

Aquafil - Helping Define the Circular Business Model of the Future

Believes now is the time to move from a linear to a circular economic model

ARCO, Italy, June 20, 2024 — **Aquafil SpA (ECNLF:OTCQX - ECNL:IM)**, based in Arco (TN) Italy and a pioneer of the circular economy, believes now is the time for business leaders to make a radical shift. If we are to continue driving toward a circular economy, businesses must think beyond how they can create circular products and also begin developing and adopting circular business models.

There is especially an opportunity for this shift within the interior design and architecture space, where products and materials are frequently used and switched out. The common business model in today's design industry still struggles to create with the end in mind: spaces are created to be used for a specific purpose and not optimized to be re-used again. Research from LMN Architects recently discovered that this cycle of waste has built a cumulative carbon impact that is even greater than the emissions generated by the structure of the building itself.

By transitioning to innovative business models with a circular focus, design businesses will still be able to share important products with customers while reducing resource extraction on one end and waste buildup on the other. Some of the circular business models of the future that we're starting to see are products as services, product use extension and take-back programs.

Products as Services

One of the latest innovative business models we're seeing is one where items that were typically sold as products are now being sold as services. The Ellen MacArthur Foundation highlights a few organizations practicing this model, from lighting-as-a-service, where customers pay a monthly fee for light while the business manages the installation, operation and maintenance of the lighting systems, to furniture-as-a-service, where customers pay a monthly fee for furniture and return it when no longer needed.

These service models enable customers to keep up with the latest and greatest products without contributing to waste. Businesses are able to take back the products when they start to wear and tear or the customer no longer needs them, finding ways to reuse the materials or get them ready for a new customer. The success of the business changes from volume to performance, therefore extending the life of the product. This mindset shift will also mean a shift in the way products are designed, as designers and manufacturers are incentivized to create products that are longer lasting and use ingredients that withstand wear and tear for longer. Businesses that turn to the product as a service model will have to consider the durability and impact of the materials they work with in a way they hadn't before.

Product Use Extension

Another circular business model explores opportunities to extend the life of a product after its use. In the architecture and construction space, this can mean finding ways to renovate existing spaces with existing materials rather than bulldozing and starting fresh. A recent Bloomberg article highlights how the U.S. economy is already moving in this direction as renovations have overtaken new construction in architectural billings for the first time in 20 years.

Architects are typically inspired to create something new, but there needs to be a shift in excitement to transform older buildings just as well, especially with a circular mindset. Not only does it create more carbon emissions when we build a new structure, there are also outdated energy systems and embodied carbon within materials of older buildings that contribute nearly 40% of total global greenhouse gas emissions, according to the Global Alliance for Building and Construction. Architects have the opportunity and responsibility to apply circular design principles to already built environments in order to combat these issues and extend the life of their products: in this case, buildings.

For interior design, product use extension can mean creating modular products that can easily be taken apart.

Take-Back Programs

Take-back programs will likely be the easiest transition for traditional business models into more circular practices, although they will require innovative logistics. Often, organizations with this model have developed a way to reutilize the materials from used products to create new products, enabling the business to rely less on resource extraction. It also tends to build a strong loyalty with customers who have an incentive to continue buying products, knowing they will either be able to trade it in for a newer model or receive a payment of some kind.

The take-back model has already been adopted within the fashion industry, especially with businesses that are already using recycled and regenerated ingredients in their design. However, there is an opportunity for the design industry to also utilize this model. For example, Aquafil's carpet recycling centers have provided Aquafil a way to take back nylon-based products like carpet and fabric scraps that would otherwise end up in landfills to create ECONYL® regenerated nylon. In states like California and now New York with carpet recycling laws, businesses are even incentivized to recycle their carpet, benefitting the recycler, the business receiving the recycled materials as well as the environment.

Building a Circular Business Model

Moving from a linear to a circular economic model brings multiple benefits, including the reduction of pressure on the environment, the optimization of the availability of raw materials

and an inevitable boost to innovation and economic growth. The companies that lead the way with circular business models have given us an example of what is possible and an inspiring hope for our future economy.

Over 10 years ago Aquafil recognized the virtue and value of the Circular Economy and eco-design. Since then, the Company has invested hundreds of millions of Euros in developing technologies and building facilities to produce an infinitely recyclable version of Nylon 6: ECONYL® regenerated nylon. The latter maintains the same quality level and performance as standard nylon, has the same wearing features as material from fossil fuel and can help you closing the loop.

Today, Aquafil generates over 52% of its fibers revenues from the ECONYL® regeneration products (1Q 2024 revenues amounted to Euro 147.5 mln). The goal is to continually increase this proportion targeting 60% to 2025.

About Aquafil SpA

Since 1965, the Aquafil Group has been a pioneer of the circular economy and a landmark in terms of quality and product innovation for Italy and the globe. We primarily manufacture Nylon 6 fibers and polymers but also Nylon 6.6 and Dryarn. Our flagship product is ECONYL® nylon, which revolutionizes the world of synthetic fibers through a closed-loop model.

Today, Aquafil remains a leader in the research of new production systems for sustainable development.

To keep current on Aquafil, please go to www.aquafil.com.

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