Euro 896 thousand for IRES, Euro 101 thousand for IRAP) and thus awaits the refund authorisation measure.

   2018-2019 Period

   For tax years 2018 and 2019, not the subject of the aforementioned audits and during which Aqualeuna recognised further tax losses, the German tax administration began another audit in September 2021, requesting that the Italian tax administration launch a joint audit similar to the one conducted for 2016.

   On May 31, 2023, Aqualeuna received a report dated May 15, 2023, from the German tax authority (Finanzamt Merseburg) notifying of the conclusion of the audit of fiscal years 2018 and 2019 (which began on October 5, 2021, and was completed on May 2, 2023).

   This audit (not subject to international cooperation between the German and Italian tax authorities) identified the following issues resulting in an increase in taxable income for Aqualeuna: i) Euro 2,363 thousand for fiscal year 2018; and ii) Euro 4,429 thousand related to 2019. For these tax periods, total recoveries therefore result in for German tax purposes for Aqualeuna the reabsorption of the tax losses and positive taxable income for the excess of Euro 282 thousand for 2018 and of Euro 81 thousand for 2019.

For the stated tax periods, Aqualeuna filed an appeal with the tax authorities (Finanzamt Merseburg) against the assessments on June 26, 2023, requesting their suspension in order to allow for the introduction and conclusion of amicable procedures with the relevant Italian authorities.
As was done for fiscal year 2017 and in reference to the aforementioned tax periods, on October 4, 2023, Aquafil initiated a specific mutual cooperation procedure (on both the Italian and the German side) in accordance with Article 3 of Italian Law Decree no. 49 of June 10, 2020, and with Article 4 et seq. of the German law of December 10, 2019, concerning the settlement of disputes regarding double-taxation accords within the European Union, both of which transpose Council Directive (EU) 2017/1852 of October 10, 2017, on the settlement of tax disputes within the European Union.
It is therefore reasonably certain that, upon the outcome of these procedures, the competent authorities of the two States will take pursuant to Directive 2017/1852 a decision by mutual agreement (guaranteed outcome) aimed at eliminating the double taxation that might arise at Group level. The upward adjustment in taxable income imposed in Germany by Aqualeuna (as agreed upon by the two tax authorities) can thus be neutralized (as per point a) of Article 31-*quater* of DPR 600/1973) by a corresponding opposing adjustment granted to Aquafil by the Italian Tax Agency.
Thus, during the year, the parent company Aquafil recognised a positive tax effect that neutralised the tax charge already recognised in the subsidiary Aqualeuna.
In view of that outlined, it is considered that there are no additional contingent liabilities on the part of Aquafil S.p.A. and the Aquafil Group to be covered by an allocation to a risk provision.

2) *“ACE” tax deduction appeal*
On November 2, 2023, the Large Taxpayers Central Directorate responded to the ACE petition filed by the Company on July 4, 2023 with reference to the 2022 tax year, expressing a favourable opinion regarding the request for the disapplication of the anti-avoidance rules set forth in Article 10, paragraphs 2 and 3 (a) and (c) of the new ACE Decree.
The application was submitted in continuity with previous tax periods (2019, 2020 and 2021), in relation to which the Central Directorate issued a favourable opinion.

3) *Suspension of VAT refund – 2019 fiscal year*
On June 22, 2020, the Company filed for a VAT refund in the amount of Euro 488 thousand by way of the 2020 tax return (for 2019 income). The reason given was the lower excess credit not transferable for the payment of group VAT (as per Articles 30 and 73 of Italian Presidential Decree 633/1972). On June 17, 2022, the Tax Office, after lengthy investigative and documentary verification activities, notified the Company of the recognition of the 2019 annual VAT credit requested for reimbursement in the amount of Euro 488 thousand, and also in June settled the entire amount, including interest, as required by law.

4) *Invitation 5-ter of Legislative Decree No. 218/1997 – VAT for 2017*
On November 20, 2023, the Trento Office notified Aquafil S.p.A. of an invitation to appear issued, pursuant to Article 5-ter of Legislative Decree No. 218/1997 for the establishment of a case regarding the adjustment of the 2018 VAT filing (for FY 2017) regarding deducted VAT for a total of Euro 790 thousand.
Regarding the VAT in dispute, as previously reported, in June 2020, the Company had requested a refund for a portion of this credit, amounting to Euro 488 thousand. In relation to this, the Office, after reviewing the documentation provided by the Company during the refund process, initially suspended the execution of the refund (Decision of November 6, 2020) and subsequently ordered the recognition of the refund with the settlement of the entire amount (Decision of June 17, 2022).
Based on this act, which contests the VAT payable of Space3 S.p.A. (a company that incorporated Aquafil during the tax period of 2017 as part of the listing operation), a payment totalling Euro 658 thousand is demanded, of which: VAT: Euro 301 thousand (which does not take account of the refunded VAT), sanctions: Euro 296 thousand (equal to 1/3 of the legal total) and interest of Euro 60 thousand (calculated through November 30, 2023).
On December 6, 2023, the Company therefore filed an appeal with the Office, during which it emerged that the act (mistakenly) does not call for recovery of the VAT credit refunded in 2022 for Euro 488 thousand.
At present, the appeal filed with the Trento Office is still under way. Should the disputes and observations filed by the Company not be upheld, the Trento Office will likely issue an assessment notice that includes the VAT credit refunded, which, in such case, will be challenged by the Company.
At present, therefore, any quantification of contingent liabilities is considered premature.

5) *Initiation of audit for direct taxes on 2016, 2017, 2018 and 2019 tax years*
On May 11, 2022, the Trento Tax Agency notified the Company of four notices of the initiation of an audit on the 2016, 2017, 2018 and 2019 tax years, with reference to the transfer prices charged by Aquafil to overseas subsidiaries for IT services, in addition to the interest rates applied on loan agreements, in full continuity with the audit on FY 2015, settled with the agreement signed on May 5, 2022.

On conclusion of the case with the Agency, on November 22, 2022, while reaffirming the legitimacy of its conduct, and solely in order to avoid long and exhausting litigation, the Company reached an agreed settlement, after submission of the IPEC Application by the consolidating company Aquafin Holding, paying the amount of Euro 16 thousand (IRAP and interest).

Total IRES and IRAP recoveries settled amounted to Euro 1,016 thousand, resulting in higher IRES of Euro 279 thousand, higher IRAP of Euro 13 thousand and interest of Euro 3 thousand.

With reference to the 2017 tax year, on April 19, 2023, the Trento Office notified the Company of an invitation to appear issued for IRES and IRAP purposes, pursuant to Article 5-*ter* of Legislative Decree No. 218/1997 for the establishment of a case regarding the recovery of taxation for a total of Euro 853 thousand.

On May 15, 2023, the case was initiated, in which the disputed aspects were highlighted, in relation to which the Office reserved the right to make the appropriate evaluations.

On September 4, 2023, while reaffirming the legitimacy of its conduct, and solely in order to avoid long and exhausting litigation, the Company reached an agreed settlement for corporate income tax (IRES) and for the regional IRAP tax under the following terms, in line with what was done for the 2016 tax period. The final settlement, which did not entail any payment to the tax authority due to the offsetting against the period's losses, amounts to Euro 187 thousand.

Regarding the 2021 tax period, later extended to the years 2018, 2019 and 2020, the audit was entrusted to the "Guardia di Finanza" of Trento within the scope of the general verification initiated on September 7, 2023. This concluded with the notification, on December 11, 2023, of a tax assessment report (PVC) with issued amounting to Euro 2,877 thousand, as follows:

i. transfer pricing issue for the alleged failure to rebill ICT costs to foreign subsidiaries, totalling Euro 2,189 thousand;
ii. transfer pricing issue for failure to invoice interest income to foreign subsidiaries, totalling Euro 667 thousand;
iii. costs and deductions improperly deducted totalling Euro 21 thousand.

An analysis of the PVC revealed that the issues noted by the auditors contain numerous aspects with which we do not agree and which had already been accepted by the Trento Office in the context of audits related to the years 2015, 2016 and 2017.

It is presumable that, in accordance with the criteria already used by the Trento Office on the same adjustments contested in previous tax periods, following a settlement procedure that may be activated by the Company, pursuant to Article 6(2) of Legislative Decree 218/1997, after the notification of the tax assessment, the observations could be redetermined in a total of Euro 1,769 thousand, thus with a potential income tax and IRAP burden for the Company estimated at Euro 485 thousand, which the company has prudently allocated to provisions for risks.

It should be noted that, in the PVC, penalties were not applied on the transfer pricing issues, as the documentation was deemed adequate.

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.

Director and Statutory Auditor fees	**2023 (in Euro thousands)**
Short-term benefits	2,933
Other long-term employee benefits	38
Total	**2,971**

Senior Executive fees	**2023 (in Euro thousands)**
Short-term benefits	2,266
Other long-term employee benefits	115
Total	**2,381**

11.3 Significant events after December 31, 2023

1. On January 12, 2024, Aquafil S.p.a. received a new unsecured loan in the amount of Euro 10 million from Banca Popolare di Sondrio. The loan is backed by SACE "SupportItalia" guarantee.

2. The following financing was settled by the Company using surplus cash on hand:
   (i) on January 30, 2024, syndicate loan received from BCC Verona e Vicenza and the ICCREA Group with a residual balance of Euro 2,626 thousand;
   (ii) on January 31, 2024, loan received from Intesa Sanpaolo with a residual balance of Euro 2,571 thousand;
   (iii) on February 8, 2024, loan received from BCC Verona e Vicenza with a residual balance of Euro 1,000 thousand;

3. On January 10, 2024, the shareholders of Poly-Service S.a.s., in an extraordinary session, approved an increase in share capital in the amount of Euro 200 thousand, by creating 200,000 new shares with a par value of Euro 1 each. The shares were subscribed in their entirety:
   (i) by the company Politecnici for up to 110,000 shares on payment of Euro 110 thousand on January 10, 2024;
   (ii) by Aquafil S.p.A. for up to 90,000 shares on payment of Euro 90 thousand on January 18, 2024.

4. On January 30, 2024, a non-binding term sheet was signed by Aquafil S.p.A., Kape GmbH, Hafenstraße 47-51, 4020 Linz (Austria), and the investment fund eQventuer GmbH, Karmeliterplatz 4, 8010 Graz, aimed at developing a joint collaboration for a new technology for the mixing and extrusion of polyamide 6 polymers to be used in skateboards but also, potentially, in other products that undergo high levels of stress. The project calls for an increase in capital to be subscribed jointly by Aquafil and eQventure in 2024 with a maximum investment by Aquafil of Euro 500 thousand.

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 Company recorded the following in 2023:

i) Euro 2,575 thousand for the *Industry 4.0 investment tax credit* based on investments made beginning in 2020 that are eligible for the tax incentives defined by Article 1 of Italian law 232 of December 11, 2026, et seq. The amount was recognised among "Other non-current and current receivables", and the portion recognised through profit or loss totalled Euro 321 thousand related to the subsidiary Tessilquattro S.p.A.;

ii) Euro 2,518 thousand for the energy and gas tax credit subsidy granted during the year for electricity-intensive and natural gas-intensive companies that have met the requirements under the regulations (Decree Law No. 4 of 01/27/2022) concerning Aquafil S.p.A. and Tessilquattro S.p.A.;

iii) Euro 411 thousand relating to training grants for Aquafil S.p.A.;

iv) Euro 193 thousand for the tax credit related to the purchase of capital goods by Aquafil S.p.A. and Tessilquattro S.p.A. and for the contribution recognized by the EU for the "Cisuflo" project (portion in the year of the grant) in Aquafil S.p.A.;

v) Euro 224 thousand related to the grant recognised by the EU for the "Effective" research project (portion in the year of the grant) in Aquafil S.p.A.;

vi) Euro 92 thousand related to the tax credit accrued on the research and development expenses incurred in 2023 and determined as per Article 1, paragraph 35 of Law No. 190 of December 23, 2014 in Aquafil S.p.A.;

vii) Euro 84 thousand relating to the sale of the external electricity distribution network produced by the photovoltaic plants in Aquafil S.p.A.;

viii) Euro 114 thousand relating to the transfer of the superbonus tax credit by Aquafil S.p.A..

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 2023 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 2023
PwC S.p.A.	Aquafil S.p.A.	Audit separate financial statements	147,370
		Audit consolidated financial statements	46,402
		ESEF financial statement audit	10,000
PwC S.p.A.	Italian subsidiary companies	Audit separate financial statements and Group Reporting Package	28,909
PwC (1)	Foreign subsidiaries	Audit separate financial statements and Group Reporting Package	113,600
PwC S.p.A.	Aquafil S.p.A.	Limited Audit of the 2023 consolidated half-year report	33,946
PwC S.p.A.	Italian subsidiary companies	Limited Audit 2023 half-year Group Reporting Package	12,400
PwC (1)	Foreign subsidiaries	Limited Audit 2023 half-year Group Reporting Package	58,312
Total Audit services provided in 2023 to the Aquafil Group by Worldwide Audit firm			**450,939**
PwC S.p.A.	Aquafil S.p.A.	Limited Audit of Consolidated Non-Financial Report 2023	79,000
PwC S.p.A.	Aquafil S.p.A.	Audit of the statement of the 2022 R&D costs for the purposes of the tax credit Law 145/18	4,800
PwC (1)	Foreign subsidiaries	Other assistance services allowed	6,325
Total other audit services provided in 2023 to Aquafil Group by Audit Firm			**90,125**

(1) Other companies belonging to the same PwC S.p.A. network.

Arco, March 14, 2024

The Chairperson of the Board of Directors
Full Professor Chiara Mio

The Executive Officer
Mr. Roberto Carlo Luigi Bobbio

Statement of the Principal Financial Officer and the Delegated Bodies

AQUAFIL
synthetic fibres and polymers

Aquafil S.p.A.
Via Linfano 9 - Arco (TN) – Italy
P.I.: 09652170961

STATEMENT OF THE PRINCIPAL FINANCIAL OFFICER AND THE DELEGATED BODIES (art. 154-bis, comma 5) ABOUT THE <u>CONSOLIDATED YEAR END FINANCIAL STATEMENTS OF AQUAFIL GROUP CLOSED ON 2023/12/31</u> IN ACCORDANCE WITH ART 81-TER OF CONSOB REGULATION N. 11971 OF 14 MAY 1999 AND ANY SUBSEQUENT AMENDEMENTS AND ADDITIONS

1. The **undersigned** Giulio Bonazzi, CEO and Roberto Carlo Luigi Bobbio, Principal Financial Officer ex Law 262/05 of Aquafil SpA, certify, based on art. 154-bis, commas 3-4, and Legislative Decree 58/98:

   - the adequacy in relation to the firm characteristics and
   - the effective implementation

   of the administrative - accountability procedures aimed at preparing the consolidated financial statements as of December 31st, 2023.

2. No relevant issues arose.

3. It is also certified that the consolidated financial statements as of December 31st, 2023:

   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 14th, 2024

CEO
Dott. Giulio Bonazzi

Principal Financial Officer
dott. Roberto Carlo Luigi Bobbio

Board of Statutory Auditor's Report

AQUAFIL S.p.A.
Via Linfano, 9 - Arco (TN) - 38062 - Italy
Fiscal Code and Trento Company's Registration Office 09652170961

BOARD OF STATUTORY AUDITORS' REPORT
TO THE SHAREHOLDERS' MEETING OF AQUAFIL S.p.A.
IN ACCORDANCE WITH ARTICLE 153 OF LEGISLATIVE DECREE 58/1998 AND ARTICLE 2429 OF THE CIVIL CODE
YEAR ENDED DECEMBER 31, 2023

Dear Shareholders,

This Report was drawn up by the Board of Statutory Auditors of **Aquafil** S.p.A. (hereafter also the **"Company"**), appointed by the Shareholders' Meeting of April 28, 2021 for the three-year period, until the approval of the 2023 Annual Accounts and comprising the Chairperson of the Board of Statutory Auditors Stefano Poggi Longostrevi and the Statutory Auditors Bettina Solimando and Beatrice Bompieri (in addition to 2 alternate auditors).

Pursuant to Article 153, paragraph 1 of Legislative Decree No. 58 of February 24, 1998 (hereinafter, the "**CFA**"), the Board of Statutory Auditors is reporting on the supervisory and control activities provided for by applicable legislation, with particular regard to the provisions of the Civil Code, Arts. 148 et seq. of the CFA, Legislative Decree No. 39 of 2010 as amended by Legislative Decree No. 135 of July 17, 2016 and Legislative Decree No. 254/2016. Instructions contained in the CONSOB communications concerning corporate controls and the activity of the Board of Statutory Auditors, indications contained in the Corporate Governance Code of listed companies, as well as the "Standards of conduct for the boards of statutory auditors of publicly listed companies" issued by the National Council of Accountants and Accounting Professionals are also taken into consideration.

This Board of Statutory Auditors' Report is being provided to the shareholders of Aquafil S.p.A. in view of the Shareholders' Meeting called for April 23, 2024, to approve the Annual Financial Statements and the Consolidated Financial Statements as at December 31, 2023.

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.

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Activities carried out by the Board of Statutory Auditors in 2023 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 2023.

The Directors reported upon the increase in the proportion of raw material costs, impacted by the higher value of stock built up in 2022 against a reduction in raw material prices in 2023, with a temporary but significant impact on Group margins.

1

ACCA S.p.A., a jointly controlled company, and the associated company Poly-Service SAS entered the consolidation scope. Specifically:

- On January 18, 2023, through its subsidiary Aquafil Chile SpA, a joint venture was created with the company Atando Cabos SpA called ACCA SpA, with registered office in Santiago, Chile, and share capital of CLP 1 million. The company has the corporate purpose of acquiring, storing and recycling fishing nets, nautical ropes and other plastic waste;
- On August 7, 2023, Aquafil SpA and Politecnici Srl incorporated the company Poly-Service SAS, with registered office in Lyon (France) and a share capital of Euro 10,000, of which Aquafil holds 45%, with a corporate scope of designing, producing and marketing plastics, rubber, nylon and related products, in addition to semi-finished, finished and recycled plastic-based products.

On May 8, 2023, Aquafil S.p.A. paid-in the remaining portion of the share capital subscribed and not yet paid of the subsidiary Aquafil Jiaxing Co. Ltd (China) for Euro 1,348 thousand, thereby completing the payment of the entire subscribed share capital.

In 2023, the subsidiary Aquafil UK Ltd. began the process of ceasing its manufacturing operations, which will be reabsorbed by other European Group companies.

The normal funding activity continued with the signing of new medium-term, unsecured loans underwritten by the parent company Aquafil S.p.A. for a total of Euro 100 million, of which Euro 40 million with the SACE "Supportitalia" guarantee; simultaneously, instalments on outstanding loans were settled, according to the repayment plans, for a total of Euro 72 million by the parent company Aquafil S.p.A..

In relation to the financial covenants established in the bond and loan agreements, the Group obtained before the end of the financial year:
1. from the lenders, the "holiday" covenant for verification of the "NFP/EBITDA leverage ratio" and of the "NFP/ Shareholders' Equity" covenant on the consolidated financial statements for the year ended at December 31, 2023, and, for the cases applicable, thereafter to the consolidated half-year report at June 30, 2024, with the return to contractual status on the consolidated financial statements at December 31, 2024;
2. by the bond subscribers the redrafting of the following financial covenants:

- "NFP/EBITDA leverage ratio" financial covenant to 5.50 and the return to contractual status on the consolidated financial statements at December 31, 2024.
- Consolidated "Interest Coverage Ratio" from 4 to 2.50 at December 31, 2023, to 3 at December 31, 2024, and to 3.5 at December 31, 2025.

In January 2023, Aquafil continued to purchase shares up to the 1,278,450 treasury shares held, equal to 2.4961% of the share capital, as part of the treasury share purchase plan approved by the Shareholders' Meeting on October 20, 2021 for a period of 18 months and therefore concluding on April 20, 2023.

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 the Directors' Report, to which reference should be made, also as regards the nature of the transactions and their economic effects.

2

The Board of Statutory Auditors acquired adequate information on these transactions which has made it reasonably possible to believe that these transactions were compliant with the law, the By-Laws and the principles of correct administration and are not imprudent, risky or inconsistent with the resolutions passed by the shareholders' meeting or, in any case, such as to compromise the integrity of corporate assets.

The Directors' report presented the outlook and noted that, despite the uncertainties surrounding raw material developments, the Group's 2024-2026 Business Plan, approved by the Board of Directors of Aquafil S.p.A. on February 15, 2024, forecasts significantly higher EBITDA and targets the reduction of the net financial position. The initial months of the year are confirming the guidance presented by the Directors to the market last November. The company continues to monitor progress towards the targets of the business plan, including in light of the ongoing macroeconomic instability brought about by the current geopolitical uncertainty around the globe, while also continuously assessing climate change developments.

2. Third party, intragroup or related party atypical and/or unusual transactions.

The Board of Statutory Auditors has not come across or received instructions from the Board of Directors, the Independent Audit Firm or the Internal Audit Manager concerning the existence of atypical and/or unusual transactions undertaken with third parties, related parties or intragroup, as defined by the CONSOB Communication DEM/6064293 of July 28, 2006.

In the notes to the financial statements, the Directors have given an account of ordinary transactions carried out during the year with Group companies and related parties, to which reference is made, also as regards the nature of the transactions and their economic effects.

Their examination revealed no critical issues with regard to adequacy, congruity and compliance with the company's interests.

The Board of Statutory Auditors has verified the effective implementation and the practical functioning of the procedure for transactions with related parties adopted by the company, including periodic information from the Board of Directors in the event such transactions are carried out.

In this regard, we highlight that the Board of Directors on May 13, 2021 approved the updated RPT Policy, with effect from July 1, 2021, having received the favourable opinion of the Related Party Transactions Committee, in order to take account of the provisions of Consob motion No. 21624 of December 10, 2020. This policy, which may be found on the Company's website, provides (among other matters) for exemptions – under certain conditions – for resolutions concerning the remuneration of directors and senior executives.

Transactions involving Directors' interests or with other related parties were subject to the transparency procedures envisaged by applicable legislation. In this regard, it should be noted that no new related party transactions were approved by the Company's Board of Directors during 2023.

3. Observations and proposals on the findings and requests for disclosure contained in the independent audit firm's report.

The independent audit firm PricewaterhouseCoopers S.p.A. on March 25, 2024 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, 2023 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, 2023 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, 2023, does not contain any "Request for information".

The independent audit firm PricewaterhouseCoopers S.p.A. on March 25, 2024, in addition issued its additional report on the Internal Control and Audit Committee, as per Article 11 of Regulation EC 537/2014.

On the compliance of the consolidated financial statements with the provisions of the Delegated Regulation (EU) 2019/815 of the European Union on the obligation to use the single electronic reporting format (ESEF - European Single Electronic Format) approved by ESMA, the Independent Audit Firm has certified that the format of the consolidated financial statements included in the annual financial report has been prepared in XHTML format and has been "marked", in all significant aspects, in accordance with Delegated Regulation ESEF. Certain information in the explanatory notes to the consolidated financial statements, when extracted in XHTML format in an XBRL instance, may not be presented in exactly the same manner as the corresponding information shown in the consolidated financial statements in XHTML format due to certain technical limitations.

Similarly, the independent audit firm certified that the financial statements were prepared in XHTML format in accordance with the provisions of the Delegated Regulation.

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 2023. No petitions were submitted to the Board of Statutory Auditors during the year 2023.

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. With regard to the Whistleblowing Policy, the procedure was adapted in the year to the new regulations set forth in Legislative Decree No. 24/2023 implementing EU Directive 2019/1937. The reporting platform also has the features required by the current regulations.

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 2023 (amounts in Euro):

Company providing service	Recipient of service	Type of services	Fees 2023
PwC SpA	Aquafil SpA	Audit separate financial statements	147,370
		Audit consolidated financial statements	46,402
		ESEF accounts audit	10,000
PwC SpA	Italian subsidiary companies	Audit separate financial statements and Group Reporting Package	28,909
PwC (1)	Foreign subsidiaries	Audit separate financial statements and Group Reporting Package	113,600
PwC SpA	Aquafil SpA	Limited Audit of the 2023 consolidated half-year report	33,946
PwC SpA	Italian subsidiary companies	Limited Audit 2023 half-year Group Reporting Package	12,400
PwC (1)	Foreign subsidiaries	Limited Audit 2023 half-year Group Reporting Package	58,312
Total Audit services provided in 2023 to the Aquafil Group by Worldwide Audit firm			**450,939**
PwC SpA	Aquafil SpA	Limited Audit of Consolidated Non-Financial Report 2023	79,000
PwC SpA	Aquafil SpA	Audit of the statement of the 2022 R&D costs for the purposes of the tax credit Law 145/18	4,800
PwC (1)	Foreign subsidiaries	Other assistance services allowed	6,325
Total other audit services provided in 2023 to Aquafil Group by Audit Firm			**90,125**

(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/or entities in its network.

The conferment of the above-mentioned appointments for non-audit services was approved by the Board of Statutory Auditors in advance, taking account of the declarations of independence issued by PricewaterhouseCoopers S.p.A. on these appointments.

Lastly, the Board of Statutory Auditors acknowledges the Transparency Report prepared by the independent audit firm and published on its website in accordance with Article 18 of Legislative Decree 39/2010.

6. Main opinions issued by the Board of Statutory Auditors in accordance with applicable legislation.

During 2023, the Board of Statutory Auditors provided the following opinions:

- on April 27, 2023, favourable opinion regarding the appointment of Mr. Roberto Bobbio as the new Executive Officer for Financial Reporting, Chief Financial Officer of the Company;

- on May 11, 2023, favourable opinion - as per Article 2389, paragraph 3 of the Civil Code - on the following items of remuneration of the senior directors, as proposed by the Appointments and Remuneration Committee:
  - the remuneration of the Chairperson of the Board of Independent Directors;
  - the fixed annual remuneration of the Chief Executive Officer, noting that the Remuneration Report approved by the Shareholders' Meeting of April 27, 2023, concerning FY 2023 and the 2023-2025 three-year period, in section I sets out the determination of the MBO system for the Chief Executive Officer, which is outlined in detail in this report.

In 2023, the Board of Statutory Auditors also:

- verified the correct application of the criteria and procedures adopted by the Board of Directors to assess the independence of the Independent Directors, at the Board of Statutory Auditors' meeting of March 8, 2023 and, subsequently, on April 27, 2023 following the appointment of the Board of Directors by the Shareholders' Meeting on the same date;
- examined and positively assessed, together with the Control, Risks & Sustainability Committee, the 2023 Audit Plan drawn up by the Internal Audit Manager and approved by the Board of Directors in the meeting of March 16, 2023;
- examined and positively assessed the Remuneration Policy for the year 2023 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 16, 2023, and verified that this contains the information required by Article 123-ter of the CFA and Article 84-quater of Consob Regulation 11971/1999, while also taking account of the changes made in application of Consob Resolution No. 21623 of December 10, 2020, in accordance with Directive (EU) 2017/828;
- examined and positively assessed the Corporate Governance and Ownership Structure Report approved by the Board of Directors in the meeting of March 16, 2023, and verified that this contains the information required by Article 123-bis of the CFA and Article 84-quater of Consob Regulation No. 11971/1999;
- reviewed the ESG Policy, the Human Rights Policy, as well as the updated Code of Ethics and Whistleblowing Policy, approved by the Board of Directors at its meeting on August 31, 2023, documents published on the Company's website along with other Policies approved by the internal ESG Committee as part of the implementation of the Group's sustainability strategy.

In 2024 and until the date of this report, the Board of Statutory Auditors:

- verified the correct application of the criteria and procedures adopted by the Board of Directors to assess the independence of the Independent Directors, at the Board of

Statutory Auditors' meeting of March 14, 2024, also based on the "Regulations on the quantitative and qualitative criteria for assessing the independence of directors and statutory auditors" approved by the Board of Directors on February 15, 2024;

- examined and positively assessed, together with the Control, Risks & Sustainability Committee, the 2024 Audit Plan drawn up by the Internal Audit Manager and approved by the Board of Directors in the meeting of March 14, 2024;
- examined and positively assessed the Remuneration Policy for the year 2024 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, 2024 and verified that this contains the information required by Article 123-ter of the CFA and Article 84-quater of Consob Regulation 11971/1999;
- examined and positively assessed the Corporate Governance and Ownership Structure Report approved by the Board of Directors in the meeting of March 14, 2024, and verified that this contains the information required by Article 123-bis of the CFA and Article 84-quater of Consob Regulation No. 11971/1999;
- reviewed the proposal to amend the regulations of the Control, Risks and Sustainability Committee and of the Appointments and Remuneration Committee, as proposed by the relative members and approved by the Board of Directors on March 14, 2024.

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 2023, the Board of Statutory Auditors attended all 6 sessions of the Board of Directors' meetings of Aquafil, with almost total in-person presence at the company's offices in Arco (TN), 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 Mr. Bonazzi.

The Board of Statutory Auditors in 2023 held 16 meetings (including meetings of the Board alone and those together with the Control, Risks & Sustainability Committee), during which frequent exchanges of information with the independent audit firm also took place to ensure that no transactions occurred that were imprudent, risky, with a potential conflict of interest, in breach of the law or the By-Laws or shareholders' meeting resolutions or such as to compromise the integrity of the company's assets.

The Board of Statutory Auditors has paid special attention and commitment to the fact that the scheduled meetings of the Board of Statutory Auditors are in-person at the company's offices in Arco (TN). The Board of Statutory Auditors oversight activities were mainly carried out "in-person" at the Company's offices, and only partly "remotely", through the acquisition of data and information in electronic format and the holding of meetings in video conference. Given the Company's reliability and timeliness in ensuring meetings could be properly held and information could be exchanged adequately, the Board of Statutory Auditors believes that partially working remotely in this way did not diminish or otherwise compromise the reliability of the information received or the efficacy of the work conducted.

With regards to the meetings of the internal Board Committees, the Board of Statutory Auditors attended in 2023, with full attendance at the meetings both by its Chairperson and both of the other members of the Board of Statutory Auditors, 7 meetings of the Control, Risks and Sustainability Committee, 6 meetings of the Appointments and Remuneration Committee and 1 Control, Risks and Sustainability Committee meetings, acting as the Related Party Transactions Committee , acquiring knowledge on the work carried out by these Committees during the year.

All the members of the Board of Statutory Auditors also attended the Shareholders' Meeting of April 27, 2023.

The Board of Statutory Auditors in 2024 has thus far held 8 meetings (between meetings of the Board alone and together with the Control, Risks & Sustainability Committee). The Board of Statutory Auditors also attended in 2024 (with all members present, with the exception of one Committee meeting in which one member was justifiably absent) 2 Board of Directors meetings, 3 Control, Risks & Sustainability Committee meetings and 3 meetings of the Appointments and Remuneration Committee.

8. Observations on compliance with the principles of correct administration.

Following its supervisory activities, the Board of Statutory Auditors has no observations to make concerning compliance with the principles of correct administration and has confirmed that directors of Aquafil S.p.A. are aware of the risk involved and the effects of transactions made.

In particular, the Board of Statutory Auditors verified that the operating choices were adopted in the interest of the Company, compatible with the resources and capital available and adequately supported by disclosure, documentation, analysis and verification processes, also making recourse, where considered necessary, to consultation with the Committees and outside consultants.

9. Observations on the suitability of the organisational structure.

The Board of Statutory Auditors gathered ongoing information on the organisational structure of the Company and on any changes, in particular in relation to the appointments and the granting of powers following the renewal of the Board of Directors at the Shareholders' Meeting of April 27, 2023 in which the Chairperson of the Independent Board was appointed, while the subsequent Board of Directors meeting held on the same date appointed the Chief Executive Officer Mr. Giulio Bonazzi, granting him the appropriate powers - undertaking also meetings with the latter Chief Executive Officer and with the managers of a number of key departments (human resources, administration, finance and control, legal and corporate, Information Technology and Investor Relator).

With regards to the Internal Audit function structure, given that the 2023 Audit Plan was carried out and completed according to schedule, the company maintained its internal structure, currently comprising the Internal Audit Manager and a full-time support staff member, maintaining also the assistance of outside consultants, who mainly provide operating support.

With regards to the strategically important subsidiaries, as identified by the Board of Directors with motion of February 14, 2020 and with regards to the provisions of Article 15 of the Consob Markets Regulation (motion No. 20249 of December 28, 2017), concerning significant subsidiaries set up and governed according to the laws of non-European Union member States, the Board of Statutory Auditors indicates that the Aquafil Group companies applying this provision are included among the entities for the purposes of Internal Control on Financial disclosure, with regards to which no significant deficiencies are reported.

In light of what has been confirmed, the Board of Statutory Auditors considers that the company's organisational structure, procedures, competences and responsibilities are suitable for the size of the company and the type of activity performed.

10. Suitability of the Internal Control and Risks Management System.

The Board of Statutory Auditors has monitored the suitability of Aquafil S.p.A.'s Internal Control and Risks Management System through:

a. the gathering of information, including during meetings of the Control, Risks & Sustainability Committee, as well as through frequent meetings with the Internal Audit Manager and with the managers of other functions, activities performed, mapping of risks related to activities in progress, audit plans and the internal control system's implementation projects, with the acquisition of associated documentation;

b. regular participation in the work of the Control, Risks & Sustainability Committee set up in accordance with the Corporate Governance Code for listed companies and, where considered appropriate for the matters covered, the joint collaboration of such with the Committee;

c. the review of the Annual Report of the Control, Risks & Sustainability Committee issued on March 14, 2024;

d. the review of the Internal Audit Manager reports, concerning the checks on the various company areas established by the 2023 Audit Plan, in addition to the follow-ups of the Audit Plan of the preceding year;

e. the gathering of information on the overall risk assessment, updated by the Internal Audit department in 2023 (compared to the previous risk assessment carried out in 2020), with the support of an outside consultancy firm and outlined to the Control, Risks and Sustainability Committee on February 15, 2024;

f. the review of the Internal Audit Manager's annual report together with the Internal Audit Manager's positive assessment of the suitability of the company's internal control and risk management system with respect to the company's characteristics and risk profile assumed.

In this regard, the Board of Statutory Auditors agreed with the favourable assessment of the Control, Risks & Sustainability Committee on: (i) the suitability, efficacy and effective functioning of the company's internal control and risk management system with respect to its characteristics and risk profile assumed; and (ii) the company's organisational, administrative and accounting structure with particular reference to the internal control and risk management system.

The Board of Statutory Auditors in addition:

- confirmed that the Company has an Organisation, Management and Control Model that is compliant with the principles contained in Legislative Decree 231/01 and the guidelines drawn up by Trade Associations; On August 31, 2023, the Board of Directors approved some amendments to the Organisational Model, also in order to include new crimes and to bring the Model in line with Legislative Decree No. 24/2023 implementing EU Directive 2019/1937;
- reviewed the periodic reports at June 30 and December 31, 2023 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, noting that the Supervisory Board in collegial form comprises two external members (one of which holds the position of Chairperson) and an internal member;
- met the Director in charge of the internal control and risk management system, in joint session with the Control, Risks and Sustainability Committee;
- met the representatives of the Board of Statutory Auditors of the only Italian subsidiary that is part of the Aquafil Group;
- obtained information from the corporate boards (without Board of Statutory Auditors) of the main overseas subsidiaries, as per Article 151, paragraphs 1 and 2 of Legislative Decree 58/1998.

In conclusion, in the process of performing the above activities, the Board of Statutory Auditors:

a) did not find any critical situations or facts suggesting that Aquafil S.p.A.'s internal control and risk management system is inadequate;

b) took note of the information provided by the Chair 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 2023;

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 2023.

11. Suitability of the administrative and accounting system and its reliability.

The Board of Statutory Auditors, for all aspects falling within its competence, supervised the administrative and accounting system's suitability and its reliability in correctly representing accounting data and activities performed under the coordination of the Executive Officer for Financial Reporting, for the purposes of the requirements referred to in Law 262/2005 "Provisions for the protection of savings and the regulation of financial markets" and subsequent amendments and additions through:

a) the acquisition of information from the Executive Officer for Financial Reporting and managers of other business functions, including during meetings of the Board of Statutory Auditors and participation in the work of the Control, Risks & Sustainability Committee;

b) the acquisition of information on procedures adopted and instructions issued by Aquafil S.p.A. to subsidiaries for the purposes of preparation of the Group's Annual Financial Report as at 31.12.2023;

c) the review of the report drawn up by the Executive Officer on Financial Reporting on the suitability of administrative and accounting procedures as per Law 262/2005 and on the outcome of the related tests performed;

d) the meetings with the Independent Audit Firm and the results of the work it performed.

The Board of Statutory Auditors also noted that the impairment test applied by the company in preparing the financial statements at December 31, 2023 was that approved by the Board of Directors on February 15, 2019, following the favourable opinion issued by the Control and Risks Committee, a procedure which was applied for the preceding financial statements. The Board of Statutory Auditors oversaw the results of the impairment tests conducted by management, which for the financial statements at December 31, 2023 did not indicate problems regarding the recoverability of the fixed assets, except for the full write-down of the investment in the subsidiary Aquafil Tekstil Sanayi for Euro 557 thousand.

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 2023 was inadequate and/or unreliable.

12. Suitability of instructions imparted to subsidiaries.

The Company regulates, by means of special procedures, the information flows from it to its subsidiaries and those from its subsidiaries, relating in particular to major transactions.

The Board of Statutory Auditors considers the instructions imparted by the Company to its subsidiaries pursuant to Art. 114, paragraph 2 of the CFA suitable to fulfil the communication requirements envisaged by law.

13. Any relevant aspects relating to meetings with the auditors.

The Board of Directors met periodically with the independent audit firm to:

a) exchange information on the audits performed by the latter, pursuant to Legislative Decree 39/2010 and Article 150, paragraph 3 of the CFA, on the company's accounting records and on the correct recording of accounting data in the accounting records. No critical issues or anomalies emerged from these meetings;

b) for the acquisition of information on the planning of activities of the independent audit firm concerning the audit on the Annual Financial Report at 31.12.2023, 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 31.12.2023, and the consistency of the consolidated financial statements with the electronic presentation format (ESEF),together with the results of the audit activities and evaluation of these documents.

The Board of Statutory Auditors held various meetings with the independent audit firm, with 5 meetings in 2023 (of which 3 jointly with the CRSC) and 4 in 2024 (of which 2 jointly with the CRSC) as of the date of this report, reviewing both the methodological aspects and the outcomes of the control activities on the Annual financial report, as well as the significant issues concerning the content of the Consolidated non-financial statement.

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 in addition to the verification activities carried out on the structure and content of the Consolidated non-financial statement.

14. Compliance with Corporate Governance Code for listed companies

The company complies with the Corporate Governance Code for listed companies (the "Code"). The Board of Statutory Auditors acknowledges that it has monitored the Company's implementation of the Code, as better described in the Corporate Governance and Ownership Structure Report, approved by the Board of Directors on March 14, 2024.

With regards to new Code, the company in 2021:

- has adopted an investor dialogue management policy;

- expressly established in the Regulations of the Board of Directors and the Committees, an advance deadline (3 days) for the sending of the pre-meeting information;

- approved the new methods of self-assessment of Board of Directors members in accordance with the proposal of the Appointments and Remuneration Committee, consistent with the provisions of the Corporate Governance Code.

The following Committees are established within the Board of Directors as appointed on April 27, 2023 for the three-year period 2023-2025:

• Control, Risks and Sustainability Committee;

• Appointments and Remuneration Committee.

The Board has not indicated the need to currently establish a Related Party Transactions Committee, as such oversight is provided by the Control, Risks and Sustainability Committee.

The Board of Directors on May 11, 2023 also approved the setting up of a specific internal ESG Management Committee.

The Board of Statutory Auditors therefore oversaw, as per Article 149, paragraph 1(c-bis) of the CFA, the practical implementation methods of the corporate governance rules envisaged by the Code, with particular regard to:

- the correct application of criteria and assessment procedures adopted by the Board of Directors to assess the independence of its members;
- the procedures with which the Internal Committees to the Board of Directors are composed, in particular with reference to directors' independence requirements;
- the Corporate Governance structure of the company, examining in addition the Annual Corporate Governance and Ownership Structure Report.

In 2023, 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 terms of the Induction course for Directors and Statutory Auditors, the Board of Statutory Auditors expressed the suggestion that specific Induction sessions be held in the year 2024 to learn more about the businesses in which the Company operates and on the subject of sustainability, including with regard to new developments in non-financial disclosure and sustainability reporting.

The Board of Statutory Auditors oversaw the activities carried out by the Control, Risks & Sustainability Committee (also acting as the Related Party Transactions Committee) and the Appointments and Remuneration Committee, through the attendance of the 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 14, 2023 were brought to the attention of the Appointments and Remuneration Committee, the Control, Risks and Sustainability Committee and the Board of Directors for the undertaking of the appropriate decisions in this regard.

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In addition to the above, the Board of Statutory Auditors:

- on March 6, 2024, 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 professional experience of its members for its functioning and compliance with the provisions regarding the accumulation of statutory auditor positions. The self-assessment of the Board of Statutory Auditors was disclosed to the Board of Directors on March 14, 2024, 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 2023;
- within the self-assessment process of the Board,, it positively verified the compliance of independence criteria for each of its members, as required by the Code. The results of the self-assessment checks of the Board are reported in the Corporate Governance and Ownership Structure Annual Report drawn up for the year 2023.

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As its term of office is coming to an end, the Board of Statutory Auditors has prepared and sent to the Company its "Guidelines regarding the new Board of Statutory Auditors of Aquafil S.p.A.", summarising the activities carried out, also indicating the number of meetings and the commitment required, so as to enable Shareholders and Statutory Auditor candidates to assess the appropriate characteristics, skills and professionalism, the commitment and time required and the adequacy of remuneration for the performance of the roles, in accordance with the provisions of the "Rules of Conduct" of the Board of Statutory Auditors of listed companies of December 21, 2023. Disclosure upon these guidelines was provided to the Board of Directors on March 14, 2024 and the company informed the Market in the Press Release issued on the same date.

15. Consolidated Non-Financial Statement

The Board of Statutory Auditors has overseen observance of Legislative Decree No. 254 of December 30, 2016, and of Consob Regulation No. 20267 of January 18, 2018, regarding the consolidated non-financial report prepared by the Company.
The Board of Statutory Auditors notes that the Company, as the Parent Company, has prepared the consolidated non-financial report in accordance with Articles 3 and 4 of Legislative Decree No. 254/2016 and with the Global Reporting Initiative (GRI) Sustainability Reporting Standards, which the Company's directors have adopted as described in the "Methodological Note" section of the non-financial report.

The Board of Statutory Auditors has overseen observance of Legislative Decree No. 254 of 2016 and verified that the non-financial report allows for an understanding of Group business, trends, performance, and impact and describes the environmental and social issues concerning personnel, the observance of human rights, and the fight against corruption, as well as the characteristics of the enterprise and the activities performed, in accordance with Article 3 of Legislative Decree No. 254 of 2016.

The Board of Directors highlights that, in the Non-Financial Report, the company indicated specific targets in terms of environmental sustainability, social and governance topics, to be achieved over the coming years, with an update on that achieved in each area in 2023.

The Board of Statutory Auditors discussed with the independent audit firm in relation to its audit activities on the NFS and received confirmation that such did not reveal any critical issues to report.

The Board of Statutory Auditors has also verified the Board of Directors approval of March 14, 2024, of the consolidated non-financial report and the release, on March 25, 2024, by the independent auditor of their related report, which attests to the conformity of the information provided in the non-financial report in accordance with Articles 3 and 4 of Legislative Decree 254/2016 and with the GRI standards.

Final evaluations on the supervisory activity performed and proposed to the Shareholders' Meeting

Having regard to the above and having:

- monitored the observance of the law and the By-Laws, compliance with the principles of correct administration and, in particular, the suitability of the organisational, administrative and accounting structure adopted by the company and its practical functioning;
- monitored compliance with disclosure obligations on insider information;

- monitored the functioning and effectiveness of the internal control system and the administrative and accounting system, in order to assess their adequacy in meeting corporate needs and their reliability for representing accounting data;
- monitored compliance with legal provisions concerning the formation and preparation of the company's Annual Financial Statements and the Group's Consolidated Financial Statements and the Directors' Report for the financial year 2023 (which also contains information on significant events occurring after December 31, 2023), 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, 2023, 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);
- verified that the Company has made the necessary arrangements for the purpose of preparing the annual and consolidated financial statements in electronic format (using XHTML technologies), in accordance with the requirements of the current ESEF Regulations;
- overseen observance of the preparation and presentation to the Shareholders of the separate and consolidated financial reports and acknowledged that the Company has established that the Shareholders' Meeting of April 23, 2024 may also take place by way of designated agent in accordance with Article 135-undecies of the CFA;
- overseen observance of Legislative Decree 254/2016 and Consob Regulation No. 20267/2018 concerning the consolidated non-financial report (NFR) which is presented separately to the Directors' Report;
- took note of the proposed allocation of the net profit for the year, to be submitted to the Shareholders' Meeting.

Therefore, the Board of Statutory Auditors declares that, during its supervisory activity, as described above, no reprehensible facts, omissions or irregularities emerged that would require a statement to be made to the competent bodies.

In consideration of the above, the Board of Statutory Auditors of Aquafil S.p.A requests you to approve the financial statements at December 31, 2023, as presented by the Board of Directors together with the Directors' Report and the allocation proposal for the year's result.

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The mandate granted to the Board of Statutory Auditors comes to an end with the Shareholders' Meeting held to approve the financial statements for the year ended December 31, 2023. We thank you, the Shareholders, for the trust you have placed in us and invite you to take the appropriate steps in this regard.

Milan, Verona, March 25, 2024

The Board of Statutory Auditors

15

Mr. Stefano Poggi Longostrevi – Chairperson

Ms. Bettina Solimando – Statutory Auditor

Ms. Beatrice Bompieri - Statutory Auditor

16

Report on the Audit of the Consolidated Financial Statement

Independent auditor's report
in accordance with article 14 of Legislative Decree n° 39
of 27 January 2010 and article 10 of Regulation (EU) n° 537/2014

Aquafil SpA

Consolidated Financial Statements
as of 31 dicembre 2023

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of
Aquafil SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Aquafil Group (the Group), which comprise the statement of financial position as of 31 December 2023, 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 material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2023, 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 No. 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 judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were

PricewaterhouseCoopers SpA

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addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Revenue recognition *Paragraph 2.4 "Accounting standards and valuation methods" item "Revenues and costs"* At 31 December 2023, revenues of the Aquafil Group amounted to Euro 571.806 thousand, mainly due to the sale of finished products. These revenues are recognised in the financial statements when control of the goods produced is transferred to the customer and only if all criteria under IFRS 15 ("*Revenue from contracts with customers*") are met. As part of our audit procedures on the consolidated financial statements, the correct recognition of revenues was considered as a key area, since it represents the most significant P&L item and an incorrect recognition of them would cause a considerable alteration of the result for the year.	The audit approach preliminarily consisted in understanding and assessing the internal control system and the procedures set by the Parent Company for the recognition of revenues from sale. The audit approach then provided to perform compliance testing on key controls, which might have been put in place by the Group companies as part of the above-mentioned procedures, in order to verify the operating efficacy of such controls in the context of the revenue recognition process, with particular reference to the existence of such revenues and their recognition in the correct accrual period. Taking into account the understanding, assessment and validation of the internal controls mentioned above, validity tests were planned and performed on the relevant financial statement item. In particular, the component auditor has verified, in relation to a sample of transactions deemed representative in the context of the Group, 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 the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are 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 No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are 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, the directors use the going concern basis of accounting unless they either intend to liquidate Aquafil SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is 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 the directors;
- 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, actions taken to eliminate the related risks, or safeguards applied.

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) No. 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) No. 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 report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion on compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The directors of Aquafil SpA are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 concerning regulatory technical standards on the specification of a single electronic reporting format (ESEF - *European Single Electronic Format*) (hereinafter, the "Commission Delegated Regulation") to the consolidated financial statements as of 31 December 2023, to be included in the annual report.

We have performed the procedures specified in auditing standard (SA Italia) No. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Commission Delegated Regulation.

In our opinion, the consolidated financial statements as of 31 December 2023 have been prepared in XHTML format and have been marked up, in all significant respects, in compliance with the provisions of the Commission Delegated Regulation.

Due to certain technical limitations, some information included in the illustrative notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Aquafil SpA are 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 2023, 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) No. 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 No. 58/98, with the consolidated financial statements of the Aquafil Group as of 31 December 2023 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 2023 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 No. 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 No. 254 of 30 December 2016

The directors of Aquafil SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.

We have verified that the directors approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Trento, 25 March 2024

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.

Statutory Financial Statements at December 31, 2023

Statutory Financial Statements at December 31, 2023

BALANCE SHEET AND FINANCIAL POSITION

(in Euro)	Notes	Al December 31, 2023	Al December 31, 2022
Intangible assets	7.1	10,277,233	12,705,447
Property, plant & equipment	7.2	36,084,641	37,623,832
Financial assets	7.3	369,411,676	348,114,481
of which related parties		*35,437,348*	*40,084,048*
Other assets	7.4	0	303,660
Deferred tax assets	7.5	6,720,549	2,172,164
Total non-current assets		**422,494,099**	**400,919,583**
Inventories	7.6	56,851,144	65,403,742
Trade receivables	7.7	79,395,216	115,824,894
of which related parties		*76,631,964*	*115,597,486*
Financial assets	7.3	1,973,527	5,012,834
of which related parties		*0*	*950,000*
Tax receivables	7.8	0	2,470
Other assets	7.9	9,463,274	7,361,179
of which related parties		*5,854,212*	*247,224*
Cash and cash equivalents	7.10	72,745,574	52,712,510
Assets held-for-sale	7.11	702,543	1,755,493
Total current assets		**221,131,277**	**248,073,121**
Total assets		**643,625,377**	**648,992,704**
Share capital	7.12	49,722,417	49,722,417
Reserves	7.12	58,350,631	55,026,253
Profit/(loss) for the year	7.12	(5,641,004)	15,930,426
Total shareholders' equity		**102,432,044**	**120,679,096**
Employee benefits	7.13	1,579,902	1,804,990
Financial liabilities	7.14	297,788,034	281,537,972
of which related parties		*15,250,937*	*10,626,608*
Provisions for risks and charges	7.15	1,315,278	1,082,731
Deferred tax liabilities	7.5	12,842	13,013
Other liabilities	7.16	3,347,475	6,032,549
Total non-current liabilities		**304,043,531**	**290,471,256**
Financial liabilities	7.14	93,865,349	75,125,790
of which related parties		*284,746*	*814,339*
Current tax payables	7.18	0	73,016
Trade payables	7.17	128,274,663	146,839,867
of which related parties		*62,229,529*	*70,824,101*
Other liabilities	7.16	15,009,790	15,803,680
of which related parties		*3,946,063*	*2,829,855*
Total current liabilities		**237,149,802**	**237,842,353**
Total shareholders' equity and liabilities		**643,625,377**	**648,992,704**

INCOME STATEMENT

(in Euro)	Notes	Al December 31, 2023	*of which non-recurring*	Al December 31, 2022	*of which non-recurring*
Revenues	8.1	518,444,406		694,343,333	
of which related parties		*219,964,774*		*332,084,678*	
Other revenues and income	8.2	2,551,344	*407*	7,099,124	*39,298*
of which related parties		*0*		*0*	
Total revenues and other revenues and income		**520,995,750**	***407***	**701,442,456**	***39,298***
Cost of raw materials and changes to inventories	8.3	(440,724,131)	*(134,171)*	(554,993,034)	*0*
of which related parties		*(342,415,320)*		*(370,480,079)*	
Service costs and rents, leases and similar costs	8.4	(46,182,810)	*(771,976)*	(75,189,985)	*(527,595)*
of which related parties		*(1,137,654)*		*(2,401,474)*	
Labour costs	8.5	(36,882,565)	*(1,135,224)*	(37,732,601)	*(178,933)*
of which related parties		*94,772*		*153,108*	
Other costs and operating charges	8.6	(695,354)	*(100,600)*	(883,657)	*(254,674)*
of which related parties		*(26,000)*		*(26,000)*	
Depreciation and amortisation	8.7	(10,466,187)		(10,710,713)	
(Provisions & write-downs)/ releases	8.8	772,560		(359,777)	
Increase in internal work capitalised	8.9	1,564,817		1,412,246	
Operating Profit/(Loss)		**(11,617,921)**	***(2,141,564)***	**22,984,936**	***(921,905)***
Financial Income/(Charges) from Investments	8.10	16,486,504		183,028	
of which related parties		*16,486,346*		*182,659*	
Financial income	8.11	2,188,118		5,219,302	
of which related parties		*1,743,879*		*632,636*	
Financial charges	8.12	(19,051,896)		(9,312,339)	
of which related parties		*(1,859,346)*		*(2,008,626)*	
Exchange gains/(Losses)	8.13	(347,187)		480,933	
Profit/(Loss) before taxes		**(12,342,381)**	***(2,141,564)***	**19,555,859**	***(921,905)***
Income taxes	8.14	6,701,377	*0*	(3,625,433)	
Net profit/(Loss)		**(5,641,004)**	***(2,141,564)***	**15,930,426**	***(921,905)***

COMPREHENSIVE INCOME STATEMENT

(in Euro)	Notes	December 2023	December 2022
Profit/(Loss) for the year		**(5,641,004)**	**15,930,426**
Actuarial gains/(Losses)		(21,806)	227,999
Tax effect on actuarial gains/(Losses)		5,233	(54,720)
Other income items not to be reversed to income statement in subsequent periods		**(16,572)**	**173,279**
Currency difference from conversion of financial statements in currencies other than the Euro		0	0
Other income items to be reversed to income statement in subsequent periods		0	0
Total comprehensive income	**7.12**	**(5,657,577)**	**16,103,705**

CASH FLOW STATEMENT

(in Euro)	Notes	Al December 31, 2023	Al December 31, 2022
Operating activities			
Profit/(loss) for the year		(5,641,004)	15,930,426
Income taxes	8.14	(6,701,377)	3,625,433
Investment income and charges	8.10	(16,486,504)	(183,028)
of which related parties:		*(16,486,346)*	*(182,659)*
Financial income	8.11	(2,188,118)	(5,219,302)
of which related parties:		*(1,743,879)*	*(632,636)*
Financial charges	8.12	19,051,896	9,312,339
of which related parties:		*1,859,346*	*2,008,626*
Exchange gains/(Losses)	8.13	347,187	(480,933)
Asset disposal (gains)/Losses		(136,642)	(289,155)
Provisions & write-downs/(Releases)	8.8	(772,560)	359,777
Amortisation, depreciation and write-downs of tangible and intangible assets	8.7	10,466,187	10,710,713
Cash flow from operating activities before working capital changes		**(2,060,935)**	**33,766,271**
Decrease/(Increase) in inventories	7.6	8,552,598	(11,759,239)
Increase/(Decrease) in trade payables	7.17	(18,565,204)	13,763,149
of which related parties:		*(8,594,572)*	*18,535,453*
Decrease/(Increase) in trade receivables	7.7	37,211,420	(62,410,668)
of which related parties:		*38,965,522*	*(67,186,393)*
Changes to assets and liabilities		(2,816,313)	(5,189,051)
of which related parties:		*(4,490,779)*	*4,566,662*
Net paid financial charges		(14,155,156)	(8,598,997)
Income taxes paid		(68,277)	(1,132,058)
Dividends received		17,043,497	183,028
Utilisation of provisions		(676,016)	(462,698)
Cash flow generated/(absorbed) from operating activities (A)		**24,465,612**	**(41,840,264)**
Investing activities			
Investments in tangible assets	7.2	(6,580,073)	(6,811,367)
Disposal of tangible assets	7.2	2,632,894	863,247
Investments in intangible assets	7.1	(1,097,268)	(2,182,808)
Disposal of intangible assets	7.1		132,440
Investments in financial assets	7.3	(26,502,681)	(50,000)
Disposal of financial assets	7.3		0
Cash flow generated by investing activities (B)		**(31,547,129)**	**(8,048,488)**
Financing activities			
Drawdown non-current bank loans and borrowings		100,000,000	94,000,000
Repayment non-current bank loans and borrowings		(71,064,734)	(52,285,013)
Net changes in current and non-current financial assets and liabilities (including IFRS 16)		10,768,792	(7,295,557)
of which related parties:		*9,552,679*	*(699,325)*
Distribution of dividends	7.12	(11,991,953)	(6,046,158)
of which related parties:		*(7,168,974)*	*(3,576,364)*
Acquisition of minority interests			
Acquisition of treasury shares		(597,523)	(5,469,675)
Cash flow from generated/(absorbed) by financing activities (C)		**27,114,581**	**22,903,596**
Net cash flow in the year (A + B + C)		**20,033,064**	**(26,985,155)**
Opening cash and cash equivalents	7.10	52,712,510	79,697,665
Closing cash and cash equivalents	7.10	72,745,574	52,712,510

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in Euro)	Share capital	Legal reserve	Share premium reserve	Negative reserve for treasury shares in portfolio	Non-distributable reserve for listing costs
January 1, 2022	**49,722,417**	**699,173**	**19,975,348**	**(2,544,855)**	**(3,287,529)**
Share capital increase					
Allocation of prior-year result		557,664			
Distribution of dividends					
Treasury share purchases				(5,469,675)	
Profit/(loss) for they year					
Actuarial gains/(losses) employee benefits					
Comprehensive income	**0**	**0**	**0**		**0**
At December 31, 2022	**49,722,417**	**1,256,837**	**19,975,348**	**(8,014,531)**	**(3,287,529)**
Share capital increase					
Other changes					
Allocation of prior-year result		796,521			
Distribution of dividends					
Treasury share purchases				(597,523)	
Net Result					
Actuarial gains/(losses) employee benefits					
Comprehensive income	**0**	**0**	**0**		**0**
At December 31, 2023	**49,722,417**	**2,053,359**	**19,975,348**	**(8,612,054)**	**(3,287,529)**

FTA Reserve	IAS 19 Reserve	Other reserves	Retained earnings	Total reserves	Net result	Total Shareholders' Equity
(2,156,097)	**(354,728)**	**22,484,182**	**20,400,033**	**55,215,527**	**11,153,279**	**116,091,224**
				0		0
			10,595,615	11,153,279	(11,153,279)	
		(6,046,158)		(6,046,158)		(6,046,158)
				(5,469,675)		(5,469,675)
					15,930,426	15,930,426
	173,279			173,279		173,279
0	**173,279**	**0**	**0**	**173,279**	**15,930,426**	**16,103,705**
(2,156,097)	**(181,449)**	**16,438,024**	**30,995,648**	**55,026,253**	**15,930,426**	**120,679,096**
				0		0
		30,995,648	(30,995,648)	0		0
		15,133,905		15,930,426	(15,930,426)	0
		(11,991,953)		(11,991,953)		(11,991,953)
				(597,523)		(597,523)
					(5,641,004)	(5,641,004)
	(16,572)			(16,572)		(16,572)
0	**(16,572)**	**0**	**0**	**(16,572)**	**(5,641,004)**	**(5,657,577)**
(2,156,097)	**(198,021)**	**50,575,624**	**0**	**58,350,631**	**(5,641,004)**	**102,432,044**

Notes to the Financial Statements

1. GENERAL INFORMATION

1.1 Introduction

Aquafil S.p.A. ("Aquafil", "Company" or "Parent company" and, together with its subsidiaries, "Group" or "Aquafil Group") is a joint stock company listed on the Italian Stock Exchange, Euronext STAR Segment since December 4, 2017, resulting from the business combination through merger by incorporation of Aquafil S.p.A. (pre-merger), founded in 1969 in Arco (TN) and renowned for the production and distribution of fibres and polymers, principally polyamide, into Space 3 S.p.A., as an Italian registered Special Purpose Acquisition Company (SPAC), with efficacy from December 4, 2017.

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

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

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

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

1.2 Financial Statement Presentation

These financial statements were prepared for the year ended December 31, 2023 in accordance with EU Regulation 1606/2002 of July 19, 2022 and Article 9 of Legislative Decree No. 38 of February 28, 2005, in compliance with International Financial Reporting Standards, issued by the International Accounting Standards Board and endorsed by the European Union ("IFRS").

The Financial Statements were approved by the Board of Directors of the company on March 14, 2024, and audited by PricewaterhouseCoopers S.p.A., statutory auditors of the company.

1.3 Non-Financial Report

Aquafil S.p.A., as an Entity of Significant Public Interest ("EIPR") and the parent company of the Aquafil Group, prepares and presents, from financial year 2017, the "**Consolidated** Non-Financial Report", as per Article 5 "Placement of the report and communication" as per Legislative Decree 254/2016 concerning the communication of non-financial and diversity disclosure by certain large enterprises and groups. Therefore, Aquafil, as per Article 6 exemptions and special cases, is not subject to the obligation to prepare an individual non-financial report relating to only the separate financial statements.

2. ACCOUNTING POLICIES AND MEASUREMENT CRITERIA

The main accounting policies adopted in the preparation of the Separate Financial Statements are reported below. These accounting policies were applied in line with the year 2022 presented for comparative purposes and those applied at December 31, 2023.

2.1 Basis of preparation

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

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

2.2 Form and content of the financial statements

The financial statements of Aquafil S.p.A. have been prepared in euro. The financial statements and the relative classification criteria adopted by the company, within the options permitted by IAS 1 "Presentation of financial statements" ("IAS 1") are illustrated below:
- the *balance sheet* is presented with separation between "current and non-current" assets and liabilities;
- the *income statement* was prepared separately from the comprehensive income statement, and was prepared classifying operating costs by expense type;
- the *comprehensive income statement* which includes, in addition to the result for the period, also the changes to equity relating to income items which, in accordance with International Accounting Standards, are recognised under equity;
- the *cash flow statement* prepared in accordance with the "indirect method".

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

Subsidiaries

A party controls an entity when it is: (i) exposed, or has the right to participate, in the relative variable economic returns and (ii) able to exercise its decisional power on the activities relating to the entity in order to influence these returns. The existence of control is verified where events or circumstances indicate an alteration to one of the above-mentioned factors determining control. The year-end of the subsidiary companies coincides with that of Aquafil S.p.A..

Associated Companies

Associated companies are companies in which the Company has a significant influence, which is presumed to exist when the percentage held is between 20% and 50% of the voting rights.

Business combinations

The company did not undertake in the year any business combinations as defined by IFRS 3.

Impairment test

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

In assessing the recoverable value of its property, plant and equipment, investment property and intangible assets, the Group generally applies the criterion of the value in use, where required, i.e. the presence of trigger events.

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

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

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

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

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

Translation of accounts in foreign currencies

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

Non-monetary assets and liabilities denominated in currencies other than the euro are recorded at historical cost, utilising the exchange rate on the initial recording of the transaction.

The primary exchange rates adopted for the translation of the monetary assets and liabilities in foreign currencies with the euro are shown in the table below:

	Rate at December 31, 2023	Average rate 2023	Rate at December 31, 2022	Average rate 2022
US Dollar	1.11	1.08	1.07	1.05
Croatian Kuna			7.54	7.53
Chinese Yuan	7.85	7.66	7.36	7.08
Turkish Lira	32.65	25.76	19.96	17.41
Baht	37.97	37.63	36.84	36.86
UK Sterling	0.87	0.87	0.89	0.85
Australian Dollar	1.63	1.63	1.57	1.52
Japanese Yen	156.33	151.99	140.66	138.03
Chilean Peso	977.07	908.20	913.82	917.86
Swiss Franc	0.93	0.97		

2.3 Accounting standards

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

CLASSIFICATIONS OF CURRENT AND NON-CURRENT ASSETS AND LIABILITIES

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

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

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

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

INTANGIBLE ASSETS

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

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

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

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

INTANGIBLE ASSETS WITH FINITE USEFUL LIVES

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

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

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

	Estimated useful life
Concessions, licences & trademarks	10 years
Development costs	5 years
Industrial patents & intellectual property rights	10 years
Other intangible assets	Duration of contract

PROPERTY, PLANT & EQUIPMENT

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

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

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

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

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

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

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

LEASED ASSETS

International Accounting Standard IFRS 16 identifies the principles for the recognition, measurement and presentation in the financial statements of leasing contracts, as well as enhancing the relative disclosure requirements.

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

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

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

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

IMPAIRMENT OF INTANGIBLE AND TANGIBLE ASSETS

Intangible and tangible assets with definite useful life

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

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

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

EQUITY INVESTMENTS

In subsidiaries

Investments in subsidiaries are recorded at acquisition or subscription cost.

Where there is an indication of a loss in value, the recoverability of the recognition value is verified through a comparison between the carrying amount and the higher between the value in use, determined discounting the future cash flows of the investment and, where possible, the hypothetical sales value determined based on recent transactions or market multiples.

The share of the loss exceeding the carrying amount is recorded in a specific provision for the amount that the company considers there exists legal or implied obligations to cover the losses or in any case within the limits of the book net equity. Where there is a subsequent improvement in the performance of the investee subject to the write-down such as to consider the reasons for the impairment no longer existing, the investments are revalued within the limits of the write-downs recognised in previous years. The dividends from subsidiaries are recorded in the income statement in the year in which they are approved.

In associates

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

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

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

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

- of any gain/loss calculated as the difference between the amount received and the corresponding fraction of the carrying amount transferred;
- of the effect of the remeasurement of any residual investment in line with the relative fair value;
- of any values recorded under other comprehensive items related to the investee for which reclassification to the comprehensive income statement is envisaged.

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

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

SECURITIES OTHER THAN EQUITY INVESTMENTS

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

LOANS, RECEIVABLES AND FINANCIAL ASSETS HELD-TO-MATURITY

The financial assets are measured based on IFRS 9.

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

IMPAIRMENTS OF FINANCIAL ASSETS

At the reporting date, all the financial assets, other than those measured at fair value through the comprehensive income statement, are analysed in order to verify whether there is evidence of a loss in value. An impairment loss is recognised if, and only if, this evidence exists as a result of one or more events that have an impact on the asset's expected future cash flows, occurring after its initial recognition.

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

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

INVENTORIES

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

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

TRADE AND OTHER RECEIVABLES (CURRENT AND NON-CURRENT)

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

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

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

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

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

CASH AND CASH EQUIVALENTS

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

EMPLOYEE BENEFITS

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

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

TRADE AND OTHER PAYABLES (CURRENT AND NON-CURRENT)

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

ELIMINATION OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

DERIVATIVE FINANCIAL INSTRUMENTS

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

A derivative is a financial instrument or other contract:

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

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

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

It should be noted that the derivative instruments currently in place (IRS - Interest Rate Swaps), although subscribed for hedging purposes with regard to changes in interest rates, have been treated, for accounting purposes and consistently with the past, as non-hedging instruments (and therefore the relative fair value is recognised in the income statement), as it is very complex to prepare the mandatory hedging relationship.

MEASUREMENT OF THE FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

WARRANTS

The company has issued warrants, that is, financial instruments that give the holder the right to purchase (call warrants) a determined quantity of ordinary shares (underlying) at a predefined price (strike-price) within a set deadline. Two types of warrants are issued: “Market Warrants” which were also listed, and non-listed “Sponsor Warrants”. Listed “Market warrants” were cancelled in 2022 as having expired.

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").

Specifically for the Sponsor warrants, an exchange between equity instruments and cash at an already pre-determined value is provided in case of execution. Information on these instruments is available in the paragraph on shareholders' equity.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges relate to costs and charges of a defined nature and of certain or probable existence whose amount or date of occurrence are uncertain at the reporting date. Accruals to provisions are recorded when:
- the existence of a present obligation, legal or implicit, deriving from a past event is probable;
- it is probable that compliance with the obligation will result in a charge;
- the amount of the obligation can be estimated reliably.

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

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

REVENUES AND COSTS

Revenues from the sale of goods and services as well as the purchase costs of goods and services are recognised on the transfer of control of the relative goods or completion of the service.

Revenues are shown net of discounts, allowances and returns; they are recorded at fair value to the extent in which it is possible to reliably determine such value and the likelihood that the relative economic benefits will be enjoyed.

Revenues are recognised in accordance with IFRS 15 and therefore as per the following 5 steps:
1) identification of the contract with the customer. The standard contains specific provisions to assess whether two or more contracts should be combined and to identify the accounting implications of any contractual amendments;
2) identification of the contractual obligations contained in the contract;
3) calculation of the transaction price, which should be made taking into consideration, among others, the following elements: any amounts paid on behalf of third parties, which must be excluded from the consideration, variable price components (such as performance bonuses, penalties, discounts, reimbursements, incentives, etc...) and any financial component, present where the payment terms granted to the customer contain a significant extension period;
4) allocation of the transaction price to the contractual obligations, on the basis of the stand-alone sales price of each good or service; separately;
5) recognition of the revenue, when (or if) each contractual obligation is satisfied through the transfer of the goods or service, which occurs when the customer obtains the control and therefore has the capacity to decide upon and/or control its use and substantially obtain all the benefits. Control may be transferred at a specific point in time or over time.

The analysis undertaken indicated that the obligations arising for the Parent Company to its clients mainly concern the production and supply of finished products according to the terms and conditions requested, and in particular:
- payment deadlines are on average between in line with generally applied market averages. "Cash discounts" are contractually granted in the case of early settlement and were recognised as a direct reduction in revenues. No payment deferments are granted which could be considered as qualifying as a loan;

- the finished product is sold without the granting of warranty periods and/or without return and/or suspension of ownership clauses. Any returns and reimbursements are agreed among the parties on a case by case basis following critical analysis of the reasons which may have resulted in any non-compliance issues.

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

FINANCIAL INCOME AND CHARGES

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

DIVIDENDS

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

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

INCOME TAXES

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

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

From the year 2018 Aquafil S.p.A. was included in the tax consolidation regime with the parent company Aquafin Holding S.p.A., interrupted in 2017 due to the merger by incorporation of Aquafil S.p.A. into Space 3 S.p.A.. The tax consolidation regime is also confirmed for the year 2023.

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

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

The company which qualifies as an "Industrial Holding" must calculate the Irap taxable base in accordance with Article 6, paragraph 9 of the Irap Decree, that is, by adding to the normally determinable taxable base, 100% of the interest income and other financial income and subtracting 96% of the interest expense and similar charges; in addition, the increased rate envisaged for banks and other financial institutions must be applied to the value of production relevant for IRAP purposes. It should be noted that also for 2023, the IRAP rate for the industrial holding companies in the province of Trento, applicable to non-financial holding companies and similar entities pursuant to paragraph 9 of Article 6 of Legislative Decree No. 446/97 is 4.65%, and the benefits normally granted to industrial companies are not applied.

ASSETS AND LIABILITIES AVAILABLE FOR SALE AND DISCONTINUED OPERATIONS

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

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

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

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

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

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

It should be noted that at December 31, 2023, Aquafil had only assets held-for-sale consisting of machinery and equipment and had no discontinued operations.

USE OF ACCOUNTING ESTIMATES

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

Numerous items in the financial statements are subject to estimates and while not all of these accounts are individually significant, they are significant on an overall basis.

The accounting policies which require greater subjectivity by the directors in the preparation of the estimates and for which a change in the underlying conditions or the assumptions may have a significant impact on the financial results of the Company are briefly described below.

Impairments

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

Amortisation & Depreciation

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

Inventories

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

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 charges.

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

Deferred tax assets

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

2.4 Accounting standards not yet applicable

The developments in the IFRS and the relative interpretations (IFRIC) applicable from periods beginning after January 1, 2023 are outlined below.

Document endorsed by the EU at November 30, 2023

Document title	Issue date	Effective entry date	Date approved	EU Regulation and publication date	Notes and references to this checklist
Lease Liabilities in a Sale and leaseback transaction (Amendments to IFRS 16)	September 2022	January 1, 2024	November 20, 2023	(EC) 2023/2579 November 21, 2023	See point 535

Document title	Issue date by the IASB	Effective date of the IASB document	Expected endorsement date by EU
Standards			
IFRS 14 Regulatory Deferral Accounts	January 2014	January 1, 2016	Postponed pending the new accounting standard on "rate-regulated activities".
Amendments			
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	September 2014	Postponed until the completion of the IASB project on the equity method	Endorsement process postponed pending the conclusion of the IASB project on the equity method
Classification of liabilities as current or non-current (Amendments to IAS 1) and Non current liabilities with covenants (Amendments to IAS 1)	January 2020 July 2020 October 2022	January 1, 2024	Q4 2023
Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 9)	May 2023	January 1, 2024	TBD
Lack of Exchangeability (Amendment to IAS 21)	August 2023	January 1, 2025	TBD

3. FINANCIAL RISK MANAGEMENT

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

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

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

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

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

3.1 Market risk

Currency risk

Exposure to the risk of exchange rate variations arises from the Company's commercial activities which are also carried out in currencies other than the euro. Revenues and costs denominated in foreign currencies may be influenced by exchange rate fluctuations with an impact on trade margins (economic risk), just as trade and financial payables and receivables denominated in foreign currency may be affected by the conversion rates used, with an effect on the economic result (transaction risk).

The principal exchange rates the Company is exposed to are:
- EUR/USD, in relation to transactions carried out in US Dollars;
- EUR/GBP, in relation to transactions carried out in UK sterling.

The Company does not adopt specific policies to hedge exchange rate fluctuations, 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 currency risk. The company is however exposed to a contained level of exchange rate risk stemming from operations as a portion of cash flows, sales and also purchases are denominated in the same currency (natural hedging).

Analysis of sensitivity of exchange rate risk

For the purposes of an exchange rate sensitivity analysis, balance sheet items as at December 31, 2023 (financial assets and liabilities), denominated in a currency other than the functional currency of the Company were identified. In assessing the potential effects arising from changes in exchange rates, inter-company payables and receivables in currencies other than the account currency were also taken into consideration.

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

The table below highlights the results of the analysis:

(in Euro thousands)	Book value	Exposition to currency risk	+10% Gains/(Losses)	-10% Gains/(Losses)
Financial assets				
Cash and cash equivalents	72,746	12,813	(1,281)	1,281
Trade receivables (net credit notes)	79,395	13,422	(1,342)	1,342
of which related parties	*76,632*	*14,812*	*(1,481)*	*1,481*
Tax effect			630	(630)
Total financial assets			**(1,994)**	**1,994**
Financial liabilities				
Trade payables	(128,275)	(13,069)	1,307	(1,307)
of which related parties	*(62,230)*	*(9,691)*	*969*	*(969)*
Tax effect			(314)	314
Total financial liabilities			**993**	**(993)**
Total			**(1,001)**	**1,001**

For comparability with the previous year, a similar analysis at December 31, 2022 is presented below:

(in Euro thousands)	Book value	Exposition to currency risk	+10% Gains/(Losses)	-10% Gains/(Losses)
Financial assets				
Cash and cash equivalents	52,713	7,473	(747)	747
Trade receivables (net credit notes)	115,825	23,091	(2,309)	2,309
of which related parties	*115,597*	*24,840*	*(2,484)*	*2,484*
Tax effect			734	(734)
Total financial assets			**(2,323)**	**2,323**
Financial liabilities				
Trade payables	(146,840)	(16,224)	1,622	(1,622)
of which related parties	*(70,824)*	*(12,823)*	*1,282*	*(1,282)*
Tax effect			(389)	389
Total financial liabilities			**1,233**	**(1,233)**
Total			**(1,090)**	**1,090**

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

Interest rate risk

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

The following tables summarise the main information concerning hedging derivatives on interest rates as at December 31, 2023:

(in Euro thousands)	Contract opening date	Contract maturity date	Notional value at signing date in foreign currency	Notional currency	Fair value at December 31, 2023
IRS Intesa San Paolo	28/12/2021	31/12/2027	30,000	Euro	1,387
IRS Credit Agricole	29/05/2017	28/06/2024	10,000	Euro	12
IRS Intesa San Paolo	19/06/2018	31/01/2024	15,000	Euro	29
IRS Banca Popolare Milano	20/06/2018	30/06/2025	25,000	Euro	171
IRS Banca Popolare Milano	06/06/2019	30/06/2025	15,000	Euro	126
IRS Credit Agricole	09/08/2019	28/12/2025	10,000	Euro	148
IRS Intesa San Paolo	25/09/2019	31/12/2024	20,000	Euro	101
IRS Monte dei Paschi di Siena	30/09/2023	30/09/2026	20,000	Euro	(445)
IRC BNL	05/07/2023	05/07/2028	10,000	Euro	(175)
Total			**155,000**		**1,354**

For comparability with the previous year, a similar analysis at December 31, 2022 is presented below:

(in Euro thousands)	Contract opening date	Contract maturity date	Notional value at signing date in foreign currency	Notional currency	Fair value at December 31, 2022
IRS Intesa San Paolo	28/12/2021	31/12/2027	30,000	Euro	2,514
IRS Credit Agricole	29/05/2017	28/06/2024	10,000	Euro	68
IRS Intesa San Paolo	19/06/2018	31/01/2024	15,000	Euro	77
IRS Banca Popolare Milano	20/06/2018	30/06/2025	25,000	Euro	434
IRS Banca Popolare Milano	06/06/2019	30/06/2025	15,000	Euro	322
IRS Credit Agricole	09/08/2019	28/12/2025	10,000	Euro	323
IRS Intesa San Paolo	25/09/2019	31/12/2024	20,000	Euro	325
Total			**125,000**		**4,063**

Sensitivity analysis related to interest rate risk

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

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

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

The table below highlights the results of the analysis:

(in Euro thousands)	Impact on Net Profit		Effect on Net Equity	
Change	+ 100 bps	- 100 bps	+ 100 bps	- 100 bps
FY 2023	(1,034)	1,034	(1,034)	1,034

For comparability with the previous year, a similar analysis at December 31, 2022 is presented below:

(in Euro thousands)	Impact on Net Profit		Effect on Net Equity	
Change	+ 100 bps	- 100 bps	+ 100 bps	- 100 bps
FY 2022	(626)	626	(626)	626

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

Raw material price risk

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

Specifically, the company implements a strategy to offset the price volatility risk of the commodities used through contractual hedging which are limited to price changes for raw materials, energy sources and partly, selling prices.

3.2 Credit risk

The Company’s exposure to credit risk relates to the possibility of insolvency (default) and/or in the deterioration of the credit rating of a counterparty and is managed through adequate valuation instruments of all counterparties by a dedicated department, utilising the appropriate instruments to carry out constant monitoring, on a daily basis, of the behaviour and credit rating of clients.

The company hedges its credit risk through insurance policies on the client exposure, undertaken with primary debt insurance companies. External companies providing corporate information are utilised both to initially evaluate the reliability and for on-going monitoring of the economic and financial situation of clients.

The following table provides a breakdown of trade receivables from third parties at December 31, 2023, grouped by due date and net of the doubtful debt provision:

(in Euro thousands)	December 31, 2023	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)	5,742	3,423	1,945	112	(2)	264
Credit Notes to Customers	(3,226)	(3,226)				
Non-guaranteed trade receivables (B)	677	461	61	1		154
Non-guaranteed trade receivables impaired (C)	199					199
Trade receivables before doubtful debt provision (A + B + C)	**3,392**	**658**	**2,006**	**113**	**(2)**	**617**
Doubtful debt provision	(315)					(315)
Trade receivables	**3,078**	**658**	**2,006**	**113**	**(1)**	**302**

For comparability with the previous year, a similar analysis at December 31, 2022 is presented below:

(in Euro thousands)	December 31, 2022	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)	4,509	2,441	796	935	43	294
Credit Notes to Customers	(3,686)	(3,686)				
Non-guaranteed trade receivables (B)	443	56	75	111	35	166
Non-guaranteed trade receivables impaired (C)	199					199
Trade receivables before doubtful debt provision (A + B + C)	**1,466**	**(1,189)**	**871**	**1,046**	**78**	**660**
Doubtful debt provision	(1,210)			(472)	(78)	(660)
Trade receivables	**256**	**(1,189)**	**871**	**574**		

3.3 Liquidity risk

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

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

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

The table below shows an analysis of amounts due, based on contractual repayment obligations, relating to financial liabilities, trade payables and other current and non-current liabilities as at December 31, 2023:

(in Euro thousands)	December 31, 2023	Within 1 year	Between 1 and 5 years	Beyond 5 years
Bond loan	70,649	13,258	51,677	5,714
Other current and non-current financial liabilities	305,469	80,323	222,565	2,581
Liabilities for intercompany RoU	1,509	285	1,224	
Loans from subsidiaries	14,027		14,027	
Trade payables	66,045	66,045		
Intercompany trade payables	62,230	62,230		
Other current and non-current liabilities	14,411	11,064	3,347	
Other current and non-current intercompany liabilities	3,946	3,946		

All the amounts in the table above refer to the nominal amounts not discounted, stated with regards to the residual contractual maturities, both in terms of the capital and interest portions. The company expects to meet these commitments through cash flows generated from operating activities and where necessary, through medium-term financing operations.

In this risk analysis, we add the more detailed conclusions of the Directors' Report on the impact of the spread of COVID-19 (coronavirus), the conflict between Russia and Ukraine and the most recent conflict between Israel and Palestine. In particular, it can be stated that - overall and based on the declaration of the World Health Organisation on the conclusion of the global health emergency - no impact and/or effect is seen (i) on the value of the assets shown in the financial statements (ii) on the recoverability of trade receivables (iii) on the net realisable value of inventories. As mentioned previously, the impact on the business thus far has remained, on the whole, limited. Therefore, no specific risks have been identified in terms of the ability of the Group and of Aquafil S.p.A. to meet its future commitments (including compliance with the "covenants" at December 31, 2024 set out in certain loan agreements) and/or which may impact the Group's ability to continue as a going concern.

With regards to the conflict between Russia and Ukraine and between Israel and Palestine, it is confirmed that this situation does not have direct impacts on the company, as currently not having (i) any investment in any the countries mentioned, nor (ii) financial instruments or liquidity in these currencies.

3.4 Climate change risks

The Company and the Aquafil Group is passionate about its environmental, social and governance policies and plays an active role in the community.

The Group's organisational structure for many years has considered the environmental impact of its processes and products and continuously assesses possible improvement actions, with an approach firmly focused on sustainability and circularity.

This structure particularly considers the consequences for its activities, processes and local organisations from climate change, whose risk is consistently monitored and assessed. It may be stated that no significant impacts are currently expected on the operating activities carried out in the various regions in which the Company and Group operates.

For further information regarding the Aquafil Group's sustainability goals and policies, please refer to the Non-Financial Report pursuant to Legislative Decree No. 254 of 2016 published on the Group's website at the same time as these financial statements.

4. MANAGEMENT OF CAPITAL

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

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

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

5. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

The tables below illustrate the breakdown of financial assets and liabilities of the Company required by IFRS 7, as per the categories identified by IFRS 9, at December 31, 2023:

(in Euro thousands)	Financial assets and liabilities measured at fair value through P&L	Loans and receivables	Financial liabilities at amortised cost	Total
Current and non-current financial assets	1,974			**1,974**
Current and non-current intercompany financial assets				
Equity investments in Group companies		333,710		**333,710**
Investments in other companies		164		**164**
Financial receivables from third parties		100		**100**
Current and non-current financial receivables from Group companies		35,437		**35,437**
Trade receivables		2,763		**2,763**
Trade receivables intercompany		76,632		**76,632**
Other receivables and non-current assets		3,609		**3,609**
Intercompany tax receivables		5,854		**5,854**
Cash and cash equivalents		72,746		**72,746**
Total	**1,974**	**531,016**		**532,989**
Current and non-current financial liabilities			375,498	**375,498**
Current and non-current intercompany RoU payables			1,509	**1,509**
Current and non-current intercompany financial liabilities			14,027	**14,027**
Trade payables to suppliers			65,699	**65,699**
Advances and other current payables			346	**346**
Intercompany trade payables			62,230	**62,230**
Other non-current liabilities			3,347	**3,347**
Other current liabilities			11,064	**11,064**
Intercompany tax payables			3,946	**3,946**
Derivative financial instruments	619			**619**
Total	**619**		**537,666**	**538,285**

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, 2023, on the basis of the level which reflects the inputs utilised in the determination of the fair value.

(in Euro thousands)	**December 31, 2023**	**December 31, 2022**
Derivative financial instruments – Liabilities	(619)	
Derivative financial instruments – Assets	1,974	4,063
Total	**1,354**	**4,063**

6. DISCLOSURE BY OPERATING SEGMENT

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

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

7. NOTES TO THE BALANCE SHEET

7.1 Intangible assets

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

(in migliaia Euro)	Patents & property rights - Know-how	Trademarks, concessions, licenses and similar	Other intangible assets	Intangible assets in progress	Total
Balance at December 31, 2021		**76**	**3,899**	**10,295**	**14,270**
Historic cost	*203*	*4,376*	*18,230*	*10,295*	***33,104***
Acc. amort.	*(203)*	*(4,300)*	*(14,331)*		***(18,834)***
Increase		56	1,137	991	**2,183**
Reclassifications		3	9,805	(9,798)	**9**
Decrease				(132)	**(132)**
Amortization		(40)	(3,584)		**(3,624)**
Balance at December 31, 2022		**95**	**11,256**	**1,355**	**12,705**
Historic cost	*203*	*4,434*	*29,172*	*1,355*	***35,164***
Acc. amort.	*(203)*	*(4,339)*	*(17,916)*		***(22,458)***
Increase			101	997	**1,097**
Reclassifications			280	(361)	**(82)**
Write-downs					
Decrease					
Amortization		(31)	(3,413)		**(3,444)**
Balance at December 31, 2023		**64**	**8,223**	**1,990**	**10,277**
Historic cost	*203*	*4,434*	*29,552*	*1,990*	***36,179***
Acc. amort.	*(203)*	*(4,370)*	*(21,329)*		***(25,902)***

The increases in the year, totalling Euro 1,097 thousand, mainly refer to the Information and Communication Technology activities represented by the costs of developing specific software implementation projects.

Other Intangible assets include the Company's investments in the development of new products and processes, including the "Effective" project coordinated by Aquafil and funded by the Bio-Based Industries Joint Undertaking (BBI JU) as part of the European Horizon 2020 research programme and focused on the production of bio-caprolactam. The bio-caprolactam production process was started in 2022 on a pilot basis, generating annual amortisation of Euro 1,821 over a five-year period.

7.2 Property, plant & equipment

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

(in migliaia Euro)	Land and Buildings	Plant & Equipment	Equipment	Other assets	Assets in progress and advances	Total before RoU	Right-of-Use	Total
Balance at December 31, 2021	**11,758**	**16,337**	**213**	**80**	**4,237**	**32,624**	**4,505**	**37,129**
Historic cost	*32,250*	*137,880*	*5,028*	*1,762*	*4,237*	*181,156*	*7,117*	***188,273***
Acc. deprec.	*(20,492)*	*(121,543)*	*(4,815)*	*(1,682)*		*(148,532)*	*(2,612)*	***(151,144)***
Increase	165	959	27	16	5,644	6,811	1,536	**8,347**
Reclassifications	1,477	1,451	6	15	(2,958)	(9)		**(9)**
Write-downs								
Decrease		(181)			(263)	(444)	(313)	**(756)**
Depreciation	(1,892)	(3,640)	(52)	(24)		(5,609)	(1,478)	**(7,087)**
Balance at December 31, 2022	**11,508**	**14,925**	**194**	**86**	**6,660**	**33,374**	**4,250**	**37,624**
Historical cost	*33,892*	*138,679*	*5,046*	*1,737*	*6,660*	*186,014*	*7,022*	***193,036***
Acc. deprec.	*(22,384)*	*(123,754)*	*(4,852)*	*(1,651)*		*(152,641)*	*(2,772)*	***(155,412)***
Increase	64	1,854	221	13	4,428	6,580	1,061	**7,641**
Reclassifications	235	2,461	81		(2,695)	82		**82**
Write-downs								
Decrease					(1,443)	(1,443)	(797)	**(2,240)**
Depreciation	(1,433)	(3,741)	(110)	(23)		(5,307)	(1,716)	**(7,022)**
Balance at December 31, 2023	**10,374**	**15,499**	**386**	**76**	**6,950**	**33,286**	**2,799**	**36,085**
Historic cost	*34,191*	*142,963*	*5,338*	*1,746*	*6,950*	*191,187*	*4,337*	***195,523***
Acc. deprec.	*(23,817)*	*(127,463)*	*(4,952)*	*(1,669)*		*(157,901)*	*(1,538)*	***(159,439)***

The increases in the year, overall amounting to Euro 7,641 thousand, principally relate to:
- for Euro 1,061 thousand the application of IFRS 16;
- for approx. Euro 1,588 thousand the technological improvement and upgrading of existing plant and equipment (mainly in progress);
- for approx. Euro 3,506 thousand for projects to improve production and industrial efficiency (the majority of which still ongoing).

The decreases however concern the sale of spinning systems to the subsidiary Aquafil USA, and to RoU decreases, as presented below.

The table below, in accordance with IFRS 16, presents the right-of-use of the non-current asset subject to the leasing contract. In particular this refers to buildings, equipment and transport and motor vehicles as illustrated in the table below:

(in Euro thousands)	Right-of-Use buildings	Right-of-Use equipment and transport vehicles	Right-of-Use motor vehicles	Total
Balance at January 1, 2022	**3,721**	**279**	**505**	**4,505**
Historical cost	*5,615*	*631*	*870*	***7,117***
Acc. deprec.	*(1,895)*	*(352)*	*(365)*	***(2,612)***
Increase	525	43	292	**861**
Decreases	(75)	(210)	(28)	**(314)**
Depreciation	(988)	(244)	(246)	**(1,478)**
Exchange rate differences				
Balance at December 31, 2022	**3,573**	**185**	**492**	**4,250**
Historic cost	*5,741*	*330*	*951*	***7,022***
Acc. deprec.	*(2,167)*	*(146)*	*(459)*	***(2,772)***
Increases	351	311	399	**1,061**
Decreases	(778)	(6)	(13)	**(797)**
Depreciation	(1,131)	(305)	(280)	**(1,716)**
Exchange rate differences				
Balance at December 31, 2023	**2,015**	**185**	**599**	**2,799**
Historic cost	*2,774*	*466*	*1,097*	***4,337***
Acc. deprec.	*(759)*	*(281)*	*(498)*	***(1,538)***

The decrease of Euro 778 thousand of Building right-of-use principally stems from the early conclusion of the lease contract between Aquafil and Aquafin Holding for the building located in San Martino Buon Albergo, owned by the latter.

At December 31, 2023, the company did not identify any impairment indicators relating to property, plant and equipment.

7.3 Current and non-current financial assets

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

(in Euro thousands)	December 31, 2023	December 31, 2022
Equity investments in Group companies	333,710	307,915
Investments in other companies	164	14
Non-current financial receivables parent companies		234
Escrow bank deposits and guarantee deposits	100	102
Non-current financial receivables from associates	29	29
Non-current financial receivables from subsidiaries	35,408	39,821
Current financial receivables from subsidiaries		950
Derivative financial instruments	1,974	4,063
Total	**371,385**	**353,127**
of which current	*1,974*	*5,013*
of which non-current	*369,412*	*348,114*

The breakdown of investments in subsidiaries and associates is illustrated below:

Company	Registered office	Holding	Opening balance	Increases	Write-downs	Total
Tessilquattro S.p.A.	Arco (IT)	100.00%	22,545			**22,545**
Aquafil USA Inc.	Cartersville (USA)	100.00%	124,298			**124,298**
Aquafil SLO d.o.o.	Ljubjiana (SLO)	100.00%	73,343	25,000		**98,343**
Aquafil Jiaxing Co. Ltd.	Jiaxing (CHN)	100.00%	53,523	1,348		**54,871**
Aquafil CRO d.o.o.	Oroslavje (CRO)	100.00%	11,730			**11,730**
Aquafil UK Ltd.	Ayrshire (UK)	100.00%				
Aquafil Asia Pacific Co. Ltd.	Rayoung (THA)	99.99%	8,608			**8,608**
Aqualeuna GmbH	Leuna (GER)	100.00%	10,964			**10,964**
Aquafil Tekstil Sanayi Ve Ticaret A.S.	Istanbul (TUR)	99.99%	557		(557)	
Aquafil Benelux France B.V.B.A.	Harelbake (BEL)	99.90%	99			**99**
Cenon S.r.o.	Zilina (SLO)	100.00%				
Aquafil India Private Ltd.	New Dehli (IND)	99.97%	6			**6**
Aquafil Oceania	Melbourne (AUS)	100.00%	32			**32**
Aquafil Japan Corp.	Tokyo (JPN)	100.00%	1,142			**1,142**
Bluloop S.r.l. Società Benefit	Arco (IT)	100.00%	50			**50**
Nofir AS	Bodo (NO)	31.66%	1,018			**1,018**
Polyservice	Lyon (FR)	45.00%		5		**5**
Total			**307,915**	**26,352**	**(557)**	**333,710**

The increase of the investment in Aquafil SLO d.o.o., in September 2023, was made through total capital contributions of Euro 25 million.

On May 8, 2023, a payment of Euro 1,348 thousand was made with a consequent increase in the investment held in Aquafil Jiaxing Co. Ltd.. This liquidity contribution was necessary in order to pay in the remainder of the capital subscribed and not yet settled into the subsidiary. Following the final payment, the entire share capital of the company Aquafil Jiaxing Co. Ltd has therefore been fully paid-in.

On August 6, 2023 Aquafil S.p.A. and Politecnici S.r.l. incorporated the company Poly-Service S.a.s., based in Lyon (France), with a share capital of Euro 10,000. Aquafil holds 45% of the company, while Politecnici S.r.l. holds 55%. The corporate purpose of the company is the design, production and marketing of plastics, rubber, nylon and related products, in addition to semi-finished, finished and recycled products based on plastics, particularly nylon, in addition to the collection of post-consumer plastics, rubber, nylon and related products and subsequent processing into secondary raw materials. No significant operations are reported as the company is in the start-up phase.

The subsidiary Aquafil Tekstil Sanayi was fully written-down in 2023 for Euro 557 thousand.

The write-down recorded in the year derives from the application of the impairment test on the investees where there were indicators of loss in value as described in paragraph 12 of international accounting standard IAS 36.

INVESTMENTS IN OTHER COMPANIES

The investments in other companies increased in view of the new investment which, in May 2023, was recognised for Euro 150 thousand in the company Karun World Ltd., with registered office in Warwick (Great Britain), equal to 1.83% of the share capital. The company is engaged in the environmentally-sustainable production of eyewear from the collection of waste materials, such as rope or fishing nets recovered from the coasts and mountains of Patagonia.

Investments in other companies mainly refer to the investment in Banca di Verona for Euro 11 thousand and the investment in the company Trentino Export S.c.a.r.l. for Euro 3 thousand.

ESCROW BANK DEPOSITS AND GUARANTEE DEPOSITS

The escrow bank deposits and guarantee deposits refer to guarantees provided to suppliers for various services.

FINANCIAL RECEIVABLES FROM SUBSIDIARIES, ASSOCIATES AND PARENT COMPANIES

The breakdown of current and non-current receivables parent companies, subsidiaries and associates is illustrated below:

(in Euro thousands)	**December 31, 2023**	*of which current*	**December 31, 2022**	*of which current*
AquafilSLO d.o.o.	30,000		35,200	
Aqualeuna GmbH	950		950	*950*
Aquaspace S.p.A.	29		29	
Aquafin Holding S.p.A.			234	
Aquafil Japan	4,158		4,621	
Bluloop	300			
Total	**35,437**		**41,034**	***950***

- **Aquafil SLO d.o.o.**

Residual receivables from the subsidiary consist of two loans:

- a loan granted in February 2022 for Euro 10,000 thousand with maturity in February 2025, whose residual payable is Euro 10,000 thousand;
- a second loan granted in August 2022 for Euro 20,000 thousand with maturity in July 2027, whose residual payable is Euro 20,000 thousand.

- **Aqualeuna GmbH**

The residual receivable from the subsidiary at December 31, 2023 was Euro 950 thousand.

- **Aquafil UK Ltd.**

The receivable from the subsidiary, totalling Euro 3,510 thousand, refers to loans granted in June 2021, December 2022 and October 2023.

Given the loss reported by the subsidiary, the financial receivable was completely written down.

- **Aquaspace**

The receivable from other related parties relates to guarantee deposits of Euro 29 thousand paid by the Company over a multi-year lease for the property located in Via del Garda 40 - Rovereto.

- **Aquafin Holding**

The receivable from the parent company concerned the deposit of Euro 234 thousand, which was fully reimbursed on December 21, 2023 following the mutual resolution of the multi-year lease for the property owned by Aquafin Holding located in San Martino Buon Albergo, Verona.

- **Aquafil Japan**

The loan to the Japanese subsidiary at December 31, 2023 amounted to Euro 4,158 thousand.

- **Bluloop S.r.l.**

The loan to the subsidiary was provided during the year in order to support its development phase, as the company was established in 2022.

DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of the derivative financial instruments (IRS - IRC), recognised to current financial assets, decreased by Euro 2 million, substantially due to the change in the market interest rate curve. As previously illustrated, "hedge accounting" was not applied to these derivatives as, although entered into for hedging purposes, have been considered 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.

7.4 Other non-current assets

In 2023, the final transfer was received to settle the receivable from the EU for the "Effective" research project co-ordinated by Aquafil and funded by Bio-Based Industries Joint Undertaking (BBI JU) as part of the European Horizon 2020 research programme, with the entire chain (from raw material manufacturers to brands) involved in validating the use of bio Nylon 6 and other bio-polymer consumer market products; reference should be made also to the Directors' Report for more details on the project.

In particular, with the signing of the agreement between the partners and other lenders, an overall amount of Euro 1.7 million was stipulated, with deferred income recognised under Other liabilities (Note 7.16) which was equal to Euro 673 thousand at December 31, 2023. The receivable was 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. Therefore, at December 31, 2023, the company did not have any residual receivable from the EU.

7.5 Deferred tax assets and liabilities

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

(in Euro thousands)	December 31, 2023	December 31, 2022
Deferred tax assets	6,721	2,172
Deferred tax liabilities	(13)	(13)
Total	**6,708**	**2,159**

The relative movement is comprised of:

(in Euro thousands)	At January 1, 2023	Provisions/ releases to net equity	Provisions/ releases to income P&L	At December 31, 2023
Deferred tax assets				
Provision for risks and charges	205		(72)	133
Doubtful debt provision	194		(118)	76
Measurement of employee benefits as per IAS 19	(23)	5	8	(10)
Intangible and tangible fixed assets	470		(108)	361
Tax losses	996		2,008	3,004
Inventories				
Other provisions	73			73
Application of the amortised cost method				
Derivative financial instruments				
ACE			345	345
Exchange rate differences	257		(94)	163
Interest expense (Art. 96 of Consolidated Income Tax Act)			2,575	2,575
Total deferred tax assets	**2,172**	**5**	**4,543**	**6,721**
Deferred tax liabilities				
Intangible and tangible fixed assets	(13)			(13)
Other				
Total deferred tax liabilities	**(13)**			**(13)**
Total net deferred tax assets	**2,159**	**5**	**4,543**	**6,708**
Total deferred tax assets and liabilities recognised to the income statement			**4,543**	

With regard to deferred tax assets:

- Deferred tax assets on the intangible and tangible fixed assets refer to the reversal of intangible fixed assets following the adoption of IAS accounting standards;
- deferred tax assets on tax losses of Euro 3,004 thousand refer to the mutual agreement procedure under Article 6 of the Convention for the elimination of double taxation in the case of the adjustment of profits of associated companies of July 23, 1990 No. 90/436/EEC - relating to the acceptance of the agreement by the competent financial administrations in Italy and Germany in relation to the tax year 2017. Similarly to 2016, on February 15, 2023 the Company submitted, pursuant to Article 3, paragraph 1, of Law No. 99 of March 22, 1993, a refund application for IRES and IRAP purposes to the Provincial Directorate of Trento for Euro 996 thousand and thus awaits the refund authorisation measure. The increase for the year of Euro 2,008 thousand (of which Euro 1,630 thousand for IRES and Euro 378 thousand for IRAP) refers to the mutual agreement procedure initiated on October 4, 2023, similarly to that undertaken for the 2017 tax period and as discussed in more detail in the Contingent Liabilities section.
- deferred tax assets of Euro 345 thousand were allocated during the year 2023 in reference to the accrued ACE benefit, which could not be used in the absence of positive assessable income;
- deferred tax assets of Euro 2,575 thousand were allocated during the year 2023, in relation to the amount of interest charges not deducted under the Income Tax law (TUIR) (Article 96), as the amount exceeds the limit of 30% of ROL, and will therefore be deducted in subsequent years.

The Company filed an evidential request concerning the non-application of the anti-evasion provisions of Article 10, paragraph 2 and paragraph 3, letters a) and c), of the new economic-development decree on the basis that amounts paid out by the Company, during the period 2011-2022, to non-resident companies of the Group and subject to the non-application request could not, directly or indirectly, be considered transfers to resident companies of the Group and, consequently, a duplication of the economic-development (ACE) benefit. On November 2, 2023, the Italian inland revenue office issued a favourable opinion on the non-applicability of the anti-evasion provisions of Article 10, paragraph 2 and paragraph 3, letters a) and c), of the new "ACE" decree.

In relation to "Deferred tax liabilities", the account "Intangible and tangible fixed assets" refers for Euro 13 thousand to the reversal of intangible assets following the adoption of IAS accounting standards.

7.6 Inventories

The changes in the account were as follows:

(in Euro thousands)	December 31, 2023	December 31, 2022
Raw materials, ancillary and consumables	17,035	21,497
Inventories of finished products and goods	39,816	43,907
Total	**56,851**	**65,404**

Inventories are recorded net of the obsolescence provision amounting to Euro 255 thousand and relates to slow moving prior stock.

The decrease is due to the dual effect of the decrease in prices of raw materials and industrial cost components and the decrease in volumes of stock at the end of the year, particularly of raw materials.

7.7 Trade receivables

The changes in the account were as follows:

(in Euro thousands)	December 31, 2023	December 31, 2022
Trade receivables	3,078	1,438
Parent, associates and other related parties	76,632	115,597
Doubtful debt provision	(315)	(1,210)
Total	**79,395**	**115,825**

The decrease in receivables is closely connected with the lower revenues, prices and the altered collection deadlines with the Group companies.

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

(in Euro thousands)	
Balance at January 1, 2023	**(1,210)**
Utilisations	113
Reversals	782
Balance at December 31, 2023	**(315)**

The utilisation of the doubtful debt provision relates to the closure of certain receivables arising in previous years deemed uncollectible. Releases are the result of an updated analysis of the collectability of trade receivables outstanding at the balance sheet date.

Reference should be made to the previous paragraph 3.2 for details on the credit risk management policy.

RECEIVABLES FROM SUBSIDIARIES, PARENT AND RELATED PARTIES

The account includes current trade receivables as follows:

(in Euro thousands)	December 31, 2023	December 31, 2022
Aquafil Asia Pacific Co.	232	163
Aquafil Engineering GmbH	2	2
Aquafil UK Limited	3,324	1,233
AquafilSLO d.o.o.	17,017	57,740
Aqualeuna GmbH	374	303
Aquafil Carpet Recycling	298	7
Aquafil Carpet Rec.#2		4
Aquaspace S.p.A.	33	34
Tessilquattro	38,079	29,114
Aquafil USA Inc.	10,647	23,501
Aquafin Holding S.p.A.	275	305
Aquafil Textil Sanayi	605	1,003
Aquafil China	5,191	1,940
Aquafil O'Mara	146	93
Aquafil Japan	397	33
Nofir	5	
Bluloop	5	121
Total	**76,632**	**115,597**

The decrease in trade receivables from subsidiaries, parent companies and related parties was mainly due to the decrease in the receivables from the subsidiaries Aquafil USA and Aquafil SLO, as a result of the Group's decreased sales.

7.8 Income tax receivables

There are no IRES receivables for current taxes.

7.9 Other current assets

The changes in the account were as follows:

(in Euro thousands)	December 31, 2023	December 31, 2022
Tax receivables	730	4,339
Supplier advances	224	399
Pension and social security institutions	57	162
Employee receivables	256	272
Tax receivables from parent	5,854	247
Tax receivables subsidiaries		
Other receivables	220	246
Prepayments and accrued income	2,123	1,697
Total	**9,463**	**7,361**

The following is specified in relation to the above items:

- "Tax receivables": principally refer to:
  - for Euro 132 thousand the recovery of VAT from insolvency procedures;
  - Euro 282 thousand in tax credits determined pursuant to Article 1, paragraph 35, of Law No. 190 of 23/12/2014 and subsequent amendments, and determined as follows: 1. for fundamental research, industrial research and experimental development in science and technology, the tax credit is recognised at 10% of the eligible expenses; 2. for technological innovation for the creation of new or substantially improved products or production processes, the tax credit is recognised at 10% of the eligible expenses; 3. the tax credit is recognised at 10% of the eligible expenses for technological innovation aimed at achieving an objective of digital innovation 4.0;
  - for Euro 85 thousand receivables for withholding taxes on dividends received from the subsidiaries Aquafil Jiaxing and Aquafil Asia Pacific.

- “Supplier advances”: these refer mainly for Euro 224 thousand in advances for services yet to be provided.
- “Tax receivables from parents”: for Euro 5,854 thousand these refer to tax receivables from Aquafin Holding S.p.A. generated by the transfer of the tax losses of Aquafil S.p.A., Tessilquattro S.p.A. e Bluloop S.rl. Benefit Company to the tax consolidation, with Aquafin Holding S.p.A. as the consolidating entity, but through Aquafil S.p.A., which per the tax consolidation agreement remains responsible for netting in the calculation of tax receivables and payables relating to IRES (company income tax) as per Article 228 et seq. of the Income Tax Law. The significant increase mainly stems from the tax loss of Aquafil S.p.A., following the reporting of a net loss for the year, which in the context of the tax consolidation increased the receivable from the consolidated Aquafin Holding S.p.A..
- “Other receivables”: The balance refers for Euro 220 thousand to the European CISUFLO project within the scope of the Ecodesign activities: CIrcularSUstainableFLOorcovering with 17 consortium members in which Aquafil participates as PA6 producer & recycler with the specific role of verifying in pilot and industrial tests the recyclability of the carpets developed with the new design criteria; the project kick-off meeting between all consortium members took place on June 16, 2021, for a total development of approx. 4 years; The first tranche of the reporting period for Euro 26 thousand was received in 2023;
- “Prepayments and accrued income”: these mainly refer to prepayments for insurance premiums for Euro 165 thousand, information and communication technology consultancy fees invoiced in advance of completion of service for Euro 467 thousand, prepayments for electrical system charges for Euro 726, prepayments for purchases of maintenance materials for Euro 94 thousand, personnel training grants for Euro 393 thousand, and costs related to the SACE guarantee for Euro 45 thousand.

7.10 Cash and cash equivalents

The account is comprised of:

(in Euro thousands)	December 31, 2023	December 31, 2022
Cash and equivalents	8	10
Bank and postal deposits	72,737	52,702
Total	**72,746**	**52,713**

The account refers to the company’s current account balances.

The breakdown of cash and cash equivalents by currencies is illustrated in the table below:

(in Euro thousands)	December 31, 2023
EUR	59,924
USD	11,821
GBP	1
JPY	991
Total	**72,737**

The Company has maintained an adequate level of available liquidity as a prudent measure in order to reduce liquidity risk and also so as to combat the potential impact of the ongoing conflicts.

For further details, reference should be made to the cash flow statement.

We highlight the following with regards to loans in the year: new medium-term unsecured loans agreed by Aquafil S.p.A. for a total amount of Euro 100 million, of which Euro 40 million with SACE “Supportitalia” guarantees, against the repayment of outstanding loans in 2023 for a total of Euro 58.8 million. Borrowings are detailed in the Explanatory Notes.

There were no restrictions on liquidity.

7.11 Assets held for sale

The account includes machinery constructed internally for installation at other companies of the Group for Euro 703 thousand. The decrease on the previous year mainly concerns the sales of the spinning lines transferred to the US subsidiary Aquafil USA.

7.12 Shareholders' Equity

Share capital

At December 31, 2023, the Company authorised share capital amounted to Euro 50,522 thousand, whose subscribed and paid-up capital amounts to Euro 49,722 thousand, while the unsubscribed and unpaid portion relates to, for Euro 800 thousand, 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:

- 42,902,774 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.

The share capital of the company amounts to Euro 49,722,417; the number of ordinary shares is 42,902,774, with 8,316,020 class B shares and a total therefore of 51,218,794 shares.

The breakdown of Aquafil S.p.A.'s subscribed and paid-up share capital at December 31, 2023 is shown below:

Type of shares	No. shares	% of Share capital	Listing
Ordinary	42,902,774	83.76%	MTA, STAR Segment
Class B	8,316,020	16.24%	Non-listed
Class C			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, 2023 — i.e. considering Aquafil S.p.A.'s qualification as an SME pursuant to Article 1 (w-*quater*). 1 of the CFA, of a shareholding of greater than 5% of Aquafil S.p.A. share capital with voting rights.

The declarant or subject at the top of the equity chain	Direct shareholder	Type of shares	No. shares	No. votes
GB&P S.r.l.	Aquafin Holding S.p.A.	Ordinary	21,554,705	21,554,705
		Class B	8,316,020	24,948,060
Total			**29,870,725**	**46,502,765**
Holding			**58.32%**	**68.54%**

The availability and distributability of shareholders' equity is outlined in the following table:

Description	Amount	Origin	Possibility of utilisation	Quota available
Share capital	49,722,417			
Legal reserve	2,053,359	Of profits	B	2,053,359
Share premium reserve	19,975,348	Of capital (*)	A, B	19,975,348
Negative reserve for treasury shares in portfolio	(8,612,054)	Of share capital		
Non-distributable reserve for listing costs	(3,287,529)	Of share capital		
FTA Reserve	(2,156,097)	Of share capital		
IAS 19 reserve	(198,021)	Of share capital		
Total capital reserves	**5,721,648**			
Other reserves	50,575,624	Of profits	A, B, C	50,575,624
- Retained earnings		Of profits	A, B, C	
Total profit reserves	**52,628,983**			**50,575,624**
Profit/(loss) for the year	(5,641,004)			
Total Shareholders' Equity	**102,432,043**			
Non-distributable reserve	1,990,244	(**)		
Distributable reserve	48,585,380			

(*) The share premium reserve is distributable when the legal reserve reaches one-fifth of the share capital.
(**) Non-distributable portion equal to intangible assets in progress.

Warrants

The following were initially issued on listing:

(i) 7,499,984 Aquafil Market Warrants, listed and identified by the ISIN Code IT0005241200, which incorporate the right to the allocation of Aquafil S.p.A. shares of Conversion Market Warrants and are exercisable under the conditions set out in the relative regulation approved by the Space3 extraordinary shareholders' meeting by resolution of December 23, 2016. Pursuant to the Aquafil S.p.A. Market Warrant Regulation (ISIN IT0005241200), December 4, 2022 was the deadline for the exercise of the Aquafil Warrants financial instruments, as 60 (sixty) months had elapsed since the date of admission to listing of Aquafil's ordinary shares (ISIN IT0005241192);

(ii) 800,000 Aquafil Sponsor Warrants, identified by the ISIN Code IT0005241754, non-listed and exercisable within ten years from the date of December 4, 2017, payable at the unit exercise price of Euro 13.00 (on achieving a "Strike Price" of Euro 13.00), in response to the allocation of an Aquafil Share of Aquafil Conversion Sponsor Warrants for each Sponsor Warrant exercised.

It should be noted that on December 4, 2022, the exercise deadline for the Aquafil Warrants financial instruments concluded, and therefore as of December 31, 2022, 2,014,322 Aquafil Market Warrants have been converted with the allotment of 498,716 Conversion Shares. As of December 31, 2023, therefore, no other Market Warrants are outstanding, while it is noted that no Aquafil Sponsor Warrants have been converted.

Legal reserve

The legal reserve at December 31, 2023 was equal to Euro 2,053 thousand; the increase of Euro 797 thousand was approved by the Shareholders' Meeting of April 27, 2023 which allocated to this reserve one twentieth of the profit for the year 2022.

Share premium reserve

The share premium reserve amounted to Euro 19,975 thousand at December 31, 2023 and is derived from the merger transaction between Aquafil S.p.A. and Space 3 S.p.A. on December 4, 2017.

Negative reserve for treasury shares in portfolio

The negative reserve for treasury shares in portfolio totalled Euro 8,612,054 at December 31, 2023. It should be noted that, on October 20, 2021, Aquafil S.p.A. announced that the Company's Shareholders authorised the purchase of treasury shares in accordance with Article 2357 of the Italian Civil Code. This authorisation by Shareholders has a duration of 18 months from the date of the authorising resolution. The operation is aimed at enabling the Company to purchase and/or make use of the Company's ordinary shares for: (i) making investments and limiting anomalous changes in share prices so as to promote regular trading outside of normal fluctuations tied to market trends, while, in any event, observing applicable laws and regulations; and (ii) establishing a securities reserve for future uses in accordance with the strategies that the Company intends to pursue as payment in corporate transactions with other parties or other extraordinary uses. The Shareholders authorised the purchase, in one or more tranches, of ordinary shares up to a maximum number which, taking account of the ordinary shares which may be held in portfolio by the company and by its subsidiary, does not total more than 3% of share capital.

On December 31, 2023, following the purchases made, Aquafil held 1,278,450 treasury shares, equal to 2.4961% of the share capital.

Listing costs/Share capital increase reserve
This item amounted to Euro 3,287 thousand at December 31, 2023, as a decrease in shareholders' equity and relates to the costs incurred in 2017 for the listing and thereafter the share capital increase.

"First Time Adoption" Reserve (FTA)
The FTA reserve amounts to Euro 2,156 thousand, as a reduction of net equity, and represents the conversion effects from Italian GAAP to IFRS.

IAS 19 reserve
At December 31, 2023, the IAS 19 reserve was equal to a Euro 198 thousand reduction in shareholders' equity and includes the actuarial effects at that date of severance indemnities and all the other benefits for employees of Group companies.

Retained earnings
Following the Shareholders' Meeting resolution of April 27, 2023, the retained earnings of Euro 30,996 thousand was allocated to increase the extraordinary reserve, both having the same nature.

Extraordinary Reserve
At December 31, 2023, they amount to Euro 50,575 thousand. The increase of Euro 34,138 thousand on the previous year follows the allocation of the Retained earnings and of the 2022 net profit not allocated to dividend.

Dividends
The Shareholders' **Meeting of April 27**, 2023 **approved the distribution of** dividends, with the payment to shareholders of a dividend of Euro 0.24 per share, for a total of Euro 12 million.

7.13 Employee benefits

The account is comprised of:

(in Euro thousands)	
Balance at December 31, 2022	**1,805**
Financial charges	58
Advances and settlements	(305)
Actuarial (gain)/Loss	22
Balance at December 31, 2023	**1,580**

The post-employment benefits provision includes the effects of discounting as required by the IAS 19 accounting standard.

For completeness the table below shows the changes in the previous year:

(in Euro thousands)	
Balance at December 31, 2021	**2,176**
Financial charges	29
Advances and settlements	(172)
Actuarial (gain)/Loss	(228)
Balance at December 31, 2022	**1,805**

The following is a breakdown of the main economic and demographic assumptions used for actuarial valuations:

Financial assumptions	**December 31, 2023**
Discount rate	2.95%
Inflation rate	2.00%
Annual increase in employee leaving indemnity	3.00%
Demographic assumptions	
Death	The RG48 mortality tables published by the General State Controller
Disability	INPS tables by age and gender
Retirement	100% on satisfying AGO requirements
Annual frequency of Turnover and leaving indemnity advances	
Frequency advances	4.50%
Frequency turnover	2.50%

The bond's financial average duration at December 31, 2023 is approximately 7 years.

For comparability with the previous year a breakdown of the main economic and demographic assumptions used for actuarial valuations at December 31, 2022 is shown below:

Financial assumptions	**December 31, 2022**
Discount rate	3.57%
Inflation rate	2.30%
Annual increase in employee leaving indemnity	3.23%
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%

7.14 Current and non-current financial liabilities

The account is comprised of:

(in Euro thousands)	December 31, 2023	*of which current portion*	December 31, 2022	*of which current portion*
Medium/long term bank loans	301,010	*76,865*	259,688	*59,911*
Accrued interest and charges on medium/long-term bank loans	(5)	*(5)*	(379)	*(379)*
Total medium/long-term loans	**301,005**	***76,859***	**259,310**	***59,533***
Bond loans	70,248	*12,857*	83,158	*12,857*
Accrued interest and charges on bonds	401	*401*	251	*251*
Total bond loan	**70,649**	***13,258***	**83,409**	***13,108***
Current and non-current RoU liabilities	3,000	*775*	4,401	*1,379*
Financing payables to Finest S.p.A.				
Liabilities for derivative financial instruments	619	*619*		
Other lenders and banks – short term	2,354	*2,354*	1,106	*1,106*
Loans intercompany	14,027		8,438	
Parent company loans				
Total	**391,653**	***93,865***	**356,664**	***75,126***

Medium/long term bank loans

This account refers to payables relating to financing agreements obtained from major credit institutions. These agreements mainly envisage the payment of interest at a fixed rate or, alternatively, at a variable rate typically linked to the Euribor rate for the period plus a spread.

At the end of the year, all of the Group's loans were contracted by Aquafil S.p.A., which supports through loans and capital increases the investment activities of its subsidiaries.

Aquafil S.p.A. in 2023 maintained its levels of liquidity, which had significantly increased in the previous two years, partly with a view to maintaining liquidity in consideration of the conflicts between Russia and Ukraine and in the Middle East. In 2023, the loans were settled on schedule and new medium/long-term loans were agreed for a total amount of Euro 100 million with leading banks.

The two new medium-term loans, for an amount of Euro 20 million each, the first with Monte dei Paschi di Siena and the second with Intesa SanPaolo, are supported by the SACE "Supportitalia" guarantee (Article 15 of Legislative Decree No. 50 of 17.5.2022).

The funds raised were used to maintain liquidity.

(in Euro thousands)	Original amount	Granting date	Maturity date	Loan repayments	Rate applied	Al December 31, 2023	*of which current portion*
Medium/long term bank loans - fixed rate							
Cassa Centrale Banca – Credito Cooperativo del Nord Est (former Casse Rurali Trentine) (*)	15,000	2019	2026	Quarterly from 30/09/2021	1.25% fixed from 01/07/2024 Euribor 3 months + 1.00%	7,617	2,977
Cassa Centrale Banca (*)	11,000	2022	2029	Quarterly from 31/12/2023	1.20% fixed from 01/04/2026 Euribor 3 months + 1.00%	10,516	1,952
Crédit Agricole (former Credito Valtellinese) (*)	15,000	2018	2024	Quarterly from 05/10/2018	1% fixed	3,259	3,259
Cassa Depositi e Prestiti (*)	20,000	2020	2027	Half-yearly from 20/06/2023	1.48% fixed	16,000	4,000
Total medium/long term bank loans - fixed rate						**37,391**	**12,188**
Medium/long term bank loans - variable rate							
Deutsche Bank (*)	5,000	2018	2024	Quarterly from 15/01/2019	Euribor 3 months +1.20%	938	938
Deutsche Bank (*)	20,000	2022	2028	Quarterly from 01/10/2023	Euribor 3 months +1.20%	18,000	4,000
Sparkasse - Cassa Risparmio di Bolzano (*)	20,000	2018	2025	Quarterly from 31/03/2020	Euribor 3 months + 0.85%	8,102	4,034
Sparkasse - Cassa Risparmio di Bolzano (*)	10,000	2022	2028	Quarterly from 31/12/2024	Euribor 3 months + 1.05%	10,000	600
Banca Intesa (*)(**)	15,000	2018	2024	Half-yearly from 31/07/2019	Euribor 6 months + 0.95%	2,571	2,571
Banca Intesa (*)(**)	30,000	2021	2027	Half-yearly from 30/06/2023	Euribor 6 months + 1.10%	24,000	6,000
Banca Intesa (*)	20,000	2023	2028	Quarterly from 31/12/2025	Euribor 3 months + 0.95% + SACE	20,000	
Banca di Verona	15,000	2017	2024	Quarterly from 30/06/2017	Euribor 3 months + 2%	3,275	3,275
Banca di Verona	3,000	2019	2024	Quarterly from 06/08/2021	Euribor 3 months + 1.30%	1,182	1,182
Banca di Verona	5,000	2022	2027	Quarterly from 27/04/2024	Euribor 6 months + 1.20%	5,000	570
Banca di Verona	5,000	2023	2028	Quarterly from 04/07/2024	Euribor 3 months + 1.20%	5,000	388
Banca Popolare di Milano (*) (**)	25,000	2018	2026	Quarterly from 31/03/2020	Euribor 3 months + 0.90%	11,673	4,492
Banca Popolare di Milano (*) (**)	15,000	2019	2025	Quarterly from 30/09/2020	Euribor 3 months + 1.05%	6,173	3,010
Banca Popolare di Milano (*)	15,000	2023	2028	Quarterly from 30/09/2023	Euribor 3 months + 1.15%	13,657	2,772
Banca Popolare Emilia Romagna (*) (**)	10,000	2019	2025	Monthly from 26/09/2020	Euribor 3 months + 0.75%	4,203	2,516
Banca Nazionale del Lavoro (*)	7,500	2018	2025	Half-yearly from 31/12/2019	Euribor 6 months +1.40%	2,727	2,045
Banca Nazionale del Lavoro (*)	12,500	2018	2025	Half-yearly from 31/12/2019	Euribor 6 months +1.25%	4,545	3,409
Banca Nazionale del Lavoro (*)	20,000	2022	2027	Quarterly from 08/12/2023	Euribor 3 months + 1.40%	18,750	5,000
Banca Nazionale del Lavoro (*) (***)	10,000	2023	2028	Quarterly from 05/10/2024	Euribor 3 months + 1.55%	10,000	625
Crédit Agricole (former Banca Popolare Friuladria) (*) (**)	10,000	2017	2025	Quarterly from 31/03/2019	Euribor 3 months + 1.30%	2,814	1,852
Crédit Agricole (former Banca Popolare Friuladria) (*) (**)	10,000	2019	2025	Half-yearly from 28/12/2020	Euribor 6 months + 1.05%	3,636	1,818
Crédit Agricole (former Banca Popolare Friuladria) (*)	10,000	2023	2029	Half-yearly from 30/09/2024	Euribor 6 months + 1.35%	10,000	795
Monte dei Paschi (*)	15,000	2018	2025	Half-yearly from 31/12/2019	Euribor 6 months + 0.80%	5,625	3,750
Monte dei Paschi (*) (**)	20,000	2023	2028	Quarterly from 30/09/2025	Euribor 3 months + 0.75% + SACE	20,000	
Crediti Emiliano	5,000	2022	2027	Quarterly from 16/09/2023	Euribor 3 months + 0.90%	4,494	1,043
MCC - Banca del Mezzogiorno (*)	10,000	2019	2026	Quarterly from 09/11/2020	Euribor 3 months + 1.20%	4,500	2,000
MCC - Banca del Mezzogiorno (*)	15,000	2023	2028	Quarterly from 30/06/2025	Euribor 3 months + 1.20%	15,000	
Cassa Depositi e Prestiti (*)	20,000	2022	2027	Half-yearly from 30/06/2024	Euribor 6 months + 1.55%	20,000	5,000
Mediocredito Trentino Alto Adige	3,000	2022	2026	Half-yearly from 15/10/2023	0.85% fixed until 15/10/2022 Euribor 3 months + 1%	2,753	994
Volksbank	5,000	2023	2028	Quarterly from 31/03/2025	Euribor 3 months + 1.60%	5,000	
Total medium/long term bank loans - variable rate						**263,619**	**64,677**
Accrued interest on medium/long term bank loans						(5)	(5)
Total medium/long term bank loans - fixed and variable rate						**301,005**	**76,859**

(*) 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.

(***) Loan to which an interest rate collar contract is coupled, as a result of which the interest combines a long position in an interest rate cap and a short position in an interest rate floor. At the end of each reporting period, if the difference between the variable interest rate and the cap rate is positive, the cap seller pays the buyer that difference; if, however, the variable rate is lower than the floor rate, the floor seller must pay the difference between the two rates. If the variable rate reaches values between the cap rate and the cap floor, no payment is made.

Certain loan agreements provide for compliance with financial and equity covenants (expressed at consolidated Group level), as summarised below:

Loan	Period	Parameter	Reference	Limit
Crédit Agricole (former Banca Friuladria)	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Crédit Agricole (former Banca Friuladria)	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 4.00
Banca Intesa San Paolo	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Sparkasse - Cassa di risparmio di Bolzano	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Banca Nazionale del Lavoro	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Banca Popolare di Milano	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Crédit Agricole	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Deutsche Bank	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Monte dei Paschi di Siena	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
Casse Centrale Banca C.R. Trentine	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
BPER Banca Popolare Emilia Romagna	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75
MCC/Banca del Mezzogiorno	Annually	Net Debt/Net Equity	Group	< 2.50
	Annually	Net Debt/EBITDA		< 3.75
CDP - Cassa Depositi e Prestiti	Annually	Net Debt/Net Equity	Group	≤ 2.50
	Annually	Net Debt/EBITDA		≤ 3.75

In relation to the financial covenants established in the bond and loan agreements detailed above, the Group prudently obtained before the end of the financial year:

1. by the lenders, the "holiday" covenant for verification of the consolidated "NFP/EBITDA leverage ratio" and of the "NFP/Shareholders' Equity" covenant for the year ended December 31, 2023, and for the cases applicable to the consolidated half-year report at June 30, 2024, with the return to contractual status at December 31, 2024;
2. by the bond subscribers the redrafting of the following financial covenants:
    - "NFP/EBITDA leverage ratio" financial covenant to 5.50 and the return to contractual status at December 31, 2024;
    - Consolidated "Interest Coverage Ratio" from 4 to 2.50 at December 31, 2023, to 3 at December 31, 2024, and to 3.5 at December 31, 2025.

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

Bond loans

The Company had issued two fixed-rate bond loans for an original total value of Euro 90 million:

1. a first bond loan ("A"), initially issued on June 23, 2015 and subscribed by companies belonging to the US Group Prudential Financial Inc., with a value equal to Euro 50 million, to be repaid in 7 equal instalments of Euro 7.1 million, of which final maturity on September 20, 2028, with residual debt at December 31, 2023 of Euro 35.7 million; the loan is subject to a fixed interest rate of 3.70% with the application of a "margin ratchet" 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. The NFP/EBITDA ratio at December 31, 2022, resulted in a rate increase from 3.70% to 4.20% for the following six-month period (from March to September 2023). Due to the NFP/EBITDA ratio at June 30, 2023, the interest rate increased from 4.20% to 4.70%, which remains valid until March 2024.
2. a second bond "B" was issued on May 24, 2019, to finance the business combination of Aquafil O'Mara Inc., and subscribed by companies belonging to the US Group Prudential Financial Inc. for a total of Euro 40 million; the terms provide for repayment in 7 annual instalments from May 24, 2023, the remaining balance of which was Euro 34.3 million at December 31, 2023; the fixed interest rate is equal to 1.87%, with the application of the same margin ratchet condition as for bond "A". As a result of the NFP/EBITDA ratio at June 30, 2022, the interest rate remained at 1.87% until May 2023, then increased to 2.37% for the period May–November 2023 as a result of the ratio at December 31, 2022. Due to the NFP/EBITDA ratio at June 30, 2023, the interest rate increased to 2.87% until May 2024.

The following table summarises the main characteristics of the aforementioned bond loans:

Bond loan	Total nominal value	Issue date	Maturity date	Capital portion repayment plan	Interest rate applied
Bond loan A	50,000,000	23/06/2015	20/09/2028	7 annual instalments from 20/09/2022	4.70%
Bond loan B	40,000,000	24/05/2019	24/05/2029	7 annual instalments from 24/05/2023	2.87%

Bond loans envisage compliance with the following financial covenants, as contractually defined, to be calculated on the basis of the Group's consolidated financial statements:

Bond loan A – B

Financial parameters	Parameter	Covenant limit
Interest Coverage Ratio	EBITDA/Net financial charges	> 2.5
Leverage Ratio (*)	Net Debt/EBITDA	< 3.75
Net Debt Ratio	Net Debt/Net Equity	Minimum Net Equity threshold levels

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

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

The terms and conditions of the above bond loans also envisage, as is customary for financial transactions of this type, a structured series of commitments to be borne by the Company and Group companies ("Affirmative Covenants") and a series of limitations on the possibility of carrying out certain transactions, if not in compliance with certain financial parameters or specific exceptions provided for by the agreement with the bondholders ("Negative Covenants"). Specifically, there are in fact certain limitations on the assumption of financial debt, on carrying out certain investments and on acts of disposal of corporate assets. To ensure the timely and correct fulfilment of obligations arising on account of the Parent Company from the issue of securities, the companies Aquafil Usa Inc. and Aquafil SLO d.o.o. have issued joint corporate guarantees in favour of underwriters:

Lease liability

The lease liability, which amounts to Euro 3,000 thousand, refers to the effects of the application of IFRS 16.

During December 2023, the existing lease agreement between Aquafil and Aquafin Holding regarding the warehouse located in San Martino Buon Albergo owned by the latter was terminated by mutual consent, leading to a decrease in the related balance.

Loans intercompany

The loan granted to the subsidiary Aquafil Jiaxing Co. Ltd. for USD 15,500 thousand (equating to Euro 14,027 thousand) was confirmed as outstanding at December 31, 2023. This loan increased by USD 6,500 thousand in early 2023.

7.15 Provisions for risks and charges

The account is comprised of:

(in Euro thousands)	December 31, 2023	December 31, 2022
Other provisions for risks and charges	485	
Agents' supplementary indemnity provision	830	1,083
Total	**1,315**	**1,083**

The movements in “Other provisions for risks and charges” were as follows:

(in Euro thousands)	
Balance at January 1, 2023	
Increases	485
Decreases	
Balance at December 31, 2023	**485**

The amount of Euro 485 thousand recognised to “Other provisions for risks and charges” concerns the audit carried out by the Trento Finance Police, which initiated a general audit on the tax periods of 2018, 2019, 2020 and 2021, and which concluded with notification of a tax audit report (”PVC”) (as outlined in detail in the “Contingent Liabilities” paragraph). The tax audit report indicates that the findings of the auditors contain numerous aspects, which have already been accepted by the Trento Tax Agency as part of the settlement procedures for the audits concerning 2015, 2016 and 2017. It is therefore likely that, following a settlement procedure that may be activated by the Company, pursuant to Article 6(2) of Legislative Decree 218/1997, after the notification of the tax assessment, the findings could be determined in a total of Euro 1,769 thousand, thus with a potential income tax and IRAP burden for the Company estimated at Euro 485 thousand.

It should be noted that, in the PVC, penalties were not applied on the transfer pricing issues, as the documentation was deemed adequate.

The changes in the “Agents’ supplementary indemnity provision” were as follows:

(in Euro thousands)	
Balance at January 1, 2023	**1,083**
Increases	47
Decreases	(300)
Balance at December 31, 2023	**830**

The decrease in the provision concerns the utilisation for the payment of the indemnity to an agent, following conclusion of the agency relationship.

7.16 Other current and non-current liabilities

(in Euro thousands)	**December 31, 2023**	*of which current portion*	**December 31, 2022**	*of which current portion*
Tax payables	1,554	*1,554*	1,419	*1,419*
Employee payables	5,258	*5,258*	7,083	*7,083*
Payables to social security institutions	1,667	*1,667*	1,765	*1,765*
VAT payables	607	*607*		
Tax payables to subsidiaries	3,946	*3,946*	2,830	*2,830*
Other current and non-current liabilities	5,325	*1,978*	8,739	*2,706*
Total	**18,357**	***15,010***	**21,836**	***15,804***

The account is comprised of:
- “Tax payables” mainly include withholding taxes and other tax payables.
- the decrease in “Employee payables” mainly concerns the fact that working hours reduced during the year, in addition to the absence of bonuses as the set financial targets were not achieved;
- “Social security payables” which mainly includes the amount owed at year-end by the Company and its employees to social security institutions;
- “Subsidiaries for taxes” which entirely refers to payables to Tessilquattro S.p.A. and Bluloop S.r.l. accrued as a result of the transfer of the latter’s tax losses to Aquafin Holding S.p.A. in its role as tax consolidation entity. Specifically, in accordance with the consolidation agreement, Aquafil S.p.A. is responsible for netting between group companies and the tax consolidation entity Aquafin Holding S.p.A.. In fact, an identical opposite amount has been recognised under “Tax receivables from parents” as described above;
- “Accrued liabilities and deferred income” mainly comprise:
  - the commercial contract with the US group Interface, involving a worldwide collaboration for supply and product development. In particular, Aquafil S.p.A. undertook an obligation until 2026 to guarantee Interface conditions of supply, against which the

client, in addition to committing to annual minimum volumes, paid to Aquafil USD 24 million in advance. At December 31, 2023, this deferred revenue (recognised to deferred income) amounts to Euro 4.2 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 the notes above. The original deferred income recognised for Euro 1.7 million which concerns the overall contribution recorded at the signing date of the agreement with lending banks (with counter-entry to Other non-current assets), amounts to Euro 673 thousand at December 31, 2023. It should be noted that from 2019 onwards, costs relating to the EFFECTIVE project have been capitalised under intangible assets in progress for the portion eligible under IAS 38. The residual contribution concerning the capitalised portion is recognised to the income statement from the present year, as the asset is capitalised and therefore amortised.

7.17 Trade payables

The account is comprised of:

(in Euro thousands)	December 31, 2023	December 31, 2022
Trade payables - suppliers	65,699	75,648
Intercompany trade payables	62,230	70,824
Advances and other payables	346	368
Total	**128,275**	**146,840**

At December 31, there were no debts falling due over five years in the balance sheet.

Intercompany trade payables refer to payables deriving from purchases related to the production cycle and are as follows:

(in Euro thousands)	December 31, 2023	December 31, 2022
Aquafil Asia Pacific Co.	1,543	
Aquafil UK Limited	3,030	1,831
AquafilSLO d.o.o.	22,836	37,230
Aquafil Oceania Pty Ltd.	103	101
AquafilCRO d.o.o.	4,732	4,399
Aquaspace S.p.A.	95	54
Tessilquattro	20,346	14,600
Aquafil USA Inc.	34	42
Aquafin Holding S.p.A.	184	
Aquafil Textil Sanayi	10	12
Aquafil China	9,243	12,454
Aquafil Benelux France B.V.B.A.	70	84
La Torre Società Agricola		16
Total	**62,230**	**70,824**

The decrease in trade payables is mainly due to the lower production costs (in particular raw materials and energy), as outlined in paragraphs 8.3 and 8.4. It is noted that at year-end approx. Euro 2.6 million had been ceded under confirming mode at market conditions. Considering that the relative financial cost is not significant, the nature of these payables remains commercial.

7.18 Current tax payables

For 2023, the payable for current taxes was not recognised in relation to the position to the Tax Authorities for IRAP, as the net production value was negative.

For the year under review, Aquafil S.p.A. calculated IRAP by the method established for financial companies, in light of the new legislation on financial holding companies, at the increased rate of 4.65%. For further information, reference should be made to Note 8.14 below.

8. NOTES TO THE INCOME STATEMENT

8.1 Revenues

The breakdown of revenues is shown below:

(in Euro thousands)	2023	2022
EMEA	432,730	554,130
North America	31,159	82,209
Asia and Oceania	54,554	57,975
Rest of the world	1	29
Total	**518,444**	**694,343**

In accordance with IFRS 15, revenues include, as a direct reduction in their amount, cash discounts, which amount to Euro 2,368 thousand in 2023.

The decrease is due both to a reduction in quantities sold during the year and a decrease in sales prices, due to their alignment with the lower costs for raw materials and other production factors, mainly energy and transport.

8.2 Other revenues and income

"Other revenues and income" amount to Euro 2,551 thousand and refers mainly to:
- Euro 2,008 thousand for the energy and gas tax credit subsidy granted during the year for electricity-intensive and natural gas-intensive companies that have met the requirements under the regulations (Decree Law No. 4 of 27/1/2022 and subsequent, Law No. 197, Decree Law No. 34 of 2023);
- Euro 224 thousand regarding the portion in the year of the grant recognised by the EU for the "Effective" research project;
- Euro 92 thousand related to the tax credit accrued on the research and development expenses incurred in 2023 and determined as per Article 1, paragraph 35 of Law No. 190 of December 23, 2014;
- Euro 227 thousand for the tax credit on the purchase of capital goods, the purchase of "superbonus" credits and for the contribution recognised by the EU for the "Cisuflo" project.

8.3 Raw material costs

The account includes raw materials and consumables costs, in addition to changes in inventories. This decrease reflects the price of oil and of its derivatives, in addition to the lower cost of utilities and prices for caprolactam processes and for polymer purchases. In Europe, the price of raw materials recorded sudden and sharp declines, hitting a low in August. This effect led to a significant misalignment between the unitary values of stock emerging in 2022 and the market price of raw materials, with a temporary although significant impact on the company and Group margin. The account is comprised of:

(in Euro thousands)	2023	2022
Raw material purchases	277,111	410,236
Ancillaries and consumables	5,273	6,910
Purchases of other materials	148,992	148,961
Other charges	796	645
Change in inventories	8,553	(11,759)
Total	**440,724**	**554,993**

The raw material costs incurred in the year include costs from the following subsidiaries and associates:

(in Euro thousands)	2023	2022
Aquafil Asia Pacific Co.	4,625	
Aquafil Engineering GmbH	5	
Aquafil UK Limited	7,084	6,725
AquafilSLO d.o.o.	179,894	198,486
AquafilCRO d.o.o.	29,901	45,664
Tessilquattro	90,277	83,457
Aquafil China	30,629	36,148
Total	**342,415**	**370,480**

8.4 Service costs

The account is comprised of:

(in Euro thousands)	2023	2022
Transport, shipping & customs	6,863	16,802
Electricity, propulsive energy, water and gas	13,298	30,855
Maintenance	1,946	2,183
Services for personnel	3,017	2,365
Technical, ICT, commercial, legal & administrative consultancy	8,044	7,271
Insurance	1,456	1,603
Marketing and advertising	3,757	4,654
Cleaning, security and waste disposal	481	481
Warehousing and external storage	2,657	2,554
External processing	2,712	4,394
Statutory auditors fees	146	147
Other service costs	1,421	1,351
Rentals and hire	385	528
Total	**46,183**	**75,190**

Service costs from related parties amount to Euro 1,138 thousand and mainly relate to processing costs undertaken by Aquafil SLO d.o.o for Euro 141 and to commissions from Aquafil Benelux France B.V.B.A. for Euro 645 thousand, from Aquafil Oceania for Euro 133 thousand and from Aquafil Tekstil Sanayi Ve Ticaret A.S. for Euro 46 thousand.

Compared to 2022, the significant decrease in the year is highlighted, as a result of the highly unstable political and economic situation for Europe, in the costs of utilities in view of the market developments for these production factors and for transport.

The general decrease in service costs follows the lower production volumes, and was particularly significant in terms of transport and utility costs which, as outlined in the Directors' Report, significantly declined during 2023.

8.5 Labour costs

These costs are broken down as follows:

(in Euro thousands)	2023	2022
Salaries and wages	24,657	23,899
Social security contributions	8,150	8,175
Post-employment benefits	1,545	1,519
Other personnel costs	1,135	179
Director fees	1,394	3,960
Total	**36,883**	**37,733**

No top management bonuses were recognised as the operating objectives were not achieved. The decrease in wages and salaries is also due to the lower hours worked in 2023.

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

	December 31, 2023	December 31, 2022	Average 2023	Average 2022
Executives	21	25	24	26
Managers	50	50	51	48
White-collar	149	151	150	149
Blue-collar	295	286	305	301
Total	**515**	**512**	**530**	**524**

8.6 Other operating costs and charges

These costs are broken down as follows:

(in Euro thousands)	2023	2022
Taxes, duties & sanctions	251	259
Losses on asset sales	1	8
Penalties on supply contracts		
Other operating charges	444	616
Total	**695**	**884**

The item “Taxes, levies and penalties” mainly includes the costs for local taxes and taxes not on income.

“Other operating charges” mainly include the share related to the provisioning agreement with Domo Engineering Plastics and costs related to previous years.

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

The account is comprised of:

(in Euro thousands)	2023	2022
Amortisation of intangible assets	3,444	3,624
Depreciation of property, plant & equipment	5,307	5,609
RoU depreciation	1,716	1,478
Total	**10,466**	**10,711**

Amortisation and depreciation in 2023 is substantially in line with the previous year.

The figure includes the straight-line amortisation and depreciation in the period, in addition to the amortisation on the bio-caprolactam project initiated in the previous year.

8.8 Provisions and write-downs

The account is comprised of:

(in Euro thousands)	2023	2022
Reversal of doubtful debts provision	782	
Provisions for risks and charges	(9)	(360)
Total	**773**	**(360)**

“Other provisions for risks and charges” principally include the accrual for agents’ supplementary indemnities. The “Release of the doubtful debt provision” follows an analysis of the recoverability of trade receivables, as outlined at paragraph 7.7.

8.9 Costs for internal work capitalised

This item, totalling Euro 1,565 thousand at December 31, 2023, mainly concerns the capitalisations made with regards to projects for the improvement and technological upgrading of existing plant and equipment.

8.10 Investment income (charges)

The account mainly includes the dividends received from the subsidiaries, respectively for Euro 4,523 thousand from Aquafil Asia Pacific Co. Ltd and for Euro 12,520 thousand from Aquafil Synthetic Fibres.

In addition, the account includes the full write-down of the investment in the subsidiary Aquafil Tekstil Sanayi for Euro 557 thousand.

8.11 Financial income

The account is comprised of:

(in Euro thousands)	2023	2022
Financial income receiv. from Group companies	1,744	633
Other interest		64
Interest income current accts.	444	17
Derivative financial instruments		4,506
Total	**2,188**	**5,219**

”Derivative financial instruments” decreased on the previous year, which benefited from the positive effect of the change of fair value derivatives (IRS). At December 31, the Mark to Market was positive for Euro 1,354 thousand, although with a reduction on the previous year of financial charges of Euro 2,709 thousand. The decrease is substantially due to the reduction in the fair value of derivatives, due to the movement in the interest rate curve. As previously illustrated, “hedge accounting” was not applied to these derivatives as, although entered into for hedging purposes, have been considered 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.

The increase in Interest income on current accounts for Euro 444 thousand derives from the current account interest rates applied by the various banks.

Interest income on loans from subsidiaries, parent companies, related companies are as follows:

(in Euro thousands)	2023	2022
Aquafil UK Limited	149	33
AquafilSLO d.o.o.	1,458	445
Aqualeuna GmbH	71	64
Cenon S.r.o.		58
Aquafil Japan	61	33
Bluloop	5	
Total	**1,744**	**633**

8.12 Financial charges

The account is comprised of:

(in Euro thousands)	2023	2022
Interest on mortgage loans	8,922	3,145
Interest on bonds	2,570	2,705
Interest on current accounts	15	1
Bank expenses and commissions	445	263
Write-downs of derivatives and financial instruments	2,709	
Interest on factoring transactions	1,254	557
Interest on commercial transactions	1,118	497
Interest to leasing companies	28	51
Interest from group companies	52	41
Other charges	58	29
Financial charges	73	56
Financial charges to group companies	93	101
Interest expenses to Group companies	1,024	431
Write-downs of fixed assets – group companies	691	1,435
Total	**19,052**	**9,312**

The increase in “Interest charges on loans”, “Interest on factoring transactions” and “Interest on commercial transactions” is closely linked to the increase in market interest rates.

The “Write-downs of derivatives and financial instruments” was Euro 2,709 thousand, with the charge substantially due to the decrease in the fair value (Mark to Market valuation) of the derivatives, due to the movement in the interest rate curve.

The item “Write-downs of fixed assets - Group companies” includes the write-down of the loan for Euro 691 thousand from the subsidiary Aquafil UK Ltd..

8.13 Exchange gains and losses

The breakdown of the account is as follows:

(in Euro thousands)	2023	2022
Total exchange gains	2,977	9,280
Total exchange losses	(3,324)	(8,799)
Total	**(347)**	**481**

The amount, equal to a loss of Euro 347 thousand for the year ended December 31, 2023, is the net balance between exchange rate gains and losses.

8.14 Income taxes

The account is comprised of:

(in Euro thousands)	2023	2022
Current income taxes	(2,158)	1,286
Deferred tax charges	4,543	(2,339)
Total	**6,701**	**(3,625)**

From the year 2018 Aquafil S.p.A. was included in the tax consolidation regime with the parent company Aquafin Holding S.p.A., which regime was interrupted in 2017 due to the merger by incorporation of Aquafil S.p.A. into Space 3 S.p.A.

The substantial difference in the treatment between current and deferred taxes, compared with the previous year, is due the reclassification of the tax consolidation charge/income within current taxes. The rationale behind this change is that the transfer of result is consequently accepted by the consolidating company, and thus in fact its current nature is validated.

“Deferred taxes” is mainly composed of the following amounts:
- allocation of Euro 345 thousand in reference to the ACE benefit pertaining to 2023, which was not used due to the absence of assessable income;
- allocation of Euro 2,575 thousand in relation to the amount of non-deductible interest charges under the Income Tax law (TUIR) (formerly Article 96) remaining as a result of the calculation on the ROL for the year and surpluses related to previous periods;
- allocation of Euro 2,008 thousand (of which Euro 1,630 thousand IRES and Euro 378 thousand IRAP), in relation to the mutual agreement procedure initiated on October 4, 2023, similar to that undertaken for the 2017 tax year and as outlined in the Contingent Liabilities paragraph.

”Current income taxes” mainly concerns:
- the settlement agreement regarding the tax assessment for the 2017 tax year for Euro 187 thousand;
- the audit initiated on September 7, 2023 by the Trento Finance Police for the tax years 2018, 2019, 2020 and 2021, which concluded with the notification on December 11, 2023 of a tax assessment report (”PVC”). From the tax assessment report it is presumable that, in accordance with the criteria already used by the Trento Office on the same adjustments contested in previous tax periods, following a settlement procedure that may be activated by the Company, pursuant to Article 6(2) of Legislative Decree 218/1997, after the notification of the tax assessment, the observations could be determined in a total of Euro 1,769 thousand, thus with a potential income tax charge of Euro 425 thousand and IRAP charge of Euro 61 thousand;
- the withholding tax, amounting to Euro 1,611 thousand, in relation to dividends received during 2023 from the subsidiaries Aquafil Asia Pacific Co. Ltd and Aquafil Synthetic Fibres;
- the tax consolidation income of Euro 4,452 thousand, due to the transfer of the tax benefit to the consolidating company Aquafin Holding under the existing tax consolidation agreement.

For the current financial year, it should be noted that Aquafil S.p.A. has calculated IRAP tax, for the purpose of deferred taxes, in accordance with the new rules envisaged for non-financial holding companies (“industrial holdings”) as defined by Article 162-bis, paragraph 1, letter c.1) of Presidential Decree 917/86 (“Income Tax Law”) and as set out in Article 6 of Presidential Decree 446/1997 and by Provincial Law 21/2015, Article 16, paragraph 1-bis, letter b), Legislative Decree 446/97, Article 1, paragraph 11-bis, for which an increased rate of 4.65% is envisaged.

The table below shows the reconciliation of the theoretical rate of income tax with the actual impact on the result:

(in Euro thousands)	2023	%	2022	%
Profit/(loss) before taxes	**(12,342)**		**19,556**	
Tax calculated on applicable rate	(3,536)	28.65%	5,603	28.65%
Total current income taxes	(2,158)		1,286	
Total deferred taxes	(4,543)		2,339	
Total effective taxes	**(6,701)**		**3,625**	
Change tax rate	**3,165**		**1,977**	
Permanent decreases	(4,700)		(1,954)	
Permanent increases	671		889	
Prior year taxes	683		647	
Other taxes (WHT - ACE)	1,611		(379)	
Other changes	(1,430)		(1,181)	

It should be noted that, based on estimates made at that time, the Aquafil Group did not fall within the scope of application of the rules of Pillar 2, the goal of which is to ensure that large multinationals pay income taxes of at least 15%.

9. NON-RECURRING ITEMS

The account is comprised of:

(in Euro thousands)	2023	2022
Raw material purchases - extraordinary	(134)	
Expansion costs of the Aquafil Group	(575)	(406)
Tax, administrative and extraordinary technical consultancy	(133)	(122)
Other services - extraordinary	(66)	
Bonuses and incentives	(1,135)	(179)
Other charges - extraordinary	(97)	(255)
Total non-recurring costs	**(2,142)**	**(961)**
Other extraordinary income		39
Non-operating income and charges	**(2,142)**	**(922)**

“Expansion costs of the Aquafil Group” refer to costs incurred for the activities and projects related to the expansion of the Group, in particular in India.

“Tax, administrative and extraordinary technical consultancy” refers to costs for fiscal consulting incurred in relation to the joint audit consequent to the position paper received by Aqualeuna G.m.b.H. on the tax audit by the “Bundeszentralamt fur Steuern” office responsible for intercompany transactions in the region for the years 2017, 2018 and 2019.

“Other extraordinary charges “refer to costs related to previous years.

“Bonuses and incentives” mainly concerns redundancy incentives.

The percentage of the non-recurring items of the result, of cash flows, of the equity position, and of the net debt, are reported below.

(in Euro thousands)	2023	*of which non-recurring*	Share	
Net Profit	(5,641)	*(2,142)*	37.96%	
Net cash flow in the year	20,033	*(2,142)*	(10.69%)	(*)
Total assets	643,625			(**)
Net financial debt	(316,934)	*(2,142)*	0.68%	(*)

(*) Amount paid in the year of non-recurring income statement items.

(**) Amount of non-recurring income statement items yet to be paid at year-end.

10. NET FINANCIAL DEBT

Below is the breakdown of the net financial debt as at December 31, 2023, determined in accordance with ESMA/2013/319 Recommendations:

(in Euro thousands)		Al December 31, 2023	Al December 31, 2022
A.	Cash	72,746	52,713
B.	Cash and cash equivalents		
C.	Other current financial assets	1,974	5,013
D.	**Liquidity (A + B + C)**	**74,719**	**57,725**
E.	Current financial debt (including debt instruments but excluding the current portion of non-current financial debt)	(2,354)	(1,106)
F.	Current portion of non-current financial debt	(91,512)	(74,019)
G.	**Current financial debt (E + F)**	**(93,865)**	**(75,126)**
H.	**Net current financial debt (G – D)**	**(19,146)**	**(17,400)**
I.	Non-current financial debt (excluding current portion and debt instruments)	(240,397)	(211,237)
J.	Debt instruments	(57,391)	(70,301)
K.	Trade payables and other non-current payables		
L.	**Net non-current financial debt (I + J + K)**	**(297,788)**	**(281,538)**
M.	**Total financial debt (H + L)**	**(316,934)**	**(298,938)**

The following table presents the items included in the net debt regarding related parties:

(in Euro thousands)	December 31, 2023	December 31, 2022
E. Current financial receivables		950
M. Other non-current financial payables	(14,027)	(8,438)

The net financial reconciliation between the beginning and end of the year is presented below. The effects indicated include the currency effects.

(in Euro thousands)		*of which current portion*	*of which non-current portion*
Net Debt at December 31, 2022	**(298,938)**	***(17,400)***	***(281,538)***
Net cash flow in the year	20,033	*20,033*	
Contracting/reclassification of current financial receivables	(950)	*(950)*	
New bank loans and borrowings	(100,000)	*(4,762)*	*(95,238)*
Repayment/reclass. bank loans and borrowings	71,065	*(12,714)*	*83,779*
New leasing loans	(1,061)	*(187)*	*(875)*
Repayment/reclass. lease liability	2,462	*790*	*1,672*
Change in fair value derivatives	(2,709)	*(2,709)*	
Repayments/drawdown loans to subsidiaries	(5,589)		*(5,589)*
Other changes	(1,247)	*(1,247)*	
Net Debt at December 31, 2023	**(316,934)**	***(19,146)***	***(297,788)***

11. RELATED PARTY TRANSACTIONS

Transactions and balances with related parties are illustrated in the tables below

(in Euro thousands)	Parent companies	Subsidiaries	Related parties	Total	Total book value	% on total account items
Non-current financial assets						
December 2023		35,408	29	**35,437**	369,412	9.59%
December 2022	234	39,821	29	**40,084**	348,114	11.51%
Trade receivables						
December 2023	275	76,324	33	**76,632**	79,395	96.52%
December 2022	305	115,258	34	**115,597**	115,825	99.80%
Current financial assets						
December 2023					1,974	
December 2022		950		**950**	5,013	18.95%
Other current assets						
December 2023	5,854			**5,854**	9,463	61.86%
December 2022	247			**247**	7,361	3.36%
Current financial liabilities						
December 2023			(285)	**(285)**	(93,865)	0.30%
December 2022	(536)		(278)	**(814)**	(75,126)	1.08%
Non-current financial liabilities						
December 2023		(14,027)	(1,224)	**(15,251)**	(297,788)	5.12%
December 2022	(830)	(8,439)	(1,358)	**(10,627)**	(281,538)	3.77%
Trade payables						
December 2023	(184)	(61,951)	(95)	**(62,230)**	(128,275)	48.51%
December 2022		(70,753)	(71)	**(70,824)**	(146,840)	48.23%
Other current liabilities						
December 2023		(3,946)		**(3,946)**	(15,010)	26.29%
December 2022		(2,830)		**(2,830)**	(15,804)	17.91%

The transactions of the Company with related parties are illustrated in the table below:

(in Euro thousands)	Parent companies	Subsidiaries	Related parties	Associates	Total	Total book value	% on total account items
Revenues							
FY 2023	231	219,706	27		**219,965**	518,444	42.43%
FY 2022	250	331,756	79		**332,085**	694,343	47.83%
Raw material costs							
FY 2023		(342,415)			**(342,415)**	(440,724)	77.69%
FY 2022		(370,480)			**(370,480)**	(554,993)	66.75%
Service costs and rent, lease and similar costs							
FY 2023	(2)	(1,079)	(57)		**(1,138)**	(46,183)	2.46%
FY 2022		(2,348)	(53)		**(2,401)**	(75,190)	3.19%
Labour costs							
FY 2023		(95)			**(95)**	(36,883)	0.26%
FY 2022		(153)			**(153)**	(37,733)	0.41%
Other operating costs and charges							
FY 2023			(26)		**(26)**	(695)	3.74%
FY 2022			(26)		**(26)**	(884)	2.94%
Financial income (charges) from investments							
FY 2023		16,486			**16,486**	16,487	100.00%
FY 2022				183	**183**	183	100.00%
Financial income							
FY 2023		1,744			**1,744**	2,188	79.70%
FY 2022		633			**633**	5,219	12.13%
Financial charges							
FY 2023	(23)	(1,807)	(30)		**(1,859)**	(19,052)	9.76%
FY 2022	(32)	(1,967)	(9)		**(2,008)**	(9,312)	21.56%

The following table summarises cash flows with related parties and their percentage out of the cash flow indicated in the cash flow statement:

(in Euro thousands)	Total cash flow statement account	*of which related parties*	% on total account items
Profit/(loss) for they year	(5,641)	*(107,149)*	1899%
Investment income/charges	16,487	*16,486*	100%
Financial income	2,188	*1,744*	80%
Financial charges	(19,052)	*(1,859)*	10%
Increase/(Decrease) in trade payables	(18,565)	*(8,595)*	46%
Decrease/(Increase) in trade receivables	37,211	*38,966*	105%
Changes in other assets and liabilities	(2,816)	*(4,491)*	159%
Net changes in current and non-current financial assets and liabilities	11,034	*9,691*	88%
Distribution of dividends	(11,992)	*(7,169)*	60%

12. REMUNERATION AND BENEFITS OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration and benefits in favour of members of the Board of Directors and Senior Executives and the compensations due to the members of the Board of Statutory Auditors are presented below:

Director and Statutory Auditor fees	**2023**
Short-term benefits	2,933
Other long-term employee benefits	38
Total	**2,971**

Senior Executive fees	**2023**
Short-term benefits	1,416
Other long-term employee benefits	115
Total	**1,531**

13. OTHER INFORMATION

13.1 Commitments and risks

Other commitments

At December 31, 2023, the parent company Aquafil S.p.A. provided sureties in favour of credit institutions in the interest of subsidiaries, companies subject to the control of the parent company and third parties for a total of Euro 25,089 thousand.

Contingent liabilities

Provided below is a list of fiscal positions and disputed defined and pending as at the balance sheet date that concern the Parent Company, Aquafil S.p.A. We are not aware of the existence of further disputes or proceedings that are likely to have significant repercussions on the Group's economic and financial situation.

(i) <u>*Tax audit Aqualeuna GmbH*</u>

2013–2015 and 2016-2017 Periods

The company Aqualeuna GmbH was involved in a tax audit by the competent German federal tax office in Leuna concerning inter-company transactions. On July 15, 2021, the company was notified by the German tax administration's audits unit in Halle of the conclusion of the tax audits for fiscal years 2013-2017. The upward adjustment to Aqualeuna's assessable income concerned:

(a) for the period 2013-2015, not subject to international cooperation with the Italian administration, for Euro 735 thousand, offset by the equal utilisation of the company's prior year losses;

(b) for the period 2016, subject to joint audit by the two administrations, upward adjustment for Aqualeuna of Euro 1.4 million, with corresponding equal adjustment to the benefit of Aquafil in Italy, for which during the first half of 2022 the corresponding adjustment was made official by the Trento Provincial Office. In fact, on July 26, 2022, the Office recognised the amount of Euro 410 thousand upon closure of the reimbursement file and therefore without impact on the consolidated results;

(c) for the 2017 period, not subject to joint audit by the two administrations, upward adjustment for Aqualeuna of Euro 3.7 million and the submission of a request to recognise a decrease in IRES and IRAP assessable income, filed by Aquafil on January 21, 2022. Given the use of past losses of Aqualeuna, the increased taxes for the company for 2013-2017 came to Euro 207 thousand. Aquafil, on January 21, 2022, forwarded to the International Dispute Resolution and Prevention Office of the Large Taxpayers Central Directorate in Rome of the Tax Agency a special Application pursuant to Article 31-quater, paragraph 1, letter c) of Presidential Decree September 29, 1973, No. 600 for the unilateral recognition for IRES and IRAP purposes of the downward adjustment of income against the upward adjustment amounting to Euro 3,733 thousand made in Germany for the stated tax period; the initiation of the procedures provided for in Arbitration Convention No. 90/436/EEC of July 23, 1990, on the elimination of double taxation in the case of adjustments to profits of associated companies. On December 22, 2022, the aforementioned International Dispute Resolution and Prevention Office notified the Company that the mutual agreement procedure pursuant to Article 6 of Arbitration Convention No. 90/436/EEC resulted in an agreement being reached between the competent Italian and German Authorities on the basis of which it was agreed to confirm the adjustments made by the German tax authorities in the amount of Euro 3,733 thousand and to recognise Aquafil the same amount as a corresponding adjustment by the Italian tax authorities.

The German competent authority sent a similar notice to Aqualeuna.

Both companies have sent acceptance of the agreement in relation to the year 2017 to their respective competent authorities.

Similarly to 2016, on February 15, 2023 the Company submitted, pursuant to Article 3, paragraph 1, of Law No. 99 of March 22, 1993, a refund application for IRES and IRAP purposes to the Provincial Directorate of Trento for Euro 997 thousand (Euro 896 thousand for IRES, Euro 101 thousand for IRAP) and thus awaits the refund authorisation measure.

2018-2019 Period

For tax years 2018 and 2019, not the subject of the aforementioned audits and during which Aqualeuna recognised further tax losses, the German tax administration began another audit in September 2021, requesting that the Italian tax administration launch a joint audit similar to the one conducted for 2016.

On May 31, 2023, Aqualeuna received a report dated May 15, 2023, from the German tax authority (Finanzamt Merseburg) notifying of the conclusion of the audit of fiscal years 2018 and 2019 (which began on October 5, 2021, and was completed on May 2, 2023).

This audit (not subject to international cooperation between the German and Italian tax authorities) identified the following issues resulting in an increase in taxable income for Aqualeuna: i) Euro 2,363 thousand for fiscal year 2018; and ii) Euro 4,429 thousand related to 2019.

For these tax periods, total recoveries therefore result in for German tax purposes for Aqualeuna the reabsorption of the tax losses and positive taxable income for the excess of Euro 282 thousand for 2018 and of Euro 81 thousand for 2019.

For the stated tax periods, Aqualeuna filed an appeal with the tax authorities (Finanzamt Merseburg) against the assessments on June 26, 2023, requesting their suspension in order to allow for the introduction and conclusion of amicable procedures with the relevant Italian authorities.

As was done for fiscal year 2017 and in reference to the aforementioned tax periods, on October 4, 2023, Aquafil initiated a specific mutual cooperation procedure (on both the Italian and the German side) in accordance with Article 3 of Italian Law Decree no. 49 of June 10, 2020, and with Article 4 et seq. of the German law of December 10, 2019, concerning the settlement of disputes regarding double-taxation accords within the European Union, both of which transpose Council Directive (EU) 2017/1852 of October 10, 2017, on the settlement of tax disputes within the European Union.

It is therefore reasonably certain that, upon the outcome of these procedures, the competent authorities of the two States will take pursuant to Directive 2017/1852 a decision by mutual agreement (guaranteed outcome) aimed at eliminating the double taxation that might arise at Group level. The upward adjustment in taxable income imposed in Germany by Aqualeuna (as agreed upon by the two tax authorities) can thus be neutralized (as per point a) of Article 31-quater of DPR 600/1973) by a corresponding opposing adjustment granted to Aquafil by the Italian Tax Agency.

In view of that outlined, it is considered that there are no additional contingent liabilities on the part of Aquafil S.p.A. and the Aquafil Group to be covered by an allocation to a risk provision.

(ii) *“ACE” tax deduction appeal*

On November 2, 2023, the Large Taxpayers Central Directorate responded to the ACE petition filed by the Company on July 4, 2023 with reference to the 2022 tax year, expressing a favourable opinion regarding the request for the disapplication of the anti-avoidance rules set forth in Article 10, paragraphs 2 and 3 (a) and (c) of the new ACE Decree.

The application was submitted in continuity with previous tax periods (2019, 2020 and 2021), in relation to which the Central Directorate issued a favourable opinion.

(iii) *Suspension of VAT refund – 2019 fiscal year*

On June 22, 2020, the Company filed for a VAT refund in the amount of Euro 488,147 by way of the 2020 tax return (for 2019 income). The reason given was the lower excess credit not transferable for the payment of group VAT (as per Articles 33 and 73 of Italian Presidential Decree 633/1972). On June 17, 2022, the Tax Office, after lengthy investigative and documentary verification activities, notified the Company of the recognition of the 2019 annual VAT credit requested for reimbursement in the amount of Euro 488 thousand, and also in June settled the entire amount, including interest, as required by law.

(iv) *Invitation 5-ter of Legislative Decree No. 218/1997 – VAT for 2017*

On November 20, 2023, the Trento Office notified Aquafil S.p.A. of an invitation to appear issued, pursuant to Article 5-ter of Legislative Decree No. 218/1997 for the establishment of a case regarding the adjustment of the 2018 VAT filing (for FY 2017) regarding deducted VAT for a total of Euro 790 thousand.

Regarding the VAT in dispute, as previously reported, in June 2020, the Company had requested a refund for a portion of this credit, amounting to Euro 488 thousand. In relation to this, the Office, after reviewing the documentation provided by the Company during the refund process, initially suspended the execution of the refund (Decision of November 6, 2020) and subsequently ordered the recognition of the refund with the settlement of the entire amount (Decision of June 17, 2022).

Based on this act, which contests the VAT payable of Space3 S.p.A. (a company that incorporated Aquafil during the tax period of 2017 as part of the listing operation), a payment totalling Euro 658,399 is demanded, of which: VAT: Euro 301 thousand (which does not take account of the refunded VAT), sanctions: Euro 296 thousand (equal to 1/3 of the legal total) and interest of Euro 60 thousand (calculated through November 30, 2023).

On December 6, 2023, the Company therefore filed an appeal with the Office, during which it emerged that the act (mistakenly) does not call for recovery of the VAT credit refunded in 2022 for Euro 488 thousand.

At present, the appeal filed with the Trento Office is still under way. Should the disputes and observations filed by the Company not be upheld, the Trento Office will likely issue an assessment notice that includes the VAT credit refunded, which, in such case, will be challenged by the Company.

At present, therefore, any quantification of contingent liabilities is considered premature.

(v) *Initiation of audit for direct taxes on 2016, 2017, 2018 and 2019 tax years*
On May 11, 2022, the Trento Tax Agency notified the Company of four notices of the initiation of an audit on the 2016, 2017, 2018 and 2019 tax years, with reference to the transfer prices charged by Aquafil to overseas subsidiaries for IT services, in addition to the interest rates applied on loan agreements, in full continuity with the audit on FY 2015, settled with the agreement signed on May 5, 2022.

On conclusion of the case with the Agency, on November 22, 2022, while reaffirming the legitimacy of its conduct, and solely in order to avoid long and exhausting litigation, the Company reached an agreed settlement, after submission of the IPEC Application by the consolidating company Aquafin Holding, paying the amount of Euro 16 thousand (IRAP and interest).

Total IRES and IRAP recoveries settled amounted to Euro 1,016 thousand, resulting in higher IRES of Euro 279 thousand, higher IRAP of Euro 13 thousand and interest of Euro 3 thousand.

With reference to the 2017 tax year, on April 19, 2023, the Trento Office notified the Company of an invitation to appear issued for IRES and IRAP purposes, pursuant to Article 5-ter of Legislative Decree No. 218/1997 for the establishment of a case regarding the recovery of taxation for a total of Euro 853 thousand.

On May 15, 2023, the case was initiated, in which the disputed aspects were highlighted, in relation to which the Office reserved the right to make the appropriate evaluations.

On September 4, 2023, while reaffirming the legitimacy of its conduct, and solely in order to avoid long and exhausting litigation, the Company reached an agreed settlement for corporate income tax (IRES) and for the regional IRAP tax, in line with what was done for the 2016 tax period. The final settlement, which did not entail any payment to the tax authority due to the offsetting against the period's losses, amounts to Euro 187 thousand.

Regarding the 2021 tax period, later extended to the years 2018, 2019 and 2020, the audit was entrusted to the "Guardia di Finanza" of Trento within the scope of the general verification initiated on September 7, 2023. This concluded with the notification, on December 11, 2023, of a tax assessment report (PVC) with issued amounting to Euro 2,877 thousand, as follows:
i. transfer pricing issue for the alleged failure to rebill ICT costs to foreign subsidiaries, totalling Euro 2,189 thousand;
ii. transfer pricing issue for failure to invoice interest income to foreign subsidiaries, totalling Euro 667 thousand;
iii. costs and deductions improperly deducted totalling Euro 21 thousand.

An analysis of the PVC revealed that the issues noted by the auditors contain numerous aspects with which we do not agree and which had already been accepted by the Trento Office in the context of audits related to the years 2015, 2016 and 2017.

It is presumable that, in accordance with the criteria already used by the Trento Office on the same adjustments contested in previous tax periods, following a settlement procedure that may be activated by the Company, pursuant to Article 6(2) of Legislative Decree 218/1997, after the notification of the tax assessment, the observations could be redetermined in a total of Euro 1,769 thousand, thus with a potential income tax and IRAP burden for the Company estimated at Euro 485 thousand.

It should be noted that, in the PVC, penalties were not applied on the transfer pricing issues, as the documentation was deemed adequate.

13.2 Significant events after December 31, 2023

1. On January 12, 2024, Aquafil S.p.A. received a new **unsecured loan** in the amount of Euro 10 million from Banca Popolare di Sondrio. The loan is backed by SACE "SupportItalia" guarantee at the all-in Euribor 3-month + 90 bps variable cost, 57-month term of which 24 months grace-period.

2. The following financing was settled by the Company using surplus cash on hand:
   - on January 30, 2024, syndicate loan received from BCC Verona e Vicenza and the ICCREA Group with a residual balance of Euro 2,626 thousand;
   - on January 31, 2024, loan received from Intesa Sanpaolo with a residual balance of Euro 2,571 thousand;
   - on February 8, 2024, loan received from BCC Verona e Vicenza with a residual balance of Euro 1,000 thousand;

3. On January 10, 2024, the shareholders of Poly-Service, in extraordinary session, approved an increase in share capital in the amount of Euro 200 thousand, by creating 200,000 new shares with a par value of Euro 1 each, and set the conditions and terms of the capital increase with the new shares issued at par, i.e. Euro 1 per share.

   It is noted that all shares were fully subscribed:
   - by the company Politecnici for up to 110,000 shares on payment of Euro 110,000 on January 10, 2024;
   - by Aquafil S.p.A. for up to 90,000 shares on payment of Euro 90,000 thousand on January 18, 2024.

   The subscriptions have been fully paid, and the final completion of the capital increase for Euro 200,000 is highlighted, increasing the capital from Euro 10,000 to Euro 210,000.

4. On January 30, 2024, a non-binding term sheet was signed by Aquafil S.p.A., Kape GmbH, Hafenstraße 47-51, 4020 Linz (Austria), and the investment fund eQventuer GmbH, Karmeliterplatz 4, 8010 Graz, aimed at developing a joint collaboration for a new technology for the mixing and extrusion of polyamide 6 polymers to be used in skateboards but also, potentially, in other products that undergo high levels of stress. The project calls for an increase in capital to be subscribed jointly by Aquafil and eQventure in 2024 with a maximum investment by Aquafil of Euro 500 thousand.

13.3 Disclosure as per Article 1, paragraph 125 of Law No. 124 of August 4, 2017

With regards to that required by Article 1, paragraph 125 of Law 124/17, the Company recorded the following in 2023:
(i) Euro 84 thousand relating to the sale of the external electricity distribution network produced by the photovoltaic plants;
(ii) Euro 411 relating to training grants for Aquafil S.p.A.;
(iii) Euro 2,008 thousand for the energy and gas tax credit subsidy granted during the year for electricity-intensive and natural gas-intensive companies that have met the requirements under the regulations (Decree Law No. 4 of 01/27/2022);
(iv) Euro 92 thousand related to the tax credit accrued on the research and development expenses incurred in 2023 and determined as per Article 1, paragraph 35 of Law No. 190 of December 23, 2014;
(v) Euro 224 thousand related to the grant recognised by the EU for the "Effective" research project (portion in the year of the grant);
(vi) Euro 22 thousand for the tax credit on the purchase of capital goods;
(vii) Euro 92 thousand for the contribution recognised by the EU for the "Cisuflo" project (portion in the year of the grant);
(viii) Euro 114 thousand relating to the transfer of the "superbonus" tax credit.

With regards to any subventions, contributions or other financial benefits received by the Company in 2023 from the Tax Agency, reference should be made to the preceding paragraphs covering the tax items.

Proposal to allocate profits or for the coverage of losses

Considering the financial and equity position of the Company, we propose to cover the net loss of Euro 5,641,004 through utilisation of the Extraordinary Reserve.

Attachment 1 - Disclosure pursuant to Article 149 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 2023 for auditing and non-auditing services rendered by this appointed independent audit firm and by the companies in its network to the company Aquafil S.p.A.

Company providing service	Recipient of service	Type of services	Fees 2023
PwC S.p.A.	Aquafil S.p.A.	Audit separate financial statements	147,370
Total Audit services provided in 2023 to Aquafil S.p.A. by audit firm			**147,370**
PwC S.p.A.	Aquafil S.p.A.	Audit of the statement of the 2022 research and development costs for the purposes of the tax credit Law 145/18	4,800
Total other audit services provided in 2023 to Aquafil S.p.A. by audit firm			**4,800**
Total services provided in 2023 to Aquafil S.p.A.			**152,170**

Arco, March 14, 2024

The Chairperson of the Board of Directors
Full Professor Chiara Mio

The Executive Officer
Mr. Roberto Carlo Luigi Bobbio

Statement of the Principal Financial Officer and the Delegated Bodies

Aquafil S.p.A.
Via Linfano 9 - Arco (TN) – Italy
P.I.: 09652170961

STATEMENT OF THE PRINCIPAL FINANCIAL OFFICER AND THE DELEGATED BODIES (art. 154-bis, comma 5) ABOUT THE FINANCIAL STATEMENTS OF AQUAFIL SPA CLOSED ON 2023/12/31 IN ACCORDANCE WITH ART 81-TER OF CONSOB REGULATION N. 11971 OF 14 MAY 1999 AND ANY SUBSEQUENT AMENDEMENTS AND ADDITIONS

1. The **undersigned** Giulio Bonazzi, CEO and Roberto Carlo Luigi Bobbio, Principal Financial Officer ex Law 262/05 of Aquafil SpA, certify, based on art. 154-bis, commas 3-4, and Legislative Decree 58/98:
   - the adequacy in relation to the firm characteristics and
   - the effective implementation

   of the administrative - accountability procedures aimed at preparing the financial statements as of December 31st, 2023.
2. No relevant issues arose.
3. It is also certified that the financial statements as of December 31st, 2023:
   a) are drafted based on the International Financial Reporting Standards (I.F.R.S.), recognized in the European Community in accordance with Regulation (EC) n. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
   b) match with the results of the accountability books and registrations;
   c) are appropriate to give a truthful and correct representation of the statement of the assets, liabilities, and capital of the Company.

Arco, March 14th, 2024

CEO
Dott. Giulio Bonazzi

Principal Financial Officer
dott. Roberto Carlo Luigi Bobbio

Report on the Audit of the Financial Statement

Independent auditor's report
in accordance with article 14 of Legislative Decree n° 39
of 27 January 2010 and article 10 of Regulation (EU) n° 537/2014

Aquafil SpA

Financial Statements as of 31 dicembre 2023

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) n° 537/2014

To the shareholders of
Aquafil SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Aquafil SpA (the Company), which comprise the statement of financial position as of 31 December 2023, the income statement, the statement of comprehensive income and the statement of changes in equity, the statement of cash flows for the year then ended and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2023, 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 No. 38/05.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the

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context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	*Auditing procedures performed in response to key audit matters*
Recoverability of the value of investments in subsidiaries *Note 7.3 to the financial statements "Current and non-current financial assets"*	
The financial statements of Aquafil SpA as at 31 December 2023 include investments in subsidiaries amounting to Euro 333.710 thousand, equal to 51,8% of total assets. Investments are recorded at cost adjusted for impairment losses, which amounted to Euro 557 thousand in the year. At least once a year, the Company's management analyses each investment focusing on the companies for which the book value exceeds the corresponding share of equity. If, following such analysis, there are indicators which might lead to presume a loss in value of the investments, management carries out an impairment test. Considering the significance of this item and of the elements of estimate inherent in the evaluations, we identified the valuation of investments as a key audit matter, with reference to the existence of any impairment indicator relating to subsidiaries, the appropriate application of impairment tests and the recognition thereof in the financial statements of the correct value of the investments.	The audit procedures carried out consisted in in understanding and assessing the internal control system, the examination and discussion with the Company's management of the subsidiaries' financial performance, as well as assessing the existence of any impairment indicator as provided for in IAS 36 ("Impairment of Assets"). We also obtained and analysed the results of the work performed, on the basis of our instructions, by the audit teams of the subsidiaries on the reporting used for the consolidated financial statements in order to verify whether there was any impairment indicator. In the event there was an indicator that led to presume a loss in value of investments, we discussed with management the conclusions reached by them based on the impairment test, which we verified as set down in the specific internal procedure and in accordance with IAS 36. Specifically, we examined the methods to work out the projected cash flows used to calculate the value in use and methods of application of the discounted cash flow mathematical model, debt positions excluded. We also verified the consistency of the projections used compared to the management's updated plans, as well as the reasonability of cash flows.

Key audit matters	*Auditing procedures performed in response to key audit matters*
	Within this context we verified the adequacy of the adjustments to the book value of equity investments; it should be specified that, lacking prices in active markets, the fair value less costs to sell was approximated to a value not exceeding the value in use. Finally, we verified the completeness and accuracy of the disclosures in the notes to the financial statements.
Revenue recognition *Paragraph 2.3. "Accounting standards and valuation methods" item "Revenues and costs"*	
At 31 December 2023, revenues of Aquafil SpA amounted to Euro 518.444 thousand, mainly due to the sale of finished products. These revenues are recognised in the financial statements when control of the goods produced is transferred and only if all criteria under IFRS 15 ("Revenue from contracts with customers") are met. As part of our audit procedures on the separate financial statements, the correct recognition of revenues was considered as a key area, since it represents the most significant P&L item and an incorrect recognition of them would cause a considerable alteration of the result for the year.	The audit approach preliminarily consisted in understanding and assessing the internal control system and of the procedures set by the Company for the recognition of revenues from sale. The audit approach then provided to perform compliance testing on key controls put in place by the Company as part of the above-mentioned procedures, in order to verify the operating efficacy of such controls in the context of the revenue recognition process, with particular reference to the existence of such revenues and their recognition in the correct accrual period. Taking into account the understanding, assessment and validation of the internal controls mentioned above, we planned and performed validity tests on the relevant financial statement item. In particular we verified, in relation to a sample deemed representative, the existence and accuracy of revenues recognised in the financial statements, by examining the information included in the available documentation as supporting evidence.

Key audit matters	*Auditing procedures performed in response to key audit matters*
	Our checks included, on a sample basis, returned goods and credit notes issued, as well as period-end accruals. We also verified the reconciliation of the intercompany balances being analysed by each auditor of the group companies.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- we concluded on the appropriateness of director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate the related risks, or safeguards applied.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) n° 537/2014

On 30 January 2018, the shareholders of Aquafil SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2017 to 31 December 2025.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) n 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion on compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The directors of Aquafil SpA are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 concerning regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (hereinafter, the "Commission Delegated Regulation") to the financial statements as of 31 December 2023, to be included in the annual report.

We have performed the procedures specified in auditing standard (SA Italia) No. 700B in order to express an opinion on the compliance of the financial statements with the provisions of the Commission Delegated Regulation.

In our opinion, the financial statements as of 31 December 2023 have been prepared in XHTML format in compliance with the provisions of the Commission Delegated Regulation.

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Aquafil SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Company as of 31 December 2023, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 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 58/98, with the financial statements of Aquafil SpA as of 31 December 2023 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Aquafil SpA as of 31 December 2023 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 No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Trento, 25 March 2024

PricewaterhouseCoopers SpA

Signed by

Alberto Michelotti
(Partner)

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

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