

Directors' Report and Financial Statements

Aliaxis SA – Consolidated Annual Report 2020

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1. Corporate Governance

The Board of Directors delegates responsibility for the day-to-day management of the Group to the Chief Executive Officer, in his capacity as Managing Director.

1.1 Global Leadership Team

Aliaxis is organised around 2 leadership bodies that are presided by the CEO: the Executive Committee and the Global Leadership Team. They are working closely together, supporting our journey to be an integrated global industry leader that connects people with water and energy.

The Executive Committee

The Executive Committee (ExCom) is responsible to drive performance, increase speed of execution and focus all efforts behind the right priorities in a coordinated approach, across geographies and functions. The ExCom consists of the following leadership positions as of December 31, 2020:

Chief Executive Officer, Eric Olsen
Chief Finance Officer, Koen Sticker
Chief HR & CR Officer, Ursula Saint Léger
Chief Operations & Supply Chain Officer, William Ledger
Chief Growth Officer, Tom Van Gyseghem
Divisional CEO Americas, Alex Mestres
Divisional CEO APAC, Mark Nykiel
Divisional CEO EMEA, Gustavo Vianna
Divisional CEO India, Deepak Mehrotra

The Global Leadership Team

The ExCom is supported by a Global Leadership Team (GLT) that is comprised of functional leaders. Their mission is to build up alignment to ensure fast and flawless implementation of all ExCom decisions, cascade information and make sure our whole organisation across the globe is fully mobilised to deliver results.

The GLT is composed of the following roles as of December 31, 2020*:

Functional roles:

Innovation, R&D – Dominique Neerinck
Strategy & Digital – Peter Van Bylen
Legal – Manuel Monard
Ventures/M&A – Frank Thielen
IT – Patricia de Lanlay

*Since February 1, 2021, Communications: Amanda Jones

1.2 Composition of the Board of Directors

Olivier van der Rest – Chairman
Eric Olsen – Chief Executive Officer (as of October 1, 2020)
George Durman Esquivel
3F Advisory srl (Represented by Olivier Hamoir)
Andréa Hatschek
Rajesh Jejurikar
Didier Leroy
Kieran Murphy
Marc Nolet de Brauwere
Amaury Pelgrims de Bigard
Patrick Simonard
Thierry Vanlancker (as of May 2020)
Hélène van Zeebroeck

Jean-Louis Piérard – Honorary Chairman

Laurent Lenoir – Chief Executive Officer (until July 2020)
Patrick Thomas (until May 2020)
Koen Sticker BV (represented by Koen Sticker) – Chief Executive Officer as from August 2020 until September 2020

Corporate governance

1.3 Board of Directors and Committees of the Board

Aliaxis SA is a private company. Its shares are not listed on any regulated stock market. Nevertheless, the Board is committed to maintaining high standards of corporate governance.

The Board determines the overall strategy of the Group, oversees the major investments and monitors the activities of the management in implementing the Group strategy.

The Board of Directors met ten times during 2020. There are three standing committees. Each of these committees supports the Board in specific aspects of its remit. A subset of Board members met in an ad hoc committee in 2020 to follow up on the details of the implementation of the ERP project.

1.4 Strategy Committee

The Strategy Committee is responsible for reviewing the strategic direction of the Group and makes recommendations to the Board on strategic options.

The Committee met five times during 2020. It was composed of Olivier van der Rest, Jean-Louis de Cartier de Marchienne (until May 2020), 3F Advisory srl (represented by Olivier Hamoir) (Chairman), Laurent Lenoir (until July 2020), Didier Leroy, Kieran Murphy, Marc Nolet de Brauwere, Patrick Simonard, Patrick Thomas (until May 2020) and Thierry Vanlancker (as of May 2020).

1.5 Audit Committee

The Audit Committee supports the Board in monitoring the accounting and financial reporting of the Group. It also focuses on reviewing the scope and results of Aliaxis' external and internal audit procedures.

The Committee met four times in 2020. Its members were Kieran Murphy (Chairman), Amaury Pelgrims de Bigard, Patrick Thomas (until May 2020), Thierry Vanlancker (as of May 2020) and Patrick Simonard (as of September 2020).

1.6 Appointment and Remuneration Committee

The Appointment and Remuneration Committee advises the Board on Board-level appointments and supports them in reviewing remuneration at executive-committee level.

The Committee met fourteen times in 2020 and its members were H       van Zeebroeck, 3F Advisory srl (represented by Olivier Hamoir) (Chairman), Didier Leroy, Marc Nolet de Brauwere and Olivier van der Rest.

Agenda

Annual General meeting of shareholders

Wednesday 26 May 2021

At the Group's registered office: Avenue Arnaud Fraiteur 15-23 – 1050 Brussels – Belgium

Given the exceptional circumstances related to the COVID-19 health crisis and the lack of visibility regarding the governmental measures that will be in force at the time of the Annual General Meeting, Aliaxis SA reserves the right to adapt and change the modalities of the Annual General Meeting if required.

PAYMENT OF DIVIDEND

Thursday, 1 July 2021

2021 HALF YEAR RESULTS

September 2021

Board of Directors to approve 2021 Half Year results – Results announcement

2021 FULL YEAR RESULTS

March 2022

Board of Directors to approve 2021 Full Year results – Results announcement

2. Directors' report

2.1 Trading review

Most geographies were impacted by the pandemic shock in the first half. During that period, the Group benefited from government support in a few countries in Q2, while at the same time applying stringent cost measures and delaying noncritical investments.

The second half of the year came unexpectedly strong with sales recovering in most markets and segments. Europe, Australia and New Zealand were slower to recover in the second half. However, the Americas and India showed accelerating growth over the second half.

In the last financial year, Aliaxis total tax – including social security payments – was more than €160 million across the globe.

2.1.1 Americas

North America

2020 was a record year for the North America region. Canada faced a subdued first half of the year but top line regained growth early in the summer thanks to a resilient housing market and a solid irrigation segment. The USA reported all time high sales behind strong housing market and robust demand in wholesale retail. The successful integration of Silver-Line Plastics helped to capture the growth coming from this segment. Improved product mix, Canadian government support in Q2 and tight cost control reinforced the results of the North America region.

Latin America

The Latin America region had a moderate start in Q1 with an irrigation segment that performed well throughout the year. After the severe drop in Q2, the building and public infrastructure segment showed a solid recovery during H2 2020, with 2020 sales ending close to 2019 levels.

2.1.2 APAC

Lockdowns and overall travel restrictions in the region severely impacted business resulting in sales below 2019.

In Australia, business confidence decline led to subdued demand in infrastructure projects and the agricultural segment. The building segment demonstrated strength in the second half of the year with an upturn behind government support to local economies and low interest rates.

In New Zealand, the residential new build permits were boosted by favourable financing conditions. Yet the demand in this market was softened by a COVID-19 related migration halt. Agriculture solutions sales accelerated as higher dairy pay-out encouraged farmers to invest in water management systems.

2.1.3 EMEA

The EMEA region demonstrated resilience against the COVID-19 impact: sales remained below 2019 but profitability improved as a result of several efficiency programmes launched early in the year.

Demand in the DIY retail segment in France and Germany remained solid across the year. The residential building market in France, Italy and Spain resisted well but the industry market suffered more. While the German infrastructure and industry segment remained strong in Germany, the UK business demonstrated significant volatility. Strong cost control, close inventory management and government support in France, Germany and the UK supported the Divisions performance.

2.1.4 India

Ashirvad continued to pursue its growth trajectory. Despite 54 days of hard shutdown to contain COVID-19 in the first half, our sector has strongly bounced back in the second half. Adapting throughout the year, we enhanced our digital capabilities and focused on sustainable revenue growth and overall profitability.

The high-rise segment has been performing exceptionally well for us. We are also well positioned in the infrastructure segment, and are expanding into new segments, such as water management through our Anti Bacteria Water tank. We have increased our revenue, including from our non-core markets this year, through diversification into adjacent segments. Among others, this included the successful launch of a new HDPE portfolio in the agricultural sector.

Directors' report

2.2 Financial review

Changes in the scope of consolidation

In early 2020, the Group completed the divestment of Harrington Industrial Plastics.

In Q4 2020, the Group sold its businesses in Singapore and Malaysia.

These transactions are described in more detailed in Note 6 (Acquisitions and disposals of subsidiaries and non-controlling interests) to the consolidated financial statements.

Statement of comprehensive income

In the 12 months period ended 31 December 2020, Aliaxis reported revenue of €2,908 million, a decrease of 6.7% compared to 2019. Foreign exchange negatively impacted the Group's sales by 2.9%, due to the weakening of the major trading currencies against the EUR, mainly the Indian rupee (7.3%), the Canadian dollar (2.9%), US dollar (2.0%) and the trading currencies in the Latin American region.

The gross profit was €823 million (2019: €836 million), representing 28.3% (2019: 26.8%) of revenue. Commercial, administrative and other income and charges amounted to €492 million (2019: €513 million), or 16.9% (2019: 16.4%) of sales.

Operating profit (EBIT) for the year was €331 million, an overall increase of €7 million or 2.2%. Foreign exchange negatively impacted the Group's EBIT by 1.2%.

The adjusted items represented a net exceptional income of €15 million in 2020, compared to a net exceptional income of €24 million in 2019. The adjusted items predominately relate to capital gain on divestment in 2020 (€98 million), partially offset by transformation and restructuring initiatives (€14 million). In addition, the Group reported Goodwill impairment of €38 million and impairment on customer list of €15 million and on global ERP of €10 million.

Excluding the impact of the adjusted items, the Current EBIT amounted to €316 million, an increase of €15 million or 5.1%. The Current EBIT margin amounts to 10.9%, compared to 9.6% in 2019.

Excluding depreciation and amortisation, the Current EBITDA amounted to €461 million, an overall increase of €21 million or 4.8%. Foreign exchange negatively impacted the Group's Current EBITDA by 2.9%. The Current EBITDA margin increased from 14.1% in 2019 to 15.9% in 2020.

Finance income and expenses mainly consisted of net interest expenses of €14 million (2019: €18 million). An analysis of finance income and expense is given in notes 13 (Finance expenses) and 14 (Finance income) to the consolidated financial statements.

The Group operates a policy of managing its interest rate exposure, and part of its debt was covered throughout the year by fixed interest rate swaps. The proportion of the debt covered by such instruments reduces in line with the debt maturity dates. The balance of the Group's debt remained at variable interest rates. The management of interest rate exposure is explained in notes 5 (Financial risk management) and note 30 (Financial instruments) to the consolidated financial statements.

Income taxes, consisting of current and deferred taxes, amounted to €109 million (2019: €109 million), representing an effective income tax rate of 35.4% (2019: 37.2%). The reconciliation of the aggregated weighted nominal tax rate (25.2%) with the effective tax rate is set out in note 15 (Income taxes) to the consolidated financial statements.

The Group's share of the profit for 2020 was €198 million (2019: €183 million). The Group's earnings per share in 2020 were €2.54 (2019: €2.33), an increase of 8.7%.

Other comprehensive income for the period, net of income tax, decreased by €217 million from €70 million in 2019 to €-147 million in 2020, mainly explained by the negative impact of exchange rate movements due to the weakening of the major trading currencies against the EUR in 2020 compared to last year. The equity movement is explained below.

The Group's current taxes to the different local authorities in all the countries in which it operates, were €92 million (excl. withholding taxes on the Group dividend), total employers' social security contribution were €77 million (excl. employees' social security contribution and payroll taxes) and taxes to be considered as operating expenses were €9 million (excl. VAT, duties...).

Directors' report

Statement of financial position

Intangible assets, consisting of goodwill and other intangible assets, amounted to €703 million at 31 December 2020 (2019: €815 million). The decrease is mainly attributable to the negative currency translation of €40 million, the annual amortisation of intangible assets of €23 million and the impairment of Goodwill of €38 million, customer list in Chili of €15 million and global ERP of €10 million, partially offset by the capital expenditure of €19 million. Further details on movements in intangible assets are set out in note 16 (Intangible assets) to the consolidated financial statements.

Property, plant and equipment amounted to €882 million at 31 December 2020, compared to €963 million at the end of the previous year. The main part of the net decrease of €81 million was attributable to the depreciation of the period of €121 million, the negative currency translation of €49 million and the net impact of the deconsolidation of €35 million, partly offset by the new capital expenditures of €130 million.

Non-cash working capital amounted to €299 million at 31 December 2020 (31 December 2019: €429 million). As at 31 December 2020, working capital represented 10.3% (2019: 13.8%) of revenue, which represents the lowest point in the annual cycle, reflecting the seasonal nature of the Group's activities.

The equity attributable to equity owners of the company increased from €1,401 million in 2019 to €1,406 million in 2020 mainly as a result of the net profit of the reporting period (€198 million) partially offset by the negative impact of exchange rate movements (€150 million) and the negative impact of the net dividends paid (€46 million).

Non-controlling interests at 31 December 2020 amounted to €7 million (2019: €7 million). The result of the net profit for the reporting period (€1 million) was offset by the negative impact of the net dividends paid (€1 million).

Deferred tax liabilities amounted to €61 million at 31 December 2020 (2019: €67 million). Deferred tax assets were €13 million (2019: €35 million). Further details on movements in deferred taxes are set out in note 26 (Deferred tax assets and liabilities) to the consolidated financial statements.

Net Financial Debt

	31 December 2020	31 December 2019
Non-current borrowings	781	983
Non-current leases	95	88
Current borrowings	151	143
Current leases	22	30
Cash and cash equivalents	-643	-486
Bank overdrafts	30	13
	438	771

Net financial debt at 31 December 2020 decreased by €333 million. The major cash flows during the year arose from cash generated by the Group's operations (€452 million), the divestment of businesses, mainly Harrington (€169 million), less the capital expenditures made during the year (€99 million – excl. leasing), tax payments (€90 million), the lease movements (€54 million), net dividends paid (€48 million), net interest payments (€14 million) and the working capital changes (€9 million).

The return on capital employed in 2020 was 16.1% (2019: 15.0%). The Group's share of return on equity was 14.1% (2019: 13.8%).

Directors' report

2.3 Our people

2.3.1 COVID-19 response

In the context of COVID-19, we have supported our colleagues in every way we can. To our knowledge, we had no contamination in the workplace. However, since the outbreak of the pandemic hundreds of colleagues around the world were infected and sadly 5 of them passed away. Via the Aliaxis People Solidarity Fund, we provided support to employees heavily impacted by the pandemic. Set up within the King Baudouin Foundation, the Fund supported 57 employee families in 2020.

A Group crisis team and local crisis management teams were activated to provide a global integrated response. Our local teams adapted quickly to the new ways of working. They ensured we maintained safe workplaces and embraced new and refreshed ways of communicating across remote environments.

Our employees have responded impressively to the challenges we faced in 2020. They have supported difficult decisions to ensure business continuity through disciplined cost control and cash management, while still delivering for our customers.

We were able to keep most of our manufacturing sites open, thanks to our teams' reactivity, and because our services are critical to society. We also helped ensure efficient water and gas supply in our communities, as well as maintain effective drainage and wastewater treatment systems.

2.3.2 Focus on people working at Aliaxis

Aliaxis respects and protects employees' fundamental rights across all our locations. In 2020, we adopted global labour standards across the Group, aligned to the International Labour Organization (ILO) Core Conventions.

We believe that an inclusive culture allows our 60+ nationalities to bring a rich diversity of capabilities and perspectives. While the industry gender gap continues to be widespread in most industries today, Aliaxis aims to tackle it. In some areas of the company, we achieved gender balance, such as in our Research hub in Paris where 57% of our employees are female. Besides, many local initiatives across the Group underline our pledge to be an inclusive employer. Currently there are 19.5% female workers, among the 14,000+ people employed by Aliaxis in 2020. This gender split is in the industry average.

The EMEA Division accounts for 29% of all staff. North America ranks second with 21.2%, followed by Latin America with 15.5% and 15% in India. Our businesses in Australia and New Zealand now employs 8.4%. The average age of an Aliaxis employee is 42.5 years, but it varies significantly between Divisions. In APAC, the average age is 46.5 years, while in India, the workforce is 34.5 years on average.

Aliaxis is committed to conducting its business with integrity and in compliance with the law. We provide strong policies, employee training (on Code of Conduct, privacy, anti-corruption and anti-bribery and competition law) and a whistleblowing mechanism.

We continue to strive to be a "Great Place to Work" by valuing our employees as they move through their careers, through our Talent Council, and Compensation and Benefits Council. Our Aliaxis University also brings together all our training programmes to develop our existing talent. We were delighted to see that Aliaxis India received accreditation this year as a Great Place to Work.

2.4 Our innovations

Our ambitions in the field of innovation are based on two main areas. We develop components, systems and solutions that increase the productivity of our customers and end-users. In addition, we develop water management solutions to preserve, store, transport and protect water.

To realise these ambitions, we have consolidated our innovation teams in recent years and focused their efforts onto fewer, more impactful projects.

2.4.1 Three Research hubs

On a global level, we today have three Research hubs that are spearheading our efforts in terms of Innovation. Joining our existing Centres in Toronto, Canada, and Paris, France, we opened a third Centre this year in Bangalore, India. All three Centres have a global reach and cooperate to support all regions. We are building up our team at Bangalore to reach a 60+ strong team. Our three research hubs look into materials, new product design, water purification and digital technology. We work on a prioritised number of projects, focusing on products with positive impact for our customers and for society.

Aliaxis launched about 60 new products in 2020. Some of these were smart improvements – easier connections, easier installation – solving specific customer problems. Other new solutions tackle larger concerns and improve the living conditions of communities. In Latin America, we launched MaxiCanal, a new roof gutter system – designed in collaboration with customers – to cope with extreme heavy rain.

Directors' report

2.4.2 Rainwater harvesting innovation

Among the major innovations we brought to market in 2020 were water tanks and rainwater harvesting in India. We saw an opportunity in an adjacent segment we were not operating in and used that to drive significant business growth.

Instead of marketing a single component, we offer an end-to-end solution for rainwater harvesting, which helps customers conserve water in line with government regulations. With anti-microbial and anti-fungal properties, our water tanks also provide significant health benefits. We are the first to offer a complete system like this in India, and there is growth potential in other geographies for similar rainwater harvesting systems.

2.4.3 Addressing the challenges of urbanisation

Besides addressing water management challenges, we also play a role in supporting growing urbanisation. For example, we provide advanced solutions in wastewater and drainage systems for high-rise buildings.

We work with universities to design solutions for the most difficult problems, using various testing scenarios, including pressure simulations. Using a lift tower, we carry out experiments in collaboration with the Heriot-Watt University in Edinburgh, helping us to develop a series of unique products, ideally suited for high-rise buildings.

2.4.4 Increased focus on green innovation and recycling

We are adapting our innovation process to consider the environmental impact of our products. This means doing lifecycle analysis to assess the impact of our products on for example our CO₂ emissions, water, energy and materials use. These are important criteria in our new product development, playing into our green innovation and recycling agenda.

As part of our sustainability engagement, we have made progress during the year on resolving some of the hurdles around recycling. Products like Ecolotube (Canada – 50% recycled material) and HomeTech (France – 20% recycled material) have led the way.

We aim to integrate more recycled raw materials across all our operations, as it is our main lever in reducing our carbon footprint. Lighter products also provide an economical advantage, bringing a cost benefit for our customers, as well as opportunities for growth. In Italy, we have redesigned our PVC fittings to be 20% lighter, easier to transport and easier to install, with a carbon footprint that is 25% lower.

2.5 Sustainability

In 2020, we developed a sustainability framework, based on a materiality analysis to identify where we can make the biggest impact. It defines three main axes for enhancing our sustainable performance over the coming years:

1. **Safety is our top priority**, central to our robust internal business practices;
2. High impact areas linked to our core business, such as **circular economy**, **green innovation and recycling**;
3. Our commitment to provide solutions for **sustainable water management**.

A dedicated council (involving both the ExCom in full and internal experts) has been established to oversee the implementation of the framework.

2.5.1 Safety, our top priority

At Aliaxis we strive for an injury-free work environment and safety is our top priority. Our leading indicator is the reportable incident rate per million hours worked. In 2020, there were 21% fewer accidents versus 2019, North America being the region which improved most with a decrease by 28%.

We track both incidents and near misses in order to capture all learnings and engage teams across the organisation on the lessons learnt to ensure efficient cross fertilisation. As part of the insights from both effective incidents and near misses, we identified the top risks which can lead to most severe injuries.

That's why in 2020, we focused on two safety standards: "forklift and pedestrians" and "use of lifting equipment".

2.5.2 Environmental performance

We are committed to minimising any adverse environmental impacts associated with our direct operations, with a focus on water use and solid waste management. In 2020, we developed our first two global environmental standards – covering waste management and water management. In 2020 we improved by 9% our waste efficiency (vs 2019) and by 13.2% our water efficiency (vs 2019).

In 2020, we also rolled out site energy self-assessments to identify potential energy efficiency projects. Finally, we completed a carbon footprint analysis of our whole value chain, working with the environmental consultancy company ERM. During the year, our energy efficiency (kWh/tonne produced) improved by 5.7% and greenhouse gas emissions (kg CO₂ equivalent/tonne produced) decreased by 7.5%, compared to 2019.

Directors' report

2.5.3 Circular economy & recycling

Aliaxis is developing its contribution to the circular economy, reusing waste plastics as recycled raw materials, reducing waste generation and minimising our environmental footprint.

We continue to make progress on redesigning products and packaging to make use of significantly less raw materials. We play our role in setting relevant quality standards in the field of recycled plastics, and are increasing the proportion of recycled content in our products. We have succeeded in changing a number of product formulations to increase amounts of recycled materials while maintaining the level of quality. We are stepping up our efforts to support industry-wide initiatives focusing on the increased recycling of materials.

In 2020, we carried out a survey across our markets on the use of recyclate. The aim is to establish a baseline of our current use of recycled materials, and to identify opportunities to expand our use.

We have also forged partnerships with external stakeholders, including innovative start-ups, to explore greater recycling of PVC and Polyolefin materials.

In Australia, we have structured supply deals with companies that collect construction and demolition waste for recycling. We have invested in equipment to clean, wash, shred and micronise waste, so that we can re-use it in our production. This initiative received a grant from the Australian Government that will support our efforts to upgrade one of our facilities in 2021, to increase the amount of recycled PVC we can process.

In 2020, we strengthened our focus on improving the control of plastic powder and pellet loss in our factories. Powder and pellets released into the environment can contribute to the contamination of our waterways and oceans, so it is important that we have robust practices to prevent this. We have signed up to Operation Clean Sweep, an industry-wide partnership that aims at helping every plastic resin handling operation achieve zero pellet, flake or powder loss. The initial roll out in Europe began this year. Our other regions will sign up to the programme in 2021.

2.5.4 A water management portfolio

Our products play an important role in addressing the challenges the world faces in water management. In 2020, we identified products, systems and solutions that support 'sustainable water management'. This is in line with the UN Sustainable Development Goal SDG 6 to "ensure availability and sustainable management of water and sanitation for all".

2.6 Risks and uncertainties

The risk profile of the companies within the Aliaxis Group is similar to that of other manufacturing and distribution companies operating in an international environment, and includes economic and sector risks as well as credit, liquidity and market risks arising from exposure to currencies, interest rates and commodity prices. The Group is also exposed to more specific risks of, for example, public, product and employer's liability, property damage and business interruption and the risks from administrative, fiscal and legal proceedings.

Developments in respect of administrative, fiscal, and legal proceedings are described as appropriate in notes 27 (Provisions) and 33 (Contingencies) to the consolidated financial statements.

The Group has adopted a range of internal policies and procedures to identify, reduce and manage these risks either at individual company level or, where appropriate, at Group level.

The Group's approach to the management of credit, liquidity and market risks (including commodity, interest rate and currency) is set out in note 5 (Financial risk management) to the consolidated financial statements.

2.7 Use of derivative financial instruments

Risks relating to creditworthiness, interest rate and exchange rate movements, commodity prices and liquidity arise in the Group's normal course of business. However, the most significant financial exposures for the Group relate to the fluctuation of interest rates on the Group's financial debt, and to fluctuations in currency exchange rates.

The Group's approach to the management of these risks is described in note 30 (Financial instruments).

Directors' report

2.8 Subsequent events

No subsequent events have occurred that warrant a modification of the value of the assets and liabilities or any additional disclosure.

2.9 Outlook for 2021

The positive momentum should continue through Q1 2021. Visibility on Q2 and the second half of 2021 remains limited with high uncertainty. Further, we expect raw materials (resins) supply and conditions to be challenging.

2.10 Dividend

The Board of Directors will propose that the general meeting of shareholders on 26 May 2021 approves the distribution of a gross dividend of €0.658 per share. The dividend is well below 30% of the net profit. Upon approval by the General meeting, this dividend will become payable as of 1 July 2021.

2.11 Statutory appointments

- The mandates of Mr Olivier van der Rest, Mr Patrick Simonard, Mr Didier Leroy, Mrs Andrea Hatschek, Mr Eric Olsen, Mr George Durman- Esquivel and Mr Thierry Vanlancker will expire at the next general meeting of shareholders on May 26, 2021. They are all candidate for re-election. Upon recommendation of the appointment and remuneration committee, the Board proposes to the shareholders their re-election for a term of office of three years, ending at the general meeting of shareholders in 2024.
- The mandate of Mr Kieran Murphy will also expire at the next general meeting of shareholders of May 26, 2021. He is candidate for re-election. Upon recommendation of the appointment and remuneration committee, the Board proposes to the shareholders the re-election for a term of office of two years, ending at the general meeting of shareholders of 2023.
- The mandate of Mrs Hélène Van Zeebroeck, Mr Marc Nolet de Brauwere and Mr Amaury Pelgrims de Bigard will also expire at the next general meeting of shareholders of May 26, 2021. They are not candidate for re-election.

The Board of directors wishes to sincerely thank them for their valuable contribution to the Group during their many years of service.

- Upon recommendation of the appointment and remuneration committee, the Board proposes to the shareholders to elect GDF Impact SRL (represented by its permanent representative Mr Guy della Faille) and Mr Pierre-Alexandre Peters as directors of Aliaxis SA for a term of office of three years ending at the general meeting of shareholders to be held in 2024.
- The mandate of KPMG Bedrijfsrevisoren – Réviseurs d'Entreprises as auditor of the consolidated and non-consolidated accounts will expire at the next general meeting of shareholders. It has been proposed to the general meeting of shareholders to reappoint KPMG Bedrijfsrevisoren – Réviseurs d'Entreprises, as auditor of the consolidated and non-consolidated accounts of Aliaxis SA, for a term of three years, ending at the general meeting of shareholders in 2024.



Financial performance

Aliaxis SA – Consolidated Annual Report 2020

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Consolidated financial statements

Consolidated statement of profit or loss and other comprehensive income

Consolidated statement of profit or loss

For the year ended 31 December (in € thousand)	Notes	2020	2019
Revenue		2,907,710	3,117,571
Cost of sales		(2,084,996)	(2,281,317)
Gross profit		822,713	836,254
Commercial expenses		(218,642)	(254,149)
Administrative expenses		(241,792)	(242,590)
R&D expenses		(23,220)	(24,201)
Other operating income / (expenses)	7	(23,527)	(15,225)
Operating profit exclusive adjusted items		315,531	300,090
Adjusted items:			
Net result on sale of businesses	8	98,332	113,575
Restructuring costs	9	(14,220)	(30,040)
Impairment of non-financial assets	10	(63,969)	(47,545)
Other income / (expenses)	11	(5,116)	(12,487)
Operating profit		330,558	323,592
Finance income	14	12,173	9,095
Finance expenses	13	(33,982)	(39,127)
Profit before income taxes		308,749	293,559
Income tax expense	15	(109,287)	(109,253)
Profit for the period		199,462	184,306
of which attributable to Group equity holders		198,476	183,034
of which attributable to non-controlling interests		985	1,273
Earnings per share (in €):			
Basic earnings per share	23	2.54	2.33
Diluted earnings per share	23	2.54	2.33

The notes on pages 22 to 84 are an integral part of these consolidated financial statements.

Consolidated financial statements

Consolidated statement of other comprehensive income

For the year ended 31 December (in € thousand)	Notes	2020	2019
Profit for the period recognised in the income statement		199,462	184,306
<i>Items that will never be reclassified to profit and loss:</i>			
Equity investments at FVOCI – net change in fair value	30	18	87
Remeasurement IAS 19 & other remeasurements of defined benefit liability (asset) (net of taxes)	25b	(100)	3,147
<i>Items that are or may be reclassified to profit and loss:</i>			
Foreign currency translation differences for foreign operations	22	(150,158)	63,716
Net profit/(loss) on hedge of net investment in foreign operations	30	272	(1,012)
Cost of hedging reserves – changes in FV	30	433	(761)
Effective portion of changes in fair value of cash flow hedges	30	(6,893)	7,728
Change in fair value of cash flow hedges transferred to profit or loss	30	11,075	(2,472)
Deferred taxes related to hedges		(2,002)	(690)
Other comprehensive income for the period, net of income tax		(147,354)	69,743
Total comprehensive income for the period		52,108	254,049
<i>of which attributable to Group equity holders</i>		51,278	252,624
<i>of which attributable to non-controlling interests</i>		829	1,425

The notes on pages 22 to 84 are an integral part of these consolidated financial statements.

Consolidated financial statements

Consolidated statement of financial position

As at 31 December (in € thousand)	Notes	2020	2019
Intangible assets and goodwill	16	702,715	814,674
Property, plant & equipment	17	882,219	963,479
Investment properties	18	3,258	3,491
Other assets		32,639	34,433
Derivative financial instruments with positive fair values	30	18,971	50,310
Deferred tax assets	26	13,444	35,162
Employee benefits	25b	46,641	48,718
Non-current assets		1,699,887	1,950,265
Inventories	19	506,629	581,151
Current tax assets		10,069	14,391
Amounts receivable	20	340,023	384,406
Derivative financial instruments with positive fair values	30	22,988	95
Cash & cash equivalents	21	642,747	486,143
Assets held for sale		4,679	6,116
Current assets		1,527,135	1,472,302
TOTAL ASSETS		3,227,022	3,422,567
As at 31 December (in € thousand)	Notes	2020	2019
Share capital	22	62,666	62,666
Share premium	22	13,332	13,332
Retained earnings and reserves		1,329,878	1,325,290
Equity attributable to Group equity holders		1,405,877	1,401,289
Non-controlling interests	22	6,876	7,242
TOTAL EQUITY		1,412,753	1,408,530
Loans and borrowings	24	781,240	982,690
Lease liabilities	31	95,309	88,377
Employee benefits	25b	81,211	79,042
Deferred tax liabilities	26	60,993	66,853
Provisions	27	18,315	27,246
Derivative financial instruments with negative fair values	30	7,760	9,088
Other amounts payable	29	2,471	19,053
Non-current liabilities		1,047,299	1,272,349
Loans and borrowings	24	151,038	143,261
Lease liabilities	31	22,314	30,062
Bank overdrafts	21	30,473	12,749
Provisions	27	32,951	33,483
Derivative financial instruments with negative fair values	30	5,132	4,675
Current tax liabilities	28	74,441	74,950
Amounts payable	29	450,622	442,509
Current liabilities		766,970	741,688
TOTAL LIABILITIES		1,814,269	2,014,037
TOTAL EQUITY & LIABILITIES		3,227,022	3,422,567

The notes on pages 22 to 84 are an integral part of these consolidated financial statements.

Consolidated financial statements

Consolidated statement of changes in equity

2019

(in € thousand)	Notes	Share capital	Share premium	Hedging reserve	Reserve for own shares	Translation reserve	Retained earnings	Total capital & reserves	Non-controlling interests	TOTAL EQUITY
As at 1 January 2019		62,666	13,332	(6,303)	(163,224)	(124,469)	1,468,868	1,250,870	7,297	1,258,167
Change in accounting policies IFRIC 23							(47,688)	(47,688)		(47,688)
Restated as at 1 January 2019		62,666	13,332	(6,303)	(163,224)	(124,469)	1,421,180	1,203,182	7,297	1,210,479
Profit for the period							183,034	183,034	1,273	184,306
Other comprehensive income:										
Foreign currency translation differences	22			(32)		63,590	5	63,564	153	63,716
Net gain on hedge of net investment (net of tax)	22					(1,012)		(1,012)		(1,012)
Cash flow hedges (net of tax)	30			3,804				3,804		3,804
Remeasurement IAS 19 & other	25b						3,147	3,147		3,147
FV changes on investments	30						87	87		87
Transactions with Group equity holders:										
Own shares acquired	22, 25c				(9,454)			(9,454)		(9,454)
Own shares sold	22, 25c				395		285	680		680
Dividends to shareholders	22						(46,093)	(46,093)	(1,338)	(47,432)
Scope changes					499		(149)	350	(142)	208
As at 31 December 2019		62,666	13,332	(2,531)	(171,784)	(61,891)	1,561,496	1,401,289	7,242	1,408,530

2020

(in € thousand)	Notes	Share capital	Share premium	Hedging reserve	Reserve for own shares	Translation reserve	Retained earnings	Total capital & reserves	Non-controlling interests	TOTAL EQUITY
As at 1 January 2020		62,666	13,332	(2,531)	(171,784)	(61,891)	1,561,496	1,401,289	7,242	1,408,530
Profit for the period							198,476	198,476	985	199,462
Other comprehensive income:										
Foreign currency translation differences	22			(160)		(149,833)	(9)	(150,002)	(156)	(150,158)
Net gain on hedge of net investment (net of tax)	22					272		272		272
Cash flow hedges (net of tax)	30			2,613				2,613		2,613
Remeasurement IAS 19 & other	25b						(100)	(100)		(100)
FV changes on investments	30						18	18		18
Transactions with Group equity holders:										
Own shares acquired	22, 25c				(580)			(580)		(580)
Own shares sold	22, 25c				101		90	190		190
Dividends to shareholders	22						(45,951)	(45,951)	(1,189)	(47,140)
Scope changes					(317)		(33)	(349)	(6)	(355)
As at 31 December 2020		62,666	13,332	(77)	(172,580)	(211,451)	1,713,988	1,405,877	6,876	1,412,753

The notes on pages 22 to 84 are an integral part of these consolidated financial statements.

Consolidated financial statements

Consolidated statement of cash flows

For the year ended 31 December (in € thousand)	Notes	2020	2019
OPERATING ACTIVITIES			
Profit before income tax		308,749	293,559
Depreciation	17, 18	121,195	124,341
Amortisation	16	22,738	15,428
Impairment losses on PP&E, intangible assets and assets held-for-sale	17, 16	64,758	50,917
Impairment losses on working capital and others		10,603	3,475
Increase / (decrease) in provisions in profit and loss	27	25,448	36,218
Financial instruments – fair value adjustment through profit or loss	30	609	921
Net interest (income) / expenses	14, 13	13,644	17,823
Dividend income	14	(370)	(322)
Loss / (gain) on sale of intangible assets	7	6	2
Loss / (gain) on sale of property, plant and equipment	7	(778)	(554)
Loss / (gain) on sale of assets held-for-sale		(2)	–
Loss / (gain) on sale of businesses	6	(98,332)	(113,509)
Other – miscellaneous – mainly FX		(16,511)	13,718
Gross cash flows from operating activities		451,756	442,016
Decrease / (increase) in inventories		1,857	(14,799)
Decrease / (increase) in amounts receivable		(30,085)	12,401
Increase / (decrease) in amounts payable		45,433	(23,756)
Increase / (decrease) in provisions	27	(26,246)	(28,740)
Changes in working capital and provisions		(9,041)	(54,894)
Cash generated from operations		442,715	387,122
Income tax paid	15	(89,651)	(106,594)
Net cash flows from operating activities		353,063	280,527
INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment	17	2,574	1,839
Proceeds from sale of intangible assets		–	8
Proceeds from sale of assets held-for-sale		1,900	2,319
Proceeds from sale of investments		220	918
Repayment of loans granted	24	–	26
Sale of a business, net of cash disposed of	6	169,169	183,338
Acquisition of businesses, net of cash acquired	6	(1,042)	(133,925)
Acquisition of property, plant and equipment	17	(80,408)	(105,062)
Acquisition of intangible assets	16	(18,586)	(11,681)
Acquisition of other investments		(1,711)	(34)
Loans granted	24	–	(174)
Dividends received		370	376
Interest received		5,723	6,984
Net cash flows used in investing activities		78,208	(55,067)

The notes on pages 22 to 84 are an integral part of these consolidated financial statements.

Consolidated financial statements

For the year ended 31 December (in € thousand)	Notes	2020	2019
FINANCING ACTIVITIES			
Proceeds from sale of treasury shares	25c	190	680
Proceeds from obtaining borrowings	24	26,182	33,551
Repurchase of treasury shares	25c	(580)	(9,454)
Repayment of borrowings	24	(195,904)	(62,567)
Repayment of leasing		(32,677)	(35,999)
Dividends paid		(47,536)	(47,212)
Interest paid		(19,882)	(19,622)
Cash flows from financing activities		(270,207)	(140,623)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		161,064	84,837

Cash and cash equivalents

For the year ended 31 December (in € thousand)	Notes	2020	2019
As at 1 January 2020	21	473,394	373,622
Net (decrease) / increase in cash and cash equivalents		161,064	84,837
Cash and cash equivalents resulting from scope changes and A/L HFS transfers		(347)	(2,324)
Effect of exchange rate fluctuations on cash held		(21,837)	17,259
As at 31 December 2020	21	612,274	473,394

The notes on pages 22 to 84 are an integral part of these consolidated financial statements.

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Notes to the consolidated financial statements

1. Corporate information

Aliaxis SA ("the Company") is a company domiciled in Belgium. The address of the Company's registered office is Avenue Arnaud Fraiteur, 15/23, 1050 Brussels. The consolidated financial statements of the Company as at and for the year ended 31 December 2020 comprise the Company, its subsidiaries and interest in equity accounted investees (together referred to as the "Group" or "Aliaxis").

Aliaxis employed around 14,500 people, is present in more than 40 countries throughout the world, and is represented in the marketplace through more than 100 manufacturing and selling companies, many of which trade using their individual brand identities. The Group is primarily engaged in the manufacture and sale of plastic pipe systems and related building and sanitary products which are used in residential and commercial construction and renovation as well as in a wide range of industrial and public utility applications.

The financial statements have been authorised for issue by the Company's Board of Directors on 25 March 2021.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) effective and adopted by the European Union as at 1 January 2020.

Aliaxis was not obliged to apply any European carve-outs from IFRS, meaning that the financial statements are fully compliant with IFRS. The Company has not elected for early application of any of the standards or interpretations which were not yet effective on the reporting date.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following:

- derivative financial instruments are measured at fair value;
- financial instruments at fair value through profit or loss are measured at fair value;
- share-based payment arrangements;
- employee benefits;
- asset held for sale.

(c) Functional and presentation currency

These consolidated financial statements are presented in euro, which is the Company's functional currency. All financial information presented in euro has been rounded to the nearest thousand, except when otherwise indicated.

Notes to the consolidated financial statements

(d) Use of estimates and judgments

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements, are described in the following notes:

- Note 16 – measurement of the recoverable amounts of cash-generating units;
- Note 25b – measurement of defined benefit obligations;
- Note 25c – measurement of share-based payments;
- Note 26 – use of tax losses;
- Notes 27 and 33 – provisions and contingencies;
- Note 28 – liabilities for uncertain tax positions;
- Note 30 – valuation of derivative financial instruments and determination of effectiveness for hedge accounting.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair values of an asset and liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 18 – investment properties;
- Note 25c – share-based payments;
- Note 30 – financial instruments.

3. Significant accounting policies

Except for the changes explained below, the accounting policies adopted are consistent with those of the previous financial year.

As of 1 January 2020, Aliaxis adopted the following new and amended IFRS standards and interpretations and considered that did not result in significant changes in the consolidated financial statements.

Amendment to IFRS 3 Business Combinations, issued on 22 October 2018, provides more guidance on the definition of a business. The amendment includes an election to use a concentration test. This is a simplified assessment that will result in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If one does not apply the concentration test, or the test is failed, then the assessment focuses on the existence of substantive process.

Amendments to IAS 1 and IAS 8: Definition of Material was issued on 31 October 2018 clarifying the definition of 'Material' and aligning the definition of 'material' across the standards. The new definition states that "information is considered material, if omitting, misstating or obscuring it could reasonably be expected to influence decisions that primarily users of general-purpose financial statements make on the basis of those financial statements, which provide information about a specific reporting entity". The amendments clarify that materiality will depend on the nature or magnitude of information.

On 29 March 2018, the IASB has issued Amendments to References to the Conceptual Framework in IFRS Standards (Amendments to CF). The Conceptual Framework sets out the fundamental concepts of financial reporting that guides the Board in developing IFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, providing useful information for investors and others. The Conceptual Framework also assists companies in developing accounting policies when no IFRS Standard applies to a particular transaction; and it helps stakeholders to understand the Standards better.

Key changes include:

- Increasing the prominence of stewardship in the objective of financial reporting, which is to provide information that is useful in making resource allocation decisions.
- Reinstating prudence, defined as the exercise of caution when making judgements under conditions of uncertainty, as a component of neutrality.
- Defining a reporting entity, which might be a legal entity or a portion of a legal entity.
- Revising the definition of an asset as a present economic resource controlled by the entity as a result of past events.
- Revising the definition of a liability as a present obligation of the entity to transfer an economic resource as a result of past events.
- Removing the probability threshold for recognition and adding guidance on derecognition.
- Adding guidance on the information provided by different measurement bases and explaining factors to consider when selecting a measurement basis.
- Stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where the relevance or faithful representation of the financial statements would be enhanced.

On 26 September 2019, the IASB has issued Amendments to IFRS 9, IAS 39 and IFRS 7 (interest rate benchmark reform). The related amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, it requires companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Notes to the consolidated financial statements

The amendments are summarised as follows:

- When determining whether a forecast transaction is highly probable, a company shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform.
- When performing prospective assessments, a company shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of their interest rate benchmark reform.
- When applying IAS 39, the company is not required to undertake the IAS 39 retrospective assessment for hedging relationships directly affected by the reform. However, the company must comply with all other IAS 39 hedge accounting requirements, including the prospective assessment.
- For hedges of a non-contractually specified benchmark component of interest rate risk, a company shall apply the separately identifiable requirement only at the inception of such hedging relationship.

(a) Basis of consolidation

A list of the most important subsidiaries and equity accounted investees is presented in Note 35.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any related, non-controlling interests and the other components of equity related to the subsidiary. Any resulting gain or loss is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost.

(b) Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency of Aliaxis entities at exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are carried at historical cost are translated at the reporting date at exchange rates at the dates of the transactions. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the reporting date at the exchange rate at the date the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments at FVOCI or a financial liability designated as a hedge of the net investment in a foreign operation (see below), which are recognised directly in other comprehensive income (OCI) under translation reserve.

Notes to the consolidated financial statements

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to euro at exchange rates at the reporting date. The income and expenses of foreign operations are translated to euro at average exchange rates for the year approximating the foreign exchange rates at the dates of the transactions. The components of shareholders' equity are translated at historical exchange rates.

Foreign currency differences are recognised in OCI and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

Hedge of net investment in a foreign operation

The Group applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the euro regardless of whether the net investment is held directly or through an intermediate parent. Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised directly in OCI under translation reserve, to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When an entity partially disposes of a subsidiary that includes a foreign operation, but retains control, the entity re-attributes a proportionate share of the cumulative amounts previously recognised in OCI to NCI.

In addition, monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future are a part of the Group's net investment in such foreign operation. Any foreign currency differences on these items are recognised directly in OCI under translation reserve, and the relevant cumulative amount in OCI is transferred to profit or loss when the investment is disposed of, in part or in full.

Exchange rates

The following major exchange rates have been used in preparing the consolidated financial statements.

	Average		Reporting date	
	2020	2019	2020	2019
AUD	1.655	1.611	1.590	1.600
CAD	1.530	1.486	1.563	1.460
GBP	0.889	0.878	0.899	0.851
NZD	1.756	1.700	1.698	1.665
USD	1.142	1.120	1.227	1.123
INR	84.599	78.835	89.661	80.187

(c) Intangible assets and goodwill

Goodwill

The carrying amount of goodwill is allocated to those reporting entities that are expected to benefit from the synergies of the business combination and those are considered as the Group's cash-generating units.

Goodwill is expressed in the functional currency of the reporting entity to which it is allocated and is translated to euro using the exchange rate at the reporting date.

In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

Notes to the consolidated financial statements

Goodwill is measured at cost less accumulated impairment losses (see Note 3k).

The Group elected not to restate those business combinations that occurred prior to the transition to IFRS; this goodwill represented the amount, net of accumulated amortisation, recognised under the Group's previous accounting framework, Belgian GAAP.

For acquisitions as of 1 January 2010, goodwill represents the excess of the consideration transferred with respect to the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss.

Intangible assets acquired in a business combination

Intangible assets such as customers' relationships, trademarks, patents acquired in a business combination initially are recognised at fair value. If the criteria for separate recognition are not met, they are subsumed under goodwill.

The calculation of the fair value of a customer list is based on the discounted cash flows (after tax) derived from the sales related to such customers after (i) applying an attrition rate (as observed over a relevant historical period of time), and (ii) accounting for all related operating costs (except financial) including specific contributory charges on assets and labour.

Research and development

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognised in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and Aliaxis intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes capitalised borrowing costs and the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. If the recognition criteria referred to above are not met, the expenditure is recognised in profit or loss as an expense when incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation (see below) and accumulated impairment losses (see Note 3k).

Other intangible assets

Other intangible assets that are acquired by Aliaxis which have finite useful lives are measured at cost less accumulated amortisation (see below) and accumulated impairment losses (see Note 3k).

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss when incurred.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets with a finite life, from the date that they are available for use. Goodwill is not amortised. The estimated useful lives are as follows:

• Patents, concessions and licenses	5 years
• Capitalised development costs	3-5 years
• IT software	5-7 years
• Drawings	25 years

Notes to the consolidated financial statements

The value of the customer list is amortised –with a straight-line method– along a useful life which corresponds to the number of years until the present value of the last individual cash-flow becomes insignificant.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(d) Property, plant and equipment Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation (see below) and impairment losses (see Note 3k). Aliaxis elected to measure certain items of property, plant and equipment at 1 January 2005, the date of transition to IFRS, at fair value and used those fair values as deemed cost at that date.

Cost includes expenditures that are directly attributable to the acquisition of the asset; e.g. cost of materials and direct labour, costs incurred to bring the asset to its working condition and location for its intended use, any relevant costs of dismantling and removing the asset and restoring the site on which the asset was located when the Group has an obligation. Purchased software that is integral to the functionality of the related equipment and borrowing costs are capitalised, as part of that equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the net proceeds from disposal with the carrying amount of property, plant and equipment and are recognised within other income/expenses in profit or loss.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent expenditure

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item only if it is probable that the future economic benefits embodied within such part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives, unless there is certainty that the Group will take ownership at the end of the lease term. Land is not depreciated.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use.

The estimated useful lives are as follows:

• Buildings:	
• Structure	40-50 years
• Roof and cladding	15-40 years
• Installations	15-20 years
• Plant, machinery and equipment:	
• Silos	20 years
• Machinery and surrounding equipment	10 years
• Moulds	3-5 years
• Furniture	10 years
• Office machinery	3-5 years
• Vehicles	5 years
• IT & IS	3-5 years

Notes to the consolidated financial statements

Depreciation methods and useful lives, together with residual values if not insignificant, are reassessed at each reporting date and adjusted if appropriate.

(e) Leased assets

Leases are recognised as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Group. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The Group elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of less than 12 months ('short-term leases') and lease contracts for which the underlying asset is of low value ('low-value assets'). Low value refers to assets with a value of € 5.000 or less when they are new.

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate which has been determined along two dimensions:

- The currency in which the lease contract is denominated;
- The duration of the lease contract. For simplicity, durations have been grouped in categories with individual appropriate rates being extrapolated when necessary and averaged thereafter.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Lease payments that are due within 12 months are classified as current liabilities. All lease payments that are due at least 12 months after the balance sheet date are classified as non-current liabilities.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

Notes to the consolidated financial statements

Some of the car leases contain variable lease payments. It concerns car lease agreements that contain a Terminal Rental Adjustment Clause (TRAC): a final settlement calculation is made at termination of the lease to determine the final rental adjustment. This final rent adjustment is a rent payment (or credit) that reflects actual usage of the vehicle while under lease. This final amount is not known at lease commencement. The rental adjustment amount is not a specified amount but depends upon known factors such as monthly depreciation and initial acquisition cost, and several unknown factors at lease commencement, such as mileage, condition of the vehicle, wear and tear, damage, geography of operation, disposal channel, and other factors. Together, these factors generally represent "use" of the vehicle. Payments that vary due to use of the underlying asset and vehicle mileage specifically are variable lease payments. The final rental adjustment is recognised as expense or, in case of a credit, as a reduction of expenses when realised.

(f) Investment properties

Investment property is property held either to earn rental income or for capital appreciation or for both. Investment property is measured at cost less accumulated depreciation and impairment losses (see Note 3k).

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of the property consistent with the useful lives for property, plant and equipment (see Note 3d).

The fair values, which are determined for disclosure purposes, are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

(g) Other non-current assets

Investments in equity securities

Investments in equity securities are undertakings in which Aliaxis does not have significant influence or control. These investments are designated as financial assets at FVTPL which are, subsequent to initial recognition, measured at fair value, except for those equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Those equity instruments that are excluded from fair valuation are stated at cost. Changes in the fair value, other than impairment losses (see Note 3k), are recognised directly in OCI. When an investment is derecognised, the cumulative gain or loss previously recognised directly in equity is transferred to profit or loss.

Investments in debt securities

Investments in debt securities are classified at fair value through profit or loss or fair value through OCI and are carried at fair value with any resulting gain or loss respectively recognised in profit or loss or directly in OCI. Impairment losses (see Note 3k) and foreign exchange gains and losses are recognised in profit or loss.

Other financial assets

A financial asset is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if Aliaxis manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Other assets

These assets are measured at amortised cost using the effective interest rate method, less any impairment losses (see Note 3k).

Notes to the consolidated financial statements

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle for raw materials, packaging materials, consumables, purchased components and goods purchased for resale, and on the first-in first-out principle for finished goods, work in progress and produced components.

The cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost also includes production costs and an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Amounts receivable

Amounts receivable comprise trade and other receivables. These amounts are carried at amortised cost, less impairment losses (see Note 3k).

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with final maturities of three months or less at acquisition date. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(k) Impairment

Financial assets

For financial instruments and contract assets, the Group recognises loss allowances for ECLs on financial assets measured at amortised cost and debt investments measured at FVOCI. The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Debts securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk has not increased significantly since initial recognition.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- The debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The financial asset is more than 365 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after reporting date. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flow due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether the financial assets carried at amortised cost and debt securities at FVOCI are credit impaired. A financial asset is credit impaired when one or more events that have an impact on the estimated future cash flows of the financial assets have occurred.

Notes to the consolidated financial statements

Loss allowance for financial assets measured at amortised cost are deducted from the gross carrying amounts of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories (see Note 3h) and deferred tax assets (see Note 3v), are reviewed at each reporting date to determine whether there is any external or internal indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit ("CGU") exceeds its recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using an appropriate pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

The Group's overall approach as to the level for testing goodwill impairment is at the lowest level at which goodwill is monitored for external reporting purposes, which is in general at CGU. The recoverable amount of the CGUs to which the goodwill belongs is based on a discounted free cash flow approach, based on acquisition valuation models. These calculations are corroborated by valuation multiples or other available fair value indicators.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(I) Discontinued operations and assets held for sale

Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

Notes to the consolidated financial statements

Assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are measured in accordance with the Group's accounting policies. Thereafter, the assets (or disposal group) are generally measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and employee benefit assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss. Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale.

(m) Share capital

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

Dividends

Dividends are recognised as liabilities in the period in which they are declared.

(n) Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost with any difference between the initial amount and the maturity amount being recognised in profit or loss over the expected life of the instrument on an effective interest rate basis.

(o) Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss in the period during which related services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by qualified actuaries using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised immediately in profit or loss.

Notes to the consolidated financial statements

The Group recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets and any change in the present value of the defined benefit obligation.

Remeasurements of the net defined benefit liability, which comprises actuarial gains and losses, the return on plan assets (excluding interests) and the effect of the asset ceiling (if any, excluding interests) are recognised immediately in OCI. The Group determines the net interest expenses (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expenses and other expenses related to a defined benefit plans are recognised in profit or loss.

When the calculation results in a benefit to Aliaxis, the recognised asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan.

In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans such as service anniversary bonuses is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

Termination benefits

Termination benefits are recognised as an expense when Aliaxis is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if Aliaxis has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Short-term benefits

Short-term employee benefit obligations such as bonuses are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if Aliaxis has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payment transactions

The fair value of options granted to employees is measured at grant date. The amount is recognised as an employee expense, with a corresponding increase in equity within retained earnings, and spread over the period in which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

The fair value of options granted to employees is measured using the Black & Scholes valuation model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Notes to the consolidated financial statements

(p) Provisions

A provision is recognised if as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighing of all possible outcomes against their associated probabilities.

Restructuring

A provision for restructuring is recognised when Aliaxis has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly before the reporting date. Future operating losses are not provided for.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured as the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with the contract.

(q) Amounts payable

Amounts payable which comprise trade and other amounts payable represent goods and services provided to the Group prior to the end of the reporting date which are unpaid. These amounts are carried at amortised cost.

(r) Derivative financial instruments and hedge accounting

Aliaxis holds derivative financial instruments to hedge its exposure to foreign currency and interest rate risks arising from operational, financing and investment activities. As a policy, Aliaxis does not engage in speculative transactions and does not therefore hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, with the ultimate objective to validate the economic relationship between the hedging instrument and the hedged item. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Notes to the consolidated financial statements

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative hedging instrument designated as a cash flow hedge is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in fair value is recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flow is no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit and loss.

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts is separately accounted for a cost of hedging and recognised in a costs of hedging reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.

In other cases, the amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Hedge of net investment in foreign operation

Where a derivative financial instrument hedges a net investment in a foreign operation, the portion of the gain or the loss on the hedging instrument that is determined to be effective is recognised directly in equity within the translation reserve, while the ineffective portion is reported in profit or loss.

The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment on disposal of the foreign operation.

Fair value hedges

When a derivative financial instrument hedges the variability in fair value of a recognised asset or liability, any resulting gain or loss on the hedging instrument is recognised in profit or loss. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in profit or loss.

Economic hedges

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognised in profit or loss as part of foreign currency gains and losses.

Notes to the consolidated financial statements

(s) Revenue

Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration and the existence of significant financing components (if any).

Rental income

Rental income from investment properties is recognised in profit or loss in other operating income on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Government grants and subsidies

Government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and that Aliaxis will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in other operating income and expense on a systematic basis over the useful life of the asset.

Government subsidies that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised.

(t) Adjusted items

Adjusted items are those items that are considered by management not to relate to items in the ordinary course of activities of the Group. They are presented separately as they are important for the understanding of users of the consolidated financial statements of the performance of the Group and this compared to the returns defined in the regulatory frameworks applicable to the Group and its subsidiaries. Adjusted items relate to:

- Income and expenses resulting from the sale of businesses
- Restructuring costs linked to the transformation and restructuring initiatives of the Group
- Impairment of non-financial assets (incl. goodwill impairment)
- Other income and expenses related to items outside the ordinary course of activities of the Group

(u) Finance income and expenses

Finance income comprises interest income on funds invested, dividend income, net gains on the disposal of financial asset measured at fair value through OCI, changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets (except losses on receivables) and losses on hedging instruments that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition or construction of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance expense depending on whether foreign currency movements are in a net gain or net loss position.

Notes to the consolidated financial statements

(v) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity, or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes (including differences arising from fair values of assets and liabilities acquired in a business combination). Deferred tax is not recognised for the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and on the same taxable entity or group of entities.

In determining the amount of current and deferred tax the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(w) Contingencies

Contingent liabilities are not recognised in the consolidated financial statements, except if they arise from a business combination. They are disclosed, when material, unless the possibility of a loss is remote. Contingent assets are not recognised in the consolidated financial statements but are disclosed, when material, if the inflow of economic benefits is probable.

(x) Events after the reporting date

Events after the reporting date which provide additional information about the Group's position as at the reporting date (adjusting events) are reflected in the consolidated financial statements. Events after the reporting date which are non-adjusting events are disclosed in the notes to the consolidated financial statements, when material.

(y) Earnings per share

Aliaxis presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

Notes to the consolidated financial statements

(z) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2020, and have not been applied in preparing these consolidated financial statements:

Amendments to IAS 1 Presentation of Financial statements: Classification of Liabilities as Current or Non-current, issued on 23 January 2020, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

The amendments:

- specify that an entity's right to defer settlement must exist at the end of the reporting period;
- clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement;
- clarify how lending conditions affect classification; and
- clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

On July 15, 2020, the IASB issued Classification of Liabilities as Current or Non-current – Deferral of Effective Date (Amendment to IAS 1) deferring the effective date of the January 2020 amendments to IAS 1 by one year to annual reporting periods beginning on or after January 1, 2023. The amendments are not expected to have a material impact on the Group's consolidated statements. The amendments have not yet been endorsed by the EU.

Amendments to IFRS 3 Business Combinations; IAS 16 Property, plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual improvements, issued on 14 May 2020, include several narrow-scope amendments which are changes that clarify the wording or correct minor consequences, oversights or conflicts between requirements in the Standards:

- Amendments to IFRS 3 Business Combinations update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- Amendments to IAS 16 Property, Plant and Equipment prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. The amendments also clarify that testing whether an item of fixed assets is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets specify which costs a company includes when assessing whether a contract will be loss-making. The amendments clarify that the 'costs of fulfilling a contract' comprise both: the incremental costs; and an allocation of other direct costs.
- Annual Improvements to IFRS Standards 2018–2020 make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

The amendments are effective for annual periods beginning on or after 1 January 2022. These amendments are not expected to have a material impact on the Group's consolidated statements. These amendments have not yet been endorsed by the EU.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (issued on 27 August 2020) address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate (replacement issues).

Notes to the consolidated financial statements

In Phase 2 of its project, the Board amended requirements in IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases relating to:

- changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities;
- hedge accounting; and
- disclosures.

The Phase 2 amendments apply only to changes required by the interest rate benchmark reform to financial instruments and hedging relationships. The amendments apply retrospectively from 1 January 2021 with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met. These amendments are not expected to have a material impact on the Group's consolidated statements. These amendments have not yet been endorsed by the EU.

4. Business combinations

(a) Acquisition method

Business combinations are accounted for using the acquisition method when control is transferred to the Group (definition of control see 3a). The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired.

Any goodwill that arises is tested annually for impairment.

Any gain on a bargain purchase is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration meets the definition of a financial instrument and is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to in the fair value of the contingent consideration are recognised in profit or loss.

Put options granted to non-controlling shareholders are recognised as a liability measured at the present value of the exercise price and accounted for using the present-access method when the NCI have present access to the returns that are the subject of the put options. Under this method, NCI continue to be recognised because the non-controlling shareholders still have present access to the returns associated with the underlying ownership interests. All changes in the carrying amount of the liability are recognised in equity. The financial liability arising from the put option is not included in the consideration transferred of a business combination but accounted for separately. If the put option expires unexercised, then the put liability is reversed against equity.

Notes to the consolidated financial statements

(b) Determination of fair values

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at acquisition date as follows:

- The fair value of property, plant and equipment is based on market values. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items when available and depreciated replacement costs when appropriate.
- The fair value of patents and trademarks is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.
- The fair value of customer list is based on the discounted cash flows (after tax) derived from the sales related to such customers after (i) applying an attrition rate (as observed over a relevant historical period of time), and (ii) accounting for all related operating costs (except financial) including specific contributory charges on assets and labour.
- The fair value of inventories is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.
- Contingent liabilities are recognised at fair value on acquisition, if their fair value can be measured reliably. The amount represents what a third party would charge to assume those contingent liabilities, and such amount reflects all expectations about possible cash flows and not the single most likely or the expected maximum or minimum cash flow.

5. Financial risk management

(a) Overview

This note presents information about the Group's exposure to credit, liquidity and market risks, the Group's objectives, policies and processes for measuring and managing risk, as well as the Group's management of capital. Further quantitative disclosures are included throughout the notes to the consolidated financial statements.

Risks relating to credit worthiness, interest rate and exchange rate movements, commodity prices and liquidity arise in the Group's normal course of business. However, the most significant financial exposures for the Group relate to the fluctuation of interest rates on the Group's financial debt and to fluctuations in currency exchange rates.

The Group addresses these risks and defines strategies to limit their economic impact on its performance in accordance with its financial risk management policy. Such policy includes the use of derivative financial instruments. Although these derivative financial instruments are subject to fluctuations in market prices subsequent to their acquisition, such changes are generally offset by opposite changes in the value of the underlying items being hedged.

The Audit Committee is responsible for overseeing how management monitors compliance with the Group's financial risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee relies on the monitoring performed by management.

The Group considers that the Brexit process would not represent a material risk for the Group and that it will not impact the Group's normal course of business in any material way.

Notes to the consolidated financial statements

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers.

The Group's exposure to credit risk is influenced by the individual characteristics of each customer, its industry and the country or region where it operates. The Group's main sales distribution channels are wholesale and retail do-it-yourself (DIY) chains. Despite a trend towards consolidation in Europe and North America, the diversity of Aliaxis' product range helps it to maintain a wide customer portfolio and to avoid as much as possible exposure to any significant individual customer.

Aliaxis management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit above a certain amount. The Group does not require collateral, except in very rare circumstances, in respect of financial assets.

Investments are allowed only in liquid securities and only with counterparties that have a robust credit rating. Transactions involving derivatives are with counterparties with whom the Group has a signed netting agreement and who have sound credit ratings. Management does not expect any counterparty to fail to meet its obligations.

The Group establishes an allowance for impairment that represents its estimate of expected losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivatives in the statement of financial position.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

In addition, the Group has secured access to Banking Facilities and Debt Capital Markets instruments.

- As for Banking Facilities, the Group has (i) a multi-currency revolving credit facility of € 680 million committed until July 2021 which has been extended until July 2022 for an amount of € 631 million, and (ii) a Club Deal multi-currency Facility of € 350 million maturing in July 2022 made up of a € 150 million amortising Term Loan Tranche, and a € 200 million bullet Revolving Tranche.
- As for Debt Capital Markets Instruments, the Group has issued (i) an amount of USD 223 million of US Private Placement notes for a period of 10 to 12 years maturing from 2021 to 2023; (ii) an amount of USD 35 million of US Private Placement notes for a period of 10 years maturing in 2025, and an amount of € 18 million of US Private Placement (swap note) for a period of 12 years maturing in 2027; and (iii) an amount of € 67 million of Shuldschein certificates for a period of 7 years maturing in 2022.

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices, interest rates or equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the financial risk management policies. Generally, the Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

Notes to the consolidated financial statements

Currency risk

The Group is exposed to foreign currency risk on transactions such as sales, purchases, borrowings, dividends, fees and interests, denominated in non-euro currencies. Currencies giving rise to such risk are primarily the Canadian dollar (CAD), the Australian dollar (AUD), the New Zealand dollar (NZD), the pound sterling (GBP), the Indian rupee (INR) and the US dollar (USD). Where there is no natural hedge, the foreign currency risk is primarily managed by the use of forward exchange contracts. All contracts have maturities of less than one year. Foreign currency risk on firm commitments and forecast transactions is subject to hedging (in whole or in part) when the underlying operating transactions are reasonably expected to occur within a determined time frame. Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognised in profit or loss as part of foreign exchange gains and losses.

The Group's policy is to partially hedge the risk arising from consolidating net assets denominated in non-euro currencies by permanently maintaining liabilities through borrowings or cross currency swaps in such non-euro currencies. Where a foreign currency borrowing, or cross currency swaps are used to hedge a net investment in a foreign operation, exchange differences arising on translation of the borrowing are recognised directly in OCI within translation reserve. The Group's net investments in Canada, the US, India, Australia, the UK and New Zealand are partially hedged through borrowings or cross currency swaps maintained in Canadian dollars, US dollars, Indian rupees, Australian dollars, pound sterling and New Zealand dollars.

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily CAD, EUR, GBP, AUD, INR, and USD. This provides an economic hedge and no derivatives are entered into.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Commodity risk

Raw materials used to manufacture the Group's products mainly consist of plastic resins such as polyvinylchloride (PVC), polyethylene (PE) and polypropylene (PP), which are a significant element of the cost of the Group's products. The prices of these raw materials are volatile and tend to be cyclical, and Aliaxis is generally able to recover raw material price increases through higher product selling prices, although sometimes after a time lag. The Group increasingly seeks to optimise its resin purchases thanks to a centralised approach to the procurement of major raw materials.

In addition, the Group is also exposed to the volatility of energy prices (particularly electricity).

Interest rate risk

The Group has floating-rate borrowings exposed to the risk of changes in cash flows, due to changes in interest rates. The Group has also fixed rate debt instruments (US Private Placement Notes denominated in USD and in EUR, or Schuldschein Certificates denominated in EUR).

The Group policy is to hedge its interest rate risk through swaps, cross currency swaps and other derivatives. No derivatives are ever acquired or maintained for speculative or leveraged transactions.

Other market price risk

Demand for the Group's products is principally driven by the level of construction activity in its main markets, including new housing, repairs, maintenance and improvement, infrastructure and industrial markets. Its geographical and industrial spread provides a degree of risk diversification. Demand is influenced by fluctuations in the level of economic activity in individual markets, the key determinants of which include GDP growth, changes in interest rates, the level of new housing starts and industrial and infrastructure investment.

Notes to the consolidated financial statements

(e) Capital management

The Board's policy is to maintain a strong capital base so as to maintain the confidence of investors, creditors and other stakeholders and to sustain future development of the business. The Board of Directors monitors the return on equity (profit of the year attributable to equity holders of the Group divided by the average of equity attributable to equity holders of Aliaxis at the beginning and end of the reporting period).

The Board of Directors also monitors the level of dividends to ordinary Shareholders. The Group's present intention is to recommend to the Shareholders' Meeting a dividend increasing in line with past practice and subject to annual review in light of the future profitability of the Group.

No assurance can however be given that the Company will pay dividends in the future. Such payments will depend upon a number of factors, including prospects, strategies, results of operations, earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors considered relevant by the Board. Pursuant to the Belgian Company Code, the calculation of amounts available for distribution to Shareholders, as dividends or otherwise must be determined on the basis of the Company's non-consolidated Belgian GAAP financial statements by which the Company is required to allocate each year at least 5% of its annual net profits to its legal reserve, until the legal reserve equals at least 10% of the Company's share capital. As a consequence of these factors, there can be no assurance as to whether dividends or similar payments will be paid out in the future or, if they are paid, what their amount will be.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. In 2020, the Group share of return on equity was 14.1% (2019: 13.8%). In comparison the weighted average interest rate on the net financial interest-bearing indebtedness (including leases) was 2.4% (2019: 2.3%).

There were no changes in the Group's approach to capital management during the year, which will remain prudent given the current economic circumstances.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

(f) Impact of COVID-19 pandemic

Despite the significant challenges caused by the COVID-19 pandemic, the long-term drivers that support the Aliaxis growth strategy remain intact. Based on the evolution in 2020 and the current outlook, the Company is confident that it has sufficient and adequate resources to continue its operations.

After a promising start to the year, the outbreak of the COVID-19 pandemic and the measures adopted by governments to mitigate its spread in several countries in which we operate, impacted the Group. This included some plants having to shut down for periods during 2020. This negatively impacted the Group's financial performance during the first half of the year. Aliaxis has been agile, adjusting effectively to the challenges caused by the pandemic and has implemented precautionary measures across its facilities to protect its employees.

Aliaxis also implemented measures to protect cashflows and strengthen its liquidity. The recovery started in May and continued until the end of the year. At the end of 2020, CEBITDA was above the previous year thanks to the strong rebound in the second half. Growth accelerated in the Americas and India, while recovery was slower in Europe, Australia and New Zealand.

For the year ended 31 December 2020, the Group achieved a net profit of €199.5 million. The Group's net current assets as of 31 December 2020 were €1,527 million. The Group has €1 billion of resources comprising cash and cash equivalents, other highly liquid assets and unused credit lines available at the date of authorisation of these financial statements. Based on these factors, the Company is confident that it has adequate resources and sufficient loan facility headroom for the 2021 financial period.

Supported by the resilience of its recent activities, the Company assesses the likely impact of the pandemic on its 2021 performance, financial position and cashflow as low, and currently does not plan to implement further contingency measures. It will continue to closely monitor the situation and take such measures as may be required by the circumstances.

Notes to the consolidated financial statements

At the end of December 2020, the Group's exposure to credit risk is in line with last year. The Group closely monitors the overdue receivables of the Group and overall, most regions report better overdue positions now than before the pandemic. Write offs of receivables remain stable in comparison with prior year.

6. Acquisitions and disposals of subsidiaries and non-controlling interests

On 3 March 2020 the Group completed the divestment of Harrington Industrial Plastics. The total consideration, net of transaction costs amounts to € 156.0 million and results in a net gain of disposal of € 105.0 million (See Note 8).

On 7 October 2020 the Group sold Aliaxis Singapore for a total consideration, net of transaction costs of € 2.3 million, resulting in a net loss on disposal of € 0.5 million (See Note 8).

In December 2020 the Group sold its business in Malaysia via an asset deal for a total amount of € 6.0 million resulting in a net loss of € 6.1 million.

7. Other operating income and expenses

(in € thousand)	2020	2019
Government grants	602	775
Rental income from investment properties	1,184	1,136
Operating costs of investment properties	(235)	(214)
Gain/(loss) on the sale of fixed assets	775	553
M&A related intangibles amortisation	(16,940)	(10,109)
Taxes to be considered as operating expenses	(8,599)	(8,828)
Other rental income	404	536
Insurance recovery	960	406
Impairment on fixed assets	(1,015)	-
Other	(663)	521
Other operating income / (expenses)	(23,527)	(15,225)

8. Net result on sale of businesses

In 2020, the net result on sale of businesses relates to the gain on divestment of Harrington for an amount € 105.0 million, partially offset by the loss on asset deal of Malaysia of € 6.1 million and the loss on the sale of Aliaxis Singapore for an amount of € 0.5 million (See Note 6).

In 2019, the net result on sale of businesses relates to the divestment of Rheinhütte Pumpen for an amount € 38.6 million and the sale of the Ceramics Business of € 74.9 million.

9. Restructuring costs

The restructuring expenses for the year ended 31 December 2020 amounted to € 14.2 million. These expenses related mainly to transformation and restructuring initiatives. The EMEA transformation costs amounted to € 7.4 million.

The restructuring expenses for the year ended 31 December 2019 amounted to € 30.0 million. These expenses related mainly to transformation and restructuring initiatives. The Group decided in November to exit our operations in Mexico after thorough analysis and due to complex market conditions. The restructuring costs in Mexico in 2019 related to € 14.9 million. The unwind of operations in Mexico will be completed during 2020. The EMEA transformation initiatives amounted to € 8.7 million.

Notes to the consolidated financial statements

10. Impairment of non-financial assets

The impairment of non-financial assets mainly related to the impairment of Goodwill of the Central America businesses for an amount of € 38.3 million and the impairment on customer list in Chili for an amount of € 15.0 million (See Note 16).

In 2020, the Group has progressed on the design of its ERP program. It has decided to adjust certain aspects of its initial project and an impairment on the asset related to global ERP has been recognised for an amount of € 10.0 million.

In 2019, the impairment of non-financial assets mainly related to the impairment of Goodwill of the Vinidex business in Australasia for an amount of € 39.0 million. An impairment on property, plant and equipment was recognised for € 8.6 million and mainly related to a valuation of the Land & Building in Malaysia.

11. Other income and expenses

Total other income and expense amounted to € 5.1 million and related mainly to merger and acquisition costs for an amount of € 3.0 million.

In 2019, total other income and expense amounted to € 12.5 million and related mainly to merger and acquisition costs for an amount of € 6.4 million and costs related to feasibility study for global ERP for an amount of € 3.0 million.

12. Additional information on operating expenses

The following personnel expenses are included in the operating result:

(in € thousand)	Notes	2020	2019
Wages & salaries		544,456	582,360
Social security contributions		77,296	80,506
Net change in restructuring provisions		534	1,287
Expenses related to defined benefit plans	25b	7,880	6,299
Expenses related to defined contribution plans	25a	17,342	17,708
Other personnel expenses		21,552	30,432
Personnel expenses		669,061	718,592

The total average number of personnel was as follows:

(in units)	2020	2019
Production	10,137	10,548
Sales and marketing	2,689	3,136
R&D and administration	1,647	1,827
Total workforce	14,473	15,511

Personnel expenses, depreciation, amortisation and impairment charges are included in the following line items of the consolidated statement of profit and loss:

(in € thousand)	Personnel expenses	Depreciation and impairment of property, plant & equipment, investment property and assets held for sale	Amortisation and impairment of intangible assets	Total depreciation, amortisation and impairment
Cost of sales	363,547	99,715	289	100,004
Commercial expenses	138,909	6,729	341	7,070
Administrative expenses	139,504	11,747	4,510	16,257
R&D expenses	13,200	2,474	193	2,667
Other operating (income) / expenses	842	1,206	17,499	18,705
Adjusted items	13,059	634	63,354	63,988
Total	669,061	122,505	86,186	208,691

Notes to the consolidated financial statements

13. Finance expenses

(in € thousand)	2020	2019
Interest expense on financial borrowings	(15,425)	(21,154)
Interest expense on leases	(3,862)	(3,894)
Amortisation of deferred arrangement fees	(1,034)	(1,270)
Interest expense on other liabilities	(7)	(23)
Net change in the fair value of hedging derivatives – ineffective portion	(629)	(1,056)
Net foreign exchange loss	(7,044)	(3,495)
Bank fees	(4,000)	(5,379)
Other	(1,981)	(2,857)
Finance expenses	(33,982)	(39,127)

14. Finance income

(in € thousand)	2020	2019
Interest income from cash & cash equivalents	5,169	5,971
Interest income on other assets	461	1,306
Dividend income	370	322
Gain on sale of financial investments	5,923	–
Other	201	1,496
Finance income	12,173	9,095

Notes to the consolidated financial statements

15. Income taxes

Income taxes recognised in the profit or loss can be detailed as follows:

(in € thousand)	2020	2019
Current taxes for the period	(99,475)	(108,226)
Adjustments to current taxes in respect of prior periods	7,169	(13,293)
Total current tax expense	(92,306)	(121,519)
Origination and reversal of temporary differences	5,600	–
Impact of change in enacted tax rates	(1,164)	3,141
Adjustment of deferred taxes in respect of prior periods	(21,417)	9,594
Recognition of deferred tax assets on tax losses not previously recognised	–	(468)
Total deferred tax income / (expense)	(16,981)	12,267
Income tax expense in profit & loss	(109,287)	(109,253)

The income tax recognised in other comprehensive income is not material.

The reconciliation of the effective tax rate with the aggregated weighted nominal tax rate can be summarised as follows:

(in € thousand)	2020		2019	
Profit before income taxes	308,749		293,559	
Tax at aggregated weighted nominal tax rate	(77,664)	25.2%	(83,213)	28.3%
Tax effect of:				
Non-deductible expenses	(4,050)	1.3%	(5,197)	1.8%
Non-deductible interest expenses	(1,918)	0.6%	(2,110)	0.7%
Tax credits and tax deductions	577	(0.2%)	800	(0.3%)
Current year losses for which no deferred tax asset is recognised	(13,479)	4.4%	(11,574)	3.9%
Change in enacted tax rates	(1,164)	0.4%	9,594	(3.3%)
Taxes on distributed and undistributed earnings	(8,232)	2.7%	(825)	0.3%
Withholding taxes on interest and royalty income	(4,384)	1.4%	(4,969)	1.7%
Other taxes on income	(1,007)	0.3%	(892)	0.3%
Utilisation of tax losses not previously recognised	2,453	(0.8%)	1,613	(0.5%)
Current tax adjustments in respect of prior periods	7,169	(2.3%)	(13,293)	4.5%
Deferred tax adjustments in respect of prior periods	(21,417)	6.9%	(468)	0.2%
Other	13,829	(4.5%)	1,282	(0.4%)
Income tax expense in profit & loss	(109,287)	35.4%	(109,253)	37.2%

Income taxes, consisting of current and deferred taxes, amounted to €109 million (2019: €109 million), representing an effective income tax rate of 35.4% (2019: 37.2%).

16. Intangible assets and goodwill

			2020	2019
(in € thousand)	Goodwill	Intangible assets (finite life)	Total Intangible assets	Total Intangible assets
Cost				
As at 1 January	646,593	349,387	995,981	995,185
Changes in the consolidation scope & Asset deals	(4,651)	(6,903)	(11,554)	40,753
– Acquisitions	–	465	465	55,007
– Deconsolidation	(4,651)	(7,367)	(12,018)	(14,253)
Acquisitions	–	18,586	18,586	11,681
Disposals & retirements	–	(2,807)	(2,807)	(79,491)
Transfers	–	602	602	5,925
Exchange difference	(35,167)	(20,375)	(55,542)	21,927
As at 31 December	606,775	338,490	945,266	995,981
Amortisation and impairment losses				
As at 1 January	(38,666)	(142,641)	(181,307)	(202,439)
Changes in the consolidation scope	–	6,796	6,796	1,429
– Deconsolidation	–	6,796	6,796	1,429
Charge for the period	(38,298)	(47,888)	(86,186)	(54,413)
– Amortisation	–	(22,738)	(22,738)	(15,428)
– Impairment (recognised) / reversed	(38,298)	(25,150)	(63,448)	(38,985)
Disposals & retirements	–	2,791	2,791	79,468
Transfers	–	302	302	(1,542)
Exchange difference	7,413	7,640	15,053	(3,810)
As at 31 December	(69,551)	(173,000)	(242,551)	(181,307)
Carrying amount at the end of the period	537,225	165,491	702,715	814,673
Carrying amount at the end of the previous period	607,927	206,746	814,673	792,745

The changes in the consolidation scope & Asset deals relates to the divestment of Harrington Industrial Plastics and Aliaxis Singapore.

The impairment of intangible fixed assets consists of the impairment of customer list in Chili for € 15.0 million and the impairment on global ERP for € 10.0 million (note 10).

Notes to the consolidated financial statements

The carrying amounts of goodwill allocated to each CGU at 31 December is as follows:

(in € thousand)		2020	2019
CGU	Country		
Aliaxis North America and subsidiaries	Canada and USA	270,716	291,062
FIP	Italy	61,887	61,887
Durman Esquivel and subsidiaries	Central America	–	39,305
Ashirvad	India	33,990	38,005
New Zealand and subsidiaries	New Zealand	36,328	37,050
Nicoll	France	32,701	32,701
Friatec Technical Plastics	Germany	31,712	31,712
Vinindex and Philmac	Australia	26,781	26,616
Marley Deutschland GmbH	Germany	19,402	19,402
Nicoll Perú SA	Peru	7,805	9,315
Other ⁽¹⁾	Other	15,901	20,871
Goodwill		537,225	607,927

(1) Carrying amount of goodwill for various CGUs of which none is individually significant.

For the purpose of impairment testing, goodwill is allocated to the Group's operating units which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The recoverable amounts of the CGUs are, through calculation methods consistent with past practice, determined from value-in-use calculations. These value-in-use calculations use 5-year free cash flow projections, starting from 2021 budget information and extrapolated for the four years thereafter.

Assumptions were made for each CGU taking into account past performance and management expectation of market developments, generally implying a stable operating performance vs. the 2021 budget and growth not exceeding 2% per year (for most industrialised countries), 2% to 4% for Latin American countries and 10% for India (reflecting India's specific market characteristics). Deviations from such general assumptions were made for certain CGUs to deal with specific circumstances applying to such units. Due to the specific situation of the CGU in Central America, the projections for some individual countries deviate from the above mentioned general assumptions, notably in Costa Rica and Panama (both in CGU Central America) where implied annualised growth rates (CAGR) of 5%-6% have been applied, whilst the combined CAGR for the CGU Central America remains in line with the above-mentioned 2%-4%.

The terminal value is based on the normalised cash flows at the end of the last projected period for each business and a sustainable nominal growth rate (including the expected inflation rate) of on average 1% for most industrialised countries (Europe, Canada, USA), 2% for Australia/New Zealand, 2.5% for Latin American (Chile, Peru and Central America) and 3.5% in India to reflect the higher growth prospects for the latter.

The cash flows are discounted at the average weighted cost of capital. Depending on the countries involved, the pre-tax weighted average cost of capital ranged between 8% and 15%, in line with previous years. The cost of equity component for developed economies is based on a risk-free rate and an equity risk premium. For emerging economies, a country risk premium is added. The cost of debt component for both types of economies reflects the estimated long-term cost of funding in the corresponding economies.

The results of the impairment test are sensitive to the assumptions used. An increase of 1% in the weighted average cost of capital would not result in a significant impairment loss.

During 2020, an impairment on goodwill of € 38.3 million has been recognised in the consolidated statement of profit or loss in relation to the Central American business as a result of revised cashflow projections due to changed local market conditions.

Notes to the consolidated financial statements

17. Property, plant and equipment

	2020				2019	
(in € thousand)	Land & buildings	Plant, machinery & equipment	Other	Under construction & advance payments	Total	Total
Cost or deemed cost						
As at 1 January	731,061	1,473,409	133,449	88,462	2,426,382	2,194,462
Change in accounting policy	–	–	–	–	–	112,992
Changes in the consolidation scope & Asset deals	(34,108)	(16,069)	(14,872)	(2,215)	(67,266)	(47,478)
– Acquisitions	–	–	–	–	–	50,122
– Deconsolidation	(34,108)	(16,069)	(14,872)	(2,215)	(67,266)	(97,600)
Acquisitions	48,380	45,816	10,271	25,633	130,100	139,933
Disposals & retirements	(11,147)	(34,876)	(8,545)	(218)	(54,787)	(46,354)
Transfers	10,163	16,430	903	(41,620)	(14,124)	24,333
Exchange difference	(33,116)	(60,367)	(4,871)	(5,620)	(103,973)	48,494
As at 31 December	711,233	1,424,342	116,335	64,423	2,316,333	2,426,382
Depreciation and impairment losses						
As at 1 January	(258,490)	(1,108,589)	(95,825)	1	(1,462,903)	(1,388,375)
Changes in the consolidation scope	12,714	9,903	9,460	–	32,077	62,104
– Deconsolidation	12,714	9,903	9,460	–	32,077	62,104
Charge for the period	(32,963)	(76,255)	(12,811)	(107)	(122,136)	(135,252)
– Depreciation	(33,848)	(74,654)	(12,583)	–	(121,085)	(124,229)
– Impairment (recognised) / reversed	885	(1,601)	(228)	(107)	(1,051)	(11,023)
Disposals & retirements	9,770	33,869	7,497	–	51,136	44,012
Transfers	1,547	9,755	1,387	–	12,689	(14,614)
Exchange difference	9,873	41,804	3,343	3	55,023	(30,779)
As at 31 December	(257,548)	(1,089,513)	(86,949)	(103)	(1,434,114)	(1,462,903)
Carrying amount at the end of the period	453,685	334,828	29,386	64,319	882,219	963,479
Carrying amount at the end of the previous period	472,571	364,820	37,624	88,463	963,479	806,087
Of which:						
Leased assets at the end of the period	87,660	13,672	12,135	–	113,468	115,736
Leased assets at the end of the previous period	83,133	14,236	18,366	(0)	115,736	2,774

Management considers that residual values of depreciable property, plant and equipment are insignificant.

The total acquisition of property, plant and equipment excluding leasing amounts to € 80.4 million.

The disposal and retirement flows include the reversals of the fully depreciated property, plant and equipment both at the level of the gross book values and of the impairment values.

The changes in the consolidation scope & Asset deals relates to the divestment of Harrington Industrials Plastics and Aliaxis Singapore and the asset deal in Malaysia (Paling).

18. Investment properties

(in € thousand)	2020	2019
Cost		
As at 1 January	9,854	9,414
Exchange difference	(326)	440
As at 31 December	9,527	9,854
Depreciation and impairment losses		
As at 1 January	(6,363)	(5,971)
Charge for the period	(110)	(112)
– Depreciation	(110)	(112)
Exchange difference	204	(280)
As at 31 December	(6,269)	(6,363)
Carrying amount as at 31 December	3,258	3,491

Investment property comprises 2 commercial properties which are leased (in whole or in part) to third parties. The fair value, based on external valuation report, of those investment properties is categorised as level 3 and is estimated at € 7.1 million (2019: € 7.7 million).

19. Inventories

As at 31 December (in € thousand)	2020	2019
Stock in transit	18,905	18,525
Raw materials, packaging materials and consumables	109,394	107,555
Components	23,971	25,861
Work in progress	12,527	13,467
Finished goods	294,804	339,126
Goods purchased for resale	47,028	76,617
Inventories, net of write-down	506,629	581,151

The total write-down of inventories amounts to € 25.7 million at 31 December 2020 (2019: € 24.8 million).

The cost of write-downs recognised in profit or loss (Cost of sales) during the period amounted to € 6.5 million (2019: € 3.2 million).

20. Amounts receivable

As at 31 December (in € thousand)	Notes	2020	2019
Trade receivables – gross	30	304,115	336,171
Impairment losses	30	(14,948)	(16,855)
Trade receivables		289,168	319,316
Taxes (other than income tax) receivable		21,699	28,353
Other		29,156	36,737
Other amount receivable		50,855	65,090
Amounts receivable		340,023	384,406

Information about the Group exposure to credit market risk and impairment losses on amounts receivable is included in Note 30.

21. Cash and cash equivalents

As at 31 December (in € thousand)	2020	2019
Short term bank deposits	368,628	357,933
Bank balances	273,988	127,551
Cash	131	658
Cash & cash equivalents	642,747	486,143
Bank overdrafts	(30,473)	(12,749)
Cash & cash equivalents in the statement of cash flows	612,274	473,394

Short-term deposits are held with counterparties which have a robust credit rating, with maturities of 3 months or less, and remunerated at money market rates floored at 0%.

Most significant amounts are denominated in CAD, USD, INR and EUR.

22. Equity

Share capital and share premium

The share capital and share premium of the Company as of 31 December 2020 amount to € 76.0 million (2019: € 76.0 million), represented by 91,135,065 fully paid ordinary shares without par value (2019: 91,135,065).

The holders of ordinary shares are entitled to receive dividends as declared and have one vote per share at Shareholders' Meetings of the Company.

Hedging reserve

Hedging reserves as presented in the consolidated statement of changes in equity include as well the Cash flow hedging reserves as the Cost of hedging reserve. Note 30 provides further details regarding this breakdown and the related restatement of last year.

The Cash flow hedging reserve comprises the effective portion of the accumulated net change in the fair value of cash flow hedge instruments for a total negative amount of € 0.1 million (2019: € 4.1 million). At the end of 2020, the Cost of hedging reserves amounts to € 0.1 million. Net of tax, the hedging reserves amount to a total negative amount of € 0.1 million.

Reserve for own shares

At 31 December 2020, the Group held 12,864,565 of the Company's shares (2019: 12,846,210). Senior managers have the opportunity to build an equity interest in one of the subsidiaries (Aliaxis Management Company which owns 2.000.000 Aliaxis shares) in accordance with long term incentive plans. Currently, management's equity interests represent 0.43% of Aliaxis Management Company.

During 2020, Group personnel exercised 7,500 share options related to the 2013 Share Options Plan granted by the Group (see Note 25c).

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign entities of the Group as well as from the translation of liabilities that hedge the Company's net investment in a foreign operation and the translation impacts resulting from net investment hedges. The negative change in the translation reserve during 2020 amounts to € 149.6 million, mainly due to the weakening of some major trading currencies against the EUR at year end rate, such as the Canadian dollar (7%), the United States dollar (9%), the Indian Rupee (12%), the Costa Rican Colon (17%) and Pound Sterling (6%).

In 2019, the positive change in the translation reserve amounted to € 62.6 million, due to the strengthening of some major trading currencies against the EUR at year end rate, such as the Canadian dollar (7%), Pound sterling (5%) and the United States dollar (2%).

Notes to the consolidated financial statements

Dividends

In 2020, a total amount of € 53.5 million was declared as dividends by Aliaxis.

The Annual Shareholders' Meeting held on 27 May 2020 approved a dividend for an amount of € 26.7 million (a gross dividend of € 0.2935 per share) which was paid in July 2020. Excluding the portion attributable to treasury shares, the amount was € 23.0 million.

An Extraordinary Shareholders' Meeting was held on 24 November 2020 to approve a second dividend distribution for an amount of € 26.7 million (€ 0.2935 gross per share). Excluding the portion attributable to treasury shares, the amount was € 23.0 million and paid in December 2020.

An amount of € 60.0 million (a gross dividend of € 0.658 per share) is proposed by the directors to be declared and paid as dividend for the current year. Excluding the portion attributable to treasury shares, the amount is € 51.5 million. This dividend has not been provided for.

Non-controlling interests

The Non-controlling interests amount of € 6.9 million, decreased by € 0.3 million compared to last year.

23. Earnings per share

Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of Aliaxis of € 198.5 million (2019: € 183.0 million) and the weighted average number of ordinary shares outstanding during the year net of treasury shares, calculated as follows:

Weighted average number of ordinary shares, net of treasury shares

(in thousand of shares)	2020	2019
Issued ordinary shares	91,135	91,135
Treasury shares	(12,846)	(12,395)
Issued ordinary shares at 1 January, net of treasury shares	78,289	78,740
Effect of treasury shares sold / (acquired) during the period	(18)	(256)
Weighted average number of ordinary shares at 31 December, net of treasury shares	78,271	78,484

24. Loans and borrowings

As at 31 December (in € thousand)	2020	2019
Non-current		
Unsecured bank loans, Schuldschein & other	643,712	735,658
US private placements	137,845	247,711
Deferred arrangement fees	(318)	(679)
Non-current loans and borrowings	781,240	982,690
Current		
Unsecured bank loans, Schuldschein & other	61,131	144,130
US private placements	90,457	–
Deferred arrangement fees	(727)	(1,044)
Other (loans) and borrowings	176	176
Current loans and borrowings	151,038	143,261
Loans and borrowings	932,277	1,125,951

The breakdown of the changes of loans and borrowings into cash flows and non-cash changes can be detailed as follows:

As at 31 December (in € thousand)	2019	Cash flows		Non-cash changes			2020
		In	Out	Transfer	FX impact	Amortisation	
Non-current							
Unsecured bank loans, Schuldschein & other	735,658	–	(38,734)	(50,371)	(2,840)	–	643,712
US private placements	247,711	–	–	(90,457)	(19,408)	–	137,845
Deferred arrangement fees	(679)	–	–	101	11	248	(318)
Non-current financial debt	982,690	–	(38,734)	(140,727)	(22,237)	248	781,240
Current							
Unsecured bank loans, Schuldschein & other	144,130	26,181	(157,169)	50,738	(2,748)	–	61,131
US private placements	–	–	–	90,457	–	–	90,457
Deferred arrangement fees	(1,044)	–	–	(468)	(0)	786	(727)
Other loans and borrowings	176	1	–	–	–	–	176
Current loans and borrowings	143,261	26,182	(157,169)	140,727	(2,749)	786	151,038
Loans and borrowings	1,125,951	26,182	(195,904)	–	(24,986)	1,034	932,277

In July 2011, the Group entered into the US Private Placement (USPP) market by issuing notes for a total amount of USD 260 million in 3 tranches, of which are still outstanding:

- USD 111 million at 4.94% maturing in 2021
- USD 112 million at 5.09% maturing in 2023

In July 2015, the Group entered into the USPP market by issuing notes for approximately USD 55 million in 2 tranches:

- USD 35 million at 4.26% maturing in 2025
- € 18 million at 2.64% maturing in 2027

Subsequently, the Group entered for USD 258 million into cross currency swaps in order to maintain a diversified source of funding in terms of maturities, currencies and interest rates.

Notes to the consolidated financial statements

In July 2015 also, the Group entered into the Schuldschein (SSD) market by issuing certificates for a total amount of € 120 million in 4 tranches, of which are still outstanding:

- € 40 million at 2.13% maturing in 2022
- € 27 million at floating rate maturing in 2022

Simultaneously, the Group refinanced its syndicated bank debt by entering into a 5 year (with two possible one-year extensions) committed multi-currency revolving credit facility of € 680 million between Aliaxis Finance/ Aliaxis North America/ Aliaxis Holding Australia and a syndicate of banks. The borrowing rate is based on a short-term interest rate plus margin. The management of interest rate risk is described in Note 30.

In June 2016, the syndicated loan maturity was extended by one year for the total amount of € 680 million with maturity fixed at July 2021.

In June 2017, the syndicated loan maturity was extended by an additional one year for the amount of € 631 million, with final maturity now fixed at July 2022.

In May 2018, the Group entered into a Club Deal multi-currency bank facility of € 400 Million maturing in July 2022 made up of a € 200 million amortising Term Loan Tranche (€ 50 million repayment in July 2020 and EUR 50 million repayment in July 2021), and a € 200 million bullet Revolving Tranche. In both tranches, the borrowing rate is based on a short-term interest rate plus margin. The management of interest rate risk is described in Note 30.

At 31 December 2020, € 276 million of the syndicated facility was drawn (2019: € 318 million), and the term loan tranche of the Club deal amounted to €150 million (2019: € 200 million).

These USPP and SSD programs together with the Syndicated loan and the Club deal bank facility are unsecured, subject to covenants (including, inter alia, financial covenants based on interest cover and leverage ratios) and undertakings standard for this type of financing, and were not subject to any breach of covenants as at 31 December 2020.

Other facilities of Aliaxis Finance S.A. and other subsidiaries of the Group include a number of additional bilateral and multilateral credit facilities.

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The terms and conditions of significant loans and borrowings were as follows:

As at 31 December (in € thousand)	Curr.	Nominal interest rate	Year of maturity	2020		2019	
				Face value	Carrying amount	Face value	Carrying amount
Unsecured syndication bank facility							
	CAD	Cdor + 0.45%	2022	6,397	6,397	6,850	6,850
	EUR	Euribor + 0.45%	2022	145,000	145,000	150,000	150,000
	USD	Libor + 0.45%	2022	11,816	11,816	26,705	26,705
	AUD	Interbank + 0.45%	2022	113,236	113,236	134,417	134,417
Unsecured "Club deal" bank facility							
	EUR	Euribor + 0.60%	2022	150,000	150,000	200,000	200,000
	EUR	Euribor + 0.40%	2022	200,000	200,000	200,000	200,000
Other unsecured bank facility							
	CZK	2.00%	2020	–	–	345	345
	COP	7.43%–7.49%	2020	–	–	1,840	1,840
	CLP	2.65%–6.58%	2021	3,457	3,457	4,404	4,404
	MXN	9.20%	2021	3,270	3,270	2,264	2,264
	PEN	2.76%–2.93%	2020	–	–	2,603	2,603
	USD	3.50%–5.25%	2021	4,587	4,587	2,727	2,727
	MYR	4.50%	2020	–	–	8,301	8,301
	EUR	Euribor + margins	2021	7	7	19,416	19,416
Schuldschein							
	EUR	Euribor + 1.10%	2020	–	–	28,000	28,000
	EUR	1.56%	2020	–	–	25,000	25,000
	EUR	Euribor + 1.40%	2022	27,000	27,000	27,000	27,000
	EUR	2.13%	2022	40,000	40,000	40,000	40,000
US private placements							
	USD	4.94%	2021	90,457	90,457	98,807	98,807
	USD	5.09%	2023	91,272	91,272	99,697	99,697
	USD	4.26%	2025	28,523	28,523	31,155	31,155
	EUR	2.64%	2027	18,051	18,051	18,051	18,051
Others(*)				(796)	(796)	(1,631)	(1,631)
Total loans and borrowings				932,277	932,277	1,125,951	1,125,951

The debt repayment schedule is as follows:

(in € thousand)	Total	1 year or less	1-2 years	2-5 years	>5 years
Unsecured bank loans, Schuldschein & other	704,843	61,131	643,712	–	–
US private placements	228,302	90,457	–	119,795	18,051
Deferred arrangement fees	(1,045)	(727)	0	(318)	–
Other loans and borrowings	176	176	0	–	–
Total as at 31 December	932,277	151,038	643,712	119,477	18,051

(*) Other interest-bearing loans and borrowings include loans and deferred arrangement fees in many different currencies at both fixed and floating rates.

25. Employee benefits

Aliaxis maintains benefit plans such as retirement and medical care plans, termination plans and other long-term benefit plans in several countries in which the Group operates. In addition, the Group also has share-based payment plans and a long-term incentive scheme.

The Group operates a number of defined benefit and defined contribution plans throughout the world, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and the company. Aliaxis maintains funded and unfunded pension plans.

(a) Defined contribution plans

For defined contribution plans, the Group companies pay contributions to pension funds or insurance companies.

Once the contributions have been paid, the Group companies have no further payment obligation. The regular contributions constitute an expense for the period in which they are due. In 2020, the defined contribution plan expenses for the Group amounted to € 17.3 million (2019: € 17.7 million).

(b) Defined benefit plans

Aliaxis reports on a total of 59 defined benefit plans over 2020, which provide the following benefits:

Retirement benefits:	42
Long service awards:	12
Termination benefits:	1
Medical benefits:	4

All the plans have been established in accordance with common practice and legal requirements in each relevant country.

The retirement defined benefit plans generally provide a benefit related to years of service and rates of pay close to retirement.

The retirement benefit plans in Australia, Belgium, India, Switzerland and the UK are separately funded through external insurance contracts or pension funds legally separate from the Group. There are both funded and unfunded plans in Canada, Germany and France.

The funding requirements are stipulated in the insurance contract or, in the case of pension funds, based on the pension fund's actuarial measurement framework set out in the funding policies of the plan, and comply with the local minimum funding requirements. For two plans in Canada a recovery contribution plan is in place in order to attain the minimum funding requirements.

The retirement benefit plans in Italy, Austria and New Zealand are unfunded.

The termination benefit plans consist of early retirement plans in Germany.

The medical plans provide medical benefits after retirement to former employees in France, Canada, the US and the UK.

The long service awards are granted in Australia, Austria, Germany, India, New Zealand and France.

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Belgian defined contribution plans require the employer to guarantee a minimum return on the contributions paid by both employer and employee. This exposes the company to an underfinancing risk, depending on the actual investment return on the assets and the evolution of legal minimum guarantee. These plans are fully treated as defined benefit plans for IFRS purposes.

These defined benefit plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

The Group has more than one defined benefit plan in place and has generally provided aggregated disclosures in respect of these plans, on the basis that these plans are not exposed to materially different risks.

The Group's net liability for retirement, medical, termination and other long-term benefit plans comprises the following at 31 December:

(in € thousand)	2020			2019		
	Retirement and medical plans	Termination benefits & other long term benefits	TOTAL	Retirement and medical plans	Termination benefits & other long term benefits	TOTAL
Defined benefit obligations for funded plans	289,960	–	289,960	271,736	–	271,736
Fair value of plan assets	(321,557)	–	(321,557)	(305,749)	–	(305,749)
Funded status for funded plans	(31,597)	–	(31,597)	(34,012)	–	(34,012)
Defined benefit obligations for unfunded plans	55,765	9,598	65,363	54,252	9,226	63,478
Total funded status at 31 December	24,169	9,598	33,766	20,240	9,226	29,466
Irrecoverable asset at end of year	803	–	803	858	–	858
Net liability as at 31 December	24,972	9,598	34,570	21,098	9,226	30,324
Liabilities	71,613	9,598	81,211	69,816	9,226	79,042
Assets	(46,641)	–	(46,641)	(48,718)	–	(48,718)
Net liability as at 31 December	24,972	9,598	34,570	21,098	9,226	30,324
Current liabilities	9,107	787	9,894	8,795	809	9,604
Non-current liabilities	15,865	8,811	24,676	12,303	8,417	20,720

The movements in the net liability for defined benefit obligations recognised in the statement of financial position at 31 December are as follows:

(in € thousand)	2020			2019		
	Retirement and medical plans	Termination benefits & other long term benefits	TOTAL	Retirement and medical plans	Termination benefits & other long term benefits	TOTAL
As at 1 January	21,098	9,226	30,324	29,753	10,539	40,292
Employer contributions	(6,448)	(955)	(7,403)	(7,055)	(1,425)	(8,480)
Expense recognised in the income statement	6,509	1,371	7,880	4,549	1,750	6,299
Amount recognised in other comprehensive income	93	–	93	(3,393)	–	(3,393)
Scope change	–	–	–	(1,543)	(1,734)	(3,277)
Transfers between accounts	2,135	–	2,135	–	–	–
Exchange difference	1,584	(44)	1,540	(1,212)	96	(1,116)
As at 31 December	24,972	9,598	34,570	21,098	9,226	30,324

Notes to the consolidated financial statements

The changes in the present value of the defined benefit obligations are as follows:

(in € thousand)	2020			2019		
	Retirement and medical plans	Termination benefits & other long term benefits	TOTAL	Retirement and medical plans	Termination benefits & other long term benefits	TOTAL
As at 1 January	325,988	9,226	335,214	311,465	10,539	322,005
Current service cost	4,549	1,070	5,619	3,744	975	4,718
Employee contributions	509	–	509	474	–	474
Interest cost	5,450	51	5,501	7,759	85	7,843
Actuarial (gains)/losses on liabilities arising from changes in financial assumptions	31,436	33	31,469	28,787	211	28,998
Actuarial (gains)/losses on liabilities arising from changes in demographic assumptions	1,714	1	1,714	(10,582)	(19)	(10,601)
Actuarial (gains)/losses on liabilities arising from experience	703	223	926	(1,436)	524	(912)
Settlement and past service cost (incl. curtailment)	490	(7)	483	(439)	(25)	(464)
Benefits paid	(13,940)	(955)	(14,895)	(24,057)	(1,425)	(25,483)
Scope change	–	–	–	(2,283)	(1,734)	(4,017)
Transfers between accounts	2,135	–	2,135	–	–	–
Exchange difference	(13,309)	(44)	(13,353)	12,558	96	12,654
As at 31 December	345,726	9,598	355,323	325,988	9,226	335,214

The changes in the fair value of plan assets are as follows:

(in € thousand)	2020			2019		
	Retirement and medical plans	Termination benefits & other long term benefits	TOTAL	Retirement and medical plans	Termination benefits & other long term benefits	TOTAL
As at 1 January	(305,749)	–	(305,749)	(283,037)	–	(283,037)
Interest income	(5,540)	–	(5,540)	(7,543)	–	(7,543)
Employer contributions	(6,448)	(955)	(7,403)	(7,055)	(1,425)	(8,480)
Employee contributions	(509)	–	(509)	(474)	–	(474)
Benefits paid (direct & indirect, including taxes on contributions paid)	13,940	955	14,895	24,057	1,425	25,483
Return on assets, excl. interest income	(33,728)	–	(33,728)	(19,582)	–	(19,582)
Actual administration expenses & settlements	1,540	–	1,540	982	–	982
Scope change	–	–	–	740	–	740
Exchange difference	14,935	–	14,935	(13,837)	–	(13,837)
As at 31 December	(321,557)	–	(321,557)	(305,749)	–	(305,749)

During 2020, the net defined benefit liability has increased by € 4.3 million from € 30.3 million to € 34.6 million. This was primarily due to a decrease in discount rate, offset by a higher than expected return on assets. The decrease of discount rate from 1.7% to 1.2% led to an increase of defined benefit obligation by € 31.4 million. This was offset by an increase observed from assets by € 33.7 million, mostly due to higher than expected investment return in UK pension schemes. The net liability also increased because total contributions were slightly lower than the expense. The total contributions amounted to € 7.9 million (2019: € 9.0 million) of which € 7.4 million was contributed by the employer (2019: € 8.5 million) and € 0.5 million was contributed by the employees (2019: € 0.5 million). Furthermore, a total of € 14.9 million benefits was paid out (2019: € 25.5 million).

As a result, the funded position, i.e. the ratio of assets to the defined benefit obligation, has decreased from 91% to 90%.

The Group expects to contribute approximately € 6.2 million to its defined benefit plans in 2021.

Notes to the consolidated financial statements

(in € thousand)	2020		TOTAL
	Retirement and medical plans	Termination benefits & other long term benefits	
Expected employer contributions	5,408	787	6,195
Expected employee contributions	520	-	520
Expected benefits paid (direct & indirect)	9,107	787	9,894

The expense (income) recognised in the statement of comprehensive income with regard to defined benefit plans can be detailed as follows:

(in € thousand)	2020			2019		
	Retirement and medical plans	Termination benefits & other long term benefits	TOTAL	Retirement and medical plans	Termination benefits & other long term benefits	TOTAL
Service cost:						
Current service cost	4,549	1,070	5,619	3,744	975	4,718
Past service cost (incl. curtailments)	1,404	(7)	1,397	(439)	(25)	(464)
Settlement cost	(111)	-	(111)	-	-	-
Administration expenses	738	-	738	982	-	982
Net interest cost:						
Interest cost	5,450	51	5,501	7,759	85	7,843
Interest income	(5,540)	-	(5,540)	(7,543)	-	(7,543)
Interest on asset ceiling	19	-	19	47	-	47
Remeasurements						
Actuarial (gains)/losses due to changes financial assumptions	-	33	33	-	211	211
Actuarial (gains)/losses due to changes in demographic assumptions	-	1	1	-	(19)	(19)
Actuarial (gains)/losses due to experience	-	223	223	-	524	524
Pension expense recognised in profit and loss	6,509	1,371	7,880	4,549	1,750	6,299
Remeasurements in other comprehensive income						
Return on plan assets (in excess of)/below that recognised in net interest	(33,728)	-	(33,728)	(19,582)	-	(19,582)
Actuarial (gains)/losses due to changes in financial assumptions	31,436	-	31,436	28,787	-	28,787
Actuarial (gains)/losses due to changes in demographic assumptions	1,714	-	1,714	(10,582)	-	(10,582)
Actuarial (gains)/losses due to experience	703	-	703	(1,436)	-	(1,436)
Adjustments due to the limit in paragraph 64, excl. amounts recognised in net interest	(32)	-	(32)	(579)	-	(579)
Total amount recognised in other comprehensive income	93	-	93	(3,393)	-	(3,393)
Total amount recognised in profit and loss and other comprehensive income	6,602	1,371	7,973	1,156	1,750	2,906

Notes to the consolidated financial statements

The employee benefit expense is included in the following line items of the statement of comprehensive income:

(in € thousand)	2020	2019
Cost of sales	3,259	2,194
Commercial expenses	1,040	630
Administrative expenses	3,418	3,518
R&D expenses	142	85
Restructuring	(56)	(144)
Other operating income / (expenses)	77	16
Total at 31 December	7,880	6,299

The principal actuarial assumptions at the reporting date (expressed as weighted averages) can be summarised as follows:

	2020	2019
Discount rate as at 31 December	1.19%	1.71%
Rate of salary increases	2.24%	2.29%
Inflation	2.45%	2.52%
Initial medical trend rate	5.56%	3.25%
Ultimate medical trend rate	4.40%	2.88%
Pension increase rate	2.37%	2.41%

The discount rate and the salary increase rate have been weighted by the defined benefit obligation.

The medical trend rate has been weighted by the defined benefit obligation of those plans paying pensions rather than by lump sums on retirement.

At 31 December, the plan assets are broken down into the following categories according to the asset portfolios weighted by the amount of assets:

	2020	2019
Government bonds	43.50%	39.52%
Corporate bonds	2.84%	2.70%
Equity instruments	5.95%	5.58%
Insurance contracts	31.47%	33.98%
Property	1.59%	1.38%
Cash	0.33%	2.35%
Other	14.32%	14.50%
	100.00%	100.00%

The percentage in "Other" relates to UK assets that were invested for 17% in a diversified growth fund at December 31, 2020. The fund is mainly invested in diversifying strategies, equities, bonds and real estate.

The plan assets do not include investments in the Group's own shares or in property occupied by the Group.

The weighted average duration of the defined benefit obligation (this is the average term of the benefit payments weighted for their size) is 16.7 years.

Notes to the consolidated financial statements

At 31 December, the weighted average life expectancy is as follow:

	Man	Woman
Of a 65-year old	21.2	24.0
Of a 45-year old at the age of retirement	22.5	25.3

The total defined benefit obligation amounts to € 355.3 million and can be split as follows between active members, members with deferred benefit entitlements and pensioners:

(in € thousand)	2020			2019		
	Retirement and medical plans	Termination benefits & other long term benefits	TOTAL	Retirement and medical plans	Termination benefits & other long term benefits	TOTAL
Active members	73,497	9,598	83,094	70,702	9,226	79,928
Members with deferred benefit entitlements	132,696	–	132,696	115,499	–	115,499
Pensioners/Beneficiaries	139,343	–	139,343	139,294	–	139,294
Taxes relating to past service benefits	190	–	190	494	–	494
As at 31 December	345,726	9,598	355,323	325,988	9,226	335,214

A 0.25 percentage point change in the assumed discount rate and inflation rate would have the following effect on the defined benefit obligation:

(in € thousand)	2020	2019
Current defined benefit obligation at 31 December	355,323	335,214
% increase following a 0,25% decrease in the discount rate	4.22%	4.19%
% decrease following a 0,25% increase in the discount rate	(3.99%)	(3.96%)
% increase following a 0,25% increase in the inflation rate	2.04%	2.33%

The defined benefit obligation of post-employment medical plans amounts to € 5.4 million. A one percentage point increase or decrease in the assumed health-care trend (i.e. medical inflation) rate would have the following effect:

(in € thousand)	2020	2019
Current defined benefit obligation at 31 December for Post Retirement Medical Plans	5,439	2,793
Effect on the aggregate of the service cost and the interest cost of a 1% increase	16	0
Effect on the defined benefit obligation of a 1% increase	170	9
Effect on the aggregate of the service cost and the interest cost of a 1% decrease	(14)	(0)
Effect on the defined benefit obligation of a 1% decrease	(146)	(8)

For plans where a full valuation has been performed, the sensitivity information shown above is exact and based on the results of this full valuation. For plans where results have been rolled forward from the last full actuarial valuation, the sensitivity information above is approximate and takes into account the duration of the liabilities and the overall profile of the plan membership.

Notes to the consolidated financial statements

(c) Share-based payments

On 23 June 2004, Aliaxis approved a share option program entitling key management personnel and senior employees to purchase shares of the Company and authorising the issuance of up to 3,250,000 options to be granted annually over a period of 5 years. Five Stock Option Plans were accordingly granted on 5 July 2004 (SOP 2004), 4 July 2005 (SOP 2005), 3 July 2006 (SOP 2006), 4 July 2007 (SOP 2007) and 8 July 2008 (SOP 2008) respectively.

One share option gives the beneficiary the right to buy one ordinary share of the Company. The vesting period is four years after the grant date, and the options can be exercised subsequently during a period of three years with one exercise period per year. Options are to be settled by the physical delivery of shares using the treasury shares held by Aliaxis (see Note 22).

Each beneficiary is also granted a put option, as long as the Group remains unlisted, whereby Aliaxis shares acquired under these plans can be sold back to the Group at a price to be determined at each put exercise period. The put exercise periods run in parallel with the exercise periods of each plan.

At each grant/exercise date, Aliaxis determines the fair value of the shares by applying market multiples derived from a representative sample of listed companies to its last annual financial performance.

On 23 April 2009, Aliaxis decided to propose to all share option holders under the Aliaxis share option plans 2005 to 2008, that the exercise period under these plans be extended for three years, as permitted by an amendment to the law of 26 March 1999.

The exercise period of the SOP 2005 to 2008 has consequently been extended by 3 years for the holders who agreed to the proposed extension.

On 24 June 2009, Aliaxis approved a new share option program on the same basis as the previous share option scheme but limited to Group Senior Executives. Options will be available for granting over a maximum of 5 years. Five Stock Option Plans were accordingly granted on 7 July 2009 (SOP 2009), 6 July 2010 (SOP 2010), 4 July 2011 (SOP 2011), 5 July 2012 (SOP 2012) and 8 July 2013 (SOP 2013).

In June 2020, Group personnel exercised 7,500 share options related to the 2013 Share Option Plan.

No new Stock Option Plan was granted during 2020.

The total value of the share options exercised in 2020 at exercise or call price amounts to € 0.2 million. Their value at put price amounts to € 0.3 million.

Notes to the consolidated financial statements

Details of these stock option plans are as follows:

	Date granted	Exercise price (in €)	Number of share options				Exercise periods 1 June – 20 June
			Granted	Exercised	Forfeited	Outstanding	
SOP 2004	05.07.2004	9.19	647,500	631,030	16,470	–	2008 – 2011
SOP 2005	04.07.2005	12.08	617,000	586,590	30,410	–	2009 – 2015
SOP 2006	03.07.2006	18.35	594,000	513,786	80,214	–	2010 – 2016
SOP 2007	04.07.2007	26.82	610,000	458,000	152,000	–	2011 – 2017
SOP 2008	08.07.2008	16.25	557,250	367,955	189,295	–	2012 – 2018
SOP 2009	07.07.2009	12.93	266,000	266,000	–	–	2013 – 2016 (*)
SOP 2010	06.07.2010	14.74	253,000	253,000	–	–	2014 – 2017 (*)
SOP 2011	04.07.2011	20.15	133,000	133,000	–	–	2015 – 2018 (*)
SOP 2012	05.07.2012	14.50	138,000	138,000	–	–	2016 – 2019 (*)
SOP 2013	08.07.2013	25.39	195,000	182,500	12,500	–	2017 – 2020 (*)
			4,010,750	3,529,861	480,889	–	

The number and weighted average exercise price of share options are as follows:

	2020		2019	
	Number of share options	Weighted average exercise price per option (in €)	Number of share options	Weighted average exercise price per option (in €)
Outstanding as at 1 January	7,500	25.39	37,500	26.84
Movements of the period:				
Options exercised	7,500	25.39	30,000	27.21
Outstanding as at 31 December	–	–	7,500	25.39
Exercisable as at 31 December	–	–	7,500	25.39

The fair value of the services received in return for share options granted is based on the fair value of share options granted, measured using the Black & Scholes valuation model, with the following assumptions:

Fair value and assumptions	SOP 2013	SOP 2012	SOP 2011	SOP 2010	SOP 2009	SOP 2008	SOP 2007	SOP 2006	SOP 2005
Fair value at grant date (in € per option)	4.21	2.08	4.05	2.59	2.41	4.02	7.13	4.39	2.39
Share price (in €)	25.39	14.5	20.15	14.74	12.93	16.25	26.82	18.35	12.08
Exercise price (in €)	25.39	14.5	20.15	14.74	12.93	16.25	26.82	18.35	12.08
Expected volatility (in %)	20.00	20.00	20.00	20.00	20.00	20.00	20.00	21.00	21.00
Expected option average life (in years)	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Expected dividends (in €)	0.25	0.23	0.20	0.18	0.17	0.16	0.14	0.12	0.11
Risk-free interest rate (in %)	1.19	1.13	2.86	2.12	2.82	4.89	4.84	4.08	2.76

The expected volatility percentage is based on the historical volatility which is observed for comparable companies in Belgium. Expected dividends take into account a 10% growth of the dividends paid during the year. The risk-free interest rate is based on the swap euro interest rate corresponding to the expected options' average life. The vesting expectations are based on historical data of key management personnel turnover.

(*) from 1 June – 30 June

Notes to the consolidated financial statements

(d) Long term incentive scheme

In 2020, new awards of the Long-Term Incentive Plan (LTIP) were granted to certain senior managers. The pay-out under this plan is conditional upon realization of a target value creation over a three-year period. These managers are provided with the opportunity to invest their cash pay-out into shares of a dedicated subsidiary, owning shares in Aliaxis SA.

In total on December 31, 2020, there were 101 active employees participating to the LTIP under the current plan. On the basis that targets are achieved, this would lead to payments at the end of the three-year cycle of € 8.1 million. The grant of this long-term incentive represents 37.65 % of the participants' 2020 fixed salaries.

The provisions for LTIP recorded in the statement of financial position as at 31 December 2020 amounts to € 20.1 million.

26. Deferred tax assets and liabilities

The change in deferred tax assets and liabilities is as follows:

(in € thousand)	Assets		Liabilities		Net	
	2020	2019	2020	2019	2020	2019
As at 1 January	93,402	87,853	(125,094)	(126,382)	(31,692)	(38,529)
Recognised in profit or loss	(19,477)	7,918	2,496	4,349	(16,981)	12,267
Recognised directly in OCI	(1,842)	1,265	(237)	(1,591)	(2,079)	(326)
Scope change	(2,246)	(58)	2,034	6	(211)	(52)
Other movements	149	(4,607)	(2)	(0)	147	(4,607)
Exchange difference	(3,055)	1,032	6,320	(1,476)	3,265	(444)
As at 31 December	66,932	93,402	(114,482)	(125,094)	(47,550)	(31,691)

Deferred tax assets and liabilities are attributable to the following items:

As at 31 December (in € thousand)	Assets		Liabilities		Net	
	2020	2019	2020	2019	2020	2019
Intangible assets	2,693	3,863	(31,240)	(41,247)	(28,547)	(37,384)
Property, plant and equipment	2,941	4,007	(56,006)	(59,231)	(53,065)	(55,224)
Inventories	5,920	7,793	(3,860)	(3,923)	2,060	3,870
Post employment benefits	16,955	16,551	(8,664)	(8,084)	8,291	8,467
Provisions	11,001	10,371	(103)	(111)	10,898	10,260
Financial debts	6,773	5,826	(196)	(386)	6,577	5,440
Undistributed earnings	–	–	(8,230)	(734)	(8,230)	(734)
Other assets and liabilities	17,293	17,495	(6,182)	(11,377)	11,110	6,118
Loss carry forwards	3,356	27,494	–	–	3,356	27,494
Tax assets / (liabilities)	66,932	93,402	(114,482)	(125,094)	(47,550)	(31,691)
Set-off of assets and liabilities	(53,488)	(58,241)	53,488	58,241	–	–
Net tax assets / (liabilities)	13,444	35,162	(60,993)	(66,853)	(47,550)	(31,691)

Tax losses carried forward on which no deferred tax asset is recognised amount to € 420 million (2019: € 285 million). € 258 million of these tax losses do not have any expiration date. € 162 million will expire at the latest by the end of 2050.

Deferred tax assets have not been recognised on these tax losses available for carry forward because it is not probable that future taxable profits will be available against which these tax losses can be used.

27. Provisions

(in € thousand)	2020			2019	
	Product liability	Restructuring	Other	TOTAL	TOTAL
As at 1 January	11,552	15,632	33,545	60,729	44,973
Change in consolidation scope	(23)	(568)	(1,035)	(1,626)	3,625
Provisions created	3,654	3,899	14,772	22,325	34,006
Provisions used	(1,315)	(8,708)	(8,841)	(18,865)	(20,786)
Provisions reversed	(1,490)	(1,404)	(1,740)	(4,634)	(3,539)
Transfer and other movements	(0)	–	(2,135)	(2,135)	1,301
Exchange difference	(457)	(1,972)	(2,099)	(4,529)	1,149
As at 31 December	11,921	6,879	32,466	51,266	60,729
Non-current balance at the end of the period	2,856	–	15,458	18,315	27,246
Current balance at the end of the period	9,065	6,879	17,008	32,951	33,483

The product liability provision provides a warranty for the products that the company sells or for the services it delivers. The provision has been estimated based on historical product liability associated with similar products and services. The group expects to settle the majority of the liability over the next year.

Provisions included in restructuring mainly relate to programs that are planned and controlled by Management and that generate material changes either in the scope of the business or in the manner of conducting the business. The restructuring costs were expensed as incurred and included in other operating income and expenses and adjusted items.

Other provisions mainly include long term incentive schemes obligations. See also Note 25d.

28. Current tax liabilities

Due to the scale and global presence of Aliaxis, the Group is operating in many jurisdictions, the increased complexity of tax law, the continuous changes in tax law and of its interpretation with respect to matters such as transfer pricing and the involvement in long lasting tax audits in relation to prior years adds uncertainty over certain income tax treatments. Management performed a detailed assessment of uncertain tax positions without considering detection risk by tax authorities which resulted in the recognition of tax liabilities. The Group strictly follows up on the liabilities for uncertain tax positions which are recorded as current tax liabilities in an amount of € 52.4 million as at 31 December 2020 (2019: € 51.8 million).

29. Amounts payable

(a) Non-current other amounts payable

As at 31 December (in € thousand)	2020	2019
Other	2,471	19,053
Other amounts payable	2,471	19,053

(b) Current amounts payable

Information about the Group exposure to currency and liquidity risk is included in Note 30.

As at 31 December (in € thousand)	2020	2019
Trade payables	286,856	284,879
Payroll and social security payable	113,263	101,780
Taxes (other than income tax) payables	17,826	11,222
Interest payable	7,801	12,451
Other payables	24,876	32,175
Amounts payable	450,622	442,509

The minority shareholders of Ashirvad Pipes Pvt. Ltd. exercised their put option in 2018 and the Group acquired in July a further 37% stake in Ashirvad Pipes Pvt Ltd in addition to its 60% stake. Aliaxis agreed to purchase the remaining 3% over a three-year period (settlement of 1/3rd every year) and recorded in this respect a payable of € 50 million reported as Other Payables in 2018. In 2020, 1% of the remaining 3% was paid and amounted to € 16.4 million.

Notes to the consolidated financial statements

30. Financial instruments

(a) Currency risk

Exposure

Currency risk arises from transactions and financial instruments that are denominated in a currency other than the functional currency in which they are measured.

The Group's most significant exposure to foreign currency risk arises from trade sales and purchases denominated in USD, and from the USD denominated Private Placement notes.

To mitigate the Group's exposure to foreign exchange currency risk, cross currency swaps and foreign exchange forward contracts are entered into in accordance with the Group's risk policy.

The following table sets out the Group's total exposure to major foreign currency risk, based on notional amounts, and the net FX exposure for those currencies.

(in thousand of currency)	31 December 2020						31 December 2019					
	EUR	USD	CAD	GBP	AUD	NZD	EUR	USD	CAD	GBP	AUD	NZD
Trade and other receivables	9,260	91,854	319	2,790	2,109	303	7,955	110,127	175	1,992	2,577	460
Other financial assets	6,416	50,482	603	(8)	67	147,298	6,166	58,362	566	61	46	104,751
Trade and other payables	(33,617)	(122,653)	(17,723)	(567)	(3,764)	(1,025)	(48,260)	(144,256)	(5,946)	(804)	(1,888)	(1,177)
Other financial liabilities	(518)	(342,391)	(335)	(215,521)	(21)	(73,608)	(129)	(363,285)	–	(68,501)	–	–
Gross balance sheet exposure	(18,460)	(322,708)	(17,136)	(213,306)	(1,610)	72,969	(34,269)	(339,053)	(5,204)	(67,251)	735	104,034
Forward FX contracts	1,596	69,002	–	213,750	(50)	(73,830)	3,798	77,958	–	65,900	(1,580)	(105,100)
Cross currency interest rate swaps (CCRS)	–	258,000	–	–	–	–	–	258,000	–	–	–	–
FX options	–	–	–	–	–	–	–	–	–	–	–	–
Net exposure	(16,864)	4,294	(17,136)	444	(1,660)	(861)	(30,471)	(3,095)	(5,204)	(1,351)	(845)	(1,066)
FX derivatives hedging forecasted trade positions												
Forward FX contracts	3,864	8,307	–	–	–	–	12,286	2,713	–	–	–	–
FX options	6,600	–	–	–	–	–	17,500	–	–	–	–	–

The impact on INR is limited and therefore not included in the table above.

Sensitivity analysis

A 10% strengthening of the euro at 31 December against the currencies listed above would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. A 10% weakening of the euro against those same currencies would have had the equal but opposite effect.

The exchange impact on the net exposure is reflected in profit or loss as shown in the following table. The exchange impact on Items that are hedge accounting compliant is reflected in equity.

(in € thousand)	2020						2019					
	EUR	USD	CAD	GBP	AUD	NZD	EUR	USD	CAD	GBP	AUD	NZD
Equity	(116)	(652)	–	1,423	–	–	(1,297)	(220)	–	1,504	–	–
Profit or loss	1,504	(318)	996	(45)	95	46	2,368	250	324	144	48	58

Notes to the consolidated financial statements

(b) Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

(in € thousand)	2020	2019
	Carrying amount	
Other non-current assets	16,432	17,247
Current amounts receivable	318,324	356,049
Forward exchange contracts used for hedging	4,979	94
CCRS	36,978	50,309
Cash and cash equivalents	642,747	486,143
Total	1,019,460	909,842

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

(in € thousand)	2020	2019
	Carrying amount	
Eurozone countries	80,378	71,180
United Kingdom	20,027	18,206
United States	43,222	70,176
Canada	17,371	9,489
New Zealand and Australia	49,202	49,680
Latin America	43,975	53,023
India	18,145	25,992
Other regions	16,848	21,569
Total	289,167	319,315

The ageing of trade receivables at the reporting date was:

(in € thousand)	2020		2019	
	Gross	Impairment	Gross	Impairment
Not past due	224,829	299	242,924	318
Past due 0 – 30 days	41,368	171	50,135	150
Past due 31 – 90 days	14,175	1,184	19,649	502
Past due 91 – 365 days	9,752	1,419	9,275	1,759
Past due more than one year	13,991	11,874	14,187	14,126
Total	304,115	14,948	336,170	16,855

The movement of impairment in respect of trade receivables during the year was as follows:

(in € thousand)	2020	2019
As at 1 January	16,855	16,163
Change in the consolidation scope	(475)	16
Recognised	5,053	3,622
Used	(4,186)	(2,558)
Reversed	(758)	(1,184)
Transfer to assets held for sales	–	302
Exchange difference	(1,542)	493
Total	14,948	16,855

The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectable, based on historical payment behaviour and analysis of customer credit risk.

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(c) Commodity risk

At 31 December 2020, the Group had no outstanding commodity hedging contracts.

(d) Interest rate risk

At the reporting date, around 72% of the gross financial debt (excluding leases) were at floating rates, whereas around 16% of the net financial debt (financial assets deducted) were at floating rates.

Sensitivity to interest rate variations

A change of 25 basis points in interest rates at the reporting date would have increased (respectively decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

The analysis was performed on the same basis as in 2019. Due to extremely low interest rates prevailing in markets at the reporting date, a variation of 25 basis points only was assumed (25 basis points in 2019).

As at 31 December (in € thousand)	2020				2019			
	Profit or loss		Equity		Profit or loss		Equity	
	25 bp increase	25 bp decrease	25 bp increase	25 bp decrease	25 bp increase	25 bp decrease	25 bp increase	25 bp decrease
Variable rate instruments	(131)	131	–	–	(854)	854	–	–
Interest rate derivatives	2	(2)	–	–	4	(4)	–	–
Cash flow sensitivity (net)	(129)	129	–	–	(850)	850	–	–

As at 31 December (in € thousand)	2020				2019			
	Profit or loss		Equity		Profit or loss		Equity	
	25 bp increase	25 bp decrease	25 bp increase	25 bp decrease	25 bp increase	25 bp decrease	25 bp increase	25 bp decrease
Fixed rate instruments	292	(294)	–	–	557	(562)	–	–
Interest rate derivatives	(486)	487	(16)	16	(752)	756	(71)	71
Fair value sensitivity (net)	(193)	193	(16)	16	(195)	194	(71)	71

Notes to the consolidated financial statements

(e) Liquidity risk

The following are the contractual maturities of financial liabilities, including interest payments:

(in € thousand)	At 31 December 2020				
	Carrying amount	Contractual cash flows	1 year or less	1 to 5 years	More than 5 years
Non-derivative financial liabilities					
Unsecured bank facilities and others	(637,843)	(643,580)	(64,993)	(578,587)	–
Schuldschein certificates	(67,000)	(68,920)	(1,247)	(67,673)	–
US private placement	(228,302)	(250,976)	(99,103)	(133,077)	(18,796)
Other loans and borrowings	(176)	(177)	(177)	–	–
Lease liabilities	(117,623)	(135,116)	(25,933)	(65,257)	(43,927)
Trade and other payables	(450,622)	(450,622)	(450,622)	–	–
Bank overdrafts	(30,473)	(30,473)	(30,473)	–	–
Derivative financial instruments					
Forward exchange derivatives used for hedging – outflows	(3,744)	(18,897)	(18,897)	–	–
Forward exchange derivatives used for hedging – inflows	4,979	20,046	20,046	–	–
Interest rate swaps or options used for hedging	(2,764)	(2,768)	(1,337)	(1,431)	–
CCRS – outflows	(2,477)	(157,180)	(76,628)	(80,552)	–
CCRS – inflows	36,980	229,798	98,627	131,171	–
	(1,499,066)	(1,508,866)	(650,738)	(795,407)	(62,723)

(in € thousand)	At 31 December 2019				
	Carrying amount	Contractual cash flows	1 year or less	1 to 5 years	More than 5 years
Non-derivative financial liabilities					
Unsecured bank facilities and others	(759,788)	(775,845)	(97,934)	(677,579)	–
Schuldschein certificates	(120,000)	(123,564)	(54,664)	(68,900)	–
Secured bank loans	–	–	–	–	–
US private placement	(247,711)	(283,948)	(11,759)	(221,013)	(51,176)
Other loans and borrowings	(176)	(176)	(176)	–	–
Lease liabilities	(118,439)	(133,732)	(33,526)	(47,429)	(52,777)
Trade and other payables	(461,562)	(461,562)	(442,509)	(19,053)	–
Bank overdrafts	(12,749)	(12,749)	(12,749)	–	–
Derivative financial instruments					
Forward exchange derivatives used for hedging – outflows	(4,675)	(50,316)	(50,316)	–	–
Forward exchange derivatives used for hedging – inflows	95	45,049	45,049	–	–
Interest rate swaps or options used for hedging	(3,619)	(3,836)	(1,322)	(2,514)	–
CCRS – outflows	(1,105)	(200,340)	(4,848)	(163,485)	(32,007)
CCRS – inflows	50,310	262,293	11,283	219,106	31,904
	(1,679,417)	(1,738,724)	(653,470)	(980,866)	(104,057)

Notes to the consolidated financial statements

In particular, the following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges, are expected to occur and the fair value of the related instruments:

At 31 December 2020					
(in € thousand)	Carrying amount	Expected cash flows	1 year or less	1 to 5 years	More than 5 years
Interest rate swaps	(2,375)	(2,379)	(948)	(1,431)	–
FX derivatives – outflows	(291)	(15,444)	(15,444)	–	–
FX derivatives – inflows	81	15,147	15,147	–	–
CCRS – outflows	(2,477)	(54,078)	(1,619)	(52,459)	–
CCRS – inflows	16,241	133,895	37,640	96,255	–
	11,178	77,141	34,776	42,365	–

At 31 December 2019					
(in € thousand)	Carrying amount	Expected cash flows	1 year or less	1 to 5 years	More than 5 years
Interest rate swaps	(3,047)	(3,196)	(916)	(2,281)	–
FX derivatives – outflows	(995)	(46,636)	(46,636)	–	–
FX derivatives – inflows	65	45,020	45,020	–	–
CCRS – outflows	(1,105)	(91,786)	(2,439)	(57,339)	(32,007)
CCRS – inflows	22,634	152,613	6,359	114,351	31,904
	17,553	56,015	1,388	54,731	(103)

The following table indicates the periods in which those cash flows are expected to impact profit or loss:

At 31 December 2020						
(in € thousand)	Carrying amount	Expected cash flows	Impact already in P&L	1 year or less	1 to 5 years	More than 5 years
Interest rate swaps	(2,375)	(2,379)	–	(948)	(1,431)	–
FX derivatives – outflows	(291)	(15,444)	–	(15,444)	–	–
FX derivatives – inflows	81	15,147	–	15,147	–	–
CCRS – outflows	(2,477)	(54,078)	–	(1,619)	(52,459)	–
CCRS – inflows	16,241	133,895	10,727	32,734	90,434	–
	11,178	77,141	10,727	29,870	36,544	–

At 31 December 2019						
(in € thousand)	Carrying amount	Expected cash flows	Impact already in P&L	1 year or less	1 to 5 years	More than 5 years
Interest rate swaps	(3,047)	(3,196)	–	(916)	(2,281)	–
FX derivatives – outflows	(995)	(46,636)	–	(46,636)	–	–
FX derivatives – inflows	65	45,020	–	45,020	–	–
CCRS – outflows	(1,105)	(91,786)	–	(2,439)	(57,339)	(32,007)
CCRS – inflows	22,634	152,613	22,049	6,359	114,351	9,855
	17,553	56,015	22,049	1,388	54,731	(22,153)

Notes to the consolidated financial statements

(f) Description and fair value of derivatives

The table below provides an overview of the nominal amounts (by maturity) of the derivative financial instruments used to hedge the interest rate risk associated to the interest-bearing loans and borrowings (as presented in Note 24).

(in € thousand)	Nominal amount 2020			Nominal amount 2019		
	1 year or less	1 to 5 years	More than 5 years	1 year or less	1 to 5 years	More than 5 years
Interest rate swaps	25,587	25,000	–	–	52,401	–
CCRS	73,918	109,095	–	–	154,116	31,560
FX derivatives	427,412	–	–	315,239	–	–

The table below presents the positive and negative fair values of derivative financial instruments as reported in the statement of financial position. Also included are the notional amounts of the derivative financial instruments per maturity as presented in the statement of financial position.

(in € thousand)	Fair value				Notional amount				
	Positive		Negative		< 6 months	6 to 12 months	1 to 5 years	> 5 years	Total
	Current	Non-current	Current	Non-current					
Interest rate swaps	–	–	–	2,375	–	–	25,000	–	25,000
FX derivatives	81	–	291	–	16,031	1,600	–	–	17,631
CCRS	–	11,341	–	2,477	–	–	81,560	–	81,560
Derivatives held as cash flow hedges	81	11,341	291	4,852	16,031	1,600	106,560	–	124,191
CCRS	6,526	7,629	–	–	–	33,229	27,535	–	60,765
Derivatives held as fair value hedges	6,526	7,629	–	–	–	33,229	27,535	–	60,765
Interest rate swaps	–	–	380	–	–	25,037	–	–	25,037
Derivatives held as net investment hedges	–	–	380	–	–	25,037	–	–	25,037
CCRS	3,415	–	–	–	–	15,652	–	–	15,652
Derivatives held as fair value and net investment hedges	3,415	–	–	–	–	15,652	–	–	15,652
CCRS	8,067	–	–	–	–	25,037	–	–	25,037
Derivatives held as cash flow hedge and net investment hedges	8,067	–	–	–	–	25,037	–	–	25,037
Interest rate swaps	–	–	8	–	–	550	–	–	550
FX derivatives	4,898	–	3,453	–	408,981	800	–	–	409,781
Derivatives not under hedge accounting	4,898	–	3,461	–	408,981	1,350	–	–	410,331
Total	22,988	18,971	4,133	4,852	425,012	101,905	134,095	–	661,012
Total current and non-current		41,959		8,985					

Fair values of derivatives are determined by using the discounted cash-flows valuation method.

Notes to the consolidated financial statements

(g) Accounting for derivatives

The Group uses derivative instruments to hedge its exposure to foreign exchange and interest rate risks. Whenever possible, the Group applies the following types of hedge accounting:

- Cash flow hedge, for derivative financial instruments with a total notional amount of € 124.2 million (2019: € 154 million). The fair value adjustment for the effective portion of those derivatives is recognised directly via Other Comprehensive Income in the hedging reserve.

The evolution in the hedging reserve is as follows:

(in € thousand)	2020		2019	
	Hedging reserve	Cost of hedging reserve	Hedging reserve	Cost of hedging reserve
As at 1 January	(2,197)	(334)	(6,734)	431
Effective portion of changes in fair value of existing instruments	(6,892)	433	6,984	(761)
Existing instruments settled	–	–	743	–
Deferred tax related to hedges	(2,002)	–	(690)	–
Foreign currency translation differences	(164)	5	(28)	(4)
Recycling to income statement of FX impact on CCRS	11,075	–	(2,472)	–
As at 31 December	(180)	104	(2,197)	(334)

The fair value adjustment for the ineffective portion of those derivatives is accounted for as a Finance Income or Expense.

- Fair value hedge, for derivative financial instruments with a total notional amount of € 60.8 million (2019: € 60.8 million). The fair value adjustment is recognised as a Finance Income or Expense.
- Net investment hedge for derivative financial instruments with a total notional amount of € 25 million (2019: € 26.8 million). The fair value adjustment for the effective portion of those derivatives is recognised directly via Other Comprehensive Income in the translation reserve. The fair value adjustment for the ineffective portion of those derivatives is accounted for as a Finance Income or Expense.
- Different combinations of hedge accounting types for derivative financial instruments with a total notional amount of € 40.7 million (2019: € 43.4 million).

The derivative financial instruments which cease to meet the criteria to be eligible for hedge accounting are accounted for as derivatives held-for-trading and the changes in fair value of those instruments are accounted for in profit or loss.

In 2020, the net fair value adjustment through Financial Income or Expense was a loss of € 0.6 million (2019: loss of € 1.1 million).

Notes to the consolidated financial statements

Following the issuance of the US private placement, the Group entered into several cross-currency swaps (CCRS) with external counterparts in order to partially convert the USD denominated cash flows from the USPP into CAD, GBP and EUR, for which hedge accounting has been applied:

- An aggregate nominal amount of USD 110.8 million relate to instruments to which fair value hedge accounting (or a combination with net investment hedge), is applied, with changes in fair value recorded through profit or loss. The hedged item is re measured to fair value with regards to foreign exchange and interest rate risks, with changes in fair value also recorded through profit and loss, in order to offset the fair value changes of the hedging instrument.
- An aggregate nominal amount of USD 147.2 million relate to instruments to which Cash Flow hedge accounting (or a combination with net investment hedge) is applied, with effective portion of change in fair value recorded in equity. The foreign exchange impact is immediately recycled to profit and loss, in order to offset the foreign exchange impact of the debt originating from the US private placement.
- Nominal amounts of CAD 39.1 million and GBP 14.1 million relate to instruments to which net investment hedge is applied. The effective portion of change in fair value is recorded into Other Comprehensive Income.

The table here below summarises for those CCRS entered with third parties, their respective fair-values with evidence of the foreign exchange (FX) component, interest (Intr.) component and the basis spread component, as they arise from the different hedging types being applied.

(in € thousand)	Notional amount				Fair value (€)			
	Currency			EUR	Total	Fx impact	Intr. Impact	Basis spread impact
Fair value hedges	USD	87,775		60,765	14,155	10,765	3,390	
Fair value and net investment hedge	USD	23,000	GBP 14,072	15,652	3,415	3,091	324	
Cash flow hedges	USD	107,225		81,560	8,865	5,821	2,926	118
Cash flow and net investment hedge	USD	40,000	CAD 39,140	25,037	8,067	7,560	495	12
				183,014	34,503	27,238	7,134	131

Notes to the consolidated financial statements

(h) Fair value hierarchy

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	31 December 2020			31 December 2019			
(in € thousand)	Carrying amount	Fair value		Carrying amount	Fair value		
		level 1	level 2	level 3	level 1	level 2	level 3
Cash and cash equivalent	642,747		642,747		486,143		486,143
Trade receivables	340,023		340,023		384,406		384,406
Unsecured bank facilities and others	(637,843)		(637,843)		(759,788)		(759,788)
Schuldschein certificates	(67,000)		(68,324)		(120,000)		(121,902)
US private placement	(228,302)		(243,263)		(247,711)		(262,722)
Other loans and borrowings	(176)		(176)		(176)		(176)
Trade and other payables	(450,622)		(450,622)		(461,562)		(461,562)
Bank overdraft	(30,473)		(30,473)		(12,749)		(12,749)
Forward exchange derivatives used for hedging – positive value	4,979		4,979		95		95
Forward exchange derivatives used for hedging – negative value	(3,744)		(3,744)		(4,675)		(4,675)
Interest rate swaps or options used for hedging	(2,764)		(2,764)		(3,619)		(3,619)
CCRS – outflows	(2,477)		(2,477)		(1,105)		(1,105)
CCRS – inflows	36,980		36,980		50,310		50,310
	(398,673)	–	(414,958)	–	(690,430)	–	(707,344)

All derivatives are carried at fair value and as per the valuation method being used to determine such fair value, the inputs are based on data observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). As such, the level in the hierarchy into which the fair value measurements are categorised, is level 2.

Non derivatives assets and liabilities are recognised at amortised cost.

The fair value is assessed using common discounted cash-flow method based on market conditions existing at the balance sheet date. Therefore, the fair value of the fixed interest-bearing liabilities is within level 2 of the fair value hierarchy. Floating rate interest-bearing financial liabilities and all trade and other receivables and payables have been excluded from the analysis as their carrying amounts are a reasonable approximation of their fair values.

Notes to the consolidated financial statements

31. Leases

Amounts recognised in the statement of financial position

The carrying amounts of right-of-use assets:

(in € thousand)	2020	2019
Land & buildings	87,660	83,133
Plant, machinery & equipment	13,672	14,236
Other	12,135	18,366
Total right-of-use assets	113,468	115,736

Additions to the right-of-use assets during the 2020 financial year amounted to € 49.7 million (2019: € 34.9 million). The addition is mainly related to land & buildings for new contracts and by executing extension options that were previously not considered or reasonably certain.

The carrying amounts of lease liabilities and the movements during the period:

(in € thousand)	2020	2019
Lease Liability		
As at 1 January	118,439	3,344
Change in accounting policy	–	112,972
Changes in the consolidation scope & Asset deals	(17,170)	(1,482)
– Deconsolidation	(17,170)	(1,482)
Additions	49,692	34,887
Accretion of interest	3,862	3,894
Payments	(32,678)	(35,999)
Other movements	(0)	1
Exchange difference	(4,521)	822
As at 31 December	117,623	118,439
Current	22,314	30,062
Non-current	95,309	88,377
Total lease liabilities	117,623	118,439

The total cash outflow for leases in 2020 was € 33 million (2019: € 36 million).

The leases maturity analysis is noted below:

(in € thousand)	2020			2019		
	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
Less than 1 year	25,932	3,619	22,314	33,526	3,464	30,062
Between 1 and 5 years	65,257	9,022	56,235	47,429	5,222	42,206
More than 5 years	43,927	4,853	39,074	52,777	6,607	46,170
Total as at 31 December	135,116	17,493	117,623	133,732	15,293	118,439

Notes to the consolidated financial statements

Amount recognised in the income statement

The income statement shows the following amounts relating to leases:

(in € thousand)	2020	2019
Depreciation charge of right-of-use assets	(29,118)	(33,903)
Land & buildings	(17,244)	(20,468)
Plant, machinery & equipment	(5,088)	(5,463)
Other	(6,786)	(7,972)
Interest expense on leases	(3,862)	(3,894)
Total expense related to leases	(32,980)	(37,797)

In 2020, the lease depreciation amounted to € 29.1 million (2019: € 33.9 million).

There was no material income from subleasing in 2020.

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

32. Guarantees, collateral and contractual commitments

As at 31 December (in € thousand)	2020	2019
Commitments secured by real guarantees	4,623	613
Contractual commitments to acquire assets	46,360	32,527

33. Contingencies

As is common with many manufacturing and distribution businesses, the Aliaxis companies may, in the ordinary course of their activities, from time to time be involved in legal and administrative proceedings. In cases where the outcome of such proceedings remains unknown, a contingent liability and/or asset may exist.

Some legal actions were filed in the US and Canada against Group companies in North America referring to allegedly defective plumbing products. Some of these proceedings contemplated class actions in the US and Canada. In March 2011, the Group companies signed a settlement and release with the various plaintiffs representing all settlement class members in the US and Canada. To be enforceable, this settlement, which does not imply any admission of liability, had to be, and has in fact been, finally approved by the Courts in early January 2012. In accordance with the Settlement Agreement, the deadline to file a claim with the claims administrator was in January 2020. The claims administrator is currently going through the claims and preparing a draft plan of distribution to be proposed to the class plaintiff and the defendants, which plan ultimately needs to be approved by the Court.

Despite this settlement, the Group companies in North America are still exposed to residual claims from entities that are not part of the defined settlement class or that opted out of the settlement in the US and Canada. It is anticipated, however, that this residual potential exposure to liability will be covered by the provisions for product liability in the accounts (see Note 27 – Provisions) and dealt with in the ordinary course.

In the first quarter of 2015, a Group company in Costa Rica received a provisional tax assessment from the tax authorities relating to the tax year 2009. The total claim including penalties and interest as per the tax notice amounted to € 29 million in 2019. The same year, taking advantage of a temporary tax amnesty to limit the exposure, the company opted to pay an amount of € 14 million to the tax authorities in Costa Rica. The company continues to challenge the decision on the merits in the judicial courts with the objective to recover all amounts paid.

34. Related parties

Key management compensation

The total remuneration costs of the Board of Directors and Executive Committee (Exco) during 2020 amounted to € 14.6 million (2019 € 9.8 million). For members of the Board of Directors, this predominantly related to directors' fees while for members of Executive Committee this comprised fixed base salaries, variable remuneration, termination payments, pension service costs as well as share option grants.

(in € thousand)	2020	2019
Salaries (fixed and variable)	13,877	9,258
Retirement benefits	743	589
Total	14,620	9,847

Notes to the consolidated financial statements

35. Aliaxis companies

The most important direct and indirect subsidiaries of Aliaxis SA are listed below. An exhaustive list of the Group companies with their registered office will be filed at the Belgian National Bank together with the consolidated financial statements.

Fully consolidated companies

Company	Financial interest %	City	Country
HOLDING AND SUPPORT COMPANIES			
Aliaxis Finance SA	100.00	Brussels	Belgium
Aliaxis Global Procurement Company S.à.r.l.	100.00	Luxembourg	Luxembourg
Aliaxis Group SA	100.00	Brussels	Belgium
Aliaxis Holding Germany GmbH	100.00	Mannheim	Germany
Aliaxis Holding Italia Spa	100.00	Bologna	Italy
Aliaxis Holdings Australia Pty Ltd	100.00	Darling Hurst	Australia
Aliaxis Holdings SA	100.00	Brussels	Belgium
Aliaxis Holdings UK Ltd	100.00	Maidstone	UK
Aliaxis Ibérica S.L.	100.00	Alicante	Spain
Aliaxis Investments SA	100.00	Brussels	Belgium
Aliaxis Latinoamerica Coöperatief UA	100.00	Panningen	The Netherlands
Aliaxis Luxembourg S.à r.l.	100.00	Luxembourg	Luxembourg
Aliaxis Management Company SRL	100.00	Brussels	Belgium
Aliaxis North America Inc	100.00	Ontario	Canada
Aliaxis R&D S.A.S.	100.00	Vernouillet	France
Aliaxis Services SA	100.00	Vernouillet	France
Aliaxis Ventures	100.00	Brussels	Belgium
GDC Holding Ltd	100.00	Maidstone	UK
Glynwed Dublin Corporation	100.00	Dublin	Ireland
Glynwed Holding B.V.	100.00	Panningen	The Netherlands
Glynwed Inc	100.00	Wilmington	US
Glynwed N.V.	100.00	Brussels	Belgium
Glynwed Overseas Holdings Ltd	100.00	Maidstone	UK
Glynwed Pacific Holdings Pty Ltd	100.00	Adelaide	Australia
Glynwed USA Inc	100.00	Wilmington	US
GPS Beteiligungs GmbH	100.00	Mannheim	Germany
GPS GmbH & Co.KG	100.00	Mannheim	Germany
GPS Holding Germany GmbH	100.00	Mannheim	Germany
IPLA B.V.	100.00	Panningen	The Netherlands
Marley European Holdings GmbH	100.00	Wunstorf	Germany
Marley Extrusions Ltd	100.00	Maidstone	UK
Marley Holdings Pty Ltd	100.00	Nigel	South Africa
Marley Trust Holding (Pty)	35.00	Nigel	South Africa
New Zealand Investment Holdings Ltd	100.00	Auckland	New Zealand
Nicoll Do Brasil Participações Ltda	100.00	São Paulo	Brasil
Panningen Finance BV	100.00	Panningen	The Netherlands
Société Financière du Héron SA	100.00	Brussels	Belgium
Société Financière du Val d'Or SA	100.00	Brussels	Belgium
The Marley Company (NZ) Ltd	100.00	Manurewa	New Zealand

Notes to the consolidated financial statements

Company	Financial interest %	City	Country
OPERATING COMPANIES			
Aliaxis Nederland B.V.	100.00	Panningen	The Netherlands
Aliaxis Deutschland GmbH	100.00	Mannheim	Germany
Aliaxis Iberia S.A.U.	100.00	Okondo	Spain
Aliaxis Latin American Services SA	100.00	San José	Costa Rica
Aliaxis Utilities & Industry LLC	100.00	Moscow	Russia
Aliaxis Utilities & Industry Private Ltd	100.00	Mumbai	India
Aliaxis Utilities and Industry AB	100.00	Spaanga	Sweden
Aliaxis Utilities and Industry AG	100.00	Wangs	Switzerland
Aliaxis Utilities and Industry GmbH	100.00	Vienna	Austria
Aliaxis Utilities and Industry Kft	100.00	Biatorbagy	Hungary
Aliaxis Utilities and Industry S.A.S.	100.00	Mèze	France
Ashirvad Pipes Private Ltd	99.1	Bangalore	India
Canplas Industries Ltd	100.00	Barrie	Canada
Corporacion de Inversiones Dureco SA	100.00	Guatemala	Guatemala
DHM Plastics Ltd	100.00	Maidstone	UK
Dureco de El Salvador SA de CV	100.00	San Salvador	El Salvador
Dureco Honduras SA	100.00	Comayaguela	Honduras
Durman Colombia SAS	100.00	Cundinamarca	Colombia
Durman Esquivel Guatemala SA	100.00	Guatemala	Guatemala
Durman Esquivel Industrial de Nicaragua SA	100.00	Managua	Nicaragua
Durman Esquivel Puerto Rico Corp.	100.00	Caguas	Puerto Rico
Durman Esquivel SA	100.00	Panama	Panama
Durman Esquivel SA	99.99	San José	Costa Rica
Durman Esquivel SA de CV	100.00	Mexico DF	Mexico
Dux Industries Ltd	100.00	Auckland	New Zealand
Dynex Extrusions Ltd	100.00	Auckland	New Zealand
Fip Formatura Inezione Polimeri spa	100.00	Casella	Italy
FRIATEC S.A.R.L.	100.00	Cholet	France
Girpi S.A.S.	100.00	Harfleur	France
Glynwed Pipe Systems Ltd	100.00	Cannock	UK
GPS Shanghai Co Ltd	100.00	Shanghai	China
Hamilton Kent Inc	100.00	Toronto	Canada
Hamilton Kent LLC	100.00	Delaware	US
Harrington Industrial Plastics de Mexico de RL De CV	100.00	Querétaro	Mexico
Hunter Plastics Ltd	100.00	Maidstone	UK
Innoge PE Industries S.A.M.	100.00	Monaco	Monaco
IPEX Branding Inc.	100.00	Toronto	Canada
IPEX de Mexico SA de CV	100.00	Querétaro	Mexico
IPEX Electrical Inc.	100.00	Toronto	Canada
IPEX Inc	100.00	Toronto	Canada
IPEX Management Inc./IPEX Gestion Inc.	100.00	Toronto	Canada
IPEX Technologies Inc.	100.00	Toronto	Canada
IPEX USA LLC	100.00	Wilmington	US
Jimten S.A.	100.00	Alicante	Spain
Marley Deutschland GmbH	100.00	Wunstorf	Germany
Marley Magyarorszag ZRT	100.00	Szekszard	Hungary
Marley New Zealand Ltd	100.00	Manurewa	New Zealand
Marley Pipe Systems (Namibia) (Pty) Ltd	100.00	Windhoek	Namibia
Marley Pipe Systems (SA) (Pty) Ltd	99.19	Nigel	South Africa
Multi Fittings Corporation	100.00	Wilmington	US
Nicoll Polska Sp. z o.o.	100.00	Olesnica	Poland
Nicoll Ceska Republika	100.00	Vestec	Czech Rep.
Nicoll E.P.E. Sarl	100.00	Kifisia	Greece

Notes to the consolidated financial statements

Company	Financial interest %	City	Country
Nicoll Industria Plastica Ltda	100.00	São José dos Pinhais	Brasil
Nicoll Nordic A/S	100.00	Koege	Denmark
Nicoll Peru S.A.	100.00	Lima	Peru
Nicoll S.A.	99.99	Buenos Aires	Argentina
Nicoll SA	100.00	Herstal	Belgium
Nicoll Uruguay S.A.	100.00	Montevideo	Uruguay
Nicoll Vostok	100.00	Moscow	Russia
Paling Industries Sdn Bhd	100.00	Petaling Jaya Selangor	Malaysia
Perforacion y Conduccion de Aguas SA	100.00	San José	Costa Rica
Philmac Pty Ltd	100.00	North Plympton	Australia
Raccords et Plastiques Nicoll S.A.S.	100.00	Cholet	France
Redi Spa	100.00	Bologna	Italy
RX Plastics Limited	100.00	Ashburton	New Zealand
Sanitaertechnik Eisenberg GmbH	100.00	Eisenberg	Germany
SCI Frimo	100.00	Darvault	France
SCI LAML	100.00	Darvault	France
Silver-Line Plastics LLC	100.00	Asheville	US
Sociedad Industrial Tuboplast S.A.	100.00	Santiago	Chile
Straub Werke AG	100.00	Wangs	Switzerland
The Universal Hardware and Plastic Factory Ltd	51.00	Kowloon	Hong Kong
VigotecAkatherm S.A.	50.00	Brussels	Belgium
Vinidex Pty Ltd	100.00	New South Wales	Australia
Vinilit SA	100.00	Santiago	Chile
Wefatherm GmbH	100.00	Wunstorf	Germany
Zhongshan Universal Enterprises Ltd	51.00	Zhongshan City	China

The entity Aliaxis Ventures SA was created in September 2020.

The entity Akatherm B.V. changed its name to Aliaxis Nederland B.V. in September 2020.

AUI Spain merged into Aliaxis Iberia S.A.U in December 2019 and Philmac UK merged into GPS PE Pipes during 2020.

The entity Société Financière Aliaxis SA merged into Aliaxis Group SA in December 2020.

The entity Harrington Industrial Plastics LLC was sold in March 2020.

The entity Aliaxis Singapore Pte Ltd was sold in October 2020.

36. Services provided by the statutory auditor

(in € thousand)	2020	2019
Audit:		
Audit services		
- KPMG in Belgium	343	442
- Other offices in the KPMG network	1,993	2,329
Audit-related procedures and services		
- KPMG in Belgium	3	3
- Other offices in the KPMG network	105	84
Sub-total	2,444	2,858
Other services:		
Tax	306	335
Other services	296	459
Sub-total	602	794
Services provided by the Statutory Auditor	3,046	3,652

37. Subsequent events

No subsequent events have occurred that warrant a modification of the value of the assets and liabilities or any additional disclosure.

Auditor's report



Statutory auditor's report to the general meeting of Aliaxis SA on the consolidated financial statements as of and for the year ended 31 December 2020

In the context of the statutory audit of the consolidated financial statements of Aliaxis SA ("the Company") and its subsidiaries (jointly "the Group"), we provide you with our statutory auditor's report. This includes our report on the consolidated financial statements for the year ended 31 December 2020, as well as other legal, regulatory and professional requirements. Our report is one and indivisible.

We were appointed as statutory auditor by the general meeting of 23 May 2018, in accordance with the proposal of the board of directors. Our mandate will expire on the date of the general meeting deliberating on the annual accounts for the year ended 31 December 2020. We have performed the statutory audit of the consolidated financial statements of Aliaxis SA for 18 consecutive financial years.

Report on the consolidated financial statements

Unqualified opinion

We have audited the consolidated financial statements of the Group as of and for the year ended 31 December 2020, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The total of the consolidated statement of financial position amounts to EUR 3,227,022 (000) and the consolidated statement of profit or loss shows a profit for the year of EUR 199,462 (000).

In our opinion, the consolidated financial statements give a true and fair view of the Group's equity and financial position as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Auditor's report



Statutory auditor's report to the general meeting of Aliaxis SA on the consolidated financial statements as of and for the year ended 31 December 2020

Basis for our unqualified opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") as adopted in Belgium. In addition, we have applied the ISAs as issued by the IAASB and applicable for the current accounting year while these have not been adopted in Belgium yet. Our responsibilities under those standards are further described in the "Statutory auditors' responsibility for the audit of the consolidated financial statements" section of our report. We have complied with the ethical requirements that are relevant to our audit of the consolidated financial statements in Belgium, including the independence requirements.

We have obtained from the board of directors and the Company's officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Board of directors' responsibilities for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium, and for such internal control as board of directors determines, is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Statutory auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 ISAs 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 the users taken on the basis of these consolidated financial statements.

Auditor's report



Statutory auditor's report to the general meeting of Aliaxis SA on the consolidated financial statements as of and for the year ended 31 December 2020

When performing our audit we comply with the legal, regulatory and professional requirements applicable to audits of the consolidated financial statements in Belgium. The scope of the statutory audit of the consolidated financial statements does not extend to providing assurance on the future viability of the Group nor on the efficiency or effectivity of how the board of directors has conducted or will conduct the business of the Group. Our responsibilities regarding the going concern basis of accounting applied by the board of directors are described below.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also perform the following procedures:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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;
- Obtain an understanding of internal controls 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;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by board of directors;
- Conclude on the appropriateness of board of directors' 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate 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;
- Obtain 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.

Auditor's report



Statutory auditor's report to the general meeting of Aliaxis SA on the consolidated financial statements as of and for the year ended 31 December 2020

We communicate with the board of directors 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 identify during our audit.

Other legal and regulatory requirements

Responsibilities of the Board of directors

The board of directors is responsible for the preparation and the content of the board of directors' annual report on the consolidated financial statements and the other information included in the annual report.

Statutory auditor's responsibilities

In the context of our engagement and in accordance with the Belgian standard which is complementary to the International Standards on Auditing as applicable in Belgium, our responsibility is to verify, in all material respects, the board of directors' annual report on the consolidated financial statements and the other information included in the annual report, and to report on these matters.

Aspects concerning the board of directors' annual report on the consolidated financial statements and other information included in the annual report

Based on specific work performed on the board of directors' annual report on the consolidated financial statements, we are of the opinion that this report is consistent with the consolidated financial statements for the same period and has been prepared in accordance with article 3:32 of the Companies' and Associations' Code.

In the context of our audit of the consolidated financial statements, we are also responsible for considering, in particular based on the knowledge gained throughout the audit, whether the board of directors' annual report on the consolidated financial statements and other information included in the annual report:

— Part 1: Focusing on what matters in 2020

— Corporate governance

contain material misstatements, or information that is incorrectly stated or misleading. In the context of the procedures carried out, we did not identify any material misstatements that we have to report to you.

Auditor's report



Statutory auditor's report to the general meeting of Aliaxis SA on the consolidated financial statements as of and for the year ended 31 December 2020

Information about the independence

- Our audit firm and our network have not performed any engagement which is incompatible with the statutory audit of the consolidated financial statements and our audit firm remained independent of the Group during the term of our mandate.
- The fees for the additional engagements which are compatible with the statutory audit referred to in article 3:65 of the Companies' and Associations' Code were correctly stated and disclosed in the notes to the consolidated financial statements.

Antwerp, 30 March 2021

KPMG Bedrijfsrevisoren - Réviseurs d'Entreprises
Statutory Auditor
represented by

A handwritten signature in blue ink, appearing to read 'F. De Bock', with a horizontal line underneath.

Filip De Bock
Bedrijfsrevisor / Réviseur d'Entreprises

Non-consolidated accounts, profit distribution and statutory appointments

Non-consolidated accounts, profit distribution and statutory appointments

The annual statutory accounts of Aliaxis S.A. are summarised below.

In accordance with the Belgian Company Code, the annual accounts of Aliaxis SA, including the Directors' Report and the Auditor's Report, will be registered at the Belgian National Bank within the required legal timeframe.

These documents are also available upon request at:

Aliaxis S.A.

Group Finance Department

Avenue Arnaud Fraiteur, 15/23

1050 Brussels – Belgium

The Auditor, KPMG Bedrijfsrevisoren/Réviseurs d'Entreprises, has expressed an unqualified opinion on the annual statutory accounts of Aliaxis SA.

Summarised balance sheet after profit appropriation

As at 31 December (in € thousand)	2020	2019
Financial assets	1,454,349	1,454,349
Non-current loans and borrowings	1,454,349	1,454,349
Current assets	2,676	1,632
Total assets	1,457,025	1,455,981
Equity and liabilities		
Capital	62,666	62,666
Share premium	13,332	13,332
Revaluation reserve	92	92
Reserves	1,048,922	1,048,922
Profit carried forward	270,798	303,177
Capital and reserves	1,395,810	1,428,189
Liabilities	61,215	27,792
Total equity and liabilities	1,457,025	1,455,981

Non-consolidated accounts, profit distribution and statutory appointments

Summarised profit and loss account

As at 31 December (in € thousand)	2020	2019
Operating expenses	(3,094)	(1,756)
Operating loss	(3,094)	(1,756)
Financial result	57,430	151,951
Income taxes	-	(721)
Profit for the period	54,336	149,474

Profit distribution

Aliaxis' Board of Directors proposes to pay a net dividend of € 0.4606 per share. The proposed gross dividend is € 0.658 per share, representing 26.0% of the consolidated basic earnings per share of € 2.54. The dividend is subject to shareholder approval at the General Shareholders' Meeting on May 26, 2021.

The dividend will be paid on 1 July 2021 at the following premises:

- Banque Degroof Petercam S.A.;
- BNP Paribas Fortis Banque S.A.;
- Belfius Banque S.A.;
- as well as at our registered office.

The profit appropriation would be as follows:

As at 31 December (in € thousand)	2020	2019
Profit brought forward	303,177	180,452
Profit for the period	54,336	149,474
Gross dividend	(86,715)	(26,748)
<i>Special dividend out of 2019 retained earnings</i>	(26,748)	-
<i>Dividend proposal for 2020</i>	(59,967)	-
Profit carried forward	270,798	303,177

Non-consolidated accounts, profit distribution and statutory appointments

Statutory appointments

The mandates of Mr Olivier van der Rest, Mr Patrick Simonard, Mr Didier Leroy, Mrs Andrea Hatschek, Mr Eric Olsen, Mr George Durman- Esquivel and Mr Thierry Vanlancker will expire at the next general meeting of shareholders on May 26, 2021. They are all candidate for re-election. Upon recommendation of the appointment and remuneration committee, the board proposes to the shareholders their re-election for a term of office of three years, ending at the general meeting of shareholders in 2024.

The mandate of Mr Kieran Murphy will also expire at the next general meeting of shareholders of May 26, 2021. He is candidate for re-election. Upon recommendation of the appointment and remuneration committee, the board proposes to the shareholders the re-election for a term of office of two years, ending at the general meeting of shareholders of 2023.

The mandate of Mrs Hélène Van Zeebroeck, Mr Marc Nolet de Brauwere and Mr Amaury Pelgrims de Bigard will also expire at the next general meeting of shareholders of May 26, 2021. They are not candidate for re-election.

The board of directors wishes to sincerely thank them for their valuable contribution to the group during their many years of service.

Upon recommendation of the appointment and remuneration committee, the board proposes to the shareholders to elect GDF Impact SRL (represented by its permanent representative Mr Guy della Faille) and Mr Pierre Alexandre Peters as directors of Aliaxis SA for a term of office of three years ending at the general meeting of shareholders to be held in 2024.

The mandate of KPMG Bedrijfsrevisoren – Réviseurs d'Entreprises as auditor of the consolidated and non-consolidated accounts will expire at the next general meeting of shareholders. It has been proposed to the general meeting of shareholders to reappoint KPMG Bedrijfsrevisoren – Réviseurs d'Entreprises, as auditor of the consolidated and non-consolidated accounts of Aliaxis SA, for a term of three years, ending at the general meeting of shareholders in 2024.

Glossary

Revenue (Sales)

Amounts invoiced to customers for goods and services provided by the Group, less credits for returns, rebates and allowances and discounts for cash payments

EBITDA

EBIT before charging depreciation, amortisation and impairment

Current EBITDA

Adjusted EBIT plus depreciation, amortisation and impairment (other than goodwill impairment)

Current EBIT

Operating profit exclusive adjusted items

EBIT

Operating income

Net profit (group share)

Profit of the year attributable to equity holders of the Group

Capital expenditure

Expenditure on the acquisition of property plant and equipment, investment properties and intangible assets

Net financial debt

The aggregate of (I) non-current and current interest-bearing loans and borrowings and (II) bank overdrafts, less (III) cash and cash equivalents

Capital employed

The aggregate of (I) intangible assets, (II) property, plant & equipment, (III) investment properties, (IV) inventories and (V) amounts receivable, less the aggregate of (a) current provisions, and (b) current amounts payable

Non-cash working capital

The aggregate of (I) inventories and (II) amounts receivable, less the aggregate of (a) current provisions, and (b) current amounts payable

Return on capital employed (%)

$\text{EBIT} / \text{average of capital employed at 1 January and 31 December} \times 100$

Return on equity (group share) (%)

$\text{Net profit (group share)} / \text{average of equity attributable to equity holders of Aliaxis at 1 January and 31 December} \times 100$

Effective Income tax rate (%)

$\text{Income taxes} / \text{profit before income taxes} \times 100$

Pay-out ratio (%)

$\text{Gross dividend per share} / \text{basic earnings per share} \times 100$

Key figures

Aliaxis SA

	2020 € million	2019 € million	2018 € million	2017 € million	2016 € million
Revenue*	2,907.7	3,117.6	3,095.0	3,094.7	2,949.4
Current EBITDA*	461.1	440.1	415.1	411.4	358.8
% of revenue	15.9%	14.1%	13.4%	13.3%	12.2%
Current EBIT*	315.5	300.1	308.5	300.4	243.5
% of revenue	10.9%	9.6%	10.0%	9.7%	8.3%
EBIT*	330.6	323.6	273.2	273.5	193.5
% of revenue	11.4%	10.4%	8.8%	8.8%	6.6%
Net profit (Group share)*	198.5	183.0	137.1	143.2	101.0
Capital expenditure (including leasing)*	148.7	151.6	86.6	110.6	106.0
% of depreciation and amortisation	103%	108%	81%	100%	96%
% of current EBITDA	32%	34%	21%	27%	30%
Total equity	1,413	1,409	1,258	1,624	1,623
Net financial debt*	438	771	775	357	464
Return on capital employed*	16.1%	15.0%	12.8%	12.3%	8.6%
Return on equity (Group share)*	14.1%	13.8%	9.8%	9.2%	6.6%
Average number of employees	14,473	15,511	16,088	15,904	16,087
	2020 € per share	2019 € per share	2018 € per share	2017 € per share	2016 € per share
Earnings					
Basic	2.54	2.33	1.74	1.82	1.26
Diluted	2.54	2.33	1.74	1.82	1.26
Gross dividend	0.658	0.587	0.58685	0.5335	0.485
Net dividend	0.4606	0.4109	0.410795	0.37345	0.3395
Payout ratio*	26.0%	25.2%	33.7%	29.3%	38.4%
Outstanding shares at 31 December (net of treasury shares)	78,270,500	78,288,855	78,739,901	78,725,401	78,781,879

*Defined in Glossary

Colophon

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