Directors' report and financial statements

Aliaxis SA - Consolidated Annual Report 2021

Table of contents

1. Corporate Governance

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

1.1 Composition of the Leadership Team

The Chief Executive Officer presides 2 leadership bodies: the Executive Committee and the Global Leadership Team. They are working closely together in the execution of Aliaxis' *Growth with Purpose* strategy, aimed at being a world leader in fluid management solutions that enable access to water and energy.

The Executive Committee

The Executive Committee (ExCom) is responsible for driving performance, increase speed of execution and focus all efforts behind the *Growth with Purpose* plan and priorities in a coordinated approach, across geographies and functions.

The ExCom consists of the following leadership positions as of December 31, 2021:

Chief Executive Officer, Eric Olsen
Chief Operations & Supply Chain Officer, William Ledger
Divisional CEO India, Deepak Mehrotra
Divisional CEO Americas, Alex Mestres
Divisional CEO APAC, Mark Nykiel
Chief HR & CR Officer, Ursula Saint Léger (until December 31, 2021)
Chief Finance Officer, Koen Sticker
Chief Growth Officer, Tom Van Gyseghem (until December 31, 2021)
Divisional CEO EMEA, Gustavo Vianna

As of April 11, 2022, Line De Decker, Chief HR & Sustainability Officer, will also be a member of the ExCom.

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 against the strategy.

The GLT is composed of the following roles as of December 31, 2021:

Chief Information Officer – Patricia de Lanlay
Head of Communications – Amanda Jones (since February 1, 2021)
President & Chief Operating Officer - North America: Travis Lutes (as of June 2021)
Chief Legal & Insurance Officer – Manuel Monard
Head of Innovation & R&D - Dominique Neerinck
Chief Operating Officer - Latin America - Mathieu Rousseau (as of June 2021)
Head of M&A – Frank Thielen
Head of Strategy & Digital – Peter Van Bylen (until October 31, 2021)

Since February 1, 2022 and March 1, 2022, Fredrik Östbye and Kate Geraghty, respectively Head of Aliaxis Next and Head of Sustainability, are also members of the GLT.

1.2 Composition of the Board of Directors

Olivier van der Rest – Chairman
Thierry Vanlancker
Eric Olsen – Chief Executive Officer
GDF Impact SRL, represented by Guy della Faille (as of May 2021)
George Durman Esquivel
3F Advisory SRL, represented by Olivier Hamoir - Chairman of the Appointment and Remuneration Committee (until December 2021)
Andréa Hatschek
Rajesh Jejurikar
Didier Leroy - Chairman of the Appointment and Remuneration Committee (as of December 2021)
Kieran Murphy – Chairman of the Risk and Audit Committee
Pierre-Alexandre Peters (as of May 2021)
Patrick Simonard

Jean-Louis Piérard – Honorary Chairman
Hélène van Zeebroeck (until May 2021)
Marc Nolet de Brauwere (until May 2021)
Amaury Pelgrims de Bigard (until May 2021)

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, similar to listed companies.

The Board approves 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 eight times during 2021. There were two standing committees as of December 31, 2021. 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 2021 to follow up on the details of the implementation of the company's global ERP project.

1.4 Risk and Audit Committee

The Risk and 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 2021. Its members were Kieran Murphy (Chairman), Amaury Pelgrims de Bigard (until May 2021), Thierry Vanlancker, GDF Impact SRL (represented by Guy della Faille) (as from May 2021) and Patrick Simonard.

1.5 Appointment and Remuneration Committee

The Appointment and Remuneration Committee advises the Board on all matters relative to the appointments and remuneration of the Directors, the CEO and the members of the ExCom.

The Committee met six times in 2021 and its members were Hélène van Zeebroeck (until May 2021), 3F Advisory SRL (represented by Olivier Hamoir) (until December 2021) (Chairman), Didier Leroy (Chairman as of December 2021) and Olivier van der Rest.

Agenda

Annual General meeting of shareholders
Wednesday 25 May 2022

At the Group's seat: 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
Friday, 1 July 2022

2022 HALF YEAR RESULTS
1 September 2022
Board of Directors to approve 2022 Half Year results – Results announcement

2022 FULL YEAR RESULTS
Q1 2023
Board of Directors to approve 2022 Full Year results – Results announcement

2. Directors' report

2.1 Trading review

For the full year 2021, Aliaxis reported top line growth of 26.4% compared to 2020, supported by all regions. The two most important drivers were the strong market momentum in North America, with robust housing market and a rise in infrastructure investment projects, and to a lesser extent, the revival of the Indian economy after the 2nd COVID wave in Spring. Very strong commercial management and entering new business segments also contributed to these results.

Over the course of the year, our teams overcame several challenges: supply chain disruptions, substantial price increases of raw materials, as well as COVID-related shutdowns, notably in India (in April-May) and in New Zealand (in August-September).

Current EBITDA amounts to €674.4 million, an increase of 46.3%. Compared to 2019, the CEBITDA increase amounts to 53.2%. This is predominately driven by strong momentum in several markets, especially in the Americas, where the teams demonstrated a flexible and responsive approach to changing market conditions, next to operational performance. Our CEBITDA margin improved from 15.9% in 2020 to 18.3% in 2021.

Net profit amounts to €399.4 million, an increase of 100.2% compared to 2020.

With these excellent results, Aliaxis is well on track to deliver its Growth with Purpose strategy and heading into 2022 with real momentum.

Americas

The Americas outperformed in 2021, with revenue up 43.9% and CEBITDA up 82.0% vs 2020. In North America, we saw strong market momentum in the housing market, a rise in infrastructure projects and strong investment in irrigation. Latin America started the year off with very high demand in most countries in Q1, which stabilised thereafter, despite lower investor confidence in Peru and a downturn in the infrastructure segment in Panama.

A major investment in a new state-of-the-art injection moulding plant to be built in Pineville, North Carolina (USA), was announced, as well as the opening of 4 new distribution centres. Construction of the new plant in the US is to be completed in late 2022, with full operations expected to start in early 2023.

Pacific

The Pacific region reported a strong performance, with revenue up 17.8% and CEBITDA up 20.7% vs 2020. The region saw strong momentum in the building segment, driven by government stimulus packages in Australia and New Zealand and by homeowner cash reserves. Next to this, the Australian infrastructure segment also performed very well. The impact of lockdowns in New Zealand in August/September remained limited thanks to a strong rebound afterwards.

The region focused intently on their operational excellence program, which supported the CEBITDA improvement. The region increased recycling efforts, both in terms of plant level capacity and in collaboration with third parties and customers to source more recyclate.

EMEA

The EMEA region posted a solid performance, with revenue up 12.4% and CEBITDA up 15.2% vs 2020. This was mainly driven by a strong start of the year, particularly in France, Spain and the UK, with a high demand in the building renovation and maintenance segment.

Our operational excellence program supported the region's CEBITDA improvement, in an environment that was highly inflationary, primarily in resins, but also in metal and plastic components, transport, gas and energy.

Asia

The Asia region saw revenue go up strongly by 29.9%, and CEBITDA by 23.4% vs 2020. This performance was driven by the revival of the Indian economy after the second COVID wave in Spring, owing to several cyclical tailwinds including pent-up demand and higher government spending on infrastructure.

In an environment of high PVC price volatility, the team managed to create growth in new segments, such as water storage and infrastructure. The team also launched its brand-new front of wall offering.

In Q4, a new plant opened in Durgapur, which is located along the national Delhi-Kolkata highway, allowing us to better serve customers in the entire eastern part of India.

2.2 Financial review

Changes in the scope of consolidation

In Q3 2021, the Group completed the divestment of Sanitärtechnik Eisenberg GmbH and of Vigotec Akatherm NV/SA.

These transactions are described in more detailed in Note 8 (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 2021, Aliaxis reported revenue of €3,675 million, an increase of 26.4% compared to 2020. Foreign exchange negatively impacted the Group's sales by 0.2%, due to the weakening of the following trading currencies against the EUR, mainly US dollar (3.6%), the Indian rupee (3.4%), Peruvian dollar (15.0%) partly offset by the Australian dollar (-4.9%) and the Canadian dollar (-3.0%).

The gross profit was €1,090 million (2020: €823 million), representing 29.7% (2020: 28.3%) of revenue. Commercial, administrative and other income and charges amounted to €478 million (2020: €492 million), or 13.0% (2020: 16.9%) of sales.

Operating profit (EBIT) for the year was €612 million, an overall increase of €282 million or 85.3%. Foreign exchange positively impacted the Group's EBIT by 4.3%.

The adjusted items represented a net exceptional income of €75 million in 2021, compared to a net exceptional income of €15 million in 2020. The adjusted items in 2021, predominately relate to capital gain on divestment of €89 million, partially offset by transformation and restructuring initiatives of €-4 million. In addition, the Group reported a global ERP impairment and costs of €-8 million, and merger and acquisition costs for an amount of €-2 million.

Excluding the impact of the adjusted items, the Current EBIT amounted to €537 million, an increase of €222 million or 70.3%. The Current EBIT margin amounts to 14.6%, compared to 10.9% in 2020.

Excluding depreciation and amortisation, the Current EBITDA amounted to €674 million, an overall increase of €213 million or 46.3%. Foreign exchange positively impacted the Group's Current EBITDA by 0.7%. The Current EBITDA margin increased from 15.9% in 2020 to 18.3% in 2021.

Finance income and expenses mainly consisted of net interest expenses of €12 million (2020: €14 million). An analysis of finance income and expense is given in notes 15 (Finance expenses) and 16 (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 32 (Financial instruments) to the consolidated financial statements.

Income taxes, consisting of current and deferred taxes, amounted to €193 million (2020: €109 million), representing an effective income tax rate of 32.6% (2020: 35.4%). The reconciliation of the aggregated weighted nominal tax rate (25.8%) with the effective tax rate is set out in note 17 (Income taxes) to the consolidated financial statements. The Group's share of the profit for 2021 was €398 million (2020: €198 million). The Group's earnings per share in 2021 were €5.06 (2020: €2.54), an increase of 99.4%.

Other comprehensive income for the period, net of income tax, increased by €309 million from €-147 million in 2020 to €162 million in 2021, mainly explained by the positive impact of exchange rate movements due to the strengthening of the major trading currencies against the EUR in 2021 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 €175 million (excl. withholding taxes on the Group dividend), total employers' social security contribution was €89 million (excl. employees' social security contribution and payroll taxes) and taxes to be considered as operating expenses were €7 million (excl. VAT, duties...).

Statement of financial position

Intangible assets, consisting of goodwill and other intangible assets, amounted to €721 million at 31 December 2021 (2020: €703 million). The increase is mainly attributable to the positive currency translation of €34 million and the capital expenditure of €13 million partially offset by the annual amortisation of intangible assets of €-17 million, the impairment global ERP of €-5 million and the new IFRS cloud accounting policy of €-5 million. Further details on movements in intangible assets are set out in note 18 (Intangible assets) to the consolidated financial statements.

Property, plant and equipment amounted to €940 million at 31 December 2021, compared to €882 million at the end of the previous year. The main part of the net increase of €58 million was attributable to the new capital expenditures of €163 million and the positive currency translation of €37 million partly offset by the depreciation of the period of €-119 million and the net impact of the deconsolidation of €-19 million.

Non-cash working capital amounted to €427 million at 31 December 2021 (31 December 2020: €299 million). As at 31 December 2021, working capital represented 11.6% (2020: 10.3%) 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 €1,406 million in 2020 to €1,917 million in 2021 mainly as a result of the net profit of the reporting period (€398 million) and the positive impact of exchange rate movements (€154 million) partially offset by the negative impact of the net dividends paid (€-52 million).

Non-controlling interests at 31 December 2021 amounted to €7 million (2020: €7 million). The result of the net profit for the reporting period (€2 million) was offset by the negative impact of the net dividends paid (€-1 million) and the divestment of Vigotec Akatherm NV/SA (€-1 million).

Deferred tax liabilities amounted to €83 million at 31 December 2021 (2020: €61 million). Deferred tax assets were €12 million (2020: €13 million). Further details on movements in deferred taxes are set out in note 28 (Deferred tax assets and liabilities) to the consolidated financial statements.

Net Financial Debt

(In million euros)	31 December 2021	31 December 2020
Loans and borrowings non-current	**1.006**	781
Lease liabilities non-current	**109**	95
Loans and borrowings current	**69**	151
Lease liabilities current	**23**	22
Cash and cash equivalents	**-1.111**	-643
Bank overdrafts	**4**	30
	99	438

Net financial debt at 31 December 2021 decreased by €338 million. The major cash flows during the year arose from cash generated by the Group's operations (€708 million), the divestment of businesses, mainly Sanitärtechnik Eisenberg GmbH (€125 million), less the working capital changes (€-167 million), the capital expenditures made during the year (€-139 million – excl. leasing), tax payments (€-133 million), net dividends paid (€-52 million), the lease movements (€-39 million) and the net interest payments (€-8 million).

The return on capital employed in 2021 was 30.8% (2020: 16.1%). The Group's share of return on equity was 23.9% (2020: 14.1%).

2.3 Introducing our new strategy: Growth with Purpose

Aliaxis' Growth with Purpose strategy was launched in 2021 and has moved the Company into a higher gear. Ambitious 2025 targets for sustainability and innovation have been set, and the aim is to achieve the biggest impact in the short term, notably by reducing CO_2 emissions and increasing recycled content, as well as inventing smart water management solutions.

We will pursue our growth agenda to make sure we meet our targets, including achieving EBITDA of €850 million by the end of 2025, compared to €461 million in 2020. To reach this goal, we will significantly increase capital expenditure in the next four years, backed by our successful refinancing last year, which secured €1.6bn to fund our strategy.

We have the resources to achieve both organic and external growth, whether in our core business or adjacent ones. And this is where Aliaxis Next comes in. This new division will select, incubate, nurture, and grow businesses from new domains, notably to improve water management with a focus on having real societal impact in both the short and long term.

With Growth with Purpose, not only are we embarking on a value-creating journey, taking our performance to a new level by 2025, but we are also making sure we can have a strong and sustainable impact on society.

2.4 Safety

Within Aliaxis, safety is our top priority. Operating as a high-performance, sustainable business means we need to constantly improve the way we operate, and, here, safety is our top priority as we strive to create an injury-free workplace.

Our primary indicator is the reportable incident rate (RIR), defined as the number of reportable injuries & illnesses per million hours worked. Over the past year, we improved this rate from 9.8 in 2020 to 7.5 in 2021, a 23% improvement. For 2022, our target is a RIR of less than 6.0. By 2025, we want this rate to be below 3.0, which represents industrial top quartile performance.

As well as tracking injuries & illnesses, we also engage teams across the organisation to identify near misses, so that learnings can be captured and used to improve safety. To ensure efficient cross fertilisation, we also establish Group-wide health and safety standards and communication campaigns, to highlight good practices and make sure common minimum standards are applied everywhere.

2.5 Sustainability

Sustainability is, alongside innovation, a key component of our Growth with Purpose strategy. That is because we believe that operating sustainably offers us the best chance to continue growing while meeting the expectations of our stakeholders and offers us the opportunity to lead our industry in tackling urgent environmental and social challenges.

The strategy, launched in October 2021, commits us to meeting a raft of ambitious targets by 2025. Our main goals include a commitment to reduce CO_2 by 75% per tonne of production by transitioning to 100% renewable electricity, something we have already achieved in New Zealand, Costa Rica, Chile, and Peru.

We will also use four times more recycled material in our products taking us to 50% of what is currently permitted under industry regulations and standards. But we want to push the envelope further on this, advocating for a supportive framework to advance the circular economy for plastics and to incorporate recycled content in our products.

As a leader in developing fluid management systems, we also want to step up our efforts in creating solutions that enable people to have access to clean water and proper sanitation, already a pressing environmental challenge globally. It is one we are already making great progress in tackling, not least with the market-leading rainwater harvesting and water recycling solutions we, for example, have developed in India.

Carbon emissions reduction - environmental performance

We strive to continuously improve the environmental performance of our own operations. A key focus within our strategy is on CO_2 emissions reduction. In 2021, our greenhouse gas emissions (kg CO_2 equivalent/tonne produced) decreased by 3.2%, compared to 2020.

In addition, our energy efficiency (kWh/tonne produced) improved by 12.8%. In the context of increased production volumes and recycling of in-house waste, we maintained our waste efficiency (kg/tonne produced) (-0.2%). We improved our water efficiency (m^3/tonne produced) by 14.5% compared to 2020.

In 2020, we also developed our first two global environmental standards – covering waste and water management – and in 2021 continued to measure our performance against them.

As we strive for continuous improvement across our operations, we are determined to be even more ambitious.

These are all important steps with real impact that we can take in the short-term, as we continue our journey to meet longer-term commitments, not least the transition to net zero by 2050, a goal enshrined in the Paris Climate Accord

Recycling

We are accelerating our circular economy projects that truly close the loop, by replacing virgin polymers with pre and post-consumer waste, reducing waste generation and minimising our environmental footprint.

Here, sustainability and innovation are absolutely intertwined, which is why they are the main drivers of our new Growth with Purpose strategy.

We continue to make progress on redesigning products for resource efficiency, re-use and recyclability and we are exploring options to reduce or eliminate unnecessary packaging where it makes sense. We play a leading role in our industry in increasing the proportion of recycled material in our products, while maintaining quality and technical performance.

We are forging external partnerships, including innovative start-ups, to unleash the opportunities to increase recycling rates of PVC and Polyolefin materials. Next to that, we focus on securing access to reliable, consistent and high quality recyclate to meet market needs and get ahead of emerging policies.

In Australia, working with partners, we have structured supply deals with companies that collect post-consumer waste for recycling. We are also investing in equipment to clean, wash, shred and micronize waste, so that we can re-use it in our production. With support from a grant from the Australian Government, we were able to upgrade one of our plants in 2021, increasing the amount of recycled PVC we can process.

2021 saw more of our operations join Operation Clean Sweep, an industry-wide initiative to prevent plastic powder and pellet loss from resin handling operations.

A water management portfolio, focused on the future

Our products play an important role in addressing the significant challenges the world already faces in managing water resources. We are determined to take the lead in bringing new ideas, concepts, and solutions to address this challenge. As a world leader in fluid management solutions, we want to be in the forefront of developing new solutions and services in sustainable water management, resilient water infrastructures and water for food production.

Our new division, Aliaxis Next, has a distinct mission to seek out next generation technologies which will help us create water management solutions with real societal impact, way into the future. Urgent water challenges our teams will be focusing on include preventing water being lost from networks through leaks (Resilient Infrastructure), finding new and innovative ways to make sure everyone has access to clean and drinkable water in their homes (Access to Water), managing water smarter in buildings and industries, by reducing consumption and re-using water (Sustainable Water Management), and more efficient water usage in food production (Water for Food). That way, we will have a direct and significant impact on people's access to water and sanitation, together with and via our customers.

Our commitment and efforts in this important area are in line with the UN Sustainable Development Goal SDG 6 to "ensure availability and sustainable management of water and sanitation for all". We have a responsibility to make a difference in addressing this challenge and are determined to do just that.

2.6 Innovation

As a business committed to growing sustainably, finding new and more powerful ways to innovate is critical to our future.

It means we can continue to meet our customers' demand for increasingly sophisticated solutions and play a lead role in tackling pressing environmental challenges, particularly in enabling access to clean water and sanitation.

For that reason, innovation sits alongside sustainability as one of the main drivers of our Growth with Purpose strategy, developed in 2021 and launched in October of that year.

The strategy will see us accelerate our research, design, and development processes, bringing more new products and solutions to our customers at a faster pace. We have committed to investing three times more in R&D by 2025 than we did in 2020 and to make sure that newly developed solutions have a bigger impact, and a share of sales of up to10% in 2025.

Already it is bearing fruit. Last year we launched a total of 76 new products and solutions, versus 60 products brought to the market in 2020.

Sharing ideas - driving innovation

Our operating companies are responsible for product development, guided by our Global Innovation Team. This allows them to respond directly to local market trends and customer demand.

Our three global research hubs (Toronto, Paris, Bengaluru) continue to play a key role in developing new solutions, sharing ideas with each other and with the rest of the business. Our newest Research and Technology centre, in the high-tech city of Bengaluru, now has over 40 staff, including scientists drawn from a range of industries who are bringing new skills to our industry. Bangalore focuses particularly on digital technology and advanced engineering, while our Toronto centre specialises in materials science, and Paris on water management.

The Paris centre has moved to a new more capable site in Elancourt, with enhanced visitor and demonstration facilities, allowing our customers to see Aliaxis innovation in action and to work with us on developing new ideas. This move towards co-creation is a growing trend across our businesses and one that is likely to increase. Toronto will soon be relocating to an improved site too.

With the launch of the Growth with Purpose strategy, Aliaxis will be looking much more to external opportunities, both within our core business and beyond. For this a new division called Aliaxis Next has been created, which will play a pivotal role in boosting innovation. Its task is to find, nurture and invest in promising start-up businesses and disruptive, next generation technologies in adjacent fields that we can put to work in new ways. As we continue the digital transformation of our business, it will have a strong focus on digital technologies for sustainable water management solutions.

New water solutions

Many of the products we launched during the year are new components related to the transport of water, developed in direct response to customer needs. But, more and more, our customers are looking for complete solutions, with an accent on increased use of modular designs that are easy to install and operate.

A great example is the STP (sewage treatment plant) water recycling system that we developed in India in 2021. The idea behind this development is to help tackle water stress in India by providing smaller but better systems to treat and reuse water. The first prototype of this system is now running in our new Bhiwadi plant and we believe this will open an exciting new market for us not just in India, but also in other markets where access to clean water and good sanitation is already a significant challenge.

We continue to receive great feedback on our rainwater harvesting system in India, which features a sophisticated anti-microbial water tank. It is the first complete harvesting system to be offered in the country, where the government has made it mandatory to fit such systems on all new houses, buildings and industrial or institutional sites.

Likewise, we are opening important new markets in Latin America in the agricultural sector with a range of smart farming solutions, including the highly automated SmartCrop irrigation system. SmartCrop is a remotely operated ferti-irrigation solution that help farmers who want to tend their crops more efficiently. The system reduces the annual operating cost and stabilises crop yields, through the application of a variable irrigation program, while also significantly reducing energy consumption, the need for fertilizers as well as labour. In short, we help our customers achieve better crop yields in a more sustainable way.

In EMEA, we developed the HTA® range of pipe systems for hot and cold sanitary water systems in buildings with high sanitary requirements, such as hospitals. A new specialty valve, called a balancing valve, has been specially designed so that it can be dismantled and cleaned without cutting off the water network to minimise maintenance time and the risk of legionella contamination, while keeping the system in service.

Increasing our focus on green innovation and recycling

We are looking at everything we do through the lens of sustainability. This includes exploring eco-design, focusing on environmental aspects at all stages of the product development process. We use lifecycle analyses for all new products we develop to measure their impact in terms of CO_2 emissions, water, energy, and materials use. We are also exploring bio-based PVC resins, which, although at an early stage of their development, will be a big part of our innovations in future as production techniques improve and costs come down.

When it comes to recycling, it is our Australian teams who have really stepped up work to recycle and reuse PVC in our products. We are looking for easier ways to use recycled material in our pipes and fittings and to develop new products that use more and more recycled content. This circular economy initiative not only forms a key part of our Growth with Purpose strategy but has won financial backing from the Australian government.

Also in the Pacific, initiatives are being deployed to close the sustainability loop. Working with a water engineering consultancy, the teams in New Zealand are piloting a project to recycle both PVC and polyethylene pipes and fittings. Trials suggest that, by closing the loop in this way, waste to landfill can be cut by an astonishing 99%.

As a result of our efforts to increase the use of recycled material, we now have several new solutions which for the first time are 100% recycled. Examples of this are the new range of waste outlets and traps for wash basins made of recycled polypropylene, made in Spain, and a new range of gutter brackets, developed by our French team, made of 100% recycled material that are twice as strong at half the cost to our customers.

Making our products lighter is another important way we can make our them more affordable, easier to transport and install and more environmentally friendly. In Italy, for instance, we have made our PVC fittings 20% lighter, with a 25% reduction in carbon footprint.

2.7 People

Building a workplace where people can thrive

Central to our Growth with Purpose strategy is our ambition to become a growing and performance-driven organisation, with a greater focus on attracting talent and developing our people. We want to create an environment where our employees have the right tools to develop their career and help us build our future as a leading company that delivers a meaningful and positive impact on society.

The second Aliaxis & Me Survey was run in 2021 achieving an increased participation rate of 82% and providing us with very useful feedback. Based on this feedback, the ExCom decided that Leadership, Customer Focus and People, will be the common priorities for everyone across the company to work on, alongside addressing specific local topics that came out of the survey.

Some focus areas

In 2021, we saw an increased focus on Diversity & Inclusion (D&I) projects across the Group. The Americas teams for example set up a whole strategy around D&I, while Spain managed to hire over 60 colleagues at risk of occupational and social exclusion through their collaboration with the Red Cross. The UK was successful with their "Women in Engineering" campaign, with an increase of up to 10% of female candidates, and the highest ever ratio of female/male colleagues, with women making up 40% of the workforce.

As Aliaxis is firmly committed to operating with integrity and trust, a new confidential Global Alert Channel was set up to report violations of laws, regulations, or group policies, with a guarantee of non-retaliation and the possibility to do so anonymously. This is essential to conducting business in an ethical way.

In 2021, we went to great lengths to keep our people, customers, and other stakeholders safe from COVID. Next to strict health measures and increased efforts to keep our people safe, we saw an increased number of initiatives for teams to stay connected through digital channels of all sorts. In India, we went to great lengths in helping our employees, their families and many of our customers get vaccinated early on, as the national vaccination programme got underway.

Also in India, it was great to see that Aliaxis' people efforts have been recognised through the "Great Place To Work" certification, which has ranked our Indian brand Ashirvad #35 in the country.

2021 HR Data

The Americas region accounts for 40.3% of all staff. EMEA ranks second with 30.5%, followed by Asia with 17%. Our Pacific businesses now employ 9%. The average age of an Aliaxis employee is 42.5 years, but it varies significantly between regions. In Pacific, the average age is 46 years, while in Asia, the workforce on average is 35.3 years old.

2.8 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 29 (Provisions) and 35 (Contingencies) to the consolidated financial statements.

2.9 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 32 (Financial instruments).

2.10 Subsequent events

On January 19, 2022, Aliaxis announced the signing of an agreement to acquire Harco, a US manufacturer of gasketed fittings located in Virginia, USA. Harco brings over 55 years of industry expertise and will allow to further strengthen our position in the US market. Harco's annual revenues were roughly $75 million in 2021. The transaction is still subject to customary regulatory approval and is expected to be closed in Q2.

On March 10, 2022, Aliaxis announced taking a strategic minority share of HydroPoint, a smart water management company focusing on innovative water solutions for the last mile. It is part of the development of Aliaxis Next division which focusses on growth in adjacent businesses with positive societal impact.

Since the outbreak of the invasion of Ukraine on February 24, we paused our activity in Russia, knowing that we had a limited import activity in Russia, which represented less than 1% of our global turnover, and no presence in Ukraine. We keep on closely monitoring the situation and its possible business implications, especially on inflation and energy costs.

2.11 Outlook for 2022

We expect the positive momentum to continue through Q1 2022. Visibility beyond Q1 remains limited, with uncertainty with regards to raw materials supply, cost inflation and the evolution of COVID.

Our focus in 2022 will be on continuing to deliver our Growth with Purpose strategy. Besides internal growth, we will pursue external opportunities, both within our core business and beyond as we develop our new division Aliaxis Next targeting adjacent markets with growth tailwinds and creating a positive impact on society, notably for water management.

2.12 Dividend

Aliaxis' Board of Directors proposes to pay a gross dividend of €0.782 per share, representing 15.5% of the consolidated basic earnings per share of €5.06. This is an 18,8% increase.

The dividend is subject to shareholder approval at the General Shareholders' Meeting on May 25, 2022.

2.13 Statutory appointments

The mandate of Mr Rajesh Jejurikar as Director will expire at the next general meeting of shareholders on May 25, 2022. He is candidate for re-election. Upon recommendation of the Appointment and Remuneration Committtee, the Board proposes to the shareholders the re-election for a term of office of three years, ending at the general meeting of shareholders in 2025.

Mr. Olivier van der Rest has decided to step down as Director and Chairman of the Board of Directors as of May 24 ,2022, when he will pass the Chair to Mr. Thierry Vanlancker.

With a total tenure of 19 years of service since the creation of Aliaxis, first as Director and then 12 years as Chairman of the Board, Mr. van der Rest has been key in shaping Aliaxis and setting it up for a bright future. Under Mr. van der Rest's Chairmanship, Aliaxis became a larger and more solid industrial group, and amongst others expanded significantly in Australia and India through the acquisitions of Vinidex and Ashirvad respectively.

The Board of Directors expresses its gratitude and appreciation for all his achievements during so many years of service.

3F Advisory SRL (represented by Mr. Olivier Hamoir) has decided to step down as Director as from the next general meeting of shareholders on May 25, 2022. The Board would like to thank Mr. Hamoir for his outstanding services and valuable contribution as Director and Chairman of the Appointment and Remuneration Committee.

Mr. Didier Leroy has decided to step down as Director as from the next general meeting of shareholders on May 25, 2022. The Board would like to thank Mr. Leroy for his outstanding services and valuable contribution as Director and member of the Appointment and Remuneration Committee.

Pursuant to the decision of Mr. Olivier van der Rest, 3F Advisory SRL (represented by Mr. Olivier Hamoir) and Mr. Didier Leroy to step down, the Board of Directors, upon recommendation of the Appointment and Remuneration Committee, proposes to the shareholders to elect Mrs. Myriam Beatove Morale, Mr. Peter de Wit and Mr. Thomas del Marmol as Directors of Aliaxis SA for a term of office of three years ending at the general meeting of shareholders to be held in 2025.

Financial performance

Aliaxis SA - Consolidated Annual Report 2021

Table of contents

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	2021	2020
Revenue	6, 7	**3,675,067**	2,907,710
Cost of sales		**(2,584,721)**	(2,084,996)
Gross profit		**1,090,346**	822,713
Commercial expenses		**(236,432)**	(218,642)
Administrative expenses		**(272,482)**	(241,792)
R&D expenses	6	**(25,636)**	(23,220)
Other operating income / (expenses)	9	**(18,562)**	(23,527)
Operating profit exclusive adjusted items	6	**537,235**	315,531
Adjusted items:			
Net result on sale of businesses	6, 10	**88,932**	98,332
Restructuring costs	6, 11	**(4,265)**	(14,220)
Impairment of non-financial assets	6, 12	**(4,913)**	(63,969)
Other income / (expenses)	6, 13	**(4,547)**	(5,116)
Operating profit	6	**612,442**	330,558
Finance income	16	**4,644**	12,173
Finance expenses	15	**(24,891)**	(33,982)
Profit before income taxes		**592,195**	308,749
Income tax expense	17	**(192,775)**	(109,287)
Profit for the period		**399,419**	199,462
of which attributable to Group equity holders		***397,794***	*198,476*
of which attributable to non-controlling interests		***1,625***	*985*

Earnings per share (in €):			
Basic earnings per share	25	**5.06**	2.54
Diluted earnings per share	25	**5.06**	2.54

The notes on pages 23 to 83 are an integral part of these consolidated financial statements.

Consolidated statement of other comprehensive income

For the year ended 31 December (in € thousand)	Notes	2021	2020
Profit for the period recognised in the income statement		**399,419**	199,462
Items that will never be reclassified to profit and loss:			
Equity investments at FVOCI – net change in fair value	32	**–**	18
Remeasurements of defined benefit liability (asset) (net of taxes)	27b	**8,142**	(100)
Items that are or may be reclassified to profit and loss:			
Foreign currency translation differences for foreign operations	24	**154,253**	(150,158)
Net profit/(loss) on hedge of net investment in foreign operations		**(832)**	272
Cost of hedging reserves – changes in FV	32	**(213)**	433
Effective portion of changes in fair value of cash flow hedges	32	**8,252**	(6,893)
Change in fair value of cash flow hedges transferred to profit or loss	32	**(8,483)**	11,075
Deferred taxes related to hedges	32	**728**	(2,002)
Other comprehensive income for the period, net of income tax		**161,847**	(147,354)
Total comprehensive income for the period		**561,267**	52,108
of which attributable to Group equity holders		***558,900***	*51,278*
of which attributable to non-controlling interests		***2,366***	*829*

The notes on pages 23 to 83 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

As at 31 December (in € thousand)	Notes	2021	2020
Intangible assets and goodwill	18	**721,284**	702,715
Property, plant & equipment	19	**940,235**	882,219
Investment properties	20	**3,343**	3,258
Other assets		**20,612**	32,639
Derivative financial instruments with positive fair values	32	**24,327**	18,971
Deferred tax assets	28	**12,377**	13,444
Employee benefits	27b	**58,763**	46,641
Non-current assets		**1,780,940**	1,699,887
Inventories	21	**736,788**	506,629
Current tax assets		**9,258**	10,069
Amounts receivable	22	**389,557**	340,023
Derivative financial instruments with positive fair values	32	**191**	22,988
Cash & cash equivalents	23	**1,111,348**	642,747
Assets held for sale		**2,731**	4,679
Current assets		**2,249,873**	1,527,135
TOTAL ASSETS	6	**4,030,814**	3,227,022

As at 31 December (in € thousand)	Notes	2021	2020
Share capital	24	**62,666**	62,666
Share premium	24	**13,332**	13,332
Retained earnings and reserves		**1,841,297**	1,329,878
Equity attributable to Group equity holders		**1,917,295**	1,405,877
Non-controlling interests	24	**6,877**	6,876
TOTAL EQUITY		**1,924,172**	1,412,753
Loans and borrowings	26	**1,005,599**	781,240
Lease liabilities	33	**109,216**	95,309
Employee benefits	27b	**76,009**	81,211
Deferred tax liabilities	28	**82,631**	60,993
Provisions	29	**21,634**	18,315
Derivative financial instruments with negative fair values	32	**3,400**	7,760
Other amounts payable	31	**2,768**	2,471
Non-current liabilities		**1,301,257**	1,047,299
Loans and borrowings	26	**69,394**	151,038
Lease liabilities	33	**22,857**	22,314
Bank overdrafts	23	**3,659**	30,473
Provisions	29	**41,180**	32,951
Derivative financial instruments with negative fair values	32	**1,320**	5,132
Current tax liabilities	30	**102,007**	74,441
Amounts payable	31	**564,968**	450,622
Current liabilities		**805,384**	766,970
TOTAL LIABILITIES	6	**2,106,641**	1,814,269
TOTAL EQUITY & LIABILITIES		**4,030,814**	3,227,022

The notes on pages 23 to 83 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

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	24			(160)		(149,833)	(9)	(150,002)	(156)	**(150,158)**
Net gain on hedge of net investment (net of tax)	24					272		272		**272**
Cash flow hedges (net of tax)	32			2,613				2,613		**2,613**
Remeasurement IAS19 & other	27b						(100)	(100)		**(100)**
FV changes on investments	32						18	18		**18**
Transactions with Group equity holders:										
Own shares acquired					(580)			(580)		**(580)**
Own shares sold					101		90	190		**190**
Dividends to shareholders	24						(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**

2021

(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 2021		62,666	13,332	(77)	(172,580)	(211,451)	1,713,988	1,405,877	6,876	**1,412,753**
Change in accounted policies - IFRS Cloud							(4,633)	(4,633)		**(4,633)**
Restated as at 1 January 2021		62,666	13,332	(77)	(172,580)	(211,451)	1,709,354	1,401,244	6,876	**1,408,120**
Profit for the period							397,794	397,794	1,625	**399,419**
Other comprehensive income:										
Foreign currency translation differences	24			97		153,426	(12)	153,511	741	**154,253**
Net gain on hedge of net investment (net of tax)	24					(832)		(832)		**(832)**
Cash flow hedges (net of tax)	32			284				284		**284**
Remeasurement IAS19 & other	27b						8,142	8,142		**8,142**
Transactions with Group equity holders:										
Own shares acquired					(332)			(332)		**(332)**
Own shares sold					5,788		3,285	9,073		**9,073**
Dividends to shareholders	24						(51,758)	(51,758)	(1,107)	**(52,865)**
Scope changes					652		(484)	168	(1,259)	**(1,092)**
As at 31 December 2021		62,666	13,332	304	(166,472)	(58,857)	2,066,322	1,917,295	6,877	**1,924,172**

The notes on pages 23 to 83 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December (in € thousand)	Notes	2021	2020
OPERATING ACTIVITIES			
Profit before income tax		**592,195**	308,749
Depreciation	19, 20	**119,198**	121,195
Amortisation	18	**17,122**	22,738
Impairment losses on PP&E, intangible assets and assets held-for-sale	19, 18	**6,013**	64,758
Impairment losses on working capital and others		**9,230**	10,603
Increase / (decrease) in provisions in profit and loss	29	**38,157**	25,448
Financial instruments – fair value adjustment through profit or loss		**(3,248)**	609
Net interest (income) / expenses	16, 15	**11,941**	13,644
Dividend income	16	**(547)**	(370)
Loss / (gain) on sale of intangible fixed assets	9	**–**	6
Loss / (gain) on sale of property, plant and equipment	9	**(211)**	(778)
Loss / (gain) on sale of assets held-for-sale		**(1,456)**	(2)
Loss / (gain) on sale of businesses	8	**(88,932)**	(98,332)
Other – miscellaneous – mainly FX		**8,384**	(16,511)
Gross cash flows from operating activities		**707,847**	451,756
Decrease / (increase) in inventories		**(225,540)**	1,857
Decrease / (increase) in amounts receivable		**(51,027)**	(30,085)
Increase / (decrease) in amounts payable		**106,844**	45,433
Increase / (decrease) in provisions	29	**(12,157)**	(26,246)
Changes in working capital and provisions		**(181,881)**	(9,041)
Cash generated from operations		**525,966**	442,715
Income tax paid	17	**(132,922)**	(89,651)
Net cash flows from operating activities		**393,044**	353,063

For the year ended 31 December (in € thousand)	Notes	2021	2020
INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment	19	**1,645**	2,574
Proceeds from sale of assets held-for-sale		**3,477**	1,900
Proceeds from sale of investments		**334**	220
Repayment of loans granted	26	**104**	–
Sale of a business, net of cash disposed of	8	**120,368**	169,169
Acquisition of businesses, net of cash acquired	8	**(20)**	(1,042)
Acquisition of property, plant and equipment	19	**(125,908)**	(80,408)
Acquisition of intangible assets	18	**(12,737)**	(18,586)
Acquisition of other investments		**(857)**	(1,711)
Loans granted	26	**(202)**	–
Dividends received		**547**	370
Interest received		**4,008**	5,723
Other – miscellaneous – mainly FX		**3**	–
Net cash flows used in investing activities		**(9,238)**	78,208

The notes on pages 23 to 83 are an integral part of these consolidated financial statements.

Consolidated financial statements

For the year ended 31 December (in € thousand)	Notes	2021	2020
FINANCING ACTIVITIES			
Proceeds from sale of treasury shares	27c	**9,073**	190
Proceeds from obtaining borrowings	26	**751,801**	26,182
Repurchase of treasury shares	27c	**(332)**	(580)
Repayment of borrowings	26	**(595,426)**	(195,904)
Repayment of leasing	33	**(30,259)**	(32,677)
Dividends paid	24	**(52,865)**	(47,536)
Interest paid	26	**(11,827)**	(19,882)
Payment of transaction costs related to loans and borrowings		**(9,920)**	–
Cash flows from financing activities		**60,246**	(270,207)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**444,052**	161,064

Cash and cash equivalents

For the year ended 31 December (in € thousand)	Notes	2021	2020
As at 1 January 2021	23	**612,274**	473,394
Net (decrease) / increase in cash and cash equivalents		**444,052**	161,064
Cash and cash equivalents resulting from scope changes and A/L HFS transfers		**(6,669)**	(347)
Effect of exchange rate fluctuations on cash held		**58,032**	(21,837)
As at 31 December 2021	23	**1,107,689**	612,274

The notes on pages 23 to 83 are an integral part of these consolidated financial statements.

Table of contents

Notes to the consolidated financial statements

Table of contents

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 2021 comprise the Company, its subsidiaries and interest in equity accounted investees (together referred to as the "Group" or "Aliaxis").

Aliaxis employed around 14,400 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 24 March 2022.

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 2021.

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.

(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 18 – measurement of the recoverable amounts of cash-generating units;
- Note 27b – measurement of defined benefit obligations;
- Note 28 – use of tax losses;
- Notes 29 and 35 – provisions and contingencies;
- Note 30 – liabilities for uncertain tax positions;
- Note 32 – 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 20 – investment properties;
- Note 32 – 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 2021, 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.

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).

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.

In March 2021 the IFRS Interpretations Committee clarified how to perform the analysis for implementation costs incurred in a cloud service contract. The decision clarifies that in a cloud service contract the customer (i.e., Aliaxis) need to assess whether the implementation service is distinct from the service of receiving access to the software. This will determine whether these implementation costs should be capitalised or expensed. These amendments resulted in a change in accounting policy on 1 January 2021 of € 4.6 million in the Group's consolidated statement of change in equity and a negative impact of € 0.9 million (before taxes) in the Group's consolidated statements of profit or loss.

(a) Basis of consolidation

A list of the most important subsidiaries and equity accounted investees is presented in Note 37.

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.

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	
	2021	**2020**	**2021**	**2020**
AUD	**1.575**	1.655	**1.562**	1.590
CAD	**1.483**	1.530	**1.439**	1.563
GBP	**0.860**	0.889	**0.840**	0.899
NZD	**1.673**	1.756	**1.658**	1.698
USD	**1.183**	1.142	**1.133**	1.227
INR	**87.444**	84.599	**84.229**	89.661

(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.

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

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

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

(e) Right-of-use assets

Leases are recognised as a right-of-use asset and corresponding lease 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.

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).

(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.

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.

(l) 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.

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.

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.

(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.

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 items, 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.

(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.

(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.

(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 2021, 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 IASB has published a new exposure draft on the topic on 19 November 2021. 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 IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies, issued on 12 February 2021, include narrow-scope amendments to improve accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements. The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments are effective for annual periods beginning on or after 1 January 2023 with early application permitted. 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 IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates, issued on 12 February 2021, clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

The amendments are effective for annual periods beginning on or after 1 January 2023 with early application permitted. 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 IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction, issued on 6 May 2021, clarifies how companies should account for deferred tax on transactions such as leases and decommissioning obligations. IAS 12 Income Taxes specifies how a company accounts for income tax, including deferred tax, which represents tax payable or recoverable in the future. In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations—transactions for which companies recognise both an asset and a liability. The amendments clarify that the exemption does not apply and that companies are required to recognise deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations.

The amendments are effective for annual periods beginning on or after 1 January 2023 with early application permitted. 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.

(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.

(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 € 850 million committed until October 2026.
- As for Debt Capital Markets Instruments, the Group has issued (i) an amount of USD 112 million of US Private Placement notes for a period of 12 years maturing in 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 EUR 18 million of US Private Placement (swap note) for a period of 12 years maturing in 2027; (iii) an amount of EUR 67 million of Shuldschein certificates for a period of 7 years maturing in 2022; and (iiii) and a bond of € 750 million for 7 years maturing in November 2028.

(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.

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, Schuldschein Certificates denominated in EUR and bond 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.

(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.

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 2021, the Group share of return on equity was 23.9% (2020: 14.1%). In comparison the weighted average interest rate of the gross financial interest-bearing indebtedness (including interest expense on lease liabilities) was 1.5% (2020: 1.8%).

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 impact on the activities of Aliaxis during 2021 were not material.

6. Operating Segments

The Group has the following four strategic divisions, which are its reportable segments:

- Americas
- Pacific
- EMEA
- Asia

These divisions are managed separately because they require different marketing strategies. The Group's chief operating decision maker reviews the internal management reports of each division at least quarterly.

Other segments include minor business in China, South Africa and Germany. None of these segments met the quantitative thresholds for reportable segments in 2021 or 2020.

There are few intersegment relationships which are limited to some transfers of raw materials and shared distribution services. Information related to each reportable segment is set out below. Segment Adjusted EBITDA is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

(in € thousand)	Americas		Pacific		EMEA		Asia		Other segments		Not allocated to operating segments		TOTAL GROUP	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
External revenues	**1,690,998**	1,175,083	**477,893**	405,794	**885,221**	787,856	**479,839**	369,324	**141,117**	169,653	**–**	–	**3,675,067**	2,907,710
Adjusted EBIT	**352,175**	168,470	**24,334**	15,136	**94,789**	73,935	**71,883**	55,898	**7,433**	12,415	**(13,379)**	(10,323)	**537,235**	315,531
Depreciation and amortisation	**50,375**	52,752	**26,120**	26,657	**33,586**	37,479	**19,614**	18,265	**3,598**	4,793	**3,844**	5,584	**137,138**	145,531
Adjusted EBITDA	**402,550**	221,222	**50,455**	41,793	**128,374**	111,413	**91,498**	74,164	**11,032**	17,209	**(9,535)**	(4,739)	**674,373**	461,062
Net results on sales of businesses	**–**	–	**–**	(6,074)	**185**	–	**–**	–	**–**	–	**88,746**	104,406	**88,932**	98,332
Impairment of non-financial assets	**–**	(53,471)	**–**	–	**–**	(484)	**–**	–	**–**	(13)	**(4,913)**	(10,000)	**(4,913)**	(63,969)
Restructuring costs	**(64)**	814	**(453)**	(1,253)	**(3,701)**	(7,363)	**–**	–	**–**	(2,367)	**(46)**	(4,050)	**(4,265)**	(14,220)
Other income / (expenses)	**(436)**	(148)	**–**	–	**1,237**	(1,142)	**–**	–	**(224)**	95	**(5,124)**	(3,921)	**(4,547)**	(5,116)
Segment result (EBIT)	**351,675**	115,665	**23,881**	7,809	**92,510**	64,945	**71,883**	55,898	**7,209**	10,130	**65,284**	76,111	**612,442**	330,558
Segment assets	**1,820,591**	1,334,115	**415,522**	363,506	**712,856**	731,968	**426,814**	352,021	**78,507**	77,454	**576,524**	367,957	**4,030,814**	3,227,022
Segment liabilities	**432,534**	285,280	**131,166**	104,836	**236,240**	225,137	**73,943**	72,979	**35,620**	36,215	**1,197,139**	1,089,822	**2,106,641**	1,814,269
Capital expenditures	**62,778**	36,539	**13,564**	7,955	**25,234**	12,770	**24,049**	20,922	**2,847**	2,957	**10,173**	17,851	**138,645**	98,994
Capital employed	**915,740**	815,757	**311,883**	305,044	**456,797**	475,222	**332,180**	269,447	**59,363**	53,158	**17,559**	(28,790)	**2,093,523**	2,088,207
R&D expenses	**4,461**	3,782	**1,577**	1,494	**8,930**	9,665	**1,432**	850	**261**	285	**8,974**	7,145	**25,636**	23,220
Average number of employees (FTE)	**5,436**	5,072	**1,272**	1,432	**4,328**	4,430	**2,271**	2,224	**960**	1,109	**175**	206	**14,442**	14,473

Unallocated assets mainly relate to financial intercompany transactions, cash and cash equivalent, derivatives, intangible fixed assets and receivables.

Unallocated liabilities mainly relate to financial debts, current and deferred tax liabilities and payables.

7. Revenue

In 2021, the Group reports a strong revenue growth across all regions which was mainly driven by the performance of the Americas.

(a) Revenue from external customers by activity

(in € thousand)	2021	2020
Building	**1,691,306**	1,360,545
Infrastructure	**1,006,893**	716,824
Industry	**649,542**	524,974
Agriculture	**246,368**	212,934
Other	**80,959**	92,433
Total revenue	**3,675,067**	2,907,710

(b) Revenue from external customers by geographical area

(in € thousand)	2021	2020
North America	**1,325,764**	948,267
India	**466,788**	358,371
Australia	**333,060**	282,260
France	**273,680**	232,935
United Kingdom	**173,177**	135,645
Germany	**172,870**	188,100
New Zealand	**134,343**	106,536
Peru	**79,790**	53,081
Spain	**65,272**	54,572
Chili	**64,742**	46,128
Italy	**53,992**	46,667
Rest of the world	**531,590**	455,148
Total revenue	**3,675,067**	2,907,710

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

On 4 August 2021 the Group completed the divestment of Sanitaertechnik Eisenberg Gmbh. The total consideration, net of transaction costs amounts to € 118.6 million and results in a net gain of disposal of € 88.7 million (see Note 10) .

During the third quarter of 2021 the Group sold Vigotec Akatherm NV/SA for a total consideration, net of transaction costs of € 1.3 million, resulting in a breakeven transaction.

In December 2021, the Group completed an asset deal in Shanghai for a total amount of € 0.5 million resulting in a net gain of € 0.2 million (see Note 10) .

9. Other operating income and expenses

(in € thousand)	2021	2020
Government grants	**691**	602
Rental income from investment properties	**1,182**	1,184
Operating costs of investment properties	**(196)**	(235)
Gain/(loss) on the sale of fixed assets	**211**	775
M&A related intangibles amortisation	**(13,307)**	(16,940)
Taxes to be considered as operating expenses	**(7,409)**	(8,599)
Other rental income	**421**	404
Insurance recovery	**242**	960
Impairment on fixed assets	**(884)**	(1,015)
Other	**487**	(663)
Other operating income / (expenses)	**(18,562)**	(23,527)

10. Net result on sale of businesses

In 2021, the net result on sale of businesses relates mainly to the gain on divestment of Sanitaertechnik Eisenberg Gmbh for an amount € 88.7 million and the gain on asset deal in Shanghai for an amount of € 0.2 million (See Note 8).

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.

11. Restructuring costs

The restructuring expenses for the year ended 31 December 2021 amounted to € 4.3 million. These expenses related mainly to transformation and restructuring initiatives in EMEA.

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.

12. Impairment of non-financial assets

The impairment of non-financial assets related to the impairment of certain aspects of its initial global ERP program (See Note 18).

In 2020, 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, the impairment on customer list in Chili for an amount of € 15.0 million and an impairment on the asset related to global ERP for an amount of € 10.0 million.

13. Other income and expenses

Total other income and expense amounted to € 4.5 million and mainly related to global ERP costs for an amount of € 3.1 million and to merger and acquisition costs for an amount of € 2.4 million. These costs were partly offset by the net income on the sales of assets-held-for-sales in the UK for an amount of € 1.4 million.

In 2020, the 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.

14. Additional information on operating expenses

The following personnel expenses are included in the operating result:

(in € thousand)	Notes	2021	2020
Wages & salaries		**606,824**	544,456
Social security contributions		**88,597**	77,296
Net change in restructuring provisions		**(1,852)**	534
Expenses related to defined benefit plans	27b	**7,151**	7,880
Expenses related to defined contribution plans	27a	**19,883**	17,342
Other personnel expenses		**20,827**	21,552
Personnel expenses		**741,429**	669,061

The total average number of personnel was as follows:

(in units)	Notes	2021	2020
Production		**10,173**	10,137
Sales and marketing		**2,628**	2,689
R&D and administration		**1,641**	1,647
Total workforce	6	**14,442**	14,473

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	405,807	99,768	219	99,987
Commercial expenses	141,385	5,451	160	5,611
Administrative expenses	176,241	11,273	2,667	13,940
R&D expenses	14,283	2,198	151	2,349
Other operating (income) / expenses	837	1,326	13,925	15,251
Adjusted items	2,877	282	4,913	5,195
Total	741,429	120,297	22,035	142,333

15. Finance expenses

(in € thousand)	2021	2020
Interest expense on financial borrowings	**(11,677)**	(15,425)
Interest expense on lease liabilities	**(3,961)**	(3,862)
Amortisation of deferred arrangement fees	**(878)**	(1,034)
Interest expense on other liabilities	**(11)**	(7)
Net change in the fair value of hedging derivatives – ineffective portion	**(34)**	(629)
Net foreign exchange loss	**(3,087)**	(7,044)
Bank fees	**(3,827)**	(4,000)
Other	**(1,416)**	(1,981)
Finance expenses	**(24,891)**	(33,982)

16. Finance income

(in € thousand)	2021	2020
Interest income from cash & cash equivalents	**3,416**	5,169
Interest income on other assets	**316**	461
Dividend income	**547**	370
Gain on sale financial investments	**–**	5,923
Other	**364**	249
Finance income	**4,644**	12,173

17. Income taxes

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

(in € thousand)	2021	2020
Current taxes for the period	**(150,987)**	(99,475)
Adjustments to current taxes in respect of prior periods	**(23,872)**	7,169
Total current tax expense	**(174,859)**	(92,306)
Origination and reversal of temporary differences	**(12,883)**	5,600
Impact of change in enacted tax rates	**(3,438)**	(1,164)
Adjustment of deferred taxes in respect of prior periods	**(1,595)**	(21,417)
Total deferred tax income / (expense)	**(17,916)**	(16,981)
Income tax expense in profit & loss	**(192,775)**	(109,287)

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

(in € thousand)	2021		2020	
Profit before income taxes	**592,195**		308,749	
Tax at aggregated weighted nominal tax rate	**(152,716)**	**25.8%**	(77,664)	25.2%
Tax effect of:				
Non-deductible expenses	**(5,953)**	**1.0%**	(4,050)	1.3%
Non-deductible interest expenses	**(1,079)**	**0.2%**	(1,918)	0.6%
Tax credits and tax deductions	**2,072**	**(0.3%)**	577	(0.2%)
Current year losses for which no deferred tax asset is recognised	**(8,485)**	**1.4%**	(13,479)	4.4%
Change in enacted tax rates	**(3,438)**	**0.6%**	(1,164)	0.4%
Taxes on distributed and undistributed earnings	**(20,352)**	**3.4%**	(8,232)	2.7%
Withholding taxes	**(5,776)**	**1.0%**	(4,384)	1.4%
Other taxes on income	**(1,694)**	**0.3%**	(1,007)	0.3%
Utilisation of tax losses not previously recognised	**4,021**	**(0.7%)**	2,453	(0.8%)
Current tax adjustments in respect of prior periods	**(23,872)**	**4.0%**	7,169	(2.3%)
Deferred tax adjustments in respect of prior periods	**(1,595)**	**0.3%**	(21,417)	6.9%
Other	**26,091**	**(4.4%)**	13,829	(4.5%)
Income tax expense in profit & loss	**(192,775)**	**32.6%**	(109,287)	35.4%

Income taxes, consisting of current and deferred taxes, amounted to € 193 million (2020: € 109 million), representing an effective income tax rate of 32.6% (2020: 35.4%).

18. Intangible assets and goodwill

(in € thousand)	Goodwill	Intangible assets (finite life)	2021 Total Intangible assets	2020 Total Intangible assets
Cost				
As at 1 January	**606,775**	**338,490**	**945,266**	995,981
Change in accounted policies - IFRS Cloud	**–**	**(4,898)**	**(4,898)**	–
Changes in the consolidation scope & Asset deals	**–**	**(2,151)**	**(2,151)**	(11,554)
– Acquisitions	**–**	**–**	**–**	*465*
– Deconsolidation	**–**	***(2,151)***	***(2,151)***	*(12,018)*
Acquisitions	**–**	**12,737**	**12,737**	18,586
Disposals & retirements	**(1,296)**	**(2,079)**	**(3,375)**	(2,807)
Transfers	**–**	**(73)**	**(73)**	602
Exchange difference	**32,296**	**8,895**	**41,191**	(55,542)
As at 31 December	**637,776**	**350,921**	**988,696**	945,266
Amortisation and impairment losses				
As at 1 January	**(69,551)**	**(173,000)**	**(242,551)**	(181,307)
Changes in the consolidation scope	**–**	**2,137**	**2,137**	6,796
– Deconsolidation	**–**	***2,137***	***2,137***	*6,796*
Charge for the period	**–**	**(22,035)**	**(22,035)**	(86,186)
– Amortisation	**–**	***(17,122)***	***(17,122)***	*(22,738)*
– Impairment (recognised) / reversed	**–**	***(4,914)***	***(4,914)***	*(63,448)*
Disposals & retirements	**–**	**1,996**	**1,996**	2,791
Transfers	**–**	**136**	**136**	302
Exchange difference	**(5,401)**	**(1,695)**	**(7,096)**	15,053
As at 31 December	**(74,951)**	**(192,461)**	**(267,413)**	(242,550)
Carrying amount at the end of the period	**562,824**	**158,459**	**721,284**	702,715
Carrying amount at the end of the previous period	**537,225**	**165,491**	**702,715**	814,673

The changes in the consolidation scope & Asset deals relates to the divestment of Sanitaertechnik Eisenberg Gmbh and VigotecAkatherm NV/SA.

The impairment of intangible fixed assets consists of the impairment of certain aspects of its initial global ERP for € 4.9 million (Note 12).

In 2020, the impairment of intangible fixed assets consists of impairment of customer list in Chile for € 15.0 million and the impairment on global ERP for € 10.0 million.

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

(in € thousand)		2021	2020
CGU	Country		
Aliaxis North America and subsidiaries	Canada and USA	**293,892**	270,716
FIP	Italy	**61,887**	61,887
New Zealand and subsidiaries	New Zealand	**37,216**	36,328
Ashirvad	India	**36,182**	33,990
Nicoll	France	**32,701**	32,701
Aliaxis Deutschland GmbH Technical Plastics	Germany	**31,712**	31,712
Philmac	Australia	**27,263**	26,781
Marley Deutschland Gmbh	Germany	**19,402**	19,402
Jimten	Spain	**9,429**	9,429
Nicoll Perù SA	Peru	**7,665**	7,805
Other[1]	Other	**5,474**	6,473
Goodwill		**562,824**	537,225

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

The valuation parameters (WACC and growth rates) of goodwill allocated to each CGU at 31 December is as follow:

(in € thousand)		Growth beyond forecast periods	WACC pre-tax	WACC post-tax[1]
CGU	Country			
Aliaxis North America and subsidiaries	Canada	1.00%	8.44%	6.20%
Aliaxis North America and subsidiaries	USA	1.00%	8.66%	6.30%
FIP	Italy	1.00%	9.50%	7.25%
New Zealand and subsidiaries	New Zealand	2.00%	9.75%	7.00%
Ashirvad	India	3.50%	13.75%	8.90%
Nicoll	France	1.00%	8.00%	6.00%
Aliaxis Deutschland GmbH Technical Plastics	Germany	1.00%	7.75%	6.00%
Philmac	Australia	2.00%	10.00%	6.95%
Marley Deutschland Gmbh	Germany	1.00%	7.75%	6.00%
Jimten	Spain	1.00%	9.00%	6.70%
Nicoll Perù SA	Peru	2.50%	11.50%	8.00%

(1) Floor value of 6.0% for WACC post-tax.

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 2022 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 2022 budget and growth of 2% to 4% per year, and 7-8% 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 exceptional growth in 2021 in North America, the revenue CAGR for the CGUs in the region are below 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 7.75% and 13.75%, slightly higher than previous years and reflecting the higher inflation and risk-free interest rates. The cost of equity component for developed economies is based on a risk-free rate and an equity risk premium of 5.75%. 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 or a 0.5% decrease in terminal growth would not result in a significant impairment loss.

During 2021, no impairment on goodwill has been recognised in the consolidated statement of profit or loss.

In 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.

19. Property, plant and equipment

	2021					2020
(in € thousand)	**Land & buildings**	**Plant, machinery & equipment**	**Other**	**Under construction & advance payments**	**Total**	**Total**
Cost or deemed cost						
As at 1 January	**711,233**	**1,424,342**	**116,335**	**64,423**	**2,316,333**	2,426,382
Changes in the consolidation scope & Asset deals	**(30,835)**	**(70,048)**	**(5,300)**	**(217)**	**(106,401)**	(67,266)
– Acquisitions	***13***	***260***	***6***	**–**	***279***	–
– Deconsolidation	***(30,848)***	***(70,308)***	***(5,307)***	***(217)***	***(106,681)***	*(67,266)*
Acquisitions	**43,054**	**65,405**	**11,833**	**42,504**	**162,796**	130,100
Disposals & retirements	**(7,273)**	**(19,038)**	**(6,500)**	**(258)**	**(33,070)**	(54,787)
Transfers	**1,590**	**2,482**	**(938)**	**(3,875)**	**(740)**	(14,124)
Exchange difference	**26,092**	**47,937**	**3,468**	**4,496**	**81,993**	(103,973)
As at 31 December	**743,860**	**1,451,079**	**118,898**	**107,073**	**2,420,911**	2,316,333
Depreciation and impairment losses						
As at 1 January	**(257,548)**	**(1,089,513)**	**(86,949)**	**(103)**	**(1,434,114)**	(1,462,903)
Changes in the consolidation scope	**18,068**	**64,829**	**4,207**	**–**	**87,104**	32,077
– Deconsolidation	***18,068***	***65,085***	***4,213***	**–**	***87,366***	*32,077*
Charge for the period	**(33,624)**	**(74,851)**	**(11,405)**	**(287)**	**(120,166)**	(122,136)
– Depreciation	***(33,427)***	***(74,281)***	***(11,375)***	**–**	***(119,084)***	*(121,085)*
– Impairment (recognised) / reversed	***(196)***	***(569)***	***(29)***	***(287)***	***(1,083)***	*(1,051)*
Disposals & retirements	**5,770**	**18,771**	**6,098**	**–**	**30,639**	51,136
Transfers	**39**	**1,278**	**(286)**	**–**	**1,031**	12,689
Exchange difference	**(8,340)**	**(34,336)**	**(2,497)**	**3**	**(45,170)**	55,023
As at 31 December	**(275,634)**	**(1,113,822)**	**(90,832)**	**(388)**	**(1,480,676)**	(1,434,114)
Carrying amount at the end of the period	**468,226**	**337,258**	**28,066**	**106,685**	**940,235**	882,219
Carrying amount at the end of the previous period	**453,685**	**334,828**	**29,386**	**64,319**	**882,219**	963,479
Of which:						
Right-of-use assets at the end of the period	**104,634**	**10,363**	**10,681**	**–**	**125,678**	113,468
Right-of-use assets at the end of the previous period	**87,660**	**13,672**	**12,135**	**–**	**113,468**	115,736

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 € 125.9 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 Sanitaertechnik Eisenberg GmbH and VigotecAkatherm S.A.

20. Investment properties

(in € thousand)	2021	2020
Cost		
As at 1 January	**9,527**	9,854
Exchange difference	**582**	(326)
As at 31 December	**10,109**	9,527
Depreciation and impairment losses		
As at 1 January	**(6,269)**	(6,363)
Charge for the period	**(114)**	(110)
- Depreciation	***(114)***	*(110)*
Exchange difference	**(383)**	204
As at 31 December	**(6,766)**	(6,269)
Carrying amount as at 31 December	**3,343**	3,258

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 € 7.3 million (2020: € 7.1 million).

21. Inventories

As at 31 December (in € thousand)	2021	2020
Stock in transit	**34,408**	18,905
Raw materials, packaging materials and consumables	**202,330**	109,394
Components	**34,988**	23,971
Work in progress	**19,897**	12,527
Finished goods	**390,876**	294,804
Goods purchased for resale	**54,289**	47,028
Inventories, net of write-down	**736,788**	506,629

The total write-down of inventories amounts to € 31.1 million at 31 December 2021 (2020: € 25.7 million).

The cost of write-downs recognised in profit or loss (Cost of sales) during the period amounted to € 10.0 million (2020: € 6.5 million).

22. Amounts receivable

As at 31 December (in € thousand)	Notes	2021	2020
Trade receivables – gross	32	**338,127**	304,115
Impairment losses	32	**(13,807)**	(14,948)
Trade receivables		**324,320**	289,168
Taxes (other than income tax) receivable		**34,859**	21,699
Other		**30,378**	29,156
Other amount receivable		**65,237**	50,855
Amounts receivable		**389,557**	340,023

Information about the Group exposure to credit market risk and impairment losses on amounts receivable is included in Note 32.

23. Cash and cash equivalents

As at 31 December (in € thousand)	2021	2020
Short term bank deposits	**95,650**	368,628
Bank balances	**1,014,411**	273,988
Cash	**1,287**	131
Cash & cash equivalents	**1,111,348**	642,747
Bank overdrafts	**(3,659)**	(30,473)
Cash & cash equivalents in the statement of cash flows	**1,107,689**	612,274

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.

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

24. Equity

Share capital and share premium

The share capital and share premium of the Company as of 31 December 2021 amount to € 76.0 million (2020: € 76.0 million), represented by 91,135,065 fully paid ordinary shares without par value (2020: 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 32 provides further details regarding this breakdown.

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 €0.2 million (2020: €-0.1 million). At the end of 2021, the Cost of hedging reserves amounts to €-0.1 million. Net of tax, the hedging reserves amount to a total positive amount of €0.3 million.

Reserve for own shares

At 31 December 2021, the Group held 12,453,078 of the Company's shares (2020: 12,864,565). 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.

In 2021, Société Financière du Val d'Or sold 431,000 nominative shares it held in Aliaxis SA to some members of the management of the Aliaxis group.

The purchasers received the opportunity to pay for their shares in a maximum of five instalments, with a minimum upfront payment of 20% of the purchase price for the acquired shares. Until the purchase price and related interest for deferred payments are received in full, a pledge is granted on such shares to Société Financière du Val d'Or.

In addition to the pledge, the purchasers agreed to confer a repurchase right to Société Financière du Val d'Or in case of conversion into dematerialized shares or intent to sell. Applicable until 2041, Société Financière du Val d'Or will have the right to repurchase the Aliaxis SA shares at the then prevailing Euronext Expert Market price.

Currently, management's equity interests represent 1.99% of Aliaxis Management Company.

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 positive change in the translation reserve during 2021 amounts to € 152.6 million, mainly due to the strengthening of some major trading currencies against the EUR at year end rate, such as the Canadian dollar (8%), the United States dollar (8%), the Indian Rupee (6%) and Pound Sterling (7%).

In 2020, the negative change in the translation reserve amounted to € -149.6 million, 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%).

Dividends

In 2020, an amount of € 60.0 million was declared and paid in 2021 by Aliaxis (a gross dividend of € 0.658 per share). Excluding the portion attributable to treasury shares, the amount is € 51.8 million.

An amount of € 71.3 million (a gross dividend of € 0.782 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 € 61.5 million. This dividend has not been provided for.

Non-controlling interests

The Non-controlling interests amount to € 6.9 million, in line with last year.

25. 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 € 397.8 million (2020: € 198.5 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)	**2021**	**2020**
Issued ordinary shares	**91,135**	91,135
Treasury shares	**(12,865)**	(12,846)
Issued ordinary shares at 1 January, net of treasury shares	**78,271**	78,289
Effect of treasury shares sold / (acquired) during the period	**204**	(2)
Weighted average number of ordinary shares at 31 December, net of treasury shares	**78,474**	78,286

26. Loans and borrowings

As at 31 December (in € thousand)	2021	2020
Non-current		
Unsecured bank loans, Schuldschein & other	**121,573**	643,712
US private placements	**147,840**	137,845
Bond	**744,238**	–
Deferred arrangement fees	**(8,053)**	(318)
Non-current loans and borrowings	**1,005,599**	781,240
Current		
Unsecured bank loans, Schuldschein & other	**71,060**	61,131
US private placements	**–**	90,457
Deferred arrangement fees	**(1,666)**	(727)
Other (loans) and borrowings	**–**	176
Current loans and borrowings	**69,394**	151,038
Loans and borrowings	**1,074,993**	932,277

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

		Cash flows		Non-cash changes			
As at 31 December (in € thousand)	2020	In	Out	Transfer/ Scope changes	FX impact	Amortisation	2021
Non-current							
Unsecured bank loans, Schuldschein & other	643,712	104	(458,625)	(67,001)	3,384	–	**121,573**
US private placements	137,845	–	–	–	9,995	–	**147,840**
Bond	–	744,238	–	–	–	–	**744,238**
Deferred arrangement fees	(318)	–	(9,920)	1,666	371	148	**(8,052)**
Non-current financial debt	**781,240**	**744,342**	**(468,545)**	**(65,335)**	**13,750**	**148**	**1,005,599**
Current							
Unsecured bank loans, Schuldschein & other	61,131	7,562	(60,568)	62,779	155	–	**71,060**
US private placements	90,457	–	(76,435)	–	(14,022)	–	**–**
Deferred arrangement fees	(727)	–	–	(1,666)	(2)	729	**(1,666)**
Other loans and borrowings	176	0	–	(177)			**–**
Current loans and borrowings	**151,038**	**7,563**	**(137,003)**	**60,937**	**(13,870)**	**729**	**69,394**
Loans and borrowings	**932,277**	**751,904**	**(605,548)**	**(4,398)**	**(119)**	**878**	**1,074,993**

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 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
- EUR 18 million at 2.64% maturing in 2027

Subsequently, the Group entered into cross currency swaps in order to maintain a diversified source of funding in terms of maturities, currencies and interest rates, of which are still outstanding USD 147 million.

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

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

On 22 October 2021, the Group refinanced its syndicated bank debt and its Club deal multi-currency bank facility, both initially maturing in 2022, by entering into a 5-year (with two possible one-year extensions) committed multicurrency revolving credit facility of € 850 million between Aliaxis Finance/Aliaxis North America/ Aliaxis Holding Australia/Glynwed USA Inc 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 32.

Simultaneously on November 4, 2021, the Group placed a 7-year € 750M bond with a coupon of 0.875% per annum (issue price of 99.213%).

At 31 December 2021, € 122 million of the syndicated facility was drawn (2020: € 276 million).

These USPP and SSD programs together with the Syndicated loan 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 2021.

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

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	2021 Face value	2021 Carrying amount	2020 Face value	2020 Carrying amount
Unsecured syndication bank facility							
	CAD	Cdor + 0.45%	2,026	**6,948**	**6,948**	6,397	6,397
	EUR	Euribor + 0.45%		**–**	**–**	145,000	145,000
	USD	Libor + 0.45%		**–**	**–**	11,816	11,816
	AUD	Interbank + 0.45%	2,026	**114,633**	**114,633**	113,236	113,236
Unsecured "Club deal" bank facility							
	EUR	Euribor + 0.60%		**–**	**–**	150,000	150,000
	EUR	Euribor + 0.40%		**–**	**–**	200,000	200,000
Other unsecured bank facility							
	CLP	2.65% - 6.58%		**–**	**–**	3,457	3,457
	MXN	9.20%		**–**	**–**	3,270	3,270
	PEN	2.10%	2022	**1,458**	**1,458**	**–**	**–**
	USD	3.50%-5.25%		**–**	**–**	4,587	4,587
	NZD	1.80%	2022	**3,011**	**3,011**		–
	EUR	Euribor + margins	2022	**23**	**23**	7	7
Schuldschein							
	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
Bond							
	EUR	0.88%	2028	**750,000**	**750,000**	–	–
US private placements							
	USD	4.94%		**–**	**–**	90,457	90,457
	USD	5.09%	2023	**98,888**	**98,888**	91,272	91,272
	USD	4.26%	2025	**30,902**	**30,902**	28,523	28,523
	EUR	2.64%	2027	**18,051**	**18,051**	18,051	18,051
Others (*)				**(15,920)**	**(15,920)**	(796)	(796)
Total loans and borrowings				**1,074,993**	**1,074,993**	932,277	932,277

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	**192,633**	71,060	–	121,573	–
US private placements	**147,840**	–	98,888	30,902	18,051
Bond	**744,238**	0.000	–	–	744,238
Deferred arrangement fees	**(9,718)**	(1,666)	25	–	(8,078)
Total as at 31 December	**1,074,993**	69,394	98,913	152,475	754,210

(*) Other interest-bearing loans and borrowings include loans, deferred arrangement fees and bond premium.

27. 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 2021, the defined contribution plan expenses for the Group amounted to € 19.9 million (2020: € 17.3 million).

(b) Defined benefit plans

Aliaxis reports on a total of 53 defined benefit plans over 2021, which provide the following benefits:

Retirement benefits:	38
Long service awards:	11
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.

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:

	2021			2020		
(in € thousand)	**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	**283,329**	**–**	**283,329**	289,960	–	289,960
Fair value of plan assets	**(330,198)**	**–**	**(330,198)**	(321,557)	–	(321,557)
Funded status for funded plans	**(46,869)**	**–**	**(46,869)**	(31,597)	–	(31,597)
Defined benefit obligations for unfunded plans	**52,822**	**9,270**	**62,092**	55,765	9,598	65,363
Total funded status at 31 December	**5,953**	**9,270**	**15,223**	24,169	9,598	33,766
Irrecoverable asset at end of year	**2,023**	**–**	**2,023**	803	–	803
Net liability as at 31 December	**7,976**	**9,270**	**17,246**	24,972	9,598	34,570
Liabilities	**66,739**	**9,270**	**76,009**	71,613	9,598	81,211
Assets	**(58,763)**	**–**	**(58,763)**	(46,641)	–	(46,641)
Net liability as at 31 December	**7,976**	**9,270**	**17,246**	24,972	9,598	34,570
Current liabilities	**11,145**	**521**	**11,667**	9,107	787	9,894
Non-current liabilities	**(3,169)**	**8,748**	**5,579**	15,865	8,811	24,676

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

	2021			2020		
(in € thousand)	**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	**24,972**	**9,598**	**34,570**	21,098	9,226	30,324
Employer contributions	**(7,839)**	**(1,013)**	**(8,852)**	(6,448)	(955)	(7,403)
Expense recognised in the income statement	**6,369**	**783**	**7,151**	6,509	1,371	7,880
Amount recognised in other comprehensive income	**(10,347)**	**–**	**(10,347)**	93	–	93
Scope change	**(3,133)**	**(261)**	**(3,393)**	–	–	–
Transfers between accounts	**–**	**–**	**–**	2,135	–	2,135
Exchange difference	**(2,045)**	**163**	**(1,882)**	1,584	(44)	1,540
As at 31 December	**7,977**	**9,270**	**17,246**	24,972	9,598	34,570

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

(in € thousand)	2021 Retirement and medical plans	2021 Termination benefits & other long term benefits	2021 TOTAL	2020 Retirement and medical plans	2020 Termination benefits & other long term benefits	2020 TOTAL
As at 1 January	**345,726**	**9,598**	**355,323**	325,988	9,226	335,214
Current service cost	**4,803**	**1,018**	**5,821**	4,549	1,070	5,619
Employee contributions	**530**	**–**	**530**	509	–	509
Interest cost	**4,277**	**48**	**4,326**	5,450	51	5,501
Actuarial (gains)/losses on liabilities arising from changes in financial assumptions	**(14,442)**	**(212)**	**(14,655)**	31,436	33	31,469
Actuarial (gains)/losses on liabilities arising from changes in demographic assumptions	**17**	**–**	**17**	1,714	1	1,714
Actuarial (gains)/losses on liabilities arising from experience	**2,501**	**127**	**2,629**	703	223	926
Settlement and past service cost (incl. curtailment)	**511**	**(199)**	**313**	490	(7)	483
Benefits paid	**(23,286)**	**(1,013)**	**(24,299)**	(13,940)	(955)	(14,895)
Scope change	**(3,133)**	**(261)**	**(3,393)**	–	–	–
Transfers between accounts	**–**	**–**	**–**	2,135	–	2,135
Exchange difference	**18,647**	**163**	**18,810**	(13,309)	(44)	(13,353)
As at 31 December	**336,151**	**9,270**	**345,421**	345,726	9,598	355,323

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

(in € thousand)	2021 Retirement and medical plans	2021 Termination benefits & other long term benefits	2021 TOTAL	2020 Retirement and medical plans	2020 Termination benefits & other long term benefits	2020 TOTAL
As at 1 January	**(321,557)**	**–**	**(321,557)**	(305,749)	–	(305,749)
Interest income	**(4,252)**	**–**	**(4,252)**	(5,540)	–	(5,540)
Employer contributions	**(7,839)**	**(1,013)**	**(8,852)**	(6,448)	(955)	(7,403)
Employee contributions	**(530)**	**–**	**(530)**	(509)	–	(509)
Benefits paid (direct & indirect, including taxes on			**–**			0
contributions paid)	**23,286**	**1,013**	**24,299**	13,940	955	14,895
Return on assets, excl. interest income	**476**	**–**	**476**	(33,728)	–	(33,728)
Actual administration expenses & settlements	**1,009**	**–**	**1,009**	1,540	–	1,540
Exchange difference	**(20,791)**	**–**	**(20,791)**	14,935	–	14,935
As at 31 December	**(330,198)**	**–**	**(330,198)**	(321,557)	–	(321,557)

During 2021, the net defined benefit liability has decreased by € 17.4 million from € 34.6 million to € 17.2 million. This was primarily due to changes in the financial assumptions and higher contributions compared to the expense. The changes in the financial assumptions (increase of discount rate from 1.2% to 1.7% and increase of inflation from 2.5% to 3.0%) led to a decrease of defined benefit obligation by € 14.4 million. The net liability also decreased because total contributions were higher than the expense. The total contributions amounted to € 9.4 million (2020: € 7.9 million) of which € 8.9 million was contributed by the employer (2020: € 7.4 million) and € 0.5 million was contributed by the employees (2020: € 0.5 million). Furthermore, a total of € 24.3 million benefits was paid out (2020: € 14.9 million). As a result, the funded position, i.e. the ratio of assets to the defined benefit obligation, has increased from 90% to 96%.

The Group expects to contribute approximately € 5.8 million to its defined benefit plans in 2022.

(in € thousand)	2021 Retirement and medical plans	2021 Termination benefits & other long term benefits	2021 TOTAL
Expected employer contributions	**5,301**	**521**	**5,823**
Expected employee contributions	**522**	**–**	**522**
Expected benefits paid (direct & indirect)	**11,145**	**521**	**11,667**

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

(in € thousand)	2021 Retirement and medical plans	2021 Termination benefits & other long term benefits	2021 TOTAL	2020 Retirement and medical plans	2020 Termination benefits & other long term benefits	2020 TOTAL
Service cost:						
Current service cost	**4,803**	**1,018**	**5,821**	4,549	1,070	5,619
Past service cost (incl. curtailments)	**520**	**(199)**	**321**	1,404	(7)	1,397
Settlement cost	**(8)**	**–**	**(8)**	(111)	–	(111)
Administration expenses	**1,009**	**–**	**1,009**	738	–	738
Net interest cost:						
Interest cost	**4,277**	**48**	**4,326**	5,450	51	5,501
Interest income	**(4,252)**	**–**	**(4,252)**	(5,540)	–	(5,540)
Interest on asset ceiling	**19**	**–**	**19**	19	–	19
Remeasurements						
Actuarial (gains)/losses due to changes in financial assumptions	**–**	**(212)**	**(212)**	–	33	33
Actuarial (gains)/losses due to changes in demographic assumptions	**–**	**–**	**–**	–	1	1
Actuarial (gains)/losses due to experience	**–**	**127**	**127**	–	223	223
Pension expense recognised in profit and loss	**6,368**	**783**	**7,151**	6,509	1,371	7,880
Remeasurements in other comprehensive income						
Return on plan assets (in excess of)/below that recognised in net interest	**476**	**–**	**476**	(33,728)	–	(33,728)
Actuarial (gains)/losses due to changes in financial assumptions	**(14,442)**	**–**	**(14,442)**	31,436	–	31,436
Actuarial (gains)/losses due to changes in demographic assumptions	**17**	**–**	**17**	1,714	–	1,714
Actuarial (gains)/losses due to experience	**2,501**	**–**	**2,501**	703	–	703
Adjustments due to the limit in paragraph 64, excl. amounts recognised in net interest	**1,101**	**–**	**1,101**	(32)	–	(32)
Total amount recognised in other comprehensive income	**(10,347)**	**–**	**(10,347)**	93	–	93
Total amount recognised in profit and loss and other comprehensive income	**(3,979)**	**783**	**(3,197)**	6,602	1,371	7,973

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

(in € thousand)	2021	2020
Cost of sales	**1,245**	3,259
Commercial expenses	**378**	1,040
Administrative expenses	**5,491**	3,418
R&D expenses	**40**	142
Restructuring	**(31)**	(56)
Other operating income / (expenses)	**27**	77
Total at 31 December	**7,151**	7,880

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

	2021	2020
Discount rate as at 31 December	**1.73%**	1.19%
Rate of salary increases	**2.22%**	2.24%
Inflation	**2.97%**	2.45%
Initial medical trend rate	**5.35%**	5.56%
Ultimate medical trend rate	**4.41%**	4.40%
Pension increase rate	**3.07%**	2.37%

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:

	2021	2020
Government bonds	**42.56%**	43.50%
Corporate bonds	**3.56%**	2.84%
Equity instruments	**6.23%**	5.95%
Insurance contracts	**29.06%**	31.47%
Property	**1.49%**	1.59%
Cash	**0.40%**	0.33%
Other	**16.70%**	14.32%
	100.00%	100.00%

The percentage in “Other” relates to UK assets that were invested for 19% in a diversified growth fund at December 31, 2021. 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 16.9 years.

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

	Man	Woman
Of a 65-year old	21.3	24.0
Of a 45-year old at the age of retirement	22.5	25.2

The total defined benefit obligation amounts to € 345.4 million and can be split as follows between active members, members with deferred benefit entitlements and pensioners:

	2021			2020		
(in € thousand)	Retirement and medical plans	Termination benefits & other long term benefits	TOTAL	Retirement and medical plans	Termination benefits & other long term benefits	TOTAL
Active members	**69,178**	**9,270**	**78,448**	73,497	9,598	83,094
Members with deferred benefit entitlements	**129,465**	**–**	**129,465**	132,696	–	132,696
Pensioners/Beneficiaries	**137,390**	**–**	**137,390**	139,343	–	139,343
Taxes relating to past service benefits	**118**	**–**	**118**	190	–	190
As at 31 December	**336,151**	**9,270**	**345,421**	345,726	9,598	355,323

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)	2021	2020
Current defined benefit obligation at 31 December	**345,421**	355,323
% increase following a 0,25% decrease in the discount rate	**4.20%**	4.22%
% decrease following a 0,25% increase in the discount rate	**(3.97%)**	(3.99%)
% increase following a 0,25% increase in the inflation rate	**1.67%**	2.04%

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)	2021	2020
Current defined benefit obligation at 31 December for Post Retirement Medical Plans	**5,440**	5,439
Effect on the aggregate of the service cost and the interest cost of a 1% increase	**40**	16
Effect on the defined benefit obligation of a 1% increase	**330**	170
Effect on the aggregate of the service cost and the interest cost of a 1% decrease	**(22)**	(14)
Effect on the defined benefit obligation of a 1% decrease	**(298)**	(146)

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.

(c) Long term incentive scheme

In 2021, 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.

In total on December 31, 2021, there were 109 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 € 8.6 million. The grant of this long term incentive represents 39.26 % of the participants' 2021 fixed salaries.

The provisions for LTIP recorded in the statement of financial position as at 31 December 2021 amounts to € 33.1 million.

28. Deferred tax assets and liabilities

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

	Assets		Liabilities		Net	
(in € thousand)	2021	2020	2021	2020	2021	2020
As at 1 January	**66,940**	93,402	**(114,480)**	(125,094)	**(47,540)**	(31,692)
Recognised in profit or loss	**3,056**	(19,477)	**(20,973)**	2,496	**(17,916)**	(16,981)
Recognised directly in OCI	**889**	(1,842)	**(2,360)**	(237)	**(1,471)**	(2,079)
Scope change	**485**	(2,246)	**3**	2,034	**488**	(211)
Other movements	**304**	149	**(289)**	(2)	**15**	147
Exchange difference	**2,045**	(3,055)	**(5,875)**	6,320	**(3,830)**	3,265
As at 31 December	**73,720**	66,932	**(143,974)**	(114,482)	**(70,254)**	(47,550)

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

	Assets		Liabilities		Net	
As at 31 December (in € thousand)	2021	2020	2021	2020	2021	2020
Intangible assets	**2,701**	2,693	**(30,350)**	(31,240)	**(27,650)**	(28,547)
Property, plant and equipment	**3,693**	2,941	**(55,750)**	(56,006)	**(52,058)**	(53,065)
Inventories	**8,340**	5,920	**(9,992)**	(3,860)	**(1,652)**	2,060
Post employment benefits	**16,186**	16,955	**(14,867)**	(8,664)	**1,319**	8,291
Provisions	**12,232**	11,001	**(94)**	(103)	**12,138**	10,898
Financial debts	**6,042**	6,773	**(24)**	(196)	**6,018**	6,577
Undistributed earnings	**–**	–	**(24,956)**	(8,230)	**(24,956)**	(8,230)
Other assets and liabilities	**21,391**	17,293	**(7,940)**	(6,182)	**13,451**	11,110
Loss carry forwards	**3,135**	3,356	**–**	–	**3,135**	3,356
Tax assets / (liabilities)	**73,720**	66,932	**(143,974)**	(114,482)	**(70,254)**	(47,550)
Set-off of assets and liabilities	**(61,343)**	(53,488)	**61,343**	53,488	**–**	–
Net tax assets / (liabilities)	**12,377**	13,444	**(82,631)**	(60,993)	**(70,254)**	(47,550)

Tax losses carried forward on which no deferred tax asset is recognised amount to € 449 million (2020 full year: € 420 million). € 286 million of these tax losses do not have any expiration date. € 163 million will expire at the latest by the end of 2051.

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.

29. Provisions

	2021				2020
(in € thousand)	Product liability	Restructuring	Other	TOTAL	TOTAL
As at 1 January	**11,921**	**6,879**	**32,466**	**51,266**	60,729
Change in consolidation scope	**(857)**	**–**	**(25)**	**(882)**	(1,626)
Provisions created	**5,349**	**–**	**31,301**	**36,650**	22,325
Provisions used	**(2,796)**	**(3,065)**	**(14,775)**	**(20,636)**	(18,865)
Provisions reversed	**(2,435)**	**(14)**	**(2,599)**	**(5,048)**	(4,634)
Transfer and other movements	**–**	**–**	**(584)**	**(584)**	(2,135)
Exchange difference	**660**	**168**	**1,220**	**2,049**	(4,529)
As at 31 December	**11,842**	**3,968**	**47,004**	**62,814**	51,266
Non-current balance at the end of the period	**2,148**	**(0)**	**19,487**	**21,634**	18,315
Current balance at the end of the period	**9,694**	**3,968**	**27,518**	**41,180**	32,951

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 27c.

30. 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 also 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 € 63.1 million as at 31 December 2021 (2020: € 52.4 million).

31. Amounts payable

(a) Non-current other amounts payable

As at 31 December (in € thousand)	2021	2020
Other	**2,768**	2,471
Other amounts payable	**2,768**	2,471

(b) Current amounts payable

Information about the Group exposure to currency and liquidity risk is included in Note 32.

As at 31 December (in € thousand)	2021	2020
Trade payables	**387,023**	286,856
Payroll and social security payable	**141,597**	113,263
Taxes (other than income tax) payables	**17,180**	17,826
Interest payable	**7,668**	7,801
Other payables	**11,500**	24,876
Amounts payable	**564,968**	450,622

32. 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.

	31 December 2021						31 December 2020					
(in thousand of currency)	**EUR**	**USD**	**CAD**	**GBP**	**AUD**	**NZD**	**EUR**	**USD**	**CAD**	**GBP**	**AUD**	**NZD**
Trade and other receivables	**7,613**	**100,055**	**83**	**2,486**	**1,822**	**–**	9,260	91,854	319	2,790	2,109	303
Other financial assets	**9,399**	**37,302**	**162**	**92**	**47**	**69,677**	6,416	50,482	603	(8)	67	147,298
Trade and other payables	**(38,202)**	**(153,217)**	**(20,088)**	**(400)**	**(4,348)**	**0**	(33,617)	(122,653)	(17,723)	(567)	(3,764)	(1,025)
Other financial liabilities	**(47)**	**(197,766)**	**–**	**(40)**	**(15)**	**9**	(518)	(342,391)	(335)	(215,521)	(21)	(73,608)
Gross balance sheet exposure	**(21,237)**	**(213,626)**	**(19,843)**	**2,138**	**(2,495)**	**69,686**	(18,460)	(322,708)	(17,136)	(213,306)	(1,610)	72,969
Forward FX contracts	**4,493**	**78,863**	**–**	**(2,000)**	**(1,500)**	**(71,050)**	1,596	69,002	–	213,750	(50)	(73,830)
Cross currency interest rate swaps (CCRS)	**–**	**147,000**	**–**	**–**	**–**	**–**	–	258,000	–	–	–	–
Net exposure	**(16,743)**	**12,238**	**(19,843)**	**138**	**(3,995)**	**(1,364)**	(16,864)	4,294	(17,136)	444	(1,660)	(861)
FX derivatives hedging forecasted trade positions												
Forward FX contracts	**5,172**	**24,180**	**–**	**–**	**600**	**–**	3,864	8,307	–	–	–	–
FX options	**12,150**	**–**	**–**	**–**	**–**	**–**	6,600	–	–	–	–	–

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

Sensitivity analysis

A 10% strengthening at 31 December of 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 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.

	2021						2020					
(in € thousand)	**EUR**	**USD**	**CAD**	**GBP**	**AUD**	**NZD**	**EUR**	**USD**	**CAD**	**GBP**	**AUD**	**NZD**
Equity	**(529)**	**(2,113)**	**–**	**–**	**(34)**	**–**	(116)	(652)	–	1,423	–	–
Profit or loss	**(2,165)**	**1,024**	**(1,323)**	**35**	**(250)**	**(50)**	1,504	(318)	996	(45)	95	46

(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)	2021	2020
	Carrying amount	
Other non-current assets	**17,537**	16,432
Current amounts receivable	**354,897**	318,324
Forward exchange contracts used for hedging	**191**	4,979
CCRS	**24,327**	36,978
Cash and cash equivalents	**1,111,348**	642,747
Total	**1,508,300**	1,019,460

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

(in € thousand)	2021	2020
	Carrying amount	
Eurozone countries	**63,042**	80,378
United Kingdom	**23,573**	20,027
United States	**64,916**	43,222
Canada	**16,578**	17,371
New Zealand and Australia	**62,699**	49,202
Latin America	**48,059**	43,975
India	**28,652**	18,145
Other regions	**16,801**	16,848
Total	**324,320**	289,167

The ageing of trade receivables at the reporting date was:

	2021		2020	
(in € thousand)	Gross	Impairment	Gross	Impairment
Not past due	**242,468**	**455**	224,829	299
Past due 0 – 30 days	**56,169**	**38**	41,368	171
Past due 31 – 90 days	**20,676**	**162**	14,175	1,184
Past due 91 – 365 days	**7,705**	**2,215**	9,752	1,419
Past due more than one year	**11,109**	**10,937**	13,991	11,874
Total	**338,127**	**13,807**	304,115	14,948

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

(in € thousand)	2021	2020
As at 1 January	**14,948**	16,855
Change in the consolidation scope	**(74)**	(475)
Recognised	**1,994**	5,053
Used	**(1,767)**	(4,186)
Reversed	**(1,788)**	(758)
Exchange difference	**495**	(1,542)
Total	**13,807**	14,948

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

(c) Commodity risk

At 31 December 2021, the Group had no outstanding commodity hedging contracts.

(d) Interest rate risk

At the reporting date, around 87% of the gross financial debt (excluding leases) 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 2020. 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 2020).

	2021				2020			
	Profit or loss		Equity		Profit or loss		Equity	
As at 31 December (in € thousand)	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	**(383)**	**383**	**–**	**–**	(131)	131	–	–
Interest rate derivatives	**–**	**–**	**–**	**–**	2	(2)	–	–
Cash flow sensitivity (net)	**(383)**	**383**	**–**	**–**	(129)	129	–	–

	2021				2020			
	Profit or loss		Equity		Profit or loss		Equity	
As at 31 December (in € thousand)	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	**137**	**(137)**	**–**	**–**	292	(294)	–	–
Interest rate derivatives	**(205)**	**206**	**(35)**	**35**	(486)	487	(16)	16
Fair value sensitivity (net)	**(68)**	**68**	**(35)**	**35**	(193)	193	(16)	16

(e) Liquidity risk

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

	At 31 December 2021				
(in € thousand)	**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	(125,633)	(144,260)	(6,022)	(138,238)	–
Schuldschein certificates	(67,000)	(67,728)	(67,728)	–	–
US private placement	(147,840)	(162,817)	(6,826)	(137,672)	(18,319)
Bond	(750,000)	(795,938)	(6,563)	(26,250)	(763,125)
Lease liabilities	(132,073)	(152,715)	(26,938)	(70,929)	(54,849)
Trade and other payables	(566,197)	(566,197)	(564,968)	(1,229)	–
Bank overdrafts	(3,659)	(3,659)	(3,659)	–	–
Derivative financial instruments					
Forward exchange derivatives used for hedging – outflows	(1,320)	(39,049)	(39,049)	–	–
Forward exchange derivatives used for hedging – inflows	191	37,670	37,670	–	–
Interest rate swaps or options used for hedging	(1,379)	(1,297)	(913)	(385)	–
CCRS – outflows	(356)	(115,145)	(2,769)	(112,375)	–
CCRS – inflows	24,327	142,115	6,350	135,766	–
	(1,770,939)	(1,869,019)	(681,414)	(351,312)	(836,293)

	At 31 December 2020				
(in € thousand)	**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)	(192,287)	(77,339)	(114,949)	–
CCRS – inflows	36,980	229,798	98,627	131,171	–
	(1,499,066)	(1,543,974)	(651,449)	(829,803)	(62,723)

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 2021				
(in € thousand)	Carrying amount	Expected cash flows	1 year or less	1 to 5 years	More than 5 years
Interest rate swaps	(1,379)	(1,297)	(913)	(385)	–
FX derivatives – outflows	(227)	(37,956)	(37,956)	–	–
FX derivatives – inflows	29	37,509	37,509	–	–
CCRS – outflows	(356)	(86,903)	(2,365)	(84,538)	–
CCRS – inflows	15,171	104,286	4,562	99,724	–
	13,238	15,638	836	14,801	–

	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)	(89,185)	(2,330)	(86,855)	–
CCRS – inflows	16,241	133,895	37,640	96,255	–
	11,178	42,034	34,066	7,969	–

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

	At 31 December 2021					
(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	(1,379)	(1,297)	–	(913)	(385)	–
FX derivatives – outflows	(227)	(37,956)	–	(37,956)	–	–
FX derivatives – inflows	29	37,509	–	37,509	–	–
CCRS – outflows	(356)	(86,903)	–	(2,365)	(84,538)	–
CCRS – inflows	15,171	104,286	13,112	4,562	86,612	–
	13,238	15,638	13,112	836	1,690	–

	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)	(89,185)	–	(2,330)	(86,855)	–
CCRS – inflows	16,241	133,895	10,727	32,734	90,434	–
	11,178	42,034	10,727	29,160	2,148	–

(f) Description and fair value 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 26).

	Nominal amount 2021			Nominal amount 2020		
(in € thousand)	**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	**–**	**25,000**	**–**	25,587	25,000	–
CCRS	**–**	**109,095**	**–**	73,918	109,095	–
FX derivatives	**227,056**	**–**	**–**	427,412	–	–

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.

	Fair value				Notional amount				
	Positive		Negative		< 6 months	6 to 12 months	1 to 5 years	> 5 years	Total
(in € thousand)	**Current**	**Non-current**	**Current**	**Non-current**					
Interest rate swaps	–	–	–	1,379	–	–	25,000	–	25,000
FX derivatives	29	–	227	–	41,865	4,436	–	–	46,301
CCRS	–	15,171	–	356	–	–	81,560	–	81,560
Derivatives held as cash flow hedges	29	15,171	227	1,735	41,865	4,436	106,560	–	152,861
CCRS	–	9,156	–	–	–	–	27,535	–	27,535
Derivatives held as fair value hedges	–	9,156	–	–	–	–	27,535	–	27,535
Interest rate swaps	–	–	–	–	–	–	–	–	–
FX derivatives	161	–	1,092	–	178,005	2,750	–	–	180,755
Derivatives not under hedge accounting	161	–	1,092	–	178,005	2,750	–	–	180,755
Total	191	24,327	1,320	1,735	219,870	7,186	134,095	–	361,151
Total current and non-current		24,518		3,054					

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

(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 € 152.9 million (2020: € 124.2 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:

	2021		2020	
(in € thousand)	**Hedging reserve**	**Cost of hedging reserve**	**Hedging reserve**	**Cost of hedging reserve**
As at 1 January	**(180)**	**104**	(2,197)	(334)
Effective portion of changes in fair value of existing instruments	**8,252**	**(213)**	(6,892)	433
Deferred tax related to hedges	**728**	**–**	(2,002)	–
Foreign currency translation differences	**100**	**(3)**	(164)	5
Recycling to income statement of FX impact on CCRS	**(8,483)**	**–**	11,075	–
As at 31 December	**417**	**(113)**	(180)	104

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 € 27.5 million (2020: € 60.8 million). The fair value adjustment is recognised as a Finance Income or Expense.

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 2021, the net fair value adjustment through Financial Income or Expense was a loss of € 0.03 million (2020: loss of € 0.6 million).

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 EUR, for which hedge accounting has been applied:

- An aggregate nominal amount of USD 39.8 million relate to instruments to which fair value hedge accounting 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 107.2 million relate to instruments to which Cash Flow hedge accounting 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.

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.

	Notional amount			Fair value (€)			
(in € thousand)	**Currency**		**EUR**	**Total**	**Fx impact**	**Intr. Impact**	**Basis spread impact**
Fair value hedges	USD	39,775	27,535	9,156	7,583	1,573	
Cash flow hedges	USD	107,225	81,560	14,816	13,112	1,728	(24)
			109,095	23,972	20,694	3,301	(24)

(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 2021				31 December 2020			
(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	**1,111,348**		**1,111,348**		642,747		642,747	
Trade receivables	**389,557**		**389,557**		340,023		340,023	
Unsecured bank facilities and others	**(125,633)**		**(125,633)**		(637,843)		(637,843)	
Schuldschein certificates	**(67,000)**		**(67,547)**		(67,000)		(68,324)	
US private placement	**(147,840)**		**(156,570)**		(228,302)		(243,263)	
Bond	**(750,000)**		**(739,043)**					
Other loans and borrowings	**–**		**–**		(176)		(176)	
Trade and other payables	**(566,197)**		**(566,197)**		(450,622)		(450,622)	
Bank overdraft	**(3,659)**		**(3,659)**		(30,473)		(30,473)	
Forward exchange derivatives used for hedging – positive value	**191**		**191**		4,979		4,979	
Forward exchange derivatives used for hedging – negative value	**(1,320)**		**(1,320)**		(3,744)		(3,744)	
Interest rate swaps or options used for hedging	**(1,379)**		**(1,379)**		(2,764)		(2,764)	
CCRS – outflows	**(356)**		**(356)**		(2,477)		(2,477)	
CCRS – inflows	**24,327**		**24,327**		36,980		36,980	
	(137,961)	**–**	**(136,280)**	**–**	(398,673)	–	(414,958)	–

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.

33. Leases

Amounts recognised in the statement of financial position

The carrying amounts of right-of-use assets and the movements during the period:

(in € thousand)	Land & buildings	Plant, machinery & equipment	Other	2021 Total Right-of-use assets	2020 Total Right-of-use assets
Right-of-use assets					
As at 1 January	**87,660**	**13,672**	**12,135**	**113,468**	115,736
Changes in the consolidation scope & Asset deals	**(622)**	**(354)**	**(841)**	**(1,817)**	(16,725)
– Acquisitions	***13***	**–**	**–**	***13***	–
– Deconsolidation	***(635)***	***(354)***	***(841)***	***(1,830)***	*(16,725)*
Additions	**29,824**	**1,379**	**5,685**	**36,888**	49,692
Disposal	**(445)**	**4**	**(200)**	**(641)**	(1,355)
Depreciations	**(16,440)**	**(4,474)**	**(6,395)**	**(27,309)**	(29,118)
Other movements	**34**	**–**	**(16)**	**18**	(87)
Exchange difference	**4,621**	**136**	**314**	**5,071**	(4,675)
As at 31 December	**104,634**	**10,363**	**10,681**	**125,678**	113,468

Additions to the right-of-use assets during the 2021 financial year amounted to € 36.9 million (2020: € 49.7 million). The addition is mainly related to a new distribution center in North America and by executing extension options that were previously not considered reasonably certain.

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

(in € thousand)	2021	2020
Lease Liabilities		
As at 1 January	**117,623**	118,439
Changes in the consolidation scope & Asset deals	**(1,803)**	(17,170)
– Acquisitions	***16***	–
– Deconsolidation	***(1,819)***	*(17,170)*
Additions	**36,888**	49,692
Accretion of interest	**3,961**	3,862
Payments	**(30,259)**	(32,678)
Exchange difference	**5,663**	(4,521)
As at 31 December	**132,073**	117,623
Current	**22,857**	22,314
Non-current	**109,216**	95,309
Total lease liabilities	**132,073**	117,623

The total cash outflow for lease liabilities in 2021 was € 30 million (2020: € 33 million).

The lease liabilities maturity analysis is noted below:

	2021			2020		
(in € thousand)	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
Less than 1 year	**26,938**	**4,081**	**22,857**	25,932	3,619	22,314
Between 1 and 5 years	**70,928**	**10,417**	**60,512**	65,257	9,022	56,235
More than 5 years	**54,849**	**6,145**	**48,704**	43,927	4,853	39,074
Total as at 31 December	**152,715**	**20,642**	**132,073**	135,116	17,493	117,623

Amount recognised in the income statement

The income statement shows the following amounts relating to leases:

(in € thousand)	2021	2020
Depreciation charge of right-of-use assets	**(27,309)**	(29,118)
Land & buildings	**(16,440)**	(17,244)
Plant, machinery & equipment	**(4,474)**	(5,088)
Other	**(6,395)**	(6,786)
Interest expense on lease liabilities	**(3,961)**	(3,862)
Total expense related to leases	**(31,270)**	(32,980)

In 2021, the right-of-use assets depreciation amounted to € 27.3 million (2020: € 29.1 million).

There was no material income from subleasing in 2021.

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.

34. Guarantees, collateral and contractual commitments

As at 31 December (in € thousand)	2021	2020
Commitments secured by real guarantees	**–**	4,623
Contractual commitments to acquire assets	**87,297**	46,360

35. 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 was in January 2020 and the claims administrator is preparing a draft plan of distribution, which when ultimately approved, will finalise the allocation.

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 29 - 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.

36. Related parties

Key management compensation

The total remuneration costs of the Board of Directors and Executive Committee (Exco) during 2021 amounted to € 15.4 million (2020 € 14.6 million). For members of the Board of Directors, this predominantly related to directors' fees while for members of the Global Leadership Team and Executive Committee this comprised fixed base salaries, variable remuneration, termination payments and pension service costs.

(in € thousand)	2021	2020
Salaries (fixed and variable)	**15,046**	13,877
Retirement benefits	**386**	743
Total	**15,432**	14,620

37. 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 - Kent	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 Research & Technology S.A.S.	100.00	Vernouillet	France
Aliaxis Services SA	100.00	Vernouillet	France
Aliaxis Ventures	100.00	Brussels	Belgium
Aliaxis Ventures USA Inc.	100.00	Wilmington	US
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
OPERATING COMPANIES			
Aliaxis Nederland B.V.	100.00	Panningen	The Netherlands
Aliaxis Deutschland GmbH	100.00	Mannheim	Germany
Aliaxis Greece Ltd	100.00	Kifisia	Greece
Aliaxis Hungary SEE Kft.	100.00	Biatorbagy	Hungary
Aliaxis Iberia S.A.U.	100.00	Okondo	Spain

Company	Financial interest %	City	Country
Aliaxis Latin American Services SA	100.00	San José	Costa Rica
Aliaxis Poland Sp.z.o.o.	100.00	Olesnica	Poland
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 S.A.S.	100.00	Mèze	France
Ashirvad Pipes Private Ltd	99.98	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 Malaysia Sdn Bhd	100.00	Petaling Jaya Selangor	Malaysia
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 Ceska Republika	100.00	Vestec	Czech Rep.
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

Company	Financial interest %	City	Country
Nicoll Uruguay S.A.	100.00	Montevideo	Uruguay
Nicoll Vostok	100.00	Moscow	Russia
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
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
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 USA Inc. was created in August 2021.

The entity Paling Industries Sdn Bhd changed its name to Glynwed Malaysia Sdn Bhd in February 2021.

The entity Aliaxis Utilities & Industry Kft changed its name to Aliaxis Hungary SEE Kft. in May 2021.

The entity Nicoll E.P.E. Sarl changed its name to Aliaxis Greece Ltd in August 2021.

The entity Nicoll Polska Sp. z.o.o. changed its name to Aliaxis Poland Sp.z.o.o. in September 2021.

The entity Aliaxis R&D S.A.S. changed its name to Aliaxis Research & Technology S.A.S. in December 2021.

The entity Sanitaertechnik Eisenberg GmbH was sold in August 2021.

The entity VigotecAkatherm NV/SA was sold in August 2021.

38. Services provided by the statutory auditor

(in € thousand)	2021	2020
Audit:		
Audit services		
- KPMG in Belgium	**355**	343
- Other offices in the KPMG network	**2,126**	1,993
Audit-related procedures and services		
- KPMG in Belgium	**193**	3
- Other offices in the KPMG network	**377**	105
Sub-total	**3,051**	2,444
Other services:		
Tax	**495**	306
Other services	**175**	296
Sub-total	**670**	602
Services provided by the Statutory Auditor	**3,721**	3,046

39. Subsequent events

On January 19, 2022, Aliaxis announced the signing of an agreement to acquire Harco, a US manufacturer of gasketed fittings located in Virginia, USA. Harco brings over 55 years of industry expertise and will allow to further strengthen our position in the US market. Harco's annual revenues were roughly $ 75 million in 2021. The transaction is still subject to customary regulatory approval and is expected to be closed in Q2.

On March 10th, 2022, Aliaxis announced taking a strategic minority share of HydroPoint, a smart water management company focusing on innovative water solutions for the last mile. It is part of the development of Aliaxis Next division which focusses on growth in adjacent businesses with positive societal impact.

Since the outbreak of the invasion of Ukraine on February 24, we paused our activity in Russia, knowing that we had a limited import activity in Russia, which represented less than 1% of our global turnover, and no presence in Ukraine. We keep on closely monitoring the situation and its possible business implications, especially on inflation and energy costs.

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 2021

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 2021, as well as other legal and regulatory requirements. Our report is one and indivisible.

We were appointed as statutory auditor by the general meeting of 26 May 2021 in accordance with the proposal of the board of directors issued on the recommendation of the audit committee. Our mandate will expire on the date of the general meeting deliberating on the annual accounts for the year ended 31 December 2023. We have performed the statutory audit of the consolidated financial statements of Aliaxis SA for 19 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 2021, 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 2021, 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 4.030.814 (000) and the consolidated statement of profit or loss shows a profit for the year of EUR 399.419 (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 2021 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.

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 2021

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.

Key audit matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of goodwill

We refer to note 18 – 'Intangible assets and goodwill' of the consolidated financial statements.

Description

As described in Note 18 – 'Intangible assets and goodwill' of the consolidated financial statements, the Company has recorded a goodwill for an amount of EUR 562.824 (000) as per 31 December 2021. Goodwill is assessed for impairment on an annual basis in accordance with IAS 36 "Impairment of Assets". Management prepares an analysis in which the recoverable amount is assessed by discounting future cashflow projections at the level of the cash generating units. This recoverable amount is compared to the carrying amount at balance sheet date in order to determine if goodwill is impaired as well as the level of impairment charge to be recognized, if any.

Due to its significance to the balance sheet total and the significant degree of judgement required by management in developing the estimate, which mainly relates to the inputs used in forecasting as well as discounting the future cash flows in order to determine the recoverable amount, we determined impairment of goodwill as a key audit matter.

Our audit procedures

We have performed the following audit procedures:

- We assessed the process of cash flow forecasting by management, including testing the underlying calculations and reconciling them to financial targets and plans approved by the board of directors;

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 2021

- We analysed the Group's previous ability to forecast cash flows accurately and challenged the reasonableness of current forecasts by comparing the key assumptions to historical results;
- We challenged management's identification of cash generating units with reference to our understanding of the Group's business and the requirements of the prevailing accounting standards;
- We evaluated the Group's valuation methodology and its determination of discount rates and growth rates by involving valuation specialists in our audit team;
- Furthermore we challenged the appropriateness of the sensitivity analysis performed by management by performing further sensitivity analyses around the key assumptions used by management, in particular discount rates;
- We evaluated whether judgements and decisions made by management when measuring recoverable amount are indicators of possible management bias; and
- We evaluated the completeness and appropriateness of the Group's disclosures in respect of impairment, as included in note 18 to the consolidated financial statements.

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.

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 2021

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.

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 2021

We communicate with the audit committee 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.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

For the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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:

— Corporate governance

— Key figures

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 2021

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.

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.

Zaventem, 28 March 2022

KPMG Bedrijfsrevisoren - Réviseurs d'Entreprises
Statutory Auditor
represented by

Filip De Bock
Bedrijfsrevisor / Réviseur d'Entreprises

Non-consolidated accounts, profit distribution and statutory appointments

The annual statutory accounts of Aliaxis SA 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 SA

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)	2021	2020
Financial assets	**1,454,349**	1,454,349
Non-current loans and borrowings	**1,454,349**	1,454,349
Current assets	**919**	2,676
Total assets	**1,455,268**	1,457,025
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	**257,715**	270,798
Capital and reserves	**1,382,727**	1,395,810
Liabilities	**72,541**	61,215
Total equity and liabilities	**1,455,268**	1,457,025

Non-consolidated accounts, profit distribution and statutory appointments

Summarised profit and loss account

As at 31 December (in € thousand)	2021	2020
Operating expenses	**(1,813)**	(3,094)
Operating loss	**(1,813)**	(3,094)
Financial result	**59,997**	57,430
Profit for the period	**58,184**	54,336

Profit distribution

Aliaxis' Board of Directors proposes to pay a net dividend of € 0.5474 per share. The proposed gross dividend is € 0.782 per share, representing 15.5% of the consolidated basic earnings per share of € 5.06. The dividend is subject to shareholder approval at the General Shareholders' Meeting on May 25, 2022.

The dividend will be paid on 1 July 2022 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)	2021	2020
Profit brought forward	**270,798**	303,177
Profit for the period	**58,184**	54,336
Gross dividend	**(71,268)**	(86,715)
Special dividend out of 2019 retained earnings	**–**	*(26,748)*
Dividend proposal for 2020	**–**	*(59,967)*
Profit carried forward	**257,715**	270,798

Non-consolidated accounts, profit distribution and statutory appointments

Statutory appointments

The mandate of Mr Rajesh Jejurikar as Director will expire at the next general meeting of shareholders on May 25, 2022. He is candidate for re-election. Upon recommendation of the Appointment and Remuneration Committee the Board proposes to the shareholders its re-election for a term of office of three years, ending at the general meeting of shareholders in 2025.

Mr. Olivier van der Rest has decided to step down as Director and Chairman of the Board of Directors as of May 24, 2022, when he will pass the Chair to Mr. Thierry Vanlancker.

With a total tenure of 19 years of service since the creation of Aliaxis, first as Director and then 12 years as Chairman of the Board, Mr. van der Rest has been key in shaping Aliaxis and setting it up for a bright future. Under Mr. van der Rest's Chairmanship Aliaxis became a larger and more solid industrial group, and amongst others expanded significantly in Australia and India through the acquisitions of Vinidex and Ashirvad respectively.

The Board of Directors expressed its gratitude and appreciation for all the achievements during so many years of service.

3F Advisory SRL (represented by Mr. Olivier Hamoir) has decided to step down as Director as from the next general meeting of shareholders on May 25, 2022. The Board would like to thank Mr. Hamoir for his outstanding services and valuable contribution as Director and Chairman of the Appointment and Remuneration Committee.

Mr. Didier Leroy has decided to step down as Director as from the next general meeting of shareholders on May 25, 2022. The Board would like to thank Mr. Leroy for his outstanding services and valuable contribution as Director and member of the Appointment and Remuneration Committee.

Pursuant to the decision of Mr. Olivier van der Rest, 3F Advisory SRL (represented by Mr. Olivier Hamoir) and Mr. Didier Leroy to step down, the Board of Directors, upon recommendation of the Appointment and Remuneration Committee, proposes to the shareholders to elect Mrs. Myriam Beatove Morale, Mr. Peter de Wit and Mr. Thomas del Marmol as Directors of Aliaxis SA for a term of office of three years ending at the general meeting of shareholders to be held in 2025.

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 (%)
EBIT / average of capital employed at 1 January and 31 December x 100

Return on equity (group share) (%)
Net profit (group share) / average of equity attributable to equity holders of Aliaxis at 1 January and 31 December x 100

Effective Income tax rate (%)
Income taxes / profit before income taxes x 100

Pay-out ratio (%)
Gross dividend per share / basic earnings per share x 100

Aliaxis SA

	2021 € million	2020 € million	2019 € million	2018 € million	2017 € million	2016 € million
Revenue*	**3,675.1**	2,907.7	3,117.6	3,095.0	3,094.7	2,949.4
Current EBITDA*	**674.4**	461.1	440.1	415.1	411.4	358.8
% of revenue	**18.3%**	15.9%	14.1%	13.4%	13.3%	12.2%
Current EBIT*	**537.2**	315.5	300.1	308.5	300.4	243.5
% of revenue	**14.6%**	10.9%	9.6%	10.0%	9.7%	8.3%
EBIT*	**612.4**	330.6	323.6	273.2	273.5	193.5
% of revenue	**16.7%**	11.4%	10.4%	8.8%	8.8%	6.6%
Net profit (Group share)*	**397.8**	198.5	183.0	137.1	143.2	101.0
Capital expenditure (including leasing)*	**175.5**	148.7	151.6	86.6	110.6	106.0
% of depreciation and amortisation	**129%**	103%	108%	81%	100%	96%
% of current EBITDA	**26%**	32%	34%	21%	27%	30%
Total equity	**1,924**	1,413	1,409	1,258	1,624	1,623
Net financial debt*	**99**	438	771	775	357	464
Return on capital employed*	**30.8%**	16.1%	15.0%	12.8%	12.3%	8.6%
Return on equity (Group share)*	**23.9%**	14.1%	13.8%	9.8%	9.2%	6.6%
Average number of employees	**14,442**	14,473	15,511	16,088	15,904	16,087

	2021 € per share	2020 € per share	2019 € per share	2018 € per share	2017 € per share	2016 € per share
Earnings						
Basic	**5.06**	2.54	2.33	1.74	1.82	1.26
Diluted	**5.06**	2.54	2.33	1.74	1.82	1.26
Gross dividend	**0.782**	0.658	0.587	0.58685	0.5335	0.485
Net dividend	**0.5474**	0.4606	0.4109	0.410795	0.37345	0.3395
Pay-out ratio*	**15.5%**	26.0%	25.2%	33.7%	29.3%	38.4%
Outstanding shares at 31 December (net of treasury shares)	**78,681,987**	78,270,500	78,288,855	78,739,901	78,725,401	78,781,879

*Defined in the glossary

Colophon
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Group Communications – Group Finance

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www.gather.london

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