

**Observations of the Board of Statutory Auditors
on the mutual termination
of the audit assignment
pursuant to article 7 of Ministerial Decree no. 261/2012**

To the Shareholders of the company Aquafil S.p.A.

The undersigned Board of Statutory Auditors

WHEREAS

- Space3 S.p.A. (hereinafter, **Space3**) has been incorporated as SIV (Special Investment Vehicle) as defined in the Rules of the Market organized and managed by Borsa Italiana S.p.A. and, as such, it had the sole purpose of achieving, within a maximum period of approximately 24 months from the date of commencement of trading of its ordinary shares, a business combination with a target company (hereinafter, **Relevant Transaction**), preferably through a merger by incorporation of the target company into Space3;
- by shareholders' meeting resolution on 9 October 2016 Space3 granted the statutory audit assignment for the nine-year period 2016 - 2024 to the audit firm KPMG S.p.A. (hereinafter, **KPMG**);
- Space3 has identified Aquafil S.p.A. (hereinafter, **Aquafil Pre-Merger**) as target company pursuant to the guidelines defined in its investment policy;
- on 15 June 2017, an agreement has been entered into (*inter alia* by Aquafil Pre-Merger and Space3) for the purpose of regulating the implementation of the Relevant Transaction, which envisages, among other things, the merger by incorporation of Aquafil Pre-Merger into Space3 (hereinafter, the **Merger**);
- on 4 December 2017, the Merger was consummated and Space3 changed its name into Aquafil S.p.A. (hereinafter **Aquafil** or **Company**);
- The company PricewaterhouseCoopers S.p.A., (hereinafter, **PwC**) with registered office in Milan, Via Monte Rosa n. 91, acted, until the Merger became effective, as external auditor of Aquafil Pre-Merger on the basis of a three-year mandate given by the Shareholders' meeting of Aquafil Pre-Merger on 29 April 2016, pursuant to Article 13 of Legislative Decree no. 39/2010;
- the Merger resulted in the incorporation of Aquafil Pre-Merger an operating company at the head of an international group and characterized by a complex production and commercial organization, leader in the production and commercialization of synthetic fibers for textile flooring and clothing, into a SIV which, until the Merger became effective, had as its sole corporate purpose the searching for the target company to carry out the Relevant Transaction with;
- as a result of the Merger, therefore, a substantial change occurred in Space3, as incorporating company, in respect of (i) the activity carried out by the same, which became the same carried out by Aquafil Pre-Merger and (ii) its shareholding;

- Space3 agreed with KPMG to mutually and early terminate the aforementioned audit assignment, subject to the completion of the Merger and the appointment of a new external auditor by the Shareholders' meeting of Aquafil, as per the letters dated 13 September 2017;
- On 4 December 2017 the Board of Directors of Aquafil required the undersigned Board of Statutory Auditors to express its opinion on mutual termination of the existing audit assignment with KPMG, as well as its reasoned proposal on the appointment of the new external auditor, submitting, in particular, to the evaluation of the undersigned Board of Statutory Auditors the sole offer submitted by PwC for the performance of the audit activity pursuant to art. 17, paragraph 1, of Legislative Decree 39/2010 and Regulation no. 537/2014, the terms and conditions of which are detailed in the offer itself. In particular, the Board of Directors underlined how the reasons and grounds to proceed with the replacement of the audit firm by means of mutual termination, without the need to carry out a competitive bid lie:
 - (a) in the changes occurred in the shareholding of the Company since, as a result of the Merger, a change of control occurred in favour of the company GB&P S.r.l., the controlling company of Aquafil Pre-Merger, which had PwC as audit firm;
 - (b) in the provisions of art. 16, paragraph 4 of EU Regulation no. 537/2014, which provides that the selection procedure for the appointment of the new audit auditors is not applicable to the "EIPs" (*Enti di Interesse Pubblico*) (including companies listed on regulated markets) qualified as SMEs (among which, Aquafil);
 - (c) upon the consideration that (i) the assessment of the correct entry of management facts into the accounting records (in which the new audit assignment for the years 2017-2025 would consist) would be clearly eased in terms of timeliness, efficiency and effectiveness if carried out by the audit firm of Aquafil Pre-Merger, thanks to the in-depth knowledge acquired by the same throughout the years on the corporate, organizational and operating structure of the incorporated company and of its group and (ii) the appointment of a sole external auditor company for the whole group would be convenient from an organizational standpoint, through an increased efficiency and effectiveness of the audit activity, ensured as well by the continuity of the audit activity on Aquafil.
- Art. 7 of Ministerial Decree of the Minister of Economy and Finance no. 261 of 28.12.2012, issued pursuant to art. 13, paragraph 4, of Legislative Decree no. 39 of 27 January 2010, provides that "*The auditor or audit firm and the audited company may consensually decide to terminate the audit agreement, provided that the statutory audit activity continues to be ensured*";

CONSIDERED THAT

- the reasons behind the opportunity for Aquafil to mutually resolve the audit assignment with KPMG in order to enable, in terms of timeliness, economy and efficiency, the audit activity on the financial statements and consolidated financial statements of the incorporating company, as resulting as of the effective date of the merger, thanks to the in-depth knowledge acquired by PwC, the current external auditor of Aquafil, in respect of the corporate, organizational and operating structure of the incorporated company and of its group;
- the undersigned Board of Statutory Auditors does not recognize any potential prejudicial intention against the shareholders of Space3 or third parties underlying the agreement between Space3 and KPMG;

- in the context of the Shareholders' Meeting of Aquafil that will be convened to resolve simultaneously upon the early termination of the audit assignment in place with KPMG and the granting of the audit assignment on Aquafil to PwC, KPMG will ensure the continuity of the audit activity;
- on the date hereof, the undersigned Board of Statutory Auditors prepared its reasoned proposal pursuant to articles 13 and 17 of the Legislative Decree no. 39 of 27 January 2010, for the granting of the audit assignment to be submitted to the Shareholders' Meeting of Aquafil to be convened.

EXPRESSES FAVOURABLE OPINION

to the mutual termination of the statutory audit assignment currently in place with KPMG, regarding the audit assignment for the nine-year period for the financial years as of 31 December of the years 2016 – 2024 of the aforementioned Space3, subject to the appointment of a new external auditor by the Shareholders Meeting of Aquafil.

This opinion, together with the Report of the Directors, as resulting from the minutes of the abovementioned meeting of the Board of Directors of Aquafil dated 4 December 2017, and from the resolution of early termination and granting of the new assignment by the Shareholders' Meeting of Aquafil, will be sent by the latter to Consob, pursuant to art. 9 of the Ministerial Decree of the Minister of Economy and Finance no. 261 of 28 December 2012.

Milan, 6 December 2017

The Chairman of the Board of Statutory Auditors, Pier Luca Mazza
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The effective member of the Board of Statutory Auditors, Marco Giuliani
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The effective member of the Board of Statutory Auditors, Virginia Marini
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**Reasoned proposal
of the Board of Statutory Auditors for the granting of
the audit assignment
pursuant to articles 13, paragraph 1, and 17, paragraph 1, of Legislative Decree
no. 39/2010**

To the Shareholders of the company Aquafil S.p.A.

The undersigned Board of Statutory Auditors

WHEREAS

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- as a result of the Merger, therefore, a substantial change occurred in Space3, as incorporating company, in respect of (i) the activity carried out, which became the same carried out by Aquafil Pre-Merger and (ii) its shareholding;

- Space3 agreed with KPMG to mutually and early terminate the aforementioned audit assignment, subject to the completion of the Merger and the appointment of a new external auditor by the Shareholders' Meeting of Aquafil, as per the letters dated 13 September 2017;
- on 4 December 2017 the Board of Directors of Aquafil required the undersigned Board of Statutory Auditors to express its opinion on the mutual termination of the existing audit assignment with KPMG, as well as its reasoned proposal on the appointment of the new external auditor, submitting, in particular, to the evaluation of the undersigned Board of Statutory Auditors the sole offer submitted by PwC for the performance of the audit activity pursuant to art. 17, paragraph 1, of Legislative Decree 39/2010 and Regulation no. 537/2014, the terms and conditions of which are detailed in the offer itself. In particular, the Board of Directors underlined how the reasons and grounds to proceed with the replacement of the audit firm by means of mutual termination, without the need to carry out a competitive bid lie:
 - (a) in the changes occurred in the shareholding of the Company since, as a result of the Merger, a change of control occurred in favour of the company GB&P S.r.l., the controlling company of Aquafil Pre-Merger, which had PwC as audit firm;
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 - (c) upon the consideration that (i) the assessment on the correct entry of management facts into the accounting records (in which the new audit assignment for the years 2017-2025 would consist) would be clearly eased in terms of timeliness, efficiency and effectiveness if carried out by the audit firm of Aquafil Pre-Merger, thanks to the in-depth knowledge acquired by the same throughout the years on the corporate, organizational and operating structure of the incorporated company and of its group and (ii) the appointment of a sole external auditor for the whole group would be convenient from an organizational standpoint, through an increased efficiency and effectiveness of the audit activity, ensured as well by the continuity of the audit activity on Aquafil.
- Article 13 of Legislative Decree 27 January 2010 no. 39 provides that the Shareholders' Meeting grants the audit assignment based on reasoned proposal of the Board of Statutory Auditors;

EXAMINED

- the assignment proposal dated 1 December 2017 of the audit firm PwC for the nine-year period ending on 31 December of the years 2017 – 2025;
- the letter dated 13 September 2017, by which Space3 communicated to KPMG the reasons behind the opportunity to mutually resolve the audit assignment, subject to the Merger and the appointment of a new independent external auditor by the Shareholders' Meeting of the Company;
- the letter dated 13 September 2017, by which KPMG communicated to Space3 to have no observations on the reasons provided by the latter and confirmed its availability to mutually resolve the audit assignment, subject to the Merger and the appointment of a new external auditor by the Shareholders' Meeting of the Company;

- the reasons provided by the Board of Directors of Aquafil to the Board of Statutory Auditors in the meeting held on 4 December 2017 justifying the circumstance that the offer of PwC, external auditor of Aquafil Pre-Merger, has been the only one submitted to the Board of Statutory Auditors;

CONSIDERED THAT

- PwC declared that, on the basis of the information obtained and the assessment carried out, did not identify, as of 1 December 2017, circumstances that might jeopardize its independency and reasons of ineligibility or ceasing as per the applicable laws;
- PwC has an organization and technical-professional skills adequate to the scope and complexity of the assignment to be carried out;
- the estimated number of hours that the audit firm is willing to dedicate to the assignment, as resulting from the assignment proposal, appears adequate and the relevant fee appears congruous;
- that the granting of the audit assignment to PwC appears appropriate also considering that such firm was already in charge of the audit of financial statements and consolidated financial statements of the incorporated Aquafil Pre-Merger and its group,

PROPOSES

- on the basis of the reasons illustrated, pursuant to article 13, paragraph 1, and article 17, paragraph 1, of Legislative Decree no. 39/2010, that the audit assignment regarding the financial statements of Aquafil, the consolidated financial statements of its group and limited audit of the half-yearly shortened consolidated financial statements for the financial years as of 31 December of the years from 2017 to 2025 is granted to the audit firm PwC, in accordance to the offer submitted by the same.

Milan, 6 December 2017

The Chairman of the Board of Statutory Auditors, Pier Luca Mazza
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The effective member of the Board of Statutory Auditors, Virginia Marini
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The effective member of the Board of Statutory Auditors, Marco Giuliani
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