

Financial
statements

2017

AQUAFIL 
synthetic fibres and polymers





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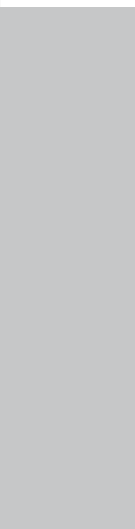
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General Information



Corporate Boards

Board of Directors

| | |
|----------------------|------------------------------------|
| GIULIO BONAZZI | Chairman & Chief Executive Officer |
| ADRIANO VIVALDI | Executive Director |
| FABRIZIO CALENTI | Executive Director |
| FRANCO ROSSI | Executive Director |
| SILVANA BONAZZI | Director (*) |
| SIMONA HEIDEMPERGHER | Director (*) (**) (***) |
| CARLO PAGLIANI | Director (*) |
| MARGHERITA ZAMBON | Director (*) (**) |
| FRANCESCO PROFUMO | Director (*) (**) |

(*) Non-executive director

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

(***) Lead Independent Director.

Control and Risks Committee

| | |
|----------------------|-------------|
| SIMONA HEIDEMPERGHER | Chairperson |
| FRANCESCO PROFUMO | Member |
| CARLO PAGLIANI | Member |

Appointments and Remuneration Committee

| | |
|----------------------|-------------|
| FRANCESCO PROFUMO | Chairperson |
| SIMONA HEIDEMPERGHER | Member |
| MARGHERITA ZAMBON | Member |

Supervisory Board

| | |
|----------------|-----------------|
| FABIO EGIDI | Chairperson |
| KARIM TONELLI | Member |
| MARCO SARGENTI | External member |

Board of Statutory Auditors

| | |
|---------------------------|-------------------|
| STEFANO POGGI LONGOSTREVI | Chairperson |
| BETTINA SOLIMANDO | Statutory Auditor |
| FABIO BUTTIGNON | Statutory Auditor |

Independent Audit Firm

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

The Board of Directors will remain in office until the approval of the financial statements for the year 2019 and the Board of Statutory Auditors will remain in office until the approval of the financial statements for the year 2020. The Independent Audit Firm were appointed for the period 2017/2025. For full details on the Corporate Boards, reference should be made to the Corporate Governance and Ownership Structure Report, drawn up in accordance with Article 123-bis of Legislative Decree 58/1998 and available on the Aquafil Group website.

OPERATIONAL MODEL

For nearly 50 years now, the Group has generated and distributed value on the Nylon 6 market, developing cutting-edge environmentally-friendly and highly innovative industrial processes and products. Always committed to taking concrete measures to protect the environment, Aquafil works to maintain its leadership in the sector through an innovative business model which can combine product quality with community protection, the efficient use of resources and the creation of value for all those involved in company operations.

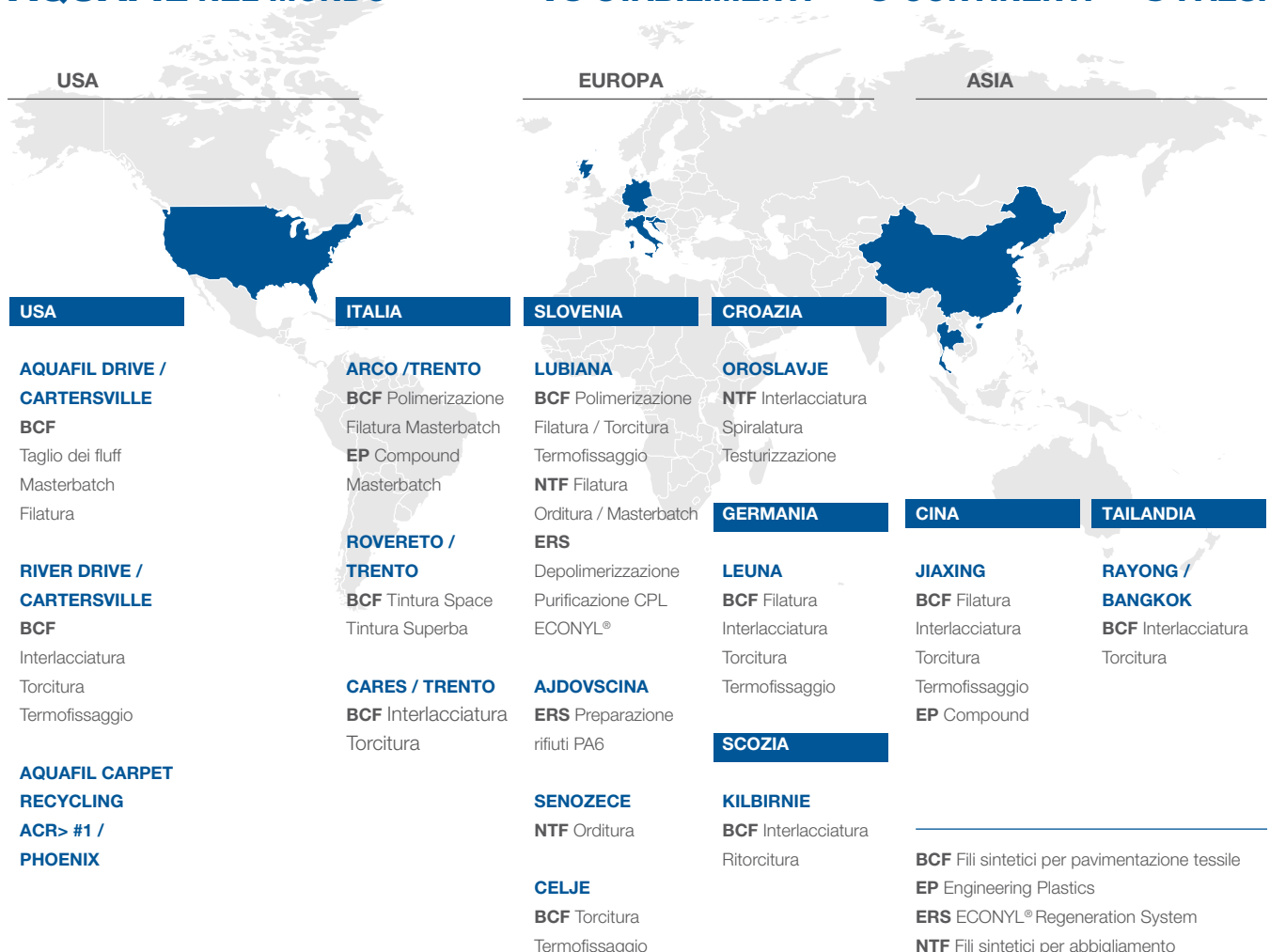
THE GROUP

The Aquafil Group is one of the leading manufacturers - both in Italy and globally - of polyamide 6 (PA6) fibres and polymers, a plastic material also known as nylon. The Group, founded in 1969 in Arco, Italy, where it still has its headquarters, boasts 15 plant on 3 continents and in 8 countries (Italy, Germany, Slovenia, United Kingdom, Croatia, USA, China and Thailand) at 31/12/2017.

The fibres produced by the Group target two main sectors - textile flooring (carpets and rugs) and clothing (underwear, hosiery and technical sports clothing). The polymers are mainly sold on the engineering plastics market. The Group also operates in the plant engineering sector through the company Aquafil Engineering GMBH, which specializes in the design of industrial chemical plant.

AQUAFIL NEL MONDO

15 STABILIMENTI 3 CONTINENTI 8 PAESI



The Aquafil Group's key success factors are:

- An extremely broad and varied product portfolio offering a complete and diversified range of coloured yarns;
- A strong global presence.
- Expertise throughout the entire production and distribution chain, permitting both fibre production process management (as evidenced by the development of the ECONYL® Regeneration System) and of subsequent re-processing.
- Synergies and advantages shared by flooring and clothing sector operations (e.g. in terms of know-how, geographical distribution etc.).

PRODUCT AREAS

Aquafil's production and marketing activities are organized into three product lines, textile flooring yarns (Bulk Continuous Filament, or BCF), clothing and sports yarns (Nylon Textile Filament, or NTF) and nylon 6 polymers, mainly targeting the engineering plastics sector for subsequent use in the moulding industry.

BCF Area

Textile flooring yarn production has been Aquafil's core business since its foundation. The BCF area is engaged in the production, re-processing and marketing of textile flooring yarns for three major markets: contract services (e.g. hotels, offices and public spaces), automotive (e.g. car carpets, linings, coverings and upholstery) and residential. The Group has set up Carpet Centers in each of the main production markets (Italy, USA and China), whereby specialist technicians support customers in the creation of designer products in step with market trends, developing ad-hoc chromatic solutions and tailor-made production techniques.

NTF Area

The NTF Area is dedicated to the production of polyamide 6 and 6.6 synthetic fibres for the underwear, hosiery, sports, fashion and leisure clothing sectors. Aquafil constantly collaborates with its customers to continuously improve the aesthetic and performance qualities demanded by the fashion and sports sectors. With its extensive experience in the sector, Aquafil is the main supplier of leading Italian and European apparel, underwear and sportswear brands.

Polyamide 6 polymer area

Thanks to the versatility of its polymerization plant, the Aquafil Group produces not only PA6 polymers optimized for use in the production of textile flooring and clothing sector yarns - but also products specially designed for use in engineering plastics production, with polymers destined directly, or following transformation, for the moulding industry. The extremely broad family of products cover a variety of specifications, such as viscosity, functionalized and functionalizing additives and monomers affecting the physical and chemical characteristics, colourings or sector applications.

PRODUCTION SITES

The main production sites and the activities carried out are outlined below.

Aquafil – Arco (TN) - Italy

The Aquafil Group's production and administrative headquarters are located in Arco (TN), where general management and administration, marketing, finance, operating control, marketing and ICT system control are overseen.

The production site specialises in nylon 6 polymer and bulk-dyed textile flooring yarn production. A "masterbatch" unit is also engaged in producing all the colours used for dyeing.

An expert team is tasked with research and development activities, involving the pilot lines for polymerization, spinning, masterbatch production, textile reworking and carpet production.

Tessilquattro – Cares (TN) - Italy

This facility is located in Cares (TN), a few kilometres from the industrial site in Arco, from which it receives bulk continuous filament (BCF) and specialises in two textile processes - twisting and interlacing - for the production of multicoloured yarns.

It has put in place an advanced logistics and tracking model that is fully integrated with the central ERP system. The site delivers fast turnaround for individual client customized orders, from small to large batches destined for the contract and residential sectors.

Tessilquattro – Rovereto (TN) - Italy

The Rovereto (TN) production site is located a few kilometres from the industrial site in Arco, from which it receives raw bulk continuous filament (BCF) for reworking. The plant specializes in raw BCF and modified affinity dyeing, using two specific technologies, space dyeing and Knit DeKnit dyeing (KDK), with extensive know-how developed over the years to guarantee colour consistency and fastness for both the contract and residential sectors.

All plant operations are supervised through the central ERP system.

AquafilSLO – Ljubljana - Slovenia

The Ljubljana site specializes in the integrated production of ECONYL® caprolactam, PA6 polymer, bulk continuous filament (BCF), nylon textile filament (NTF) and the reworking of BCF and NTF yarns. The ECONYL® plant is based on a proprietary nylon 6 regeneration technology that recovers PA6 from waste and sewage. Sorting, physical purification, de-polymerization and distillation stages create the caprolactam monomer used for polymerization.

The BCF spinning plant specializes in the production of raw yarns subsequently reworked in twisting and setting units for the contract and residential markets. The textile spinning plant produces Nylon 66 and Dryarn® partially oriented yarn (POY) and fully drawn yarn (FDY) from third-party procured polymers, and nylon 6 yarn from internally produced polymer. The site also conducts ECONYL® and nylon textile filament research and development activities.

At the Ljubljana plant, anti-static yarns for incorporation into BCF and NTF yarns are also produced for uses requiring anti-static fibres.

AquafilSLO – Celje - Slovenia

The Celje site carries out BCF (twisted and set) production, specializing in twist-combining filaments of different colours and characteristics and saturated-steam colour thermosetting in order to produce high-performance filaments for contract and residential sector applications. Production quality, speed and versatility are guaranteed by a specially developed logistics and tracking model fully integrated with the central ERP system.

AquafilSLO – Senozece - Slovenia

The Senozece site, specializing in nylon textile filament (NTF) warping, is about 25 kilometres from the Italian border and is therefore ideally situated to receive fully drawn yarn (FDY) from the NTF spinning mills, carry out warping and delivering the product to customers in Northern Italy.

AquafilSLO – Ajdovscina - Slovenia

Located a few kilometres from the Italian border, the Ajdovscina site was, until 2016, not only the pre-and post-consumer waste collection centre for the ECONYL® regeneration plant, but also the main facility for the material sorting, selection and preparation needed to guarantee efficient regeneration processes.

Improvements in incoming waste and the transfer of many material preparation activities to Ljubljana have significantly curtailed the site's activities, now limited to several specific milling operations and a critical role in warehousing materials that cannot be received directly by the Ljubljana site.

Aquafil UK – Kilbirnie - UK

The Kilbirnie site in Scotland is dedicated to meeting the specific needs of the British market through twisted, interlaced and twisted set bulk continuous filament (BCF) production activities.

The facility's skill-set and machinery infrastructure assure coverage of the entire complex range of BCF reworking processes, supported by full central ERP system integration and an on-site BCF stock as a guarantee of service standard conformity.

AquaLeuna – Leuna - Germania

The site, located in the Leuna industrial park, just outside Leipzig, produces bulk continuous filament (BCF), which is reworked on site through twisting and setting processes. The BCF spinning plant specializes in raw yarn production for subsequent processing and dyeing uniformity is guaranteed through constant process monitoring. The facility minimizes logistics costs by benefitting from an upstream integration with the polymer supplier, which pipes over the raw material, and the central ERP system integration guarantees monitoring and service standard conformity.

AquafilCRO - Croazia

The main site for nylon textile filament (NTF) rework processes, particularly of the partially oriented yarn (POY) and fully drawn yarn (FDY) produced in Ljubljana, Slovenia, is in Oroslavje, Croatia, which is facilitated by excellent customs-free, road transport links.

Efficient production planning and coordination, through the central ERP system, guarantees ready-for-delivery product transfer to the warehouse near the Italian border.

Aquafil China – Jiaxing - Cina

The Jiaxing (China) site was designed to serve specialist bulk continuous filament (BCF) markets by covering a range of processes from spinning to interlacing, twisting and thermosetting and producing both raw and bulk dyed filament. ECONYL® is sent directly from Europe, while other polymers and bulk-dye BCF production masterbatches, using the cross-Group colour-recipe database, are produced locally.

Aquafil Asia Pacific – Rayong - Thailandia

Situated in Rayong Province (Thailand), this site was designed to deliver a fast, custom service to Thai and Australian customers. Its production focuses exclusively on bulk-dyed interlaced yarns and boasts a sizeable local stock of bulk continuous filament (BCF) ECONYL® based yarns delivered from Europe and China, as well as a fleet of machinery with sufficient capacity to cope with peak demands.

Aquafil USA – Cartersville (GA) - Aquafil Drive

The Cartersville site in the US state of Georgia produces mainly bulk-dyed BCF yarns, with the polymers produced on-site and the ECONYL® polymers received from Europe. The bulk-dye BCF production masterbatches are produced locally.

Aquafil USA – Cartersville (GA) - Fiber Drive

This site, also located in Cartersville, Georgia, specializes in rework processes, in particular, interlacing, twisting and thermosetting. Bulk continuous filament (BCF) coming from the Aquafil Drive site are processed here to customer requirements.

Aquafil USA – Phoenix - Carpet Recycling(ACR) # 1

Wholly-owned by Aquafil USA Inc., the new Aquafil Carpet Recycling (ACR) #1 Inc. production company was set up in Phoenix, Arizona, in 2017, to recover and re-process material from end-of-life carpeting, partly to feed the ECONYL® production process.

KEY MARKETS

The Group operates on a global scale with a consistent service level across the various companies and markets. Indeed, today's industrial globalization standards have been achieved through a precise strategy of technological and technical know-how sharing between the various companies of the Group, utilizing a centralized Enterprise Resource Planning (ERP) system, based on SAP ECC, which guarantees product specification compliance, technological uniformity and the real-time circulation of information.

Two of the defining features of the Aquafil Group since its inception have been the development of synchronized market penetration and the building of the logistics and industrial infrastructures required to supply products on a global scale.

International expansion has enabled the Group to develop and operate on the following markets:

- EMEA for the development, production and marketing of textile products for flooring and clothing and of polymers;
- North America, Asia and Oceania for the production and marketing of textile flooring yarns.

The Aquafil Group manages sales directly on its key markets through distributors (under exclusivity) and, for smaller markets, through individual multi-mandate agents.

CERTIFICATIONS

The Group has established a certification process to guarantee consistent management in terms of quality, the environment, energy consumption and safety. The certifications obtained are summarized below:

| Facility | ISO 14001 (Environment) | ISO 9001 (Quality) | ISO 50001 (Energy) | OHSAS 18001 (Safety) |
|--------------------------|-------------------------|--------------------|--------------------|----------------------|
| Aquafil (Arco) | X | X | - | X |
| Tessilquattro (Cares) | - | X | - | - |
| Tessilquattro (Rovereto) | - | X | - | - |
| AquafilSLO (Ljubljana) | X | - | - | - |
| Aqualeuna | X | X | X | - |
| AquafilCRO | X | - | X | X |
| Aquafil Cina | X | X | - | X |
| Aquafil Asia Pacific | - | X | - | - |
| Aquafil Drive | - | X | - | - |

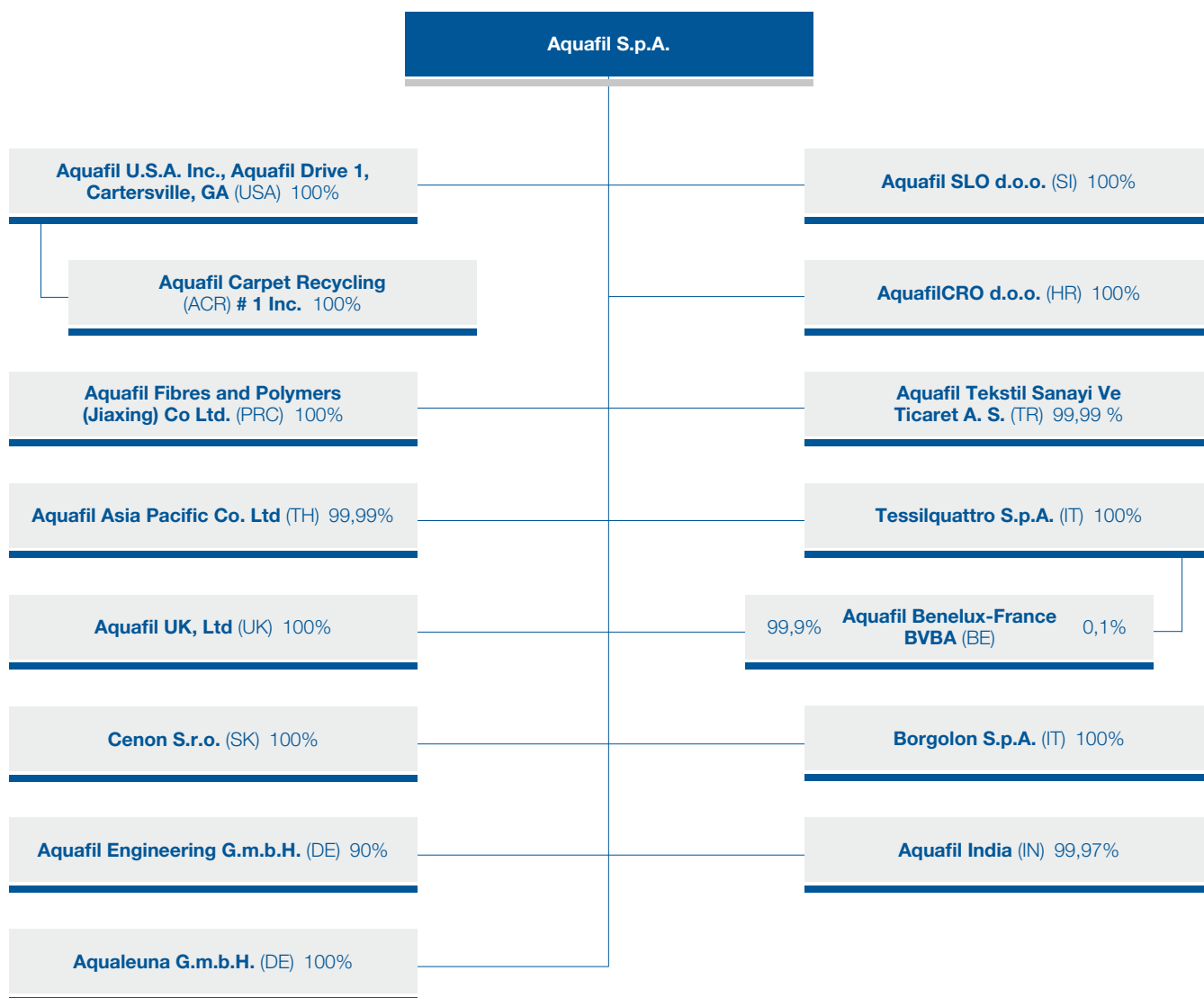
The Group has also received a number of certifications guaranteeing product features in terms of quality, environment and safety. This is testament to Aquafil's commitment to one of the cornerstones of its strategy – product culture. These certifications are the:

- OEKO TEX Certificate, certifying the complete absence of harmful substances from products;
- ECONYL® product certificate: PA6 100% recycled yarn, with content post and pre-consumption;
- ECONYL® caprolactam certificate: 100% recycled, with content post-consumption in excess of 50%;
- content of the recycled ECONYL® NTF yarn according to the GRS (Global Recycle Standard) issued by Control Union (claim: *Yarn - 50% recycled post consumer + 50% recycled pre consumer*);
- ECONYL® Altochroma issued by UL recycled content (claim: *Alto Chroma ECONYL® Solution Dyed Fibers contain a minimum of 96% recycled content, consisting of 100% recycled Polyamide 6 polymer*);
- Environmental Product Declaration (EPD): Environmental declaration on environmental performance over the life cycle of products: respectively obtained for the ECONYL® polymer and the ECONYL® BCF and NTF yarns;
- Responsible care, Julon Ljubljana: voluntary global chemical industry programme declaring the achievement of excellence in the areas of safety, health and the environment.

Group Structure

OVERVIEW

The Group comprises 15 direct or indirect subsidiaries of Aquafil S.p.A., with headquarters in Europe, United States and Asia. The Aquafil Group's operating strategy is directly overseen by Aquafil S.p.A..



The global spread of Aquafil Group companies creates a major competitive advantage, providing customers on the various markets with a uniform level of service quality, in addition to an extremely broad and constantly developing range of products as a core feature of the Group's commercial proposal.

End consumer sales are mainly undertaken through:

- in Europe by the Parent Company Aquafil S.p.A., Borgolon S.p.A., Aquafil Uk Ltd. and Aquafil Engineering G.m.b.H.;
- in Non-European markets by the production companies present locally and therefore in the US by Aquafil USA Inc., in Turkey by Aquafil Tekstil San. Ve. Ticaret A.S. and in the Far East by Aquafil Synthetic Fibres and Polymers (Jiaxing) Co. Ltd. (China) and by Aquafil Asia Pacific Co. Ltd (Thailand).

MAIN CHANGES TO THE GROUP STRUCTURE IN THE YEAR

The parent company Aquafil S.p.A. is the company resulting from the merger by incorporation of Aquafil S.p.A., founded in Arco (TN) in 1969 and which produces and sells fibres and polymers (principally polyamide), and Space3 S.p.A., a company incorporated on October 6, 2016 as an Italian Special Purpose Acquisition Company (SPAC), beneficiary of the spin-off operation of Space2 S.p.A. on March 15, 2017 and admitted for trading on the Professional Segment of the Investment Vehicles Market (MIV) organised and managed by Borsa Italiana S.p.A., following the placement with qualified investors in Italy and overseas institutional investors.

On December 4, 2017, the effective merger date, Space3 S.p.A. changed its name to Aquafil S.p.A. and established its registered office as Arco (TN), via Linfano n. 9.

Reference should be made to the Directors' Report, "Significant Events in the year", for further details concerning the above stated events.



NOUVEAU

← Direzione di produzione
← SAT





17. Directors' Report of Aquafil S.p.a. on the Separate and Consolidated Financial Statements at December 31, 2017

2017 Directors' Report

Dear Shareholders,

the *statutory financial statements* which we submit for your review and approval, with the Income Statement presenting "Total revenues and other revenues and income" of Euro 37.8 million and a net loss of Euro 2.7 million, after current and deferred taxes for a net total of Euro 4.1 million.

The financial statements include the income statement for 12 months of Space 3 S.p.A., the company which legally incorporated Aquafil S.p.A., while the income statement of this latter for the January 1, 2017 - December 4, 2017 period (Effective Merger Date) is included in the retained earnings in the financial statements prepared by the company for the merger, considering that the merger deed established that the accounting and tax effects are to run from the effective date.

The Board of Directors of the parent company Aquafil S.p.A., in accordance with the accounting rules, prepared also the *Aquafil Group* consolidated financial statements for 2017.

In the consolidated financial statements, this merger was represented as a transaction through which Aquafil S.p.A. ("accounting acquirer") acquires Space 3 S.p.A. ("accounting acquiree") with its net assets and its status as a listed company. This representation is in line with that required by IAS/IFRS given that, on the basis of the characteristics of the accounting acquisition, the transaction is not considered in accounting terms as a "business combination", but as a share-based payment and therefore IFRS 2 is applied rather than IFRS 3.

Consequently, the consolidated financial statements at December 31, 2017 were drawn up in continuity, relative to the economic and temporal consolidation scope, with the consolidation of Aquafil S.p.A. at December 31, 2016.

The consolidated financial statements present "Total revenues and other revenues and income" of Euro 549.3 million and a Group net profit of Euro 25.3 million.

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

INTRODUCTION

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

This Directors' Report in addition contains the disclosure required by Legislative Decree 254/2016, enacting directive 2014/95/EC concerning the communication of non-financial disclosure.

CORPORATE INFORMATION OF THE PARENT COMPANY AQUAFIL S.P.A.

Registered Office: Via Linfano, 9 - Arco (TN) - 38062 - Italy

Telephone: +39 0464 581111- Fax: +39 0464 532267

Certified e-mail: pec.aquafil@aquafil.legalmail.it

E-mail: info@aquafil.com

Website: www.aquafil.com

Share capital (at the date of the financial statements at 31.12.2017):

- Approved: 50,676,034.18
- Subscribed: 49,672,545.68
- Paid in: 49,672,545.68

Tax and VAT number: IT 09652170961

Trento Economic & Administrative Registration No. 228169

AQUAFIL GROUP CONSOLIDATED FINANCIAL HIGHLIGHTS

Definition of alternative performance indicators

Gross operating profit (EBITDA):

The result for the year adjusted by the following items:

- (i) income taxes for the year
- (ii) investment income and charges
- (iii) amortisation, depreciation and write-downs of tangible and intangible assets
- (iv) provisions and write-downs
- (v) financial income and charges
- (vi) non-recurring items.

Adjusted EBIT

EBITDA to which the accounts "amortisation, depreciation and write-downs" and "provisions and write-downs" are added. EBIT differs therefore from the Adjusted EBIT only in terms of the non-recurring components.

Net Financial Position

This was calculated as per Consob Communication of July 28, 2006 and the ESMA/2013/319e Recommendations. Consequently:

- A. Cash
- B. Other liquid assets
- C. Other current financial assets
- D. Liquidity**
- E. Current financial receivables**
- F. Current bank payables
- G. Current portion of non-current debt
- H. Other current financial payables
- I. Current financial debt**
- J. Net current financial debt**
- K. Non-current bank payables
- L. Bonds issued
- M. Other non-current payables
- N. Non-current financial debt**
- O. NET FINANCIAL DEBT**

KEY FINANCIAL HIGHLIGHTS

| in Euro thousands | 2017 | 2016 |
|--|----------------|----------------|
| Net Profit | 25,216 | 20,129 |
| Income taxes | 1,625 | 6,990 |
| Investment income and charges | (50) | 1,167 |
| Amortisation, depreciation and write-downs | 24,229 | 24,071 |
| Provisions & write-downs | 1,103 | 718 |
| Financial income/(charges) (*) | 14,670 | 9,642 |
| Non-recurring items (**) | (5,788) | (2,357) |
| EBITDA | 72,580 | 65,074 |
| Revenues | 549,331 | 481,996 |
| EBITDA margin | 13.2% | 13.5% |
| in Euro thousands | 2017 | 2016 |
| EBITDA | 72,580 | 65,074 |
| Amortisation, depreciation and write-downs | 24,229 | 24,071 |
| Provisions & write-downs | 1,103 | 718 |
| Adjusted EBIT | 47,248 | 40,285 |
| Revenues | 549,331 | 481,996 |
| Adjusted EBIT margin | 8.6% | 8.4% |

(*) Including: (i) financial income for Euro 219 thousand and Euro 718 thousand respectively for 2017 and 2016, (ii) financial charges for Euro 6,276 thousand and Euro 7,067 thousand respectively for 2017 and 2016, (iii) cash discounts for Euro 3,813 thousand and Euro 3,513 thousand respectively for 2017 and 2016, and (iv) currency gains for Euro 3,368 thousand and Euro 220 thousand respectively for 2017 and 2016, currency losses for Euro 8,168 thousand for 2017.

(**) These include (i) listing charges for Euro 2,274 thousand for 2017, (ii) mobility and incentive charges for Euro 1,628 thousand and Euro 349 thousand respectively for 2017 and 2016, (iii) non-recurring charges related to the expansion of the Aquafil Group and other corporate transactions for Euro 1,555 thousand and for Euro 1,802 thousand respectively for 2017 and 2016 and (iv) other non-recurring charges and income for Euro 311 thousand and Euro 206 thousand respectively for 2017 and 2016.

EBITDA, as defined by the alternative performance indicators outlined in the financial highlights of this report, increased from Euro 65.1 million to Euro 72.6 million, up Euro 7.5 million (+11.5%). The decrease on revenues from 13.5% in 2016 to 13.2% in 2017 derives from the increase in the value of the sales price which reflected the increases in the value of the raw materials and, consequently, increased the denominator of the ratios, reducing the results in terms of margin.

The other net operating earnings indicators follow the movements of EBITDA, differing in terms of amortisation, depreciation and write-downs (EBIT) - without significant change between the two years and - in addition, in terms of the non-recurring components (EBIT adjusted).

EBIT increased in the year, substantially due to (i) higher volumes for the various product lines and (ii) an improved unitary margin on items sold, part of which is explained by the reduction in production costs for the Econyl® raw material due to the ongoing optimisation and streamlining works.

Key balance sheet and financial indicators

| Description (in Euro thousands) | 31/12/2017 | 31/12/2016 |
|---------------------------------|--------------|--------------|
| Consolidated Net Equity | (125,499) | (115,970) |
| Net Financial Position: | | |
| <i>N.F.P. - third parties</i> | (112,071) | (155,533) |
| <i>N.F.P. - shareholders</i> | | 37,492 |
| Total N.F.P. | (112,071) | (118,039) |
| N.F.P./EBITDA | (1.5) | (1.8) |

ECONOMIC OVERVIEW

2017 is marked by continued global expansion, driven primarily by investment and the impetus provided by the manufacturing sector. These factors, in addition to having produced the fastest economic expansion since 2010, are also bound not to subside in the short-term as tending to be self-sustaining: in fact, new investment generates revenue and demand which, in turn, justifies new investment; the production and demand for capital goods and the drive provided by the manufacturing sector are strong promoters of international trade.

A further stimulus to world trade was provided in 2017 by the growth in Chinese domestic demand, sparked by expansive measures in view of the Congress of the Communist Party held in October.

With reference to the Eurozone, GDP growth is higher than that forecast by the European Commission (+1.4%); in fact, in the third quarter of 2017, GDP stood at +2.2% compared to 2016, with an updated 12 month estimate of +2.4%. The growth estimate for 2018 is slightly lower at 2.1%, driven by the strengthening of domestic demand and the investment contribution's consolidation. Rising political uncertainty seems to be the only element that could slow down the growth of the Eurozone: Brexit's yet unknown route is compounded by the Catalan crisis in Spain and the political and government uncertainty of other countries, including Germany and Italy.

As regards the United States, US GDP is revised upwards for 2017 at +2.3% when compared to the previous year; in particular, growth in the third quarter of 2017, despite the Harvey and Irma summer hurricanes, was surprising. The US economy continues to benefit from both the consumption drive and investment, especially in terms of industry, which increased by over 10% on the previous year.

The Japanese economy grew in the summer for the seventh consecutive quarter (the longest period in the last 15 years), to then slow down during the third quarter due to a slight decrease in private consumption and unfavourable climatic factors which affected travel and transport.

In the United Kingdom, the main issues related to the exit from the European Union are still to be resolved, such as the system to regulate migration flows and the mechanism for the trade of goods and services. This uncertainty, exacerbated by the weakening of the May Government, has led to an impoverishment of the British economy, which resulted in a downgraded growth forecast for 2018 (+1.3% from +1.5%).

The Chinese economy continues to grow, up 6.9% in both the first and second quarters of 2017; this growth has certainly benefitted from the approach of the Congress of the Communist Party held in October, in view of which a solid economy was targeted, marked by growth that is in line with government objectives. The expected growth rate for 2018 is 6.4%.

Italy follows global growth, due to both the excellent performance of exports (however, penalised by the strengthening of the Euro) and the increase in investment, fostered through government incentives. The GDP growth gap against the Eurozone has decreased even if not altogether eliminated; however, the distance from the pre-crisis peak is still considerable. The outcome of the general elections is significant in this sense, since it marks a crossroads for the country between continuing along the path of reform or a setback that can only have adverse effects on the Italian economy.

The economic outlook for 2018 is for continued global growth and a slight recovery in inflation which should, however, remain at a level marginally lower than 2%, a threshold which is typically the critical point for a change across-the-board in Central Banks' monetary policies.

With reference to the currency market, the Euro/Dollar exchange rate, after reaching a low of 1.04 at the beginning of 2017, has appreciated significantly, positioning itself at an average annual value of 1.129 (1.199 at end 2017). From the beginning of 2017, the rise of the Euro against the Dollar was 15.3%; however, the Euro remains devalued when compared to the maximum values of 2014 (the exchange rate in March 2014 was 1.38). In the first months of 2018, the rise continued up to a maximum of 1.25 in the first half of February, to then drop in the following weeks. Average 2018 exchange rate expectations of specialised sources, on the basis of which the Group's budget assumptions were made, are based on an average expected value of 1.22.

With regard to the oil markets, the 2017 expanding demand (+1.3 mbg) exceeded supply, thus supporting prices. This resulted in a 14% average increase of Brent in 2017, with a listing value at end 2017 above 66.6 dollars per barrel. The increase in the price of oil at the end of 2017 was driven by further factors such as political tensions in Saudi Arabia, the uncertainty of exports from Iraqi Kurdistan, the continued freezing of OPEC supplies and the temporary halt on US extraction due to the hurricanes. The price of the intermediary chemical derivative caprolactam, which is the constituting raw material for the majority of the products sold by the Group (polymers and polyamide 6 fibres) in part followed the price of oil, with an average annual price approx. 20% above the 2016 average and continuing to increase in the initial months of 2018.

GROUP OPERATING PERFORMANCE

2017 saw strong results for the Aquafil Group, which reported improved operating profit and earnings on 2016 and a decrease in the net financial debt.

Sales volumes on the three product lines overall increased on the previous year, with significant growth for the BCF line in the US and Asia Pacific and for the polymers line in Europe.

Polyamide polymers saw significant volume growth, principally on the European market.

The 2017 Income Statement compared with the previous year is reported below:

INCOME STATEMENT

| in Euro thousands | Note | 2017 | of which non-current | 2016 | of which non-current |
|---|------|----------------|----------------------|----------------|----------------------|
| Revenues | 9.1 | 549,331 | (0) | 481,996 | 0 |
| <i>of which related parties:</i> | | 297 | | 881 | |
| Other revenue and income | 9.2 | 260 | 260 | 339 | 339 |
| Total revenues and other revenues and income | | 549,591 | 260 | 482,335 | 339 |
| Costs of raw mat., ancillaries & consumables | 9.3 | (289,169) | (1,131) | (240,616) | (1,626) |
| <i>of which related parties:</i> | | (0) | | 0 | |
| Service costs and rents, leases and similar costs | 9.4 | (94,096) | (2,840) | (87,445) | (425) |
| <i>of which related parties:</i> | | (3,668) | | (2,493) | |
| Personnel costs | 9.5 | (101,304) | (1,975) | (93,799) | (440) |
| <i>of which related parties:</i> | | (797) | | (929) | |
| Other costs and operating charges | 9.6 | (2,575) | (102) | (2,145) | (204) |
| <i>of which related parties:</i> | | (70) | | 0 | |
| Amortisation, depreciation & write-downs | 9.7 | (24,229) | | (24,071) | |
| Provisions & write-downs | 9.8 | (1,103) | | (718) | |
| Increase in internal work capitalized | 9.9 | 533 | | 874 | |
| EBIT | | 37,647 | (5,788) | 34,415 | (2,356) |
| Investment income/charges | 9.10 | 50 | | (1,167) | |
| Financial income | 9.11 | 219 | | 718 | |
| <i>of which related parties:</i> | | 144 | | 460 | |
| Financial charges | 9.12 | (6,276) | | (7,067) | |
| <i>of which related parties:</i> | | 0 | | 0 | |
| Exchange gains/losses | 9.13 | (4,800) | | 220 | |
| Profit before taxes | | 26,841 | | 27,119 | |
| Income taxes | 9.14 | (1,625) | 2,721 | (6,990) | |
| Net Profit for the year | | 25,216 | (3,067) | 20,129 | |
| Minority interest net profit | | 99 | | 106 | |
| Group Net Profit | | 25,117 | | 20,023 | |
| <i>Basic earnings per share</i> | 9.15 | 0.55 | | 0.44 | |
| <i>Diluted earnings per share</i> | 9.15 | 0.55 | | 0.44 | |

Consolidated revenues increased 14.0% on the previous year (over Euro 67.3 million), totalling Euro 549.3 million compared to Euro 482.0 million in 2016. Among the principal factors contributing to higher revenues was the increase in the price of raw materials, which was reflected in the sales prices of the finished products, and the above-stated increase in sales volumes.

Raw materials, ancillaries and consumables also reported a significant increase, amounting to Euro 289.2 million compared to Euro 240.6 million in 2016 (+20.2%). These costs were also impacted by the rise in the oil price in 2017, which impact the principal raw materials acquired by the Group, and the increase in production volumes.

Service costs and rent, lease and similar costs amounted to Euro 94.1 million in 2017, an increase of 7.6% on 2016 (Euro 87.4 million) due to the increase in the variable components of the services related to production increases, such as energy, transport and other logistical costs, maintenance, and to a significant extent the costs for the listing process included in this account.

Personnel costs rose approximately Euro 7.5 million in 2017 amounting to Euro 101.3 million (+8.0%). The average Group workforce remains substantially unchanged on 2016, increasing from an average of 2,720 to 2,728 (+0.3%). This follows the departure of 42 employees of the company Borgolon S.p.A. and increases at the main Group production facilities. The cost level differential is principally due to:

- the entry to the parent of medium/high level personnel, increasing personnel costs by Euro 0.9 million;
- increase in the use of temporary staff by Aquafil S.p.A. and Tessilquattro S.p.A. for a total of Euro 1.3 million, in line with production requirements;
- extraordinary costs related to the redundancy of employees at Borgolon S.p.A. for Euro 1.1 million;
- effect from the acquisition of the dying operations from Aquaspace S.p.A. by Tessilquattro S.p.A. in the final quarter of 2016, resulting in the entry of 60 employees and increased costs in 2017 of Euro 1.7 million (this cost was included in the 2016 financial statements for only 3 months);
- the non-closure of production during the summer period by Aquafil S.p.A., resulting in a lesser use of vacations by personnel, in addition to a reduced use of vacations by managerial personnel due to the merger and listing. The overall effect is quantified as Euro 0.3 million;
- salary increases as set out by the collective bargaining agreements applied by the Italian companies, for Euro 0.4 million;
- increase in production hours, particularly with regards to the Slovenian, US and Chinese facilities.

Amortisation and depreciation, amounting to Euro 24.2 million in 2017, was substantially stable compared to the previous year (+0.7%), while the impact of these costs on revenues decreased from 5% in 2016 to 4.4% due to higher revenues.

Net financial charges increased from Euro 7.3 million to Euro 10.8 million, with a net increase of Euro 3.5 million; the overall change is attributable positively (i) to the reduction in financial charges on loans, obtained thanks to the renegotiation of contracts, (ii) to the reduction of the gross debt with advance settlement of loans, also due to the funds received from Space3 S.p.A. and, negatively (iii) to exchange gains and losses which deteriorated compared to the previous year mainly due to the strengthening of the Euro against the US Dollar.

Income tax stems from the corporation taxes of the individual countries where income was realised and includes the recognition of deferred tax assets and liabilities, amounting overall to Euro 1.6 million, compared to Euro 7.0 million in the previous year. The positive impact on IRES from application of the ACE Law 214/2011 on the parent company, whose effect is outlined in the Notes, was also significant. Current taxes amounted to Euro 4.0 million, due to taxes on profits in foreign countries and IRES and IRAP taxes on Italian income.

Group consolidated net profit was Euro 25.3 million, compared to Euro 20.0 million in 2016.

DISCLOSURE BY OPERATING SEGMENT

IFRS 8 - *Operating segments* defines an operating segment as a component (i) involving business activities generating revenues and costs, (ii) whose operating results are reviewed periodically at the highest decision-making level and (iii) for which separate financial data is available.

The operating segments of the company are identified on the basis of the information analysed by the Board of Directors, which constitutes the highest decision-making level for strategic decisions, the allocation of resources and the analysis of results.

For IFRS 8 purposes, the Group activities are identifiable as a single operating segment.

The Group structure in fact identifies a unitary and strategic vision for the business and this representation is consistent with the manner with which management takes decisions, allocates resources and defines the communication strategies, making it uneconomical, as it currently stands, to divide the business.

Therefore, the information required by IFRS 8 corresponds to that presented in the consolidated income statement.

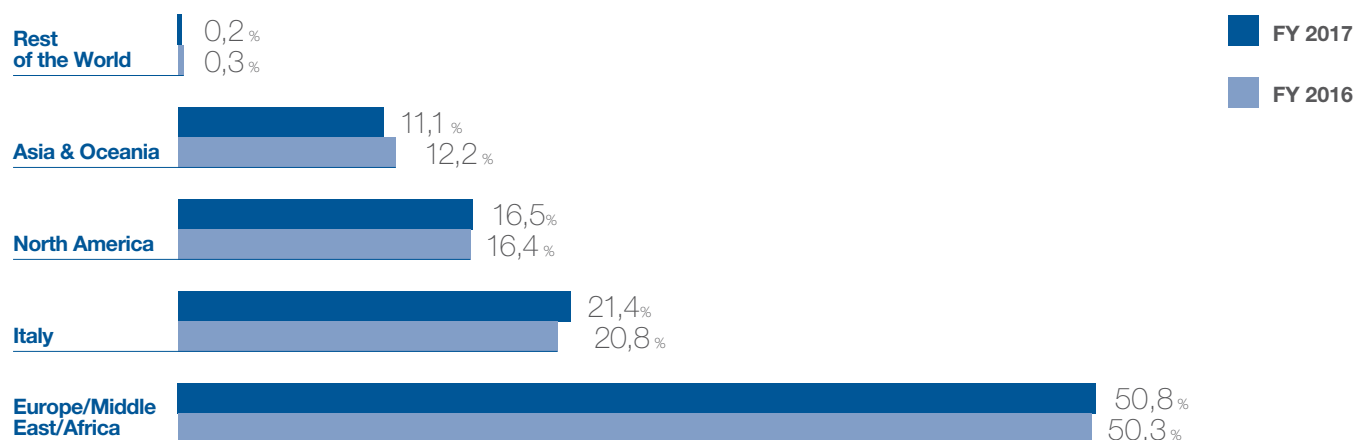
The breakdown of consolidated revenues by region and by product line is therefore reported below.

Revenue breakdown by region

The breakdown of consolidated revenues by region substantially confirms the numbers for the previous year across the various areas. Italian market sales principally derived from the NTF product area to domestic customers, which in turn derive a significant amount of revenues from export; a large part of revenues in Italy derive from the sale of polymers and scrap polyamide 6.

The breakdown of revenues by region is outlined in the following graph:

REVENUE BREAKDOWN BY REGION



Revenue breakdown by product area

The breakdown of revenues by product area, compared with 2016, indicates growth for polymer sales against the two other areas. The contribution against the total Group revenues is reported in the following graph.

REVENUE BY PRODUCT AREA



All product lines grew business volumes, with BCF and NTF line growth of approx. 6% and with higher growth for the Polymers line, doubling revenues on the previous year and accounting for approx. 13% of total revenues. BCF line revenues include the engineering operations of Aquafil Engineering G.m.b.H., which totalled Euro 11.8 million in the year.

Revenues by product are broken down below.

| <i>(in Euro thousands)</i> | Year ended December 31 | | | |
|--------------------------------|------------------------|-------------|----------------|-------------|
| | 2017 | % | 2016 | % |
| Bulk Continuous Filament (BCF) | 381,854 | 69,5% | 358,765 | 74,4% |
| Nylon Textile Fibres (NTF) | 94,673 | 17,2% | 89,487 | 18,6% |
| Polymers | 72,804 | 13,3% | 33,744 | 7,0% |
| Total | 549,331 | 100% | 481,996 | 100% |

GROUP BALANCE SHEET AND FINANCIAL SITUATION

The following table reclassifies the consolidated equity and financial position of the Group at December 31, 2017 and December 31, 2016.

| <i>(Euro thousands)</i> | At December 31, 2017 | At December 31, 2016 | Change |
|--|-----------------------------|-----------------------------|----------------|
| Trade receivables | 34,870 | 34,735 | 135 |
| Inventories | 153,499 | 151,999 | 1,500 |
| Trade payables | (94,477) | (84,994) | (9,483) |
| Tax receivables | 524 | 428 | 96 |
| Other current assets | 12,517 | 9,947 | 2,570 |
| Other current liabilities | (18,919) | (20,152) | 1,233 |
| Net working capital | 88,015 | 91,963 | (3,948) |
| Property, plant & equipment | 153,927 | 147,324 | 6,603 |
| Intangible assets | 7,782 | 5,639 | 2,143 |
| Financial assets | 408 | 3,118 | (2,710) |
| Non-current assets held for sale | 0 | 0 | 0 |
| Net fixed assets | 162,117 | 156,081 | 6,036 |
| Employee benefits | (5,876) | (6,547) | 671 |
| Other net Assets/(Liabilities) | (6,685) | (7,455) | 770 |
| NET CAPITAL EMPLOYED | 237,570 | 234,042 | 3,528 |
| Cash and banks | 99,024 | 80,545 | 18,480 |
| ST bank payables and loans | (49,483) | (47,207) | (2,276) |
| M-LT bank payables and loans | (91,597) | (116,695) | 25,099 |
| M-LT bond loan | (53,820) | (54,413) | 593 |
| ST bond loan | (716) | (50) | (666) |
| Current financial receivables | 988 | 38,509 | (37,521) |
| Other financial payables | (16,468) | (18,728) | 2,260 |
| NET FINANCIAL POSITION | (112,071) | (118,041) | 5,969 |
| Group shareholders' equity | (125,014) | (115,585) | (9,429) |
| Minority interest shareholders' equity | (485) | (386) | (99) |
| TOTAL SHAREHOLDERS' EQUITY | (125,499) | (115,969) | (9,530) |

In the consolidation process, the balance sheet items expressed in foreign currencies were impacted by the write-back/write-down of opening balance sheet items in 2017 (currency translation effects) principally between the Euro the US and Chinese currencies: the changes in the balance sheet items compared to 2017 arose partly due to this factor.

Net working capital amounted to Euro 88.0 million at December 31, 2017 and Euro 92.0 million at December 31, 2016. This improvement of Euro 3.9 million is mainly due to the lower cash absorption of trade payables, in addition to better trade receivable management, which, despite the increase in overall revenues, remained substantially in line with the previous year.

Fixed assets at December 31, 2017 amounted to Euro 162.1 million, an increase of Euro 6.0 million compared to the previous year. The most significant changes concerned capacity expansion investment and improvements on existing production lines; this increase is partially offset by a reduction in financial assets due to the sale of the *La finanziaria Trentina* and RE Energy *Capital Sicav* investments for Euro 1.7 million and the full divestment from the associate XLance Fibre Italia S.r.l. for total consideration of Euro 1.1 million.

For details on the breakdown and changes in shareholders' equity, reference should be made to the Note.

Net financial debt at December 31, 2017 amounted to Euro 112.1 million compared to Euro 118.0 million at December 31, 2016. The movements are outlined in detail in the consolidated cash flow statement, indicating cash flows generated from operations of Euro 49.9 million and the impact on investment activities for Euro 34.4 million.

The main developments concerning the debt items were:

- (i) contribution of liquidity from the merger, liquidity in current accounts of Space 3 S.p.A. of Euro 41.8 million, which together with the liquidity in the current accounts of the various Group companies, at year-end increased cash and cash equivalents to Euro 99.0 million; this liquidity was partly used in the initial months of the new year to settle in advance a number of medium-term credit lines undertaken in previous years at conditions which no longer reflect current market rates and the company's rating;
- (ii) the pre-merger distribution of dividends by Aquafil S.p.A. to shareholders for a total of Euro 51.3 million: following this distribution, the majority shareholder Aquafin Holding S.p.A. fully repaid Aquafil S.p.A. the interest-bearing shareholder loan undertaken in previous years, for Euro 37.5 million; the net change in the debt concerning this item was therefore Euro 13.8 million;
- (iii) the signing of new unsecured medium-term loans for a total of Euro 65.0 million, against the repayment of the current instalments of the medium/long-term loan and the early repayment of the medium-term loan for Euro 88.1 million.

The total Group bank credit lines at year-end amount to Euro 109.5 million, completely unutilised.

The two loans are still in the grace period and therefore no capital repayments were made in the year.

The payables to other lenders relate to the contract for the equity stake in the subsidiary AquafilCRO d.o.o., signed in 2013 with the company Finest S.p.A. of Pordenone, for a value of Euro 1.7 million and as support for the investment projects at the Croatian site. This contract was reclassified to financial payables on the basis of the repurchase agreements at pre-established conditions after 6 years.

The leasing payables were classified to finance lease payables and principally concern the property lease upon the production facilities of the parent company Aquafil S.p.A. of Arco (TN).

INTERCOMPANY TRANSACTIONS AND TRANSACTIONS WITH RELATED COMPANIES

Inter-company transactions

Aquafil Group operations directly involve - both in terms of production and distribution - the Group companies, which are assigned (depending on the case) the processing, special processing, production and sales phases for specific regions.

The main transactions with the Group companies in 2017, broken down by each of the three product lines, were as follows.

RCF Line

The core business of the Aquafil Group is the production, reprocessing and sale of yarns, principally polyamide 6 BCF-based, for the textile flooring market, in which Aquafil S.p.A. is the European leader and among the leaders globally, proposing a range of very high quality products to end customers. The Group also produces and markets polyester fibres for certain textile flooring applications.

The Group companies involved in the production and sales processes are the parent company Aquafil S.p.A., with production site in Arco (Italy), Tessilquattro S.p.A., with production based in Cares (Italy) and in Rovereto (Italy), AquafilSLO d.o.o., with facilities in Ljubljana, Store and Ajdovscina (Slovenia), Aqualeuna G.m.b.H. with facilities in Leuna (Germany), Aquafil USA Inc. with two facilities in Cartersville (U.S.A.), Aquafil Asia Pacific Co. Ltd., with production based in Rayong (Thailand), Aquafil Synthetic Fibres and Polymers Co. Ltd., with production based in Jiaxing (China), Aquafil UK, Ltd. with facilities in Kilbirnie (Scotland) and the commercial company Aquafil Benelux-France BVBA, with offices in Harelbeke (Belgium). During the year, the US company Aquafil Carpet Recycling #1, Inc. was incorporated and from 2018 shall engage in the extraction of nylon 6 from "end life" carpets to support the Econyl® industrial process.

Commercial activities are undertaken with industrial clients, which in turn produce for the intermediate/end-consumer markets, whose sectors are principally (a) the "contract" markets (hotels, offices and large public environments), (b) internal high-end car floors and (c) residential textile flooring. The product and technological process innovation continues, which annually permits the complete overhaul of the yarn collections; the research and development is carried out by the internal development centre in collaboration with developers within client companies and architectural studies upon the final users of carpets.

A significant proportion of polyamide 6 fibres are produced using the caprolactam from regenerated Econyl® which employs top quality caprolactam, no longer transforming products based on the refining process of oil, utilising as a raw material industrial recovered polyamide-based materials (pre-consumer) and/or disposed of at the end of their life cycle (post-consumer).

NTF Line

The NTF product area produces and reprocesses polyamide 6 and 66 fibres, Dryarn® polypropylene microfibers for men's and women's hosiery, knitwear and non-run fabrics for underwear, sportswear and special technical applications. The markets concern producers in the clothing, underwear and sportswear sectors. The production/sale of fibres for textile/clothing use is undertaken by the companies Aquafil S.p.A. and Borgolon S.p.A. (Italy), AquafilSLO d.o.o. with facilities in Ljubljana and Senozece (Slovenia), AquafilCRO d.o.o., with facilities in Oroslavje (Croatia) and Aquafil Tekstil Sanayi Ve Ticaret A. S., with commercial operations based in Istanbul (Turkey). The subsidiary Aquafil India Private Limited (India) is not operational.

Nylon 6 polymer line

The Group produces and sells polymers and polyamide 6 waste for the "engineering plastics" sectors; these activities are carried out by the companies Aquafil S.p.A. and AquafilSLO d.o.o., Aquafil Synthetic Fibres and Polymers Co. Ltd. Jiaxing (China) and Aquafil USA Inc. Cartersville (U.S.A.). The main sales activity focuses on customers belonging to the Domo Chemicals N.V. Group.

Other activities

The Slovak company Cenon S.r.o. (Slovakia) does not carry out production activities; it holds a long-term lease of land and of a number of buildings and non-specific plant which remain on the site after the disassembly and sale to third parties of specific chemical plant concerning the activities carried out previously.

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

With the other related companies to which reference is not expressly made, commercial operations are undertaken at arm's length, in consideration of the features of the goods and services rendered.

Related party transactions

The transactions of the Aquafil Group with related parties, as defined by international accounting standard IAS 24, relating to the consolidated financial statements for the year ended December 31, 2017, are presented below. The Aquafil Group undertakes commercial and financial transactions with its related companies, consisting of transactions relating to ordinary operations and at normal market conditions, taking into account the features of the goods and services provided.

The Group has made available on its website www.aquafil.com, in the Corporate Governance section, the *Related Parties Transactions Policy*.

The Aquafil Group undertakes transactions with the following related parties:

- parent company and other companies at the head of the chain of control (parent companies),
- companies under significant influence (associated companies),
- other parties identified as related parties in accordance with IAS 24 (other related parties).

The transactions between the Parent Company, its subsidiaries outside of the consolidation scope and the Aquafil Group concern financial transactions, commercial leases and transactions for the settlement of accounts receivable and payable arising from the tax consolidation of Aquafin Holding S.p.A., which includes, among others, the Group companies Tessilquattro S.p.A. and Borgolon S.p.A.. The transactions have been presented in the Explanatory Notes.

Aquafil S.p.A. during the year approved and issued a dividend to the shareholder Aquafin Capital S.p.A. (subsequently merged by incorporation into Aquafin Holding S.p.A. as per Shareholders' Meeting motion of August 3, 2017) for a total of Euro 51.3 million. An initial tranche of Euro 49.6 million, approved on April 28, 2017, was paid by Aquafin Capital S.p.A. for Euro 12 million on May 30, 2017; the residual Euro 37.6 million was offset with the receivable of Aquafil S.p.A. from Aquafin Holding S.p.A. (Aquafin Holding S.p.A., parent of Aquafin Capital S.p.A., in turn benefitted from dividends received from this latter). The second tranche of Euro 1.7 million, approved by the Shareholders' Meeting of July 18, 2017, was paid on July 20, 2017 to Aquafin Capital S.p.A..

Transactions with related parties were on an arm's length basis. For a breakdown of the income statement and balance sheet amounts generated by related party transactions included in the Group consolidated financial statements at December 31, 2017, reference should be made to the Explanatory Notes.

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

SIGNIFICANT EVENTS IN THE YEAR

Among the significant events in the year, we highlight the conclusion of the merger by incorporation of the ex Aquafil S.p.A. into Space3 S.p.A., resulting in the listing of the company on the STAR segment of the Italian Stock Exchange. In particular, the steps in the transaction were as follows:

- On June 15, 2017, the Boards of Directors of Space3 S.p.A. and Aquafil S.p.A. approved the Business Combination, to be executed through the merger by incorporation of Aquafil S.p.A. into Space3 S.p.A.
- On July 27, 2017, the Shareholders' Meeting of Space3 S.p.A. in ordinary session approved the Business Combination, as previously approved by the Board of Directors of Space3 S.p.A. on June 15, 2017.
- On December 1, 2017, Consob issued through motion No. 0132302/17 authorisation to publish the prospectus for the admission to trading of Aquafil S.p.A. ordinary shares and market warrants on the STAR segment of the MTA of the Italian Stock Exchange managed by Borsa Italiana S.p.A..
- On December 4, 2017, the ordinary shares and market warrants of Aquafil began trading on the STAR segment of the MTA. The statutory, accounting and tax effects of the merger by incorporation of Aquafil S.p.A. into Space3 S.p.A. run from that date. The company resulting from the merger takes the name "Aquafil S.p.A."

The capital conferred to Aquafil S.p.A. through the Business Combination will be allocated to strengthen the company's capital base to step up both organic growth - through investments in innovation and particularly the division dedicated to sustainable yarns featuring the ECONYL® brand - and through targeted acquisitions.

Finally, in addition to the outlined merger process, with the Extraordinary Shareholders' Meeting of August 3, 2017 the parent Aquafin Capital S.p.A. was merged by incorporation into Aquafin Holding S.p.A., which, effective December 4, 2017, became the new direct parent of Aquafil S.p.A..

NON-FINANCIAL REPORT AS PER LEGISLATIVE DECREE NO. 254/2016

Methodological note

This “Non-Financial Report” (hereafter the “Report”) presents and summarises the Sustainable Operating Model adopted by the Aquafil Group (hereafter also only “the Group”), according to the indications of Legislative Decree No. 254 of 2016 (hereafter “Legislative Decree 254/2016”).

The information and the key indicators reported refer to calendar year 2017: the reporting scope includes all the fully consolidated companies of the Group with at least one production site, with the exception of the company Aquafil Carpet Recycling (ACR) # 1, as incorporated in 2017 and whose facility is in the start-up phase.

The information and key indicators for 2017 are compared with those of the two preceding years (2015 and 2016), establishing therefore a trend for the last three years.

The Report is broken down into three macro-areas, each corresponding to a specific chapter:

- the business model adopted by the Group, already presented in the general information of this Directors’ Report;
- the policies applied by the business for each of the scopes established by Legislative Decree 254/2016: environmental and social;
- the main risk factors generated by Group operations, described in the preceding section of this Directors’ Report.

In particular, the content of this Non-Financial Report outlines the Group’s sustainability data and is based on the guidelines issued by the Global Reporting Initiative (GRI), version G4, outlining the development of the material aspects and relations with stakeholders. The list of the Standard Disclosures utilised are annexed. In 2018, the transition to the new GRI Standards will be made.

The content of the Non-Financial Report is finally subject to limited audit by an independent third party (PricewaterhouseCoopers SpA), according to the principles and indications of the “International Auditing and Assurance Standard Board (IAASB)”.

Reporting scope

All the information reported in this Non-Financial Report concerns calendar year 2017, as indicated in the Methodological Note; the reporting scope includes all the companies of the Group with at least one production site, with the exception of the company Aquafil Carpet Recycling (ACR) # 1, as incorporated in 2017 and whose facility in Phoenix (Arizona) is in the start-up phase. In addition, the consolidated company Borgolon S.p.A. is included in the scope only for the initial three months of 2017, as ceasing production and with the transfer of production to the Ljubljana facility, where the new production lines have started up. All of the trading and services companies with exclusively administration and market oversight functions have been excluded, with such exclusions limiting the presentation of Group results “to the extent necessary to understand operations, performances and results and the impact produced” as required by Decree 254/16. In particular, the following were excluded:

- the company Cenon S.r.o (SK), as not operative;
- the Turkish company Aquafil Tekstill, which carries out trading activities on the Turkish market;
- the German company Aquafil Engineering, which independently carries out the design and construction of chemical plant;
- the Belgian company Aquafil Benelux, the official agency for the Benelux market.

For an outline of the Group companies, reference should be made to the “Group Structure” graph reported in the general information section of this Directors’ Report.

POLICIES IMPLEMENTED BY THE BUSINESS

1. INTRODUCTION

1.1 DOING BUSINESS SUSTAINABLY: THE ECO PLEDGE®

For Aquafil sustainability consists in striking the delicate balance between the three elements that regulate the management of an efficient organization: the economic aspect, namely the company's ability of creating lasting value, the environmental aspect, the safeguarding of natural resources and surrounding territories, and the social aspect i.e. the ability to create and guarantee well-being for all supply chain actors and to respect the rights of the workers and local communities with which Aquafil interacts. .

The Aquafil Group acknowledges sustainability as a key factor of its development strategy and has developed a responsible business model, which is essential for maintaining and strengthening its competitive position in the reference markets.

The integration of sustainability into Aquafil's business strategy affects all of the Group's strategic choices and occurs according to a series of guidelines, rationalized under the name "THE ECO PLEDGE® - *Aquafil's path towards full sustainability*", which constitute the basis of the Aquafil Group's activities and reflects Aquafil way of doing business:

- Commitment to continually reduce the environmental impact of production activities;
- Making constant investment in research and development for the design and development of durable and environmentally friendly products
- Meeting the sustainability requirements of all stakeholders and local communities in the host countries;
- Training staff on environmental issues, in order to spread a culture of sustainability;
- Drawing inspiration from clients who make sustainability part of their own business strategy and involving them in the procurement of waste products and joint marketing and awareness campaigns for using waste as a secondary raw material;
- Giving preference to suppliers who are more inclined towards environmental sustainability;
- Creating strong relationships with the host communities in which the Group operates and wishes to expand in the future, by strengthening links in each territory thanks to a constant attention to internal and local resources;
- Compliance with local regulations in force in the various countries in which the Group operates;
- Self-production of energy from renewable and/or low-carbon sources;
- Giving preference to renewable energy sources.

These principles were developed by the "Sustainability Steering Committee", which will be formally appointed in 2018 and will be composed of several Aquafil top management experts representing all of the functional responsibilities as well as external experts in the field.

The Committee will guide the evolution of the company's sustainability policies regarding the regeneration and valorisation of waste products and materials, choices of energy sources, and all the other aspects that could further strengthen the Group's commitment in this area.

1.2 THE SHARING APPROACH

The Aquafil Group publishes an annual Sustainability Report, which is a useful tool for communicating with its stakeholders. The document has the two-fold objective of reporting the sustainability results achieved and involving all of the interested parties in the sustainability path taken by the Group.

The topics to be dealt with in the Sustainability Report are selected according to the principles of materiality and stakeholder engagement in the context of social, environmental and economic sustainability and with the guidelines of the GRI (*Global Reporting Initiative*) as reference.

For the selection and revision of the topics, Aquafil has developed a four-phase process (described below in detail) and set up an interdisciplinary team for the analysis of sustainability issues.

The team is composed of four experts, each with a specific role in the company (environmental manager, finance manager, social aspects and human resources manager, communications manager) a managing director and an external support.

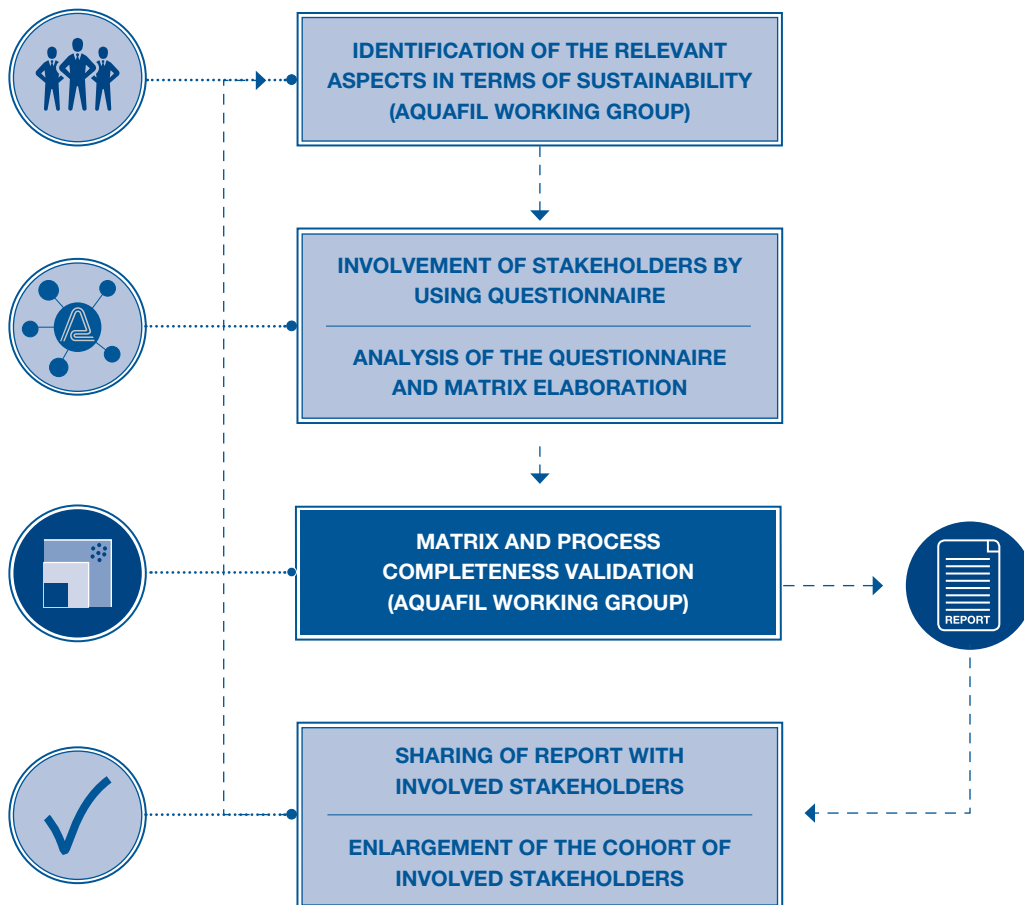
This interdisciplinary team represents the basis of the "Sustainability Steering Committee" mentioned in the previous paragraph.

Phase 1. Identification of sustainability issues

Starting from the aspects identified in the GRI guidelines, the work group pinpoints the most relevant sustainability issues for Aquafil's business prospects. The assessment is based on internal sources such as the company's policies and mission, and external sources such as reporting standards and stakeholder opinions.

Phase 2. Prioritizing the sustainability issues

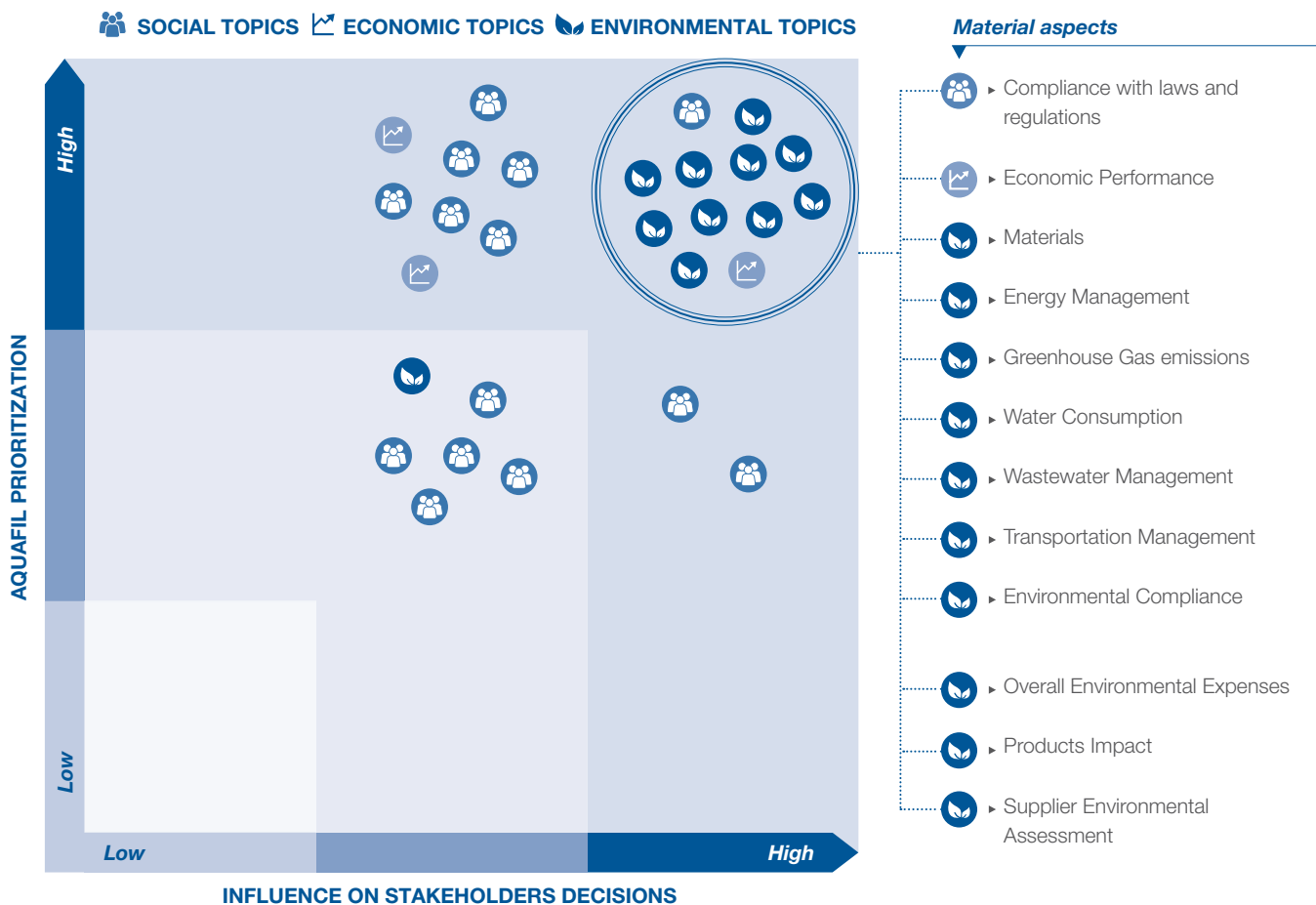
The work group Prioritizes each issue identified in phase 1 (identification of sustainability issues) and asks a large number of internal (employees) and external (suppliers, customers, local communities, non-governmental organizations) stakeholders to fill in a questionnaire, in which they are asked to express their views on how and to what extent Aquafil's management of the issues under consideration affects their business activities.



Process used to define material aspects

Priority assignment and stakeholder engagement have allowed for the construction of Aquafil's sustainability materiality matrix, which identifies the "material" aspects of relevance for both Aquafil and its stakeholders.

The process enabled Aquafil to identify 29 relevant sustainability issues and 12 material aspects (one economic, one social and ten environmental).



Materiality matrix

Phase 3. Evaluation of the completeness of the process

The results of the previous phase are examined by the work group to determine whether the “material” environmental, economic and social issues Can actually affect Aquafil’s ability to create value.

Phase 4. Process review

The process is reviewed periodically, updating both priority assignment of the identified issues and the stakeholder review panel, to ensure that it is always aligned with the company’s policies and mission.

In 2018 the materiality analysis will be reviewed due to the stock market listing in December 2017, in order to include the opinions of the new stakeholders (the shareholders) and reconsider the thematic priorities pursuant to the new structure.

1.3 CIRCULAR ECONOMY COMMITMENT

The Aquafil Group recognizes the principles underlying its business culture in circular economy (saving resources, recycling waste that would otherwise be landfilled, operating efficiently to create value along the supply chain).

Ever since it was founded Aquafil’s corporate objective has been to promote a new type of business based on the principles of innovation and environmental respect. To this end, the **“Energy & Recycling”** working group was established in 2007, which provides technical support to all of the Group’s activities and is aimed at promoting and implementing projects, technologies and skills in order to improve the environmental performance of Aquafil’s products and processes. The main objective of this structure is to promote a culture of innovation that encourages the use of renewable energy resources, emission reduction and the use of secondary materials while increasing the efficiency of manufacturing processes and their profitability at the same time.

One of the main achievements of the “Energy & Recycling” unit was the development of the first synthetic waste regeneration plant in 2011, thanks to the collaboration between Aquafil and several top-ranked universities. The project led to the implementation of the **ECONYL® Regeneration System**, a production model that, starting from the recovery of both pre- and post-consumption nylon waste, transforms it into regenerated caprolactam (the main raw material for the Group’s activities) which is then used to manufacture 100% regenerated ECONYL® yarn.

Thanks to the chemical properties of caprolactam, the regeneration process is practically infinite and enables us to recover materials that would otherwise be destined for landfill, dumped in natural environments or incinerated. Due to its unique characteristics, the inception of ECONYL® has ensured Aquafil’s full entry among the promoters of the Circular Economy. In order to further improve supply, Aquafil has decided to involve its clients and suppliers in its sustainability projects. In fact, the Group has involved many of its clients in the ECONYL® Reclaiming Program, an internationally structured network for the recovery of end-of-life nylon products; following the development of the ECONYL® Qualified Protocol, it has recently involved its suppliers with the aim of making the ECONYL® value chain even more sustainable. We will discuss the ECONYL® Qualified project in more detail in chapter 2.4.3.1.

Aquafil also focuses its efforts on energy efficiency and energy recovery. For example, in 2015 AquafilSLO signed an agreement to transfer the excess thermal energy produced by the plant to the Atlantis aquatic park in Ljubljana. Thanks to this intervention, which was possible due to the proximity of the two structures, Atlantis now has 100% renewable thermal energy at its disposal, thus reducing the environmental impact of both enterprises.

This principle had already been adopted at the Arco Group headquarters, where the excess energy produced by the cogeneration plant was transferred to a neighbouring company.

Consistent with its commitment to promoting innovation and circular economy, the Group also supports various research and awareness initiatives focused on civil society. For example, in 2013 Aquafil co-founded the project called **“The Healthy Seas, a Journey from Waste to Wear”** with the aim of raising awareness on the issues arising from marine pollution and in 2017 Aquafil organized the “lo penso circolare”(I think circular)” competition, dedicated to startups and research centers that are working to embed innovation in the processes, systems, technologies and products of the circular economy field.

2. ENVIRONMENT

Among Aquafil’s business management and economic development strategies, the Group places significant emphasis on the safeguarding of the environment: in addition to its commitment to pollution prevention and its desire to raise the level of environmental performance of its factories, the Group aims to adopt the “life cycle thinking approach” along the entire supply chain, from the selection of raw materials and energy carriers to the use and end-of-life phases of its products. In fact life cycle thinking is now an integral part of Aquafil’s corporate culture and is essential for any company that wants to continue to generate value over time.

The following environmental chapter contains the results of the materiality analysis described as well as the regulations laid down by Legislative Decree no. 254 of 30th December 2016. The chapter has been divided into two macro-sections related to the environmental performance:

- of the production processes of the various factories over which Aquafil has complete control
- of the supply chain and therefore with a view to assessing environmental impacts along the life cycle

2.1 STANDARDS AND METHODOLOGIES

The environmental impact of production is measured and analyzed using appropriate tools and performance indicators in accordance with the standardized procedures of environmental management and safety systems.

In 2012, a web-based custom software platform was designed and developed for collecting environmental data and carrying out real-time energy and environmental performance assessments of Aquafil’s production processes and products from the life cycle perspective (the so-called “*Sustainability web tool*”).

Apart from the fact that it has quickly become an integral part of the company's management methods, the *sustainability web tool* facilitates the analysis and communication of results both at individual plant level and corporate level; in fact, each plant can access the web tool through a link by adding dedicated credentials, view the questionnaire for data collection and obtain environmental indicators in a fast and intuitive way. Data are collected on a monthly and half-yearly basis: every month each plant inputs data on consumption (raw materials, energy, water, etc.), while on a semi-annual basis (in June and December) it inputs data on the waste generated, air & water emissions and on packaging and transport. The reliability of this platform is guaranteed by a specific team who collaborate with experienced external consultants. With regard to the data collected from the Group's factories that are required for analyzing the performance of the Group's manufacturing processes, two consecutive levels of control were carried out by people holding specific management roles which are listed below with a brief description of their duties:

- **Plant**, (for each factory) who is responsible for inputting the data into the platform which is carried out by one of the Group's environmental management team;
- **Plant manager**, (for each factory) who is responsible for data validation and verification which is carried out by the plant managers;
- **Administrator**, who is responsible for the entire data collection system, data validation and verification and the monitoring of the Group's indicator trends while an environmental sustainability team based at the Ljubljana plant deals with environmental protection and management on a full time basis.

The management of the calculation algorithms that enable us to develop environmental performance indicators throughout the entire life cycle of a product is entrusted to Life Cycle Engineering (<http://www.lcengineering.eu/>), which supports Aquafil by providing it with tools and methodologies for Life Cycle Assessment (LCA) and eco-design.

Similarly to the financial performance indicators, the environmental performance indicators cover the three-year period from 2015 to 2017, thus highlighting performance trends over time.

2.2 ENVIRONMENTAL PERFORMANCE OF AQUAFIL'S PRODUCTION PROCESSES

Energy consumption management

Controlling energy consumption can certainly bring positive effects, both from an environmental and economical point of view.

In order to manage this variable effectively it is essential to increase the production efficiency of the factories and choose sustainable energy sources. To this end, in 2017 approximately 94% of the electricity used by the Group came from renewable sources and the electricity purchased from European and American plants was covered by Guarantees of Origin (GOs) which certified energy renewable sources (e.g. from wind or hydroelectric power). The Group also invests in self-generated power systems: the Aquafil plants have installed photovoltaic panels both in the United States and in Italy, which although they only provide a small percentage of the total energy requirements, they can meet the energy needs of certain facilities such as administrative offices.

Table 1 shows the total amount of energy managed and consumed by the Group from 2015 to 2017. Consumption is expressed in absolute terms (measured in GJ) and divided by energy carrier and destination (used internally or sold) in accordance with the GRI G4 sustainability guidelines.

Energy produced and consumed by the Group over the three-year period 2015 – 2017

| Energy carrier | | Units | 2015 | 2016 | 2017 |
|---------------------------------------|---------------------------------------|-------|-----------|-----------|-----------|
| Fuels purchased | Natural gas, diesel and technical gas | GJ | 904,521 | 873,264 | 875,913 |
| Energy purchased | Electricity | GJ | 1,090,930 | 1,073,025 | 1,097,003 |
| | Steam | GJ | 461,467 | 458,816 | 501,691 |
| Energy internally produced | Photovoltaic | GJ | 2,327 | 2,705 | 2,647 |
| Energy sold | Electricity | GJ | 523 | 1,465 | 614 |
| | Thermal energy | GJ | 6,727 | 28,535 | 30,119 |
| Energy managed by the Group | | GJ | 2,466,494 | 2,437,810 | 2,507,987 |
| Total group energy consumption | | GJ | 2,451,995 | 2,377,810 | 2,446,522 |

The total energy consumption of the Group is calculated as: fuels + energy purchased + energy produced internally - energy sold.

Water consumption management

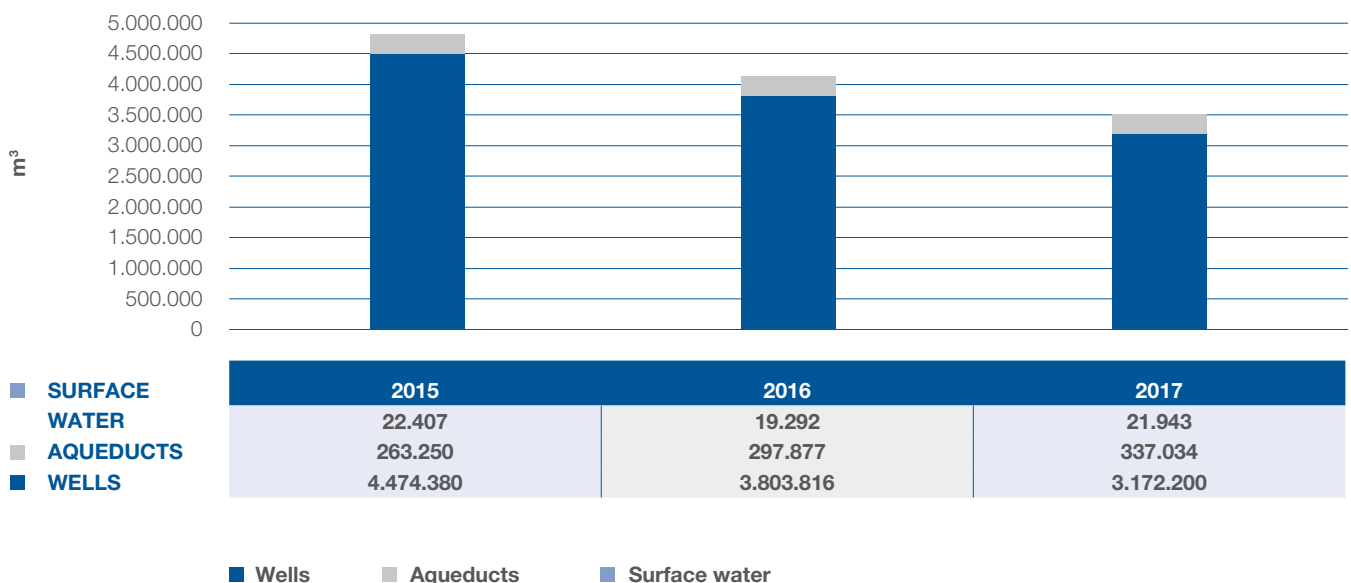
As with energy, Aquafil constantly monitors its water consumption, which is another essential aspect of Aquafil's environmental management system. In order to provide an overview of performance in terms of water withdrawal, the figures below show the total amount of water consumed by the Group measured in cubic meters.

The first one shows the Group's water consumption trend over the three-year period 2015-2017, subdivided by type of water withdrawal (wells, aqueducts and surface water) in accordance with the G4 GRI guidelines.

In 2017, the volume of water used in production processes amounted to approximately 3.5 million m³, about 14% less than in 2016. This is due to various water conservation interventions carried out in the Group's factories to optimize water resource management, especially at the Italian Arco plant where three more efficient dryers were installed thus reducing the amount of the water required to cool them down.

The distribution of water withdrawal has remained relatively constant over time, 90% from wells and the remaining 10% from aqueducts and surface waters (rivers).

WATER CONSUMPTION TREND



Water consumption by source over the three-year period 2015-2017

Waste water management

Most of the waste water derived from the production process is discharged to surface water after specific water quality assessments have been carried out, which is a standard procedure of the Group's environmental management system aimed at enduring full compliance with current regulations.

The checks are carried out periodically through laboratory analysis in order to monitor some parameters, the most relevant being the COD (chemical oxygen demand) which measures the oxygen demand of organic substances. In fact, both the quantity of the water discharged as well as its quality in terms of COD are monitored every six months using the *sustainability web tool*.

Table 2 shows the total water discharge by destination and its quality in terms of COD, in accordance with the G4 GRI guidelines.

In 2017, the Group's wastewater amounted to approximately 3.7 million cubic meters, 76% of which was discharged into surface waters while 24% was recycled and reused by the factories.

| | Unit of measure | 2015 | 2016 | 2017 |
|----------------------------------|-------------------|-----------|-----------|-----------|
| Surface water | m ³ | 3,338,011 | 2,804,439 | 2,806,938 |
| COD (surface water) | kg O ₂ | 138,471 | 89,436 | 103,682 |
| Treatment plants | m ³ | 773,836 | 756,948 | 864,448 |
| COD (impianti consortili) | kg O ₂ | 428,980 | 475,713 | 601,370 |

Volume and quality of the water discharged over the 2015-2017 three-year period

Greenhouse gas emissions

One of Aquafil's strategic objectives is to reduce the greenhouse gas emissions generated by production. Greenhouse gases are calculated monthly by converting the quantities of energy used by the plants into carbon dioxide equivalents (CO₂eq); *the sustainability web tool* is used for this purpose by applying specific conversion factors to the energy carrier.

Greenhouse gas emissions are divided into direct and indirect emissions according to the GHG Protocol, a reference standard for calculating an organization's greenhouse gas emissions (<http://www.ghgprotocol.org/>).

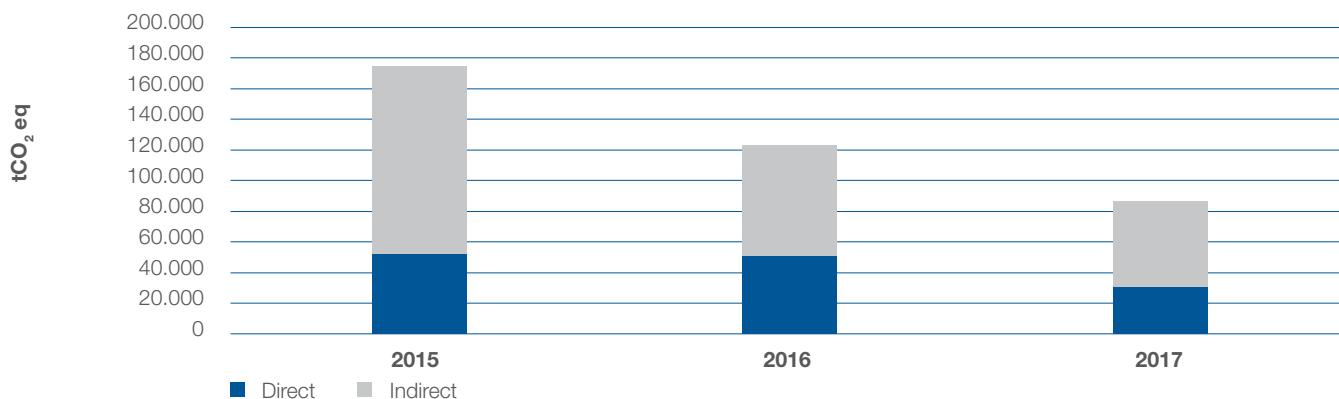
Direct emissions are those generated by the Group's plants and primarily come from burning fossil fuels for energy (methane, diesel and technical gases) while indirect emissions are those associated with the production of electricity and heat purchased from external suppliers.

The next figure shows the trend of the Group's total direct and indirect greenhouse gas emissions, in accordance with the GRI guidelines for the G4-EN15 and G4-EN16 indicators.

This indicator also shows a decreasing trend. In fact there was a reduction of almost 31% in 2017 compared to 2016, thanks to two fundamental aspects:

- Aquafil's constant effort to reduce energy consumption in absolute terms. The areas of technical intervention are aimed at addressing traditional industrial energy efficiency issues such as the installation of new compressors and new heating systems with heat recovery units, the replacement of traditional lighting with LEDs and special projects implemented according to the needs of each plant, e.g. by transferring Aquafil's excess thermal energy to nearby organizations (like the agreement signed between the Slovenian AquafilSLO Julon plant and the Atlantis water park in Ljubljana).
- Aquafil's preference for renewable energy which has much less environmental impact than fossil fuels (in 2017 certificates of origin were also issued for electricity produced by the Arco factory cogenerator and for 40% of the steam purchased at the Ljubljana plant).

TRENDS IN TOTAL GREENHOUSE GAS EMISSIONS



Trends in total greenhouse gas emissions over the three-year period 2015-2017

Other environmental aspects

The following paragraphs discuss the environmental aspects that are most strategically important for the Group but are not strictly related to the results of the materiality analysis.

Management of chemical substances

Aquafil is actively engaged in the development and supply of products that offer ever-higher levels of quality and performance while respecting the environment in which we live and all of the actors on the supply chains by carefully selecting the processes and the ingredients used in the product formulations. Aquafil's strict management and control of chemical substances, carefully coordinated supply chain monitoring and consolidated technical know-how ensures compliance with legislation across the various markets and commitment to using the best practices.

For this reason Aquafil has created:

- A special reference document that defines the guidelines on which a clear and transparent communication and control system should be based, for the growth and development of the value chain (<http://www.aquafil.com/it/sostenibilita/il-nostro-impegno/#commitment-03>).
- An internal work group (sustainability compliance team) to carry out two important tasks: to monitor the Group's regulatory compliance with the EU REACH Regulation (EC Regulation No. 1907/2006 of the European Parliament and of the European Council of December 18, 2006 concerning the registration, evaluation, authorization and restriction of Chemical Substances) and to involve and support interested stakeholders in chemical management and risk assessment. To this end, all of the chemicals used in Aquafil's products and processes are entered into a single database, which is updated periodically according to a standard operating procedure.

Visual impact mitigation and compensation

Ever since it was founded, the Group has always endeavoured to reduce its impacts on the surrounding environment as much as possible in order to create a visual relation with the territory in collaboration with local agencies.

It is important to note that most of the Group's factories are located in areas designated for industrial production as established by urban planning regulations.

Wherever possible, in addition to the local regulations, voluntary actions have been taken to ensure that the factories blend nicely with the surrounding landscapes. In fact the head office of one of the Group's most important plants is located in an area of outstanding natural beauty (between Arco di Trento and Riva del Garda); among the various initiatives implemented at this factory: a group of young writers belonging to the Andromeda association (aimed at promoting culture and implementing events and opportunities for social growth in the Alto Garda and Ledro area) were asked to paint a mural depicting Aquafil's production process on the external side of the wall surrounding the Arco di Trento plant for cyclists and passers-by along the cycle path that connects Arco to Lake Garda as a form of communication and embellishment; a similar initiative to show different connotations of river Sarca along its path till the estuary.

The JIAXING plant has also undergone extensive renovations, which have much improved its visual impact on the environment.



Murales of the the Nylon 6 production process painted by young members of the Andromeda association on the external wall bordering the cycle path



Different connotations of Sarca river represented by local painters



Visual impact of the Chinese JIAXING plant

2.3 ENVIRONMENTAL PERFORMANCE OF THE PRODUCT CHAIN

Life cycle assessment

Aquafil was among the first companies in Italy to adopt the “Life Cycle Thinking” approach for designing the entire supply chain of its products, using the life cycle analysis methodology (internationally known as Life Cycle Assessment - LCA). With this method it is possible to measure the environmental performance of the processes “from cradle to grave” or even “from cradle to cradle”, and to identify and improve the phases with major energy efficiency and environmental issues. This approach has enabled to make wiser investment decisions in recent years, e.g. by carefully selecting raw materials and methods of transportation and recycling waste that would otherwise be sent to landfill.

Since 2011, the LCA analysis has proved useful in the development of the “ECONYL® Regeneration System”, by verifying and confirming the sustainability of substituting virgin caprolactam (an essential chemical compound for the Group’s production activities, which is normally obtained from non-renewable sources) with secondary raw materials obtained through the recycling of end-of-life waste plastic.

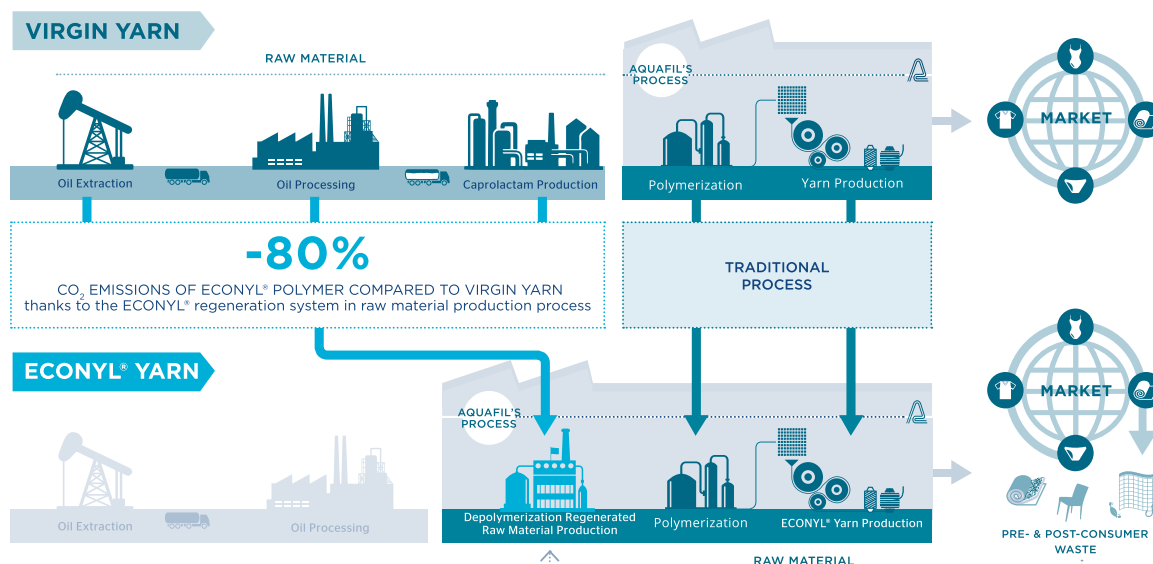
More specifically, the ECONYL® regeneration system enables Aquafil to produce nylon 6 ECONYL® using 100% regenerated raw materials obtained from:

- post-consumer waste (i.e. end-of-life products) made from Polyamide 6 including fishing nets, fluff (the top layer of carpets and rugs) and rigid textiles
- pre-consumer waste, generated from the production of nylon 6.

With this system, the polyamide 6 contained in the waste can be regenerated an infinite number of times and the polymers obtained have the same technical and qualitative characteristics as raw materials from fossil source.

The ECONYL® yarn thus obtained has significant environmental advantages, as it is possible to reduce the greenhouse gas emissions generated by the production of the raw material by as much as 80% (as already mentioned, fossil-based caprolactam is replaced with raw materials made from waste which is regenerated in the ECONYL® system) and by regenerated vast amounts of waste material that would otherwise be landfilled or, even worse, would end up polluting the environment.

The “Life Cycle Thinking” approach



The “Life Cycle Thinking” approach applied to the production of virgin yarn and ECONYL® yarn. The greenhouse gas emissions generated during raw material production are 80% less than those generated using traditional methods.

In order to make the ECONYL® supply chain even better, the Group has recently organized various activities to involve its suppliers and clients in sustainability projects such as the “ECONYL® Qualified” project and the “ECONYL® Reclaiming Program” which are carefully described.

The ECONYL® project

The ECONYL® Regeneration System represents a concrete opportunity for circular economy: after recovering Polyamide 6 (PA6) waste, the Aquafil plant in Ljubljana transforms it into regenerated caprolactam, which has the same characteristics as caprolactam obtained from virgin raw materials, and is a starting point for numerous other processes managed by the Group.

As already mentioned, the most important types of waste sent for recovery include abandoned fishing nets (obtained from both traditional fishing and aquaculture), end-of-life rugs and carpets, fabrics and plastic components (obtained from various sectors including construction, automotive, etc.) The implementation of the ECONYL® project involved creating an international waste collection network called the “ECONYL® Reclaiming Program”, a new value chain that is capable of identifying and creating channels for recovering the pre- and post-consumer polyamide 6 materials required to power the regeneration system.

Besides other advantages, all of these activities have prompted us to review the way we interact with our stakeholders (clients, suppliers, local communities, waste and recycling consortia), which are actively involved in the post-consumer waste collection phase as well as in “design for re-manufacturing”, that is, in our transition towards a more circular economy.

In fact, Aquafil’s clients are increasingly interested in defining appropriate methods for the recovery of end-of-life materials, as well as the communities that use products containing polyamide (e.g. fishermen). At the same time, in collaboration with its clients, researchers and designers, the

Group designs products that are entirely recycled and recyclable, that are destined to be channelled into various regeneration initiatives once they have reached the end of their usable life.

More specifically, the ECONYL® production process consists of 6 phases as described below.

1. Recovery of PA6 waste

The ECONYL® Reclaiming Program enables Aquafil to recover non-hazardous pre- and post-consumer Polyamide 6 waste worldwide which is then used for feeding the Ljubljana regeneration plant. An integral part of this program is a specialized group of Aquafil employees who work to take the waste collection network to an international level. Through the implementation of specific supply chains, resource recovery is now carried out in several countries such as the United States, Egypt, Pakistan, Thailand, Norway and Turkey. Aquafil's advisory bodies, consortia and clients therefore help the company to collect materials like carpet fluff (the top layer of carpets and rugs), abandoned fishing nets, special fabrics like tulle and other plastic materials.

2. Storage and preparation

All of the waste collected is then transported to a warehouse located in Ajdovscina, Slovenia, approximately 80 kms from Ljubljana, where it is cleaned, separated and prepared for transportation to the Ljubljana plant to be reprocessed. This procedure eliminates most of the impurities and materials other than PA6 which would otherwise make the waste unusable in the regeneration plant. The PA6 waste is then shredded, compacted and prepared for regeneration which facilitates its transportation to the Ljubljana plant.

3. The ECONYL® yarn depolymerisation process

Grazie alle particolari caratteristiche della poliammide 6, è stato sviluppato un sistema chimico-meccanico che, partendo dai rifiuti, è in grado di produrre materia prima rigenerata (caprolattame) con le medesime caratteristiche chimiche, fisiche e prestazionali di quella vergine, rendendo di fatto i due polimeri, ottenuti da caprolattame riciclato e da caprolattame vergine, intercambiabili.

4. Polymerization of ECONYL® yarn

The caprolactam obtained from the depolymerisation process is then sent to be polymerised, which produces new polymers with the same methods used to make virgin monomer.

5. Transformation of PA6 polymers

The polymers produced with ECONYL® raw materials are transported to the various production facilities, where they are reprocessed into BCF and NTF yarn.

6. Marketing

The Group's final products (made from pre- and post-consumer waste instead of fossil based raw materials) are then sold to clients who put them on retail markets.

3. COMPLIANCE WITH REGULATIONS

The Group recognizes as a fundamental principle compliance with the laws and regulations in force in all countries in which it operates, and it is therefore committed to preventing any illegal practices and forms of corruption. In order to reaffirm its commitment to ensure transparent interaction with institutions, bodies and partners of various types in Italy and abroad, Aquafil has decided to adopt a Code of Conduct and an Organizational, Management and Control Model.

3.1 CODE OF CONDUCT

The Code of Ethics applies to all Aquafil Group companies and professional ethics and social responsibility is actively promoted to employees throughout the Group. The code of conduct guidelines ensure that Aquafil's relationships with clients, suppliers and institutions are based on the principles of diligence, correctness and loyalty.

The recipients of the code of conduct are all of the employees, consultants, collaborators, customers, suppliers and those who work with and for the Aquafil Group. Each recipient is required to comply with the principles and provisions of the code.

More specifically, the Aquafil Code of Ethics contains the main guidelines and directives on five areas of interest:

- **Compliance with laws** especially those concerning anti-money laundering measures, protection of democratic rights, protection of industry and trade, antitrust requirements and import/export regulations, protection of privacy;
- **Loyalty behaviours in relationships with others** such as clients, suppliers, collaborators, institutions and public supervisory authorities;
- **Environment, Health, Safety** of workers;
- **Internal Control** relative to the protection and management of privacy, intellectual property and accounting activities;
- **Human resources**, relative to employment policies and the handling of conflicts of interest.

It is the Group's responsibility to ensure that employees and other recipients are conversant and comply with the of the Code of Ethics, and that the code is not merely an intellectual effort, but a useful decision-making tool.

Focus: Anti-corruption provisions in the Code of Ethics

As specified in the Code of Ethics, Aquafil prohibits *“any kind of illegal and collusive practice and behaviour, attempt at corruption and/or favouritism”* in the conduct of business and in relationships with clients, suppliers, external collaborators and public administrations.

The Group also prohibits the granting of direct or indirect contributions to political parties, committees and political organizations and trade union, except for the cases and methods permitted under current legislation.

Code provisions also regulate the direct or indirect giving or receiving of gifts, benefits and other unauthorized assets. In particular, only *“gifts of modest value directly deriving from normal commercial activities or courtesy relations, and which do not give the impression of being aimed at acquiring or granting undue advantages”* are permitted.

3.2 ORGANIZATION, MANAGEMENT AND CONTROL MODEL

The organization, management and control model adopted pursuant to Legislative Decree n. 231/2001 describes the set of rules and principles that, by instilling the right behaviours and external and internal relationships to the individual companies in the Group, are aimed at ensuring compliance with the laws and preventing illicit conduct.

This Model, adopted by resolution of the Board of Directors on 31st March 2014, applies to the Italian companies belonging to the Aquafil SpA Group and has been updated with the latest legal developments and judicial indications.

With the aim of developing the organizational model, the Group has followed a path divided into eight phases:

1. Mapping of risk prone areas, in order to identify the potential risks caused by production activities with reference to the types of offenses expressly referred to in the Decree;
2. Evaluation and identification of a preventive control and action plan system aimed at reducing the above-mentioned risks;
3. Evaluation of the system of delegations and powers of attorney inherent in the Group's governance model in order to identify areas for improvement;
4. Implementation of an Action Plan for improving the internal control system;
5. Establishment of an autonomous Supervisory Body appointed to supervise the functioning and observance of the Organization Model;
6. Drafting of the Group's Code of Ethics;
7. Introduction of an internal Disciplinary System aimed at punishing violations of the Model and the Code of Ethics;
8. Drafting and approval of the Model.

One of the outputs of this process was the realization of a series of protocols aimed at regulating the management of activities related to specific areas, which involves defining the principles of behaviour and the organizational and management control measures aimed at preventing the criminal offences provided for by Legislative Decree no. n. 231/2001 for each phase of the process and the general responsibilities for each role.

To date the Group has drawn up protocols for the following areas:

- Employee selection and evaluation;
- Budget and accounting;
- Loans and public funding;
- Internal management of criminal investigations and/or proceedings related to business activities;
- Relations with public administration;
- Management of sponsorships and allocation of contributions;
- Verification and inspection;
- Reporting to supervisory bodies.

In line with the provisions laid down in Legislative Decree no. 231/2001, Aquafil undertakes to ensure adequate internal dissemination of the Model, also through the implementation of specific training activities.

Thanks to this commitment, in 2017 none of the Group Companies received fines or sanctions for violations or non-compliance with regulations regarding these aspects.

4. SOCIAL ASPECTS

4.1 RESPECT AND PROTECTION OF HUMAN RIGHTS

The respect and protection of human rights are fundamental and inalienable cornerstones of Aquafil's corporate culture. The Group strives to identify, reduce and manage any human rights violations caused by its business activities to avoid causing any negative impacts in the international and multicultural context in which it operates.

The Group's commitment to the protection of human rights is well-defined in the Code of Ethics. In particular, Aquafil does not accept any kind of behaviour that either directly or indirectly implies any form of exploitation (e.g. slavery, request/offer of sexual services), forced and child or discrimination.

Moreover the Group's activities are carried out in compliance with the following organizational core values: health and safety at work, adherence to the principles of equality and diversity, attention to human resource development, provision of good working conditions that respect cultural diversity, protection of the rights and values of local communities, prohibition of any form of corruption, protection of privacy.

In order to identify, prevent and manage any risk of violation of human rights, Aquafil undertakes to:

- Raise awareness among staff through scrupulous training activities;
- Select suppliers through a due diligence policy which includes sustainability requirements;
- Collaborate actively with governmental and non-governmental organizations in the implementation of initiatives aimed at the protection and development of local communities and skills enhancement of their employees;

- Carry out ad hoc evaluations on possible political, environmental and social impacts, including those regarding work and human rights when selecting the specific markets in which to invest.

During 2017, none of the Group Companies received fines or sanctions for violations or non-compliance with human rights regulations. The respect of the Code of Conduct is an integral part of the contractual obligations of all those who work in the name and on behalf of one of the Group companies.

4.2 PERSONNEL MANAGEMENT

The Aquafil Group's employees contribute greatly to its growth and represent one of the most important categories of stakeholders. Consequently, Aquafil is committed to creating a fair, satisfying and motivating working environment for all of its personnel and maintaining open dialogue and a healthy and collaborative relationship with them.

4.2.1. PERSONNEL MANAGEMENT GUIDELINES

The guidelines relating to human resource management adopted by the Group are briefly reported below which are described in more detail in the Code of Ethics downloadable from the Aquafil website. However a list of the initiatives undertaken for the well-being of Aquafil personnel follows.

Personnel selection and training and human performance enhancement

The selection and recruitment of personnel must be carried out in strict compliance with company rules and with absolute transparency in the assessment of professional competence, reliability, capability and potential requirements. The personnel hired must have the skills and competencies that meet the requirements of the position; the selection must meet the impartiality requirements and take place in accordance with equal opportunities legislation and professional and cultural dignity.

The Group encourages and promotes the professional development of each employee through appropriate training activities and refresher courses.

Safeguarding of diversity and equal opportunities

The Aquafil Group operates worldwide in areas characterized by important cultural differences.

Aquafil employees work in contact with men and women of different nationalities, ages, religions and political ideas. In this multi-ethnic context, the individual companies are united by a strong sense of belonging to the group due to the sharing of common values, the standards of conduct contained in the Code of Ethics and the company regulations established for all of the companies and conveyed in the local language .

Aquafil acknowledges the value of diversity and is committed to promoting dignity and respect and the rights of each employee.

All employees are expected to enhance the different social and cultural background of their colleagues and to create an environment in which ideas can be freely expressed, in a climate of mutual trust and respect.

Aquafil does not tolerate discrimination, harassment, retaliation or intolerant behaviour of any kind in its workplaces.

Contracts and Remuneration

All of the Group's personnel are hired in full compliance with the regulations of the countries in which they operate. Any form of irregular employment or the hiring of foreign workers without a residence permit is not tolerated.

According to Group policies, employee remuneration is determined solely on the basis of the position held, specific capabilities, experience acquired, demonstrated commitment and achievement of objectives. The Group also ensures equal pay systems for its workforce by monitoring the salary indexes subdivided by category of workers annually.

Table 3 shows, for each Group's company, the ratio between women's wages and overall men's salary per each professional category. The annual gross salary has been considered, without its variable components (e.g. the increase in turnover or overtime). The label "not applicable" indicates the presence in the professional category, of women only or of men only, while the "dash" indicates that, in the category, there is no personnel (neither male nor female).

| Group's company | Executive | Manager | Clerical | Workers |
|--------------------|----------------|----------------|----------------|---------|
| AquafilCina | - | 97.2% | 66.1% | 99.2% |
| AquafilCro | - | 44.6% | 101.1% | 80.5% |
| Tessilquattro | - | Not applicable | 71.7% | 96.5% |
| AquafilUsa | Not applicable | 76.9% | 79.8% | 84.9% |
| AquafilSLO | 55.0% | 116.2% | 85.3% | 93.8% |
| Aquafil | 90.0% | 84.8% | 79.9% | 96.8% |
| AquafilUK | Not applicable | 78.1% | Not applicable | 82.6% |
| AquaLeuna | - | 58.2% | 87.2% | 79.9% |
| AquafilAsiaPacific | - | Not applicable | Not applicable | 70.3% |

Ratio between women's wages and overall men's salary by company and professional category, 2017

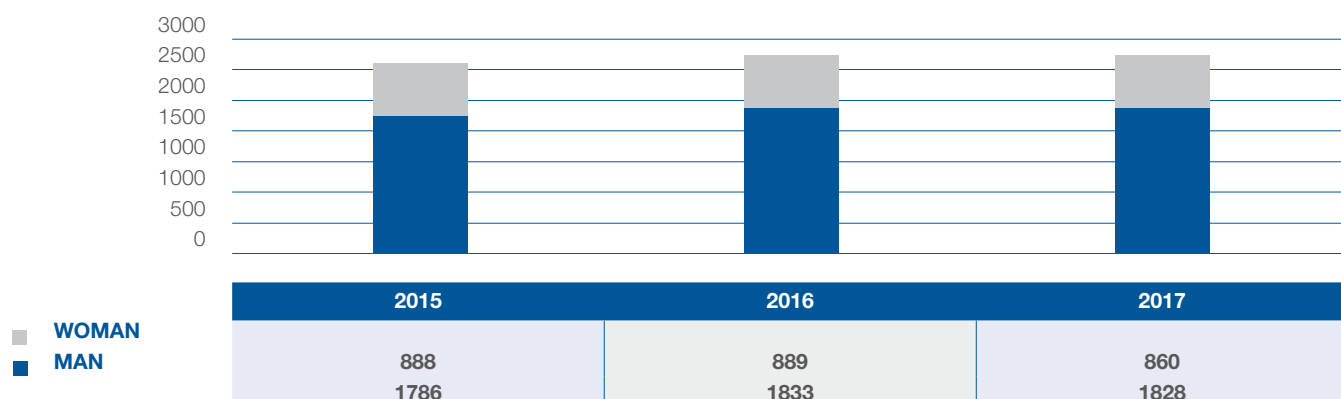
Modalities of dialogue

Aquafil guarantees and respects freedom of trade union membership and activities, in compliance with the regulations in force in each of the countries in which the Group operates. Relationships and negotiations with trade unions are handled by the top management team and the delegated corporate representatives, in compliance with the principles set forth in the Code of Ethics.

4.2.2. THE AQUAFIL GROUP'S EMPLOYEES

From 2012 onwards, there has been a steady increase in personnel due to the acquisition of new plants and productivity growth. More specifically, over the last year the group's workforce has remained more or less the same but the exit of Aquaspace from the group caused a slight reduction in the total number of employees which dropped from 2722 in 2016 to 2688 in 2017.

THE AQUAFIL GROUP'S EMPLOYEES

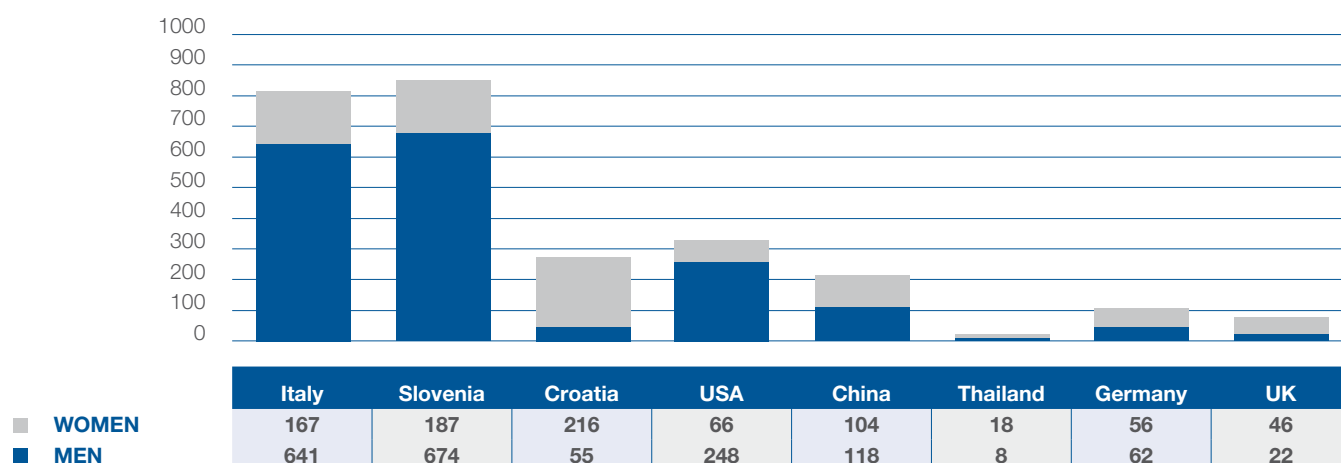


The Group's employees subdivided according to gender for the three-year period 2015 - 2017.

The number of female employees, approximately 32% of the Group's total number and their geographical distribution remains almost constant compared to 2016 and the previous two-year period.

Approximately 62% of the workforce is employed in Italy and Slovenia where a large number of factories (three in Italy and four in Slovenia) are located.

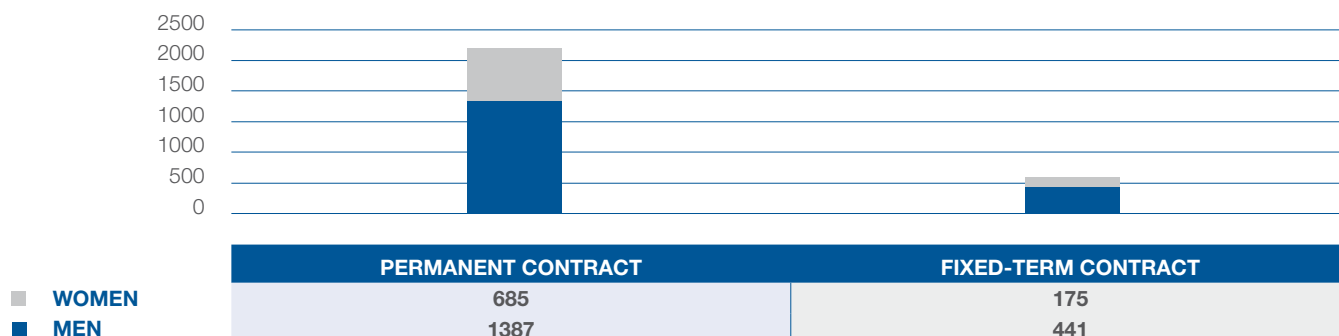
GEOGRAPHICAL DISTRIBUTION OF WORKFORCE (2017)



Geographical distribution of the workforce in 2017 subdivided according to gender.

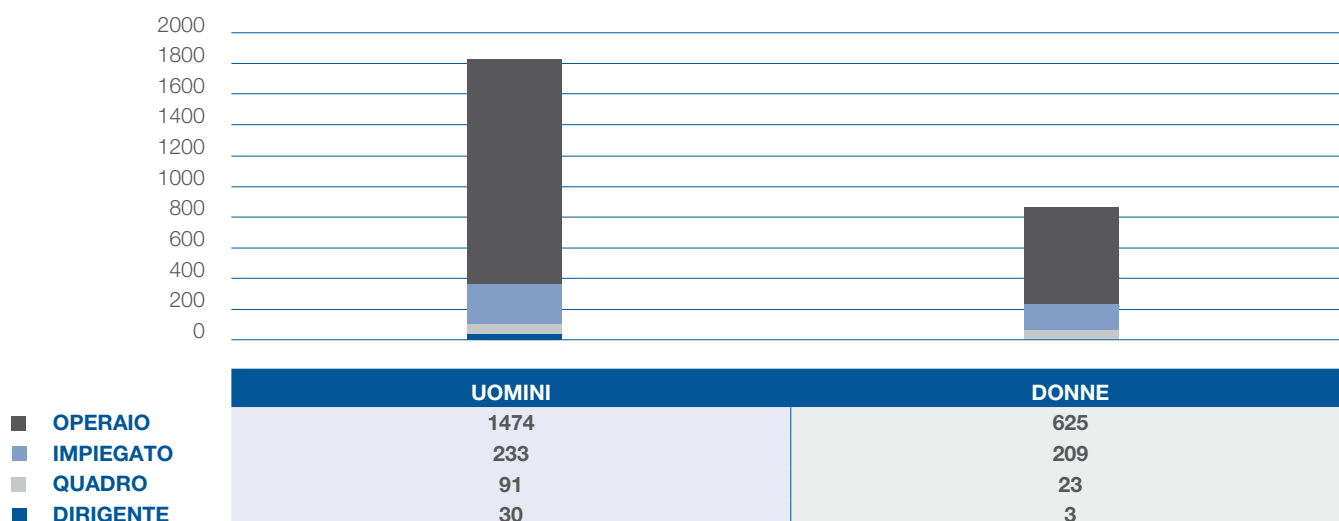
As indicated in the Code of Ethics, the Group commits to recruit staff under fair and as far as possible indefinite duration contracts, except in the case of temporary situations, such as production peaks related to particular market trends. The fact that in 2017 the 77% of the Group's workforce was employed under permanent contracts is proof of this commitment. Moreover, 79% of the contracts are collective labour agreements (excluding China and Thailand). Finally, in Italy, Slovenia and Croatia, the Group has recently signed agreements with trade unions to distribute additional remuneration, depending on the Group's results, respect to wages established by most national contracts (in Italy and Croatia) or by law (in Slovenia).

GROUP'S EMPLOYEES BY CONTRACT AND GENDER (2017)



The Group's employees in 2017 subdivided according to contract type and gender.

The subdivision of employees by job categories has remained almost constant over the years, as well as gender equality which is guaranteed for each corporate role, with a 1% increase of women employees in managerial positions and 2% increase of women in clerical roles compared to the previous year (2016).



The subdivision of employees according to position held in 2017 and gender.

Since 2014, the Group has implemented training courses on technical, safety, environment and linguistic topics. The hours number of hours dedicated to training are constantly increasing, especially for courses concerning workplace health and safety.

| Training Course | 2014 | 2015 | 2016 | 2017 |
|-----------------|-------------------|---------------|---------------|---------------|
| | Hours of training | | | |
| Technical | 23.831 | 35.205 | 58.980 | 49.239 |
| Safety | 16.609 | 3.500 | 11.165 | 25.015 |
| Linguistics | 3.217 | 4.575 | 6.045 | 4.724 |
| Environmental | 614 | 691 | 227 | 418 |
| Total | 44.271 | 43.969 | 76.417 | 79.395 |

Hours of training subdivided according to topic from 2014 to 2017.

| Type of training | Executive | | Manager | | Clerical | | Worker | |
|------------------|------------|------------|--------------|------------|--------------|--------------|---------------|---------------|
| | Man | Woman | Man | Woman | Man | Woman | Man | Woman |
| Technical | 194 | 52 | 1.140 | 226 | 2.938 | 1.674 | 31.300 | 11.715 |
| Safety | 87 | 38 | 555 | 95 | 1.619 | 461 | 21.069 | 1.091 |
| Linguistics | 0 | 40 | 411 | 27 | 1.524 | 1.673 | 486 | 563 |
| Environmental | 0 | 0 | 74 | 41 | 131 | 98 | 41 | 33 |
| Total | 281 | 130 | 2.180 | 389 | 6.213 | 3.906 | 52.895 | 13.402 |

Hours of training by role and gender (2017 data)

4.2.3. HEALTH AND SAFETY AT WORK

One of Aquafil's main concerns is to ensure that its employees operate in safe conditions and with the best means and equipment. Every year the Group organizes various health and safety courses, awareness campaigns and implement structural interventions to ensure a safe work environments and appropriate equipment for all of its personnel. The ultimate aim being to reduce the incidence of accidents caused by human factors, which is the most common cause of injury at the Group's plants. Maintenance is one of the key prevention activities.

In 2017, over 25,000 hours of health & safety and environmental management training were provided, which was more than double the training offered the previous year.

The health and safety management system implemented by the Group involves carrying out a range of strategies such as risk assessment and maintenance checks and implementing adequate emergency measures and health surveillance programs. The Group systematically monitors and analyzes the occupational accidents and injuries and work-related diseases that occur in its factories. Finally, the Group not only aims to comply with the regulations in force in the countries in which it operates, but it also aims to continuously improve the management of these issues.

The next table shows the frequency, severity and risk trends from 2012 to 2017.

The frequency index correlates the number of occupational accidents to the extent of exposure to risk (it is calculated by dividing the number of accidents resulting in over-3-days absence from work multiplied by 1,000,000, compared to the number of hours worked).

The severity index correlates the severity of the accident to the extent of exposure to risk (it is calculated by dividing the number of days lost over 3 days multiplied by 1000, compared to the number of hours worked).

Finally, the risk index correlates the frequency and severity indices.

| Year | Hours worked | Injuries >3 gg | Working days lost | IF | IG | IR |
|------|--------------|----------------|-------------------|-------|------|------|
| 2017 | 5.024.197 | 43 | 1330 | 8,56 | 0,26 | 2,27 |
| 2016 | 4.860.829 | 26 | 995 | 5,35 | 0,20 | 1,09 |
| 2015 | 4.990.678 | 48 | 1.137 | 9,62 | 0,23 | 2,19 |
| 2014 | 4.760.810 | 47 | 833 | 9,87 | 0,17 | 1,73 |
| 2013 | 3.941.845 | 38 | 990 | 9,64 | 0,25 | 2,42 |
| 2012 | 4.112.120 | 43 | 751 | 10,46 | 0,18 | 1,91 |

Accidents and working days lost due to absence from 2012 to 2017, with relative Frequency (IF), Severity (IG) and Risk (IR) index values.

4.3 RELATIONSHIPS WITH STAKEHOLDERS

The Group maintains solid relationships with its stakeholders based on transparency, collaboration and communication and actively involves them in promoting a culture of sustainability.

The following pages outline the most significant initiatives undertaken by Aquafil to involve the key stakeholders, i.e. clients, suppliers, employees and representatives of civil society (non-governmental organizations and local communities).

4.3.1. SUPPLIER SELECTION AND ENGAGEMENT

The Group cultivates collaborative relationships with its suppliers through collaboration and proactive listening and acknowledges the important role they play in the realization of common projects, which offers Aquafil the opportunity for innovation.

The supplier selection process is carried out by conducting supplier due diligence and adopting objective and documentable criteria, taking into account the supplier's economic, financial and technical reliability and by striking a balance between economic advantage and service quality. Much attention is paid to product transparency and the origin of the products purchased, in order to avoid purchasing products of illicit origin.

Moreover as regards the supply of certain goods and services, Aquafil has added further supplier selection criteria based on their environmental performance. This is the case of the ECONYL® supply chain for which Aquafil has implemented a specific supply chain qualification protocol with the help some suppliers, which will be discussed in the following paragraph. In the next few years, the Group intends to extend this approach to the various product lines marketed by Aquafil.

ECONYL® Qualified

One of the most important roles played by the Group's suppliers is represented by the ECONYL® Qualified project, which was launched at the end of 2015 to make the ECONYL® supply chain even more efficient.

The project was born from the Group's desire to further improve the environmental performance of ECONYL® yarn, by modifying the phases of the production process that are not directly controlled by Aquafil, such as the provision of transport services, auxiliary raw materials and packaging. The ultimate goal of the initiative was the recognition of the "ECONYL® Qualified" certification, which distinguishes the suppliers involved in the ECONYL® yarn production chain.

In order to obtain the qualification, suppliers must meet the environmental requirements defined in the ECONYL® Qualified Protocol, mainly concerning the use of materials and the management of the production process. Compliance with the requirements can be ascertained through third-party checks.

The execution phase of the project took place in 2016, when thanks to four suppliers who managed "product transport" and "the production of the spools for yarn", the ECONYL® Qualified protocol requirements were defined and tested.

The qualification is aimed at the achievement of ECONYL® supply chain excellence and continuous improvement; from July 2018 it will be mandatory for all companies that want to become product or service suppliers for the production and marketing of ECONYL® products.

The initiative guidelines, selection criteria and some possible applications are available on the Aquafil website.

4.3.2. PARTNERSHIPS WITH CLIENTS

The Group firmly believes that collaboration with its clients can provide a significant added value. In fact collaboration facilitates the creation and sharing of ambitious policies and projects in the fields of product innovation and environmental protection, thus meeting the sustainability needs of consumers, public opinion and the market.

ECONYL® Reclaiming Program

Numerous clients are involved in the recovery and sensitization activities of the ECONYL® *Reclaiming Program*, the first step of the ECONYL® regeneration system. This is an internationally structured network for the collection of waste containing nylon, based on partnerships with institutions, companies, organizations and public and private consortium. Various materials are recovered such as abandoned fishing nets, carpets, special fabrics like tulle and nylon-based plastic components which are collected worldwide. The recovered post-consumer polyamide materials and waste are then stored, pre-treated and sent to the Ljubljana plant, where they are transformed into raw materials, ready to be reintroduced into the production cycle.

Speedo USA

In 2015, Aquafil and Speedo launched the world's first fabric take-back programme for the swimwear industry, thanks to which Speedo's manufacturing waste is recycled rather than landfilled and is regenerated and transformed into ECONYL® yarn.

Ternua

Aquafil collaborates with Ternua in the REDCYCLE project, which involves collecting end-of-life fishing nets and reprocesses them in the ECONYL® regeneration process to manufacture sportswear. The fishing nets are collected in ports by Basque fishing communities.

Net-Works™

Net-Works™ Aquafil, together with the Zoological Society of London, is a partner on another major initiative called "Net-Works™", which collects abandoned nets in the Philippines together with the local communities.

4.3.3. INITIATIVES FOR EMPLOYEES AND CORPORATE WELFARE

In respect towards the different local cultures of the various geographical areas in which the plants are located, Aquafil is committed to ensuring comparable standards to those provided by the laws of the most advanced countries, both in terms of the rights and welfare of workers and the protection of the environment. Moreover, particular attention is given to creating the conditions that enable Group employees to realize their aspirations: this is why the Group constantly invests in activities aimed at guaranteeing well-being, professional growth, safety and knowledge.

Team building activities

Aquafil views teamwork in the workplace as an important factor for project success, therefore team building activities are vital for developing team spirit and collaboration. In fact, to this end the Thai and Chinese plants devote much time and resources to develop solid working relationships among the various groups. The activities are held in places where Aquafil employees can express their creative potential.

Health week

In 2016, AquafilSLO launched a series of initiatives aimed at promoting healthy lifestyles practices among employees. Various posters with healthy lifestyle tips were exhibited in the plant and for a few weeks fresh seasonal fruit was made available to all employees in the staff canteens.

Cancer prevention

The Croatian and Chinese plants have entered into healthcare service agreements to carry out periodic cancer prevention and screening programs. The medical check ups offered to employees are fully funded by Aquafil.

Corporate collaboration tools

The Group uses various communication tools to involve its internal community, including the distribution of a monthly newsletter addressed to all employees, in which the activities and news on the Group's objectives and projects are published. In 2016 Aquafil decided to take a step forward in this direction by launching an employee intranet with a home page that includes news and tweets from Aquafil and its various departments. The project, originally launched in Italy, has been extended to foreign plants. In addition, a pilot project has been developed in Arco that involves positioning screens in production areas and offices, where news from the website site tweets, videos of Aquafil and some of its clients as well as health and safety data is shared.

Corporate welfare

Starting from 2018 Aquafil will offer a wide variety of benefits and support services to its employees will offer its employees a series of services and benefits for the reconciliation of their professional and private lives, with a specific focus on workers with family responsibilities.

Family support

At the AquafilSLO facility in Slovenia every year at Christmas time the employees' children are invited to a special show featuring Santa Claus, where each child aged 0-7 is given a Christmas gift.

4.3.4. LOCAL COMMUNITY PROJECTS

The Group commits itself to developing solid relationships with the communities of the territories in which it operates, by respecting the different cultures, traditions and specific needs. Some of the activities undertaken by Aquafil in support of local communities and civil society in general are listed below.

Aquafil's commitment to safeguard the oceans

In order to raise awareness on the origins and scale of plastic pollution of our oceans, Aquafil launched "The Healthy Seas, a Journey from Waste to Wear" project. The initiative aims to prevent microplastics from ending up in the ocean by sensitizing and encouraging the public, operators and administrations to take active roles in this process. Aquafil coordinates volunteer divers to recover abandoned fishing nets and then recycles them into ECONYL® yarn.

Moreover, meetings in schools are arranged aimed at raising awareness on the problem of plastic pollution in world's oceans among school children. The project, which was initially launched on the coasts of Belgium and Holland in the North Sea, has now been extended to Italy, Greece and the United Kingdom.

Promoting research: I think circular

In line with its commitment to promoting innovation and circular economy, in 2017 Aquafil launched the "I think circular" competition in collaboration with the newspaper "La Stampa". The competition aims to select and support Startups and Research Centers who are making an important contribution in creating a more circular economy.

The purpose of this award, which has the patronage of the Ministry of Environment and Protection of the Territory and the Sea, was to identify projects, products, patents and technologies that can make a concrete contribution to the dissemination of circular business models.

School projects

Aquafil supports the future generations, by funding school projects in the communities in which the Group operates. For example, in 2016 Aquafil helped Interface Thailand to raise funds for school children in a disadvantaged area of Thailand.

However in the United States, Aquafil collaborates with Cartersville primary school to bring children closer to science, by making donations, participating in scientific and technological events and in school orientation days.

Aquafil and the young

As part of its efforts in favour of local communities, Aquafil has signed an agreement with Andromeda, which is a non-profit organization that promotes art in all forms in lower Sarca valley. Thanks to the involvement of a group of young writers assembled by the Andromeda association, a mural was painted to decorate part of Aquafil's perimeter wall which runs along the bike path and the river Sarca.

The mural painted by the young artists represents the Group's production process, with the aim of making the process more understandable to the hundreds of people who use the cycle path to reach Lake Garda. The initiative was much appreciated by Aquafil's employees, as well as by passers-by who often stop to admire the work of art.



Murales of the the Nylon 6 production process painted by young members of the Andromeda association on the external wall bordering the cycle path

Supportive transport

Aquafil has decided to sponsor the “TRASPORTO AMICO SOLIDALE” association, which is run entirely by volunteers and covers the entire lower Sarca valley. The association provides transport to and from healthcare appointments for the elderly or people with mobility problems when family members cannot accompany them. The Aquafil Group has donated a new Fiat Doblò to the association to enhance its activities.

Donations

In 2017, Aquafil also made donations to the following associations and foundations:

- Telethon, an association that engages in research on a daily basis to find treatments for rare diseases;
- ABIO, an association that supports hospitalized children, with the aim of making their hospital stay less traumatic and also supports parents during the hospitalisation of their child;
- TimeShrine Foundation for “One planet, One future” sensitization initiative promoted by the French-American artist Anne de Carbuccia.

PRINCIPAL GROUP RISK FACTORS AND UNCERTAINTIES

The principal risk factors to which the Aquafil Group is exposed are illustrated below, with details on the strategies and measures implemented for their prevention and management. We highlight that the activities of the Group may also be exposed to additional risks and uncertain events which at present are not foreseeable or considered improbable, which may affect the operations, the economic and financial conditions and the prospects of the companies of the Group.

Risks associated with economic conditions

Many factors which impact the general economic environment such as, among others, interest rate movements and exchange rate movements, principally between the Euro and US Dollar, raw material costs, particularly oil, may affect the economic and financial situation of the Group.

The Group encounters this environment through:

- strategic direction aimed at strong regional diversification, with sales distributed throughout the world and a focus on local production in consuming countries;
- strong leadership position in its “core” sector (Bulk Continuous Filament);
- continual drive to innovation and attention to market developments.

Liquidity risks associated with funding needs

The liquidity risk which the Group could encounter is represented by the incapacity or difficulty to source adequate financial resources in order to ensure operational continuity and development of its industrial activities.

The liquidity situation of the Group principally derives from two key factors: on the one hand, the resources generated or absorbed by operating and investing activities, and on the other the use of financial resources and the maturity dates and renewal of payables.

Aquafil can avail of on-demand liquidity, as well as significant levels of credit lines granted by various Italian and international banks. The Group believes that the funds and credit lines currently available, in addition to those that will be generated from operating and financing activities, are sufficient to meet the liquidity needs deriving from the various activities of the Group.

Strategic and direction risks

Strategic risks are defined as those risks which may influence the opportunities and the threats relating to the business activities. In the case of the Aquafil Group, this category includes authorisation risks, risks of delay in the development or implementation of new initiatives, risks concerning rising operating costs and material and services costs, risks of changes to existing technology, in addition to risks to changes in the political and regulatory framework of certain countries in which the Group operates, which may change the competitive scenario. In addition to these risks is

the risk related to the possibility that modifications to current European Regulations in relation to importation, movement and storage of waste, or situations which no longer permit compliance with current regulations, may increase the complexity, or limit the possibility, to maintain and/or expand the significant activity of recycling and recovery of raw materials from waste.

To limit these risks, the Group:

- is always ready to accept new business opportunities, both in terms of regional reach and business segments, also relating to the procurement of raw materials;
- continually assesses new market potential;
- carefully chooses the most suitable manner for integration to each situation and local market;
- evaluates every initiative, also of strategic partnership, which may increase the value of the Group, through a reduction of the net debt and/or improvement of the cash generating capacity.

Risks relating to the environment and compliance with applicable regulations

The activities of the Aquafil Group are subject to the national regulations in the countries in which they operate, as well as specific transnational regulations, all in order to reduce operational risks. Specifically, the regulations on the environment, health and workplace safety may differ significantly between various countries; constant control is therefore necessary in order to ensure compliance and timely adjustment in the event of modifications. In order to minimise the social and environmental risks from industrial processes and products, the Aquafil Group includes within its strategy a constant commitment towards the safeguarding of the environment, to the prevention of pollution and to strive for continual improvement of its environmental performance. In particular, the Group has created specific centralised coordination and organisational structures which oversee the compliance with rules and improvement processes in its various locations, independently taking action in the production plants and on its processes. The progressive adoption of the Environmental Management System, which contains a detailed analysis of the risks at the various factories of the Group, is a choice which allows for further progress in this direction, continuing the maximum organisation and rationalisation of the activities.

In this manner, the Group has the objective:

- to deliver constant reduction of environmental impacts and workplace security risks during the development of new technologies and products;
- to adequately design activities, products and services so as to reduce, as much as possible from a technical and sustainable economic standpoint, every environmental impact and health risk during the production activity, their use and subsequent disposal;
- to prevent, to the extent possible, potential and significant pollutions, environmental damages, accidents/injuries, as well as reducing the consumption of non-renewable resources;
- to disseminate a culture of safety and sustainability among all the staff within the business processes, through adequate training activity.

Risks associated with fluctuations in exchange rates, interest rates and prices

Significant exchange rate movements in currencies other than the Euro could negatively impact the financial results and the equity value of the Group.

However, many Group companies are exposed to a contained level of exchange rate risk, as in the individual countries a portion of cash flows, both in relation to sales and also costs are denominated in the local currency of the country. The Group, not for speculative purposes, also carries out currency hedging operations.

In the same manner the Group is exposed to changes in interest rates, as these impact the cost and return of the various forms of lending and uses, with an effect therefore on the consolidated net financial income. Aquafil seeks to limit the interest rate fluctuation risk through undertaking fixed or variable rate medium/long-term loans.

The volatility of oil and energy commodity prices is offset through contractual hedging and/or raw material price and energy sources and sales price indexing contracts.

Risks relating to factory operations and industrial incidents

All Group factories are subject to operational risks, such as for example plant breakdown, revocation and suspension of permits and licenses, work interruptions, raw material or energy procurement difficulties, which could result in prolonged interruptions of the activities of the factories. In addition, incidents such as fire and other unexpected factors and dangers could occur in the industrial factories of the Group and, where significant, could give rise to negative consequences.

The Aquafil Group mitigates these risks through specific plant management policies focused on ensuring adequate security levels and operational excellence in line with best industrial practices. The Group also obtains insurance coverage for its industrial risks and third party liability.

Rischi di credito commerciale

The Group is exposed to the risks connected with delays in customer payments or in general with difficulties in the collection of receivables, as well as to the risk of general reduction in customer credit lines limits set by credit insurance companies which might lead to a worsening of credit risk and/or a negative impact on the growth prospects of the businesses and on the Group's economic results.

In order to limit the credit risk, the Group:

- utilises valuation instruments on each individual counterparty through a dedicated credit management organisation structure;
- stipulated specific insurance policies on the exposure with customers;
- utilises external companies providing corporate information both to initially evaluate reliability and on-going monitoring of the economic and financial situation of clients.

Risks connected with the importance of certain key figures

The success of the Group largely depends on the capacity of its executive directors and management team to manage the group and the individual businesses efficiently. The loss of these key figures, where not adequately replaced, could impact negatively on the prospects of the business and on the results of the Group.

Against this risk, the Aquafil Group has adopted a managerial and organisational structure capable of ensuring continuity in the management of its business, also thanks to the sharing of the strategic decisions.

IT resource management and data security risks

The management of the business activities of the Group is supported by a complex network of IT tools and systems. The necessary interconnection of company IT systems with external IT infrastructure (web and networks) exposes these systems to potential risks in terms of availability, integrity and confidentiality of data, and the efficiency of the systems.

In order to guarantee operational continuity, the Group has for some time implemented a disaster recovery and business continuity system which allows for a quick recovery of the main system stations. In addition, active data and business application security is guaranteed by multiple levels of protection, both physical and logistical, at server level and client level, and advanced authentication and database and network access procedures.

ANNEX TO THE NON-FINANCIAL REPORT: LIST OF STANDARD DISCLOSURES UTILISED

| GRI Reference | Description | Paragraph in NFR | Note |
|--|---|---|--|
| STRATEGY AND ANALYSIS | | | |
| G4-1 | Declaration on the relevance of sustainability for the Organisation | Par. 1.1: Doing business sustainably: THE ECO PLEDGE® | - |
| ORGANISATIONAL PROFILE | | | |
| G4-3 | Name of the organization | Methodological note | - |
| G4-4 | Activities, brands, products and services | Group Presentation: Product Areas | - |
| G4-5 | Location of headquarters | Parent company figures | - |
| G4-6 | Countries of operation | Group Presentation | - |
| G4-7 | Nature of ownership and legal form | Corporate Governance | - |
| G4-8 | Markets served | Group Presentation: markets | - |
| G4-9 | Scale of the organization | <ul style="list-style-type: none">• Group Presentation: Product Areas• Group Presentation: facilities• Par.4.2.2: Aquafil personnel management | Per le informazioni di tipo economico si rimanda alla relazione sulla gestione, di cui la DNF è parte integrante |
| G4-10 | Workforce characteristics | Par. 4.2.2: Aquafil personnel management | - |
| G4-11 | Employees covered by collective bargaining agreements | Par.4.2.2: Aquafil personnel management | - |
| G4-12 | Organisation's supply chain | <ul style="list-style-type: none">• Par.1.3: Circular economy commitment• Par. 2.2.: Product chain environmental performance• Par. 4.3: Relationships with stakeholders | - |
| G4-13 | Significant changes to the size, structure, ownership or supply chain of the organisation | <ul style="list-style-type: none">• Methodological note• Corporate Governance• Reporting scope | - |
| G4-14 | Precautional approach to risk management | Principal Group risks factors or uncertainties | - |
| G4-15 | Adoption of codes and external economic, social and environmental principles | <ul style="list-style-type: none">• Par. 2: Environment• Par. 4: Social aspects | For financial information, reference should be made to the Directors' Report, of which the NFR is an integral part |
| G4-16 | Membership of associations & organisations | Par. 4.3: Relationships with stakeholders | - |
| MATERIAL ASPECTS IDENTIFIED AND REPORTING SCOPE | | | |
| G4-17 | Entities included in the financial statements | Reporting scope | - |
| G4-18 | Process for defining content | Par. 1.2: The sharing approach | - |
| G4-19 | Material aspects identified in setting content | Par. 1.2: The sharing approach | - |
| G4-20 | Material aspects internal to the organisation | Par. 1.2: The sharing approach | - |
| G4-21 | Material aspects external to the organisation | Par. 1.2: The sharing approach | - |
| G4-22 | Recalculation of information compared to previous report | Methodological note Reporting scope | - |
| G4-23 | Significant changes compared to previous report | Methodological note Reporting scope | - |

| GRI Reference | Description | Paragraph in NFR | Note |
|---------------------------------|--|---|--|
| INVOLVEMENT OF SUPPLIERS | | | |
| G4-24 | List of stakeholder groups involved | Par. 1.2: The sharing approach Par. 4.3: Relationships with stakeholders | - |
| G4-25 | Identification and selection of stakeholders to be involved | Par. 1.2: The sharing approach Par. 4.3: Relationships with stakeholders | - |
| G4-26 | Approach to the involvement of stakeholders | Par. 1.2: The sharing approach Par. 4.3: Relationships with stakeholders | - |
| G4-27 | Key aspects emerging from involvement of stakeholders | Par. 1.2: The sharing approach Par. 4.3: Relationships with stakeholders | - |
| REPORT PROFILE | | | |
| G4-28 | Reporting period | Methodological note | |
| G4-29 | Publication date of previous report | - | September 2017 |
| G4-30 | Reporting cycle | Methodological note | Annually |
| G4-31 | Contact points for information on report | - | Reference should be made to the Directors' Report, of which the NFR is an integral part |
| G4-32 | GRI Contents | Annex | - |
| G4-33 | External assurance | Methodological note | - |
| GOVERNANCE | | | |
| G4-34 | Governance structure | Corporate Governance | - |
| ETHICS AND INTEGRITY | | | |
| G4-56 | Values, principles, standards and norms of behaviour adopted by the organization | Par. 3: Compliance with regulations | - |
| CATEGORY: ENVIRONMENTAL | | | |
| G4-DMA | Materials | Paragraph 2.3 - Environmental performance of the product chain (life cycle assessment and ECONYL project) | For purchases/uses, reference is made to the Directors' Report, of which the NFR is an integral part |
| G4-DMA G4-EN3 | Energy management | <ul style="list-style-type: none"> Par. 2.1 - Standards and methodologies applied Paragraph 2.2 - Environmental performance of Aquafil's production processes (Energy consumption management) | - |
| G4-DMA G4-EN15 G4-EN16 | Greenhouse gas emissions | Paragraph 2.2 - Environmental performance of Aquafil's production processes (Greenhouse gas emissions) | - |
| G4-DMA G4-EN8 | Water consumption | Paragraph 2.2 - Environmental features of the production processes (water consumption management) | - |
| G4-DMA G4-EN22 | Waste water management | Paragraph 2.2 - Environmental performance of Aquafil's production processes (waste water management) | - |
| G4-DMA | Transport management | <ul style="list-style-type: none"> Paragraph 2.1 - Environmental performance of the product chain (life cycle assessment) Paragraph 4.3.1 - Supplier selection and engagement (ECONYL® Qualified) | - |
| G4-DMA G4-EN29 | Environmental regulatory compliance | <ul style="list-style-type: none"> Paragraph 1.3 - Certifications Paragraph 3 - Compliance with regulations | - |
| G4-DMA | Monitoring of environmental performances of suppliers | Paragraph 4.3.1 - Supplier selection and engagement | - |
| - | Environmental expenses and investments | - | Reference should be made to the Directors' Report, of which the NFR is an integral part |

| GRI Reference | Description | Paragraph in NFR | Note |
|---------------------------|--------------------------------------|--|---|
| CATEGORY: SOCIAL | | | |
| G4-DMA | Compliance with laws and regulations | • Paragraph 3.1 - Code of conduct | - |
| G4-SO8 | | • Paragraph 4.1 - Respect and protection of human rights | |
| CATEGORY: ECONOMIC | | | |
| - | Business performance | - | Reference should be made to the Directors' Report, of which the NFR is an integral part |

RESEARCH AND DEVELOPMENT

R&D in 2017 concerned the product and process innovation applied to raw BCF yarns and dyed solutions, NTF yarns, PA6 polymers and the Econyl® process.

Innovation and research concerned all of the main production process phases, from raw materials entering production to polymerisation, spinning and reprocessing and, for Econyl®, the regeneration of materials, leveraging on both internal (efficiency, performance) and external research drivers (market inputs, technological developments, the availability of solutions and new materials).

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

Research in certain cases extends to fibre and/or polymer final application sectors, such as for the automotive sector and are carried out in collaboration with final application development bodies.

In 2017, research, particularly in terms of the BCF line, focused on the following projects:

- fire-resistant: development of BCF yarns with intrinsic fire-resistant features;
- stain-resistant: development of BCF yarns with improved stain resistance;
- emissions: investigations upon carpet emissions to reduce quantity and impact;
- 3D printing: development of new eco-compatible yarns for 3D printing;
- bio caprolactam: development of a biotechnological caprolactam from renewable raw materials. The project, with the goal of obtaining caprolactam by biochemical means, was carried out in collaboration with various research entities and principally Genomatica, Nexus Center Drive, San Diego, USA, an international leader in the development of industrial-scale biochemical processes;
- automotive-specific yarns, multi-colour technology and new BCF yarns: research, design and development of specialised automotive sector yarns, development of a BCF technology for the production of new types of multi-colour yarns and of new BCF yarns for a range of applications and optimisation of the relative production processes;
- polymerisation optimisation: optimisation of the PA6 polymerisation processes to increase efficiency and improve the quality of polymers;
- PA6 dyeing improvement: improvement of the dyeing end-product and improved yarn colour solidity

With regards to the NTF line products, development activities were carried out in collaboration and with the external support of the Slovenian research bodies "Jožef Stefan Institute", "National Institute of Chemistry", "Institute for Environmental Protection and Sensors" and a range of industrial partners, for the creation of:

- a new anti-static NTF fibre based on the combined use of innovative materials and advanced process technologies;
- a special coloured multi-fibre on a Dryarn® base for "Total Solar Reflectance" for clothing use;
- special UV protection materials for innovative use in the technical clothing sectors;
- a new group of polyamide base coloured fibres for textile use to improve performance but with reduced environmental impact.

ECONYL® production research and development has particularly focused on:

- patent filing for several technological stages associated with material recovery from end-of-life polyamide carpeting;
- patent filing for waste copper recovery from process supply products;
- development of specific anti-fouling treatments for aquaculture nets and materials;
- improvements and optimization of solvent-free caprolactam purification technology, and preparation for patent application;
- continuous de-polymerization process mathematical modelling.

CORPORATE GOVERNANCE

For further information on corporate governance, reference should be made to the Corporate Governance and Ownership Structure Report, prepared in accordance with Article 123-bis of Legs. Decree 58/1998, approved by the Board of Directors, together with the Directors' Report made available at the registered office of the company and on the Group website.

Certain disclosure within the scope of the Corporate Governance and Ownership Structure report is covered by the "Remuneration Report" drawn up as per Article 123-ter of Legislative Decree 58/1998. Both reports, approved by the Board of Directors, are published in accordance with law on the company website www.aquafil.com.

OTHER INFORMATION

Management and co-ordination activity

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

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

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

Treasury shares

At December 31, 2017, Aquafil S.p.A. and the other companies of the Group do not own and did not own during the year treasury shares and/or shares of parent companies, in its portfolio or through trust companies or third parties, and no share purchases or sales were made.

Group IRES (Corporate Income Tax) taxation procedure

Tessilquattro S.p.A. and Borgolon S.p.A. as consolidated companies use the group taxation procedure as chosen by Aquafin Holding S.p.A., as consolidating company, for the 2016-2018 three-year period in accordance with Articles 117 to 128 of Pres. Decree 917/1986, as amended by Legs. Decree No. 344/2003; in preparing the financial statements of these companies, the effects of the transfer of the tax positions due to the consolidated tax accounts were taken into account; in particular, the subsequent accounts receivable from/payable to the consolidating company were recognised.

The company Aquafil S.p.A. originally participated in the Group tax procedure indicated above for the 2016-2018 three-year period as consolidating company: following the merger with Space3 S.p.A. concluding in December 2017, for tax period 2017 the consolidation was interrupted, as per Article 124, paragraph 5 of Presidential Decree 917/1986 and Article 13, first paragraph, letter f) of Ministerial Decree 09/06/2004.

Management and control model in accordance with Legs. Decree 231/2001

The Italian companies of the Aquafil Group have supplemented the organisation, management and control model as per Legislative Decree No. 231 of June 8, 2013, including the conduct code and operating procedures, as updated by: (a) Law No. 161 of October 17, 2017 concerning provisions against illegal immigration (new anti-mafia code); (b) Law No. 167 of November 20, 2017 supplementing the catalogue of offenses as per Legislative Decree No. 231/2001, inserting Article 25-terdecies "racism and xenophobia"; (c) Law No. 179 of November 30, 2017 concerning whistleblowing. The new Model was approved by the Board of Directors of Aquafil on October 5, 2017.

RECONCILIATION BETWEEN PARENT COMPANY AND CONSOLIDATED NET EQUITY

A breakdown of the composition and movement of net equity of the parent company and the Group consolidated financial statements at December 31, 2017 is presented in the following table.

| (in Euro thousands) | Net Equity | Net Result |
|--|----------------|----------------|
| Parent company net equity and net result | 118,207 | (2,689) |
| Parent company net profit at December 4, 2017 | | 9,954 |
| Consol. Adjustments on parent company | (1,273) | 2,934 |
| Elimination of carrying amounts of consolidated investments | | |
| Difference between carrying value & pro-quota shareholders' equity | (764) | |
| Pro-quota results of investees | 12,783 | 12,878 |
| Elimination of the effects of transactions between consolidated companies | | |
| Reversal of write-downs net of revaluations of investments | 3,690 | 3,690 |
| Inter-company profits included in inventories & other minor | (2,579) | (1,456) |
| Translation reserve | (4,565) | (95) |
| Net equity and net result as per consolidated financial statements | 125,499 | 25,216 |
| Minority interest net equity and net result | 485 | 99 |
| Group net equity and net result | 125,014 | 25,117 |

SUBSEQUENT EVENTS

On February 5, 2018, Aquafil S.p.A. announced the finalisation of a binding agreement for the acquisition of a part of the tangible and intangible assets concerning the nylon 6 operations in the Asia Pacific area of *Invista*, one of the leading global producers of chemical components, polymers and fibres and part of the US Group Koch Industries Inc.

The operations acquired concern part of the business developed by *Invista* in the Asia Pacific region, with business volumes of approx. USD 50 million and forecast margins in line with that of the Aquafil Group at consolidated level following the integration. The value of the operation is not significant for the Group and shall be settled with own funds.

The operation does not include the other business lines of *Invista* in Asia such as nylon 6.6, polyesters, polyols, licensing activities and related brands.

The parent company Aquafil S.p.A. received on 21/12/2017 a settlement notice of *registration tax*, under which the Trento Provincial section of the Tax Agency - Riva del Garda Office requested proportional taxation regarding the sale of the shareholding in Domo Engineering Plastics S.p.A. on 31/5/2013. The addressee company of the notice is the disposing company Domo Chemicals Italy S.p.A., parent of Domo Engineering Plastics S.p.A., with the support of Aquafil S.p.A.. The two addressee companies in the notice presented an appeal for cancellation. Simultaneously, in February 2018, given the unavailability of the Agency to suspend execution of the deed ahead of the hearing, in order to avoid the application of penalties for late payment, Domo Chemicals Italy S.p.A. paid the amount of Euro 1.6 million as the amount of additional taxes plus interest, with repayment expected in the case of a successful legal challenge, an amount for which Aquafil S.p.A. provided financial support to Domo Chemicals Italy S.p.A. for half of that requested (Euro 781 thousand). On March 14 Aquafil S.p.A. and Domo Chemicals Italy S.p.A. presented an appeal to the first level Commission of Trento. Considering the weakness of the complainant's case, as confirmed also by the company's consultants, the risk of loss was assessed as low and for this reason a specific provision was not set aside in the financial statements of Aquafil S.p.A. at 31.12.2017.

In the initial months of the new year, the provider of the dyeing process water treatment service of Tessilquattro S.p.A. suffered a water treatment plant stoppage caused by third parties. Although the section of the organic filtration plant which treats the Tessilquattro S.p.A. process water was not involved in the stoppage and remains functional, given the financial difficulties of the supplier of the filtration service due to the costs from the stoppage to activities, Tessilquattro S.p.A. is prudently assessing an alternative plan to manage the process and operations for the dyeing of synthetic fibres in the case of suspension of all of supplier's filtration operations. In any case, any adoption of alternative dyeing process solutions should not impact overall Group profitability.

Finally, at the facility of the subsidiary AquafilCRO of Oroslavje (Croatia), on January 25 a fire of limited extent occurred, which - thanks to the efficiency of the fire protection systems and procedures - affected only a number of offices adjacent to the warehouse, not extending to the production lines and to machinery, with normal production activities gradually re-starting in the subsequent weeks following the completion of cleaning and the recovery of the safety systems. The fire did not affect any persons and only resulted in the loss of raw materials and products stocked in the warehouse; the company considers the insurance coverage to be sufficient to exclude the possibility of any financial impacts.

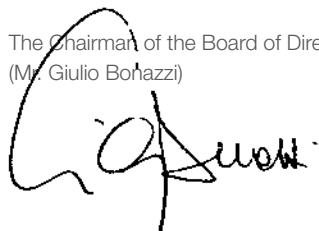
In February 2018, Aquafil Carpet Recycling #2, Inc., with registered office in Sacramento, California (USA), wholly-owned by Aquafil USA Inc and scheduled for start-up in 2018, was incorporated to recover and re-process material from end-of-life carpeting, partly to feed the ECONYL® production process.

OUTLOOK

The backdrop of uncertainty on the international markets in which the Group operates continues, although with signs of recovery in some regions, and is impacted by oil price movements, financial market developments, country risk for certain regions and possible currency market volatility. An improved Group performance for 2018 is however forecast, both in terms of earnings and the debt/EBITDA level, with the start to the new year confirming these expectations.

Arco, March 23, 2018

The Chairman of the Board of Directors
(Mr. Giulio Borazzi)





BCF

(yarn for textile floorings)

With our yarns, beautiful and comfortable carpets are being produced everyday. Thanks to our regenerated ECONYL® yarn, these carpets are sustainable and can be utilized for many generations to come



53. Separate Financial Statements
at December 31, 2017

55. Balance Sheet

56. Income Statement

56. Comprehensive Income Statement

57. Cash Flow Statement

58. Statement of changes in equity

Separate Financial Statements at December 31, 2017

BALANCE SHEET

| in Euro thousands | Note | At December 31, 2017 | At December 31, 2016 |
|---|------|----------------------|----------------------|
| Intangible assets | 8.1 | 6,085 | 0 |
| Property, plant & equipment | 8.2 | 31,050 | 0 |
| Financial assets | 8.3 | 212,679 | 0 |
| <i>of which related parties:</i> | | 32,834 | 0 |
| Deferred tax assets | 8.4 | 5,739 | 0 |
| Total non-current assets | | 255,553 | 0 |
| Intangible assets | 8.5 | 44,036 | 0 |
| Property, plant & equipment | 8.6 | 94,100 | 0 |
| Financial assets | | 79,086 | 0 |
| <i>of which related parties:</i> | 8.3 | 9,150 | 0 |
| Deferred tax assets | | 9,150 | 0 |
| Total non-current assets | 8.7 | 339 | 0 |
| Altre attività | 8.8 | 8,615 | 0 |
| <i>di cui parti correlate:</i> | | 2,641 | 0 |
| Disponibilità liquide e mezzi equivalenti | 8.9 | 59,475 | 50 |
| Totale attività correnti | | 215,715 | 50 |
| Totale attività | | 471,267 | 50 |
| Share capital | 8.10 | 49,673 | 50 |
| Reserves | 8.10 | 71,223 | (3) |
| Loss for the period | 8.10 | (2,689) | (18) |
| Net equity | | 118,207 | 29 |
| Employee benefits | 8.11 | 2,819 | |
| Financial liabilities | 8.12 | 157,250 | 0 |
| <i>of which related parties:</i> | | 4,882 | 0 |
| Provisions for risks and charges | 8.13 | 535 | 0 |
| Deferred tax liabilities | 8.4 | 564 | 0 |
| Other liabilities | 8.14 | 7,857 | 0 |
| Total non-current liabilities | | 169,025 | 0 |
| Financial liabilities | 8.12 | 48,798 | 0 |
| Current tax payables | 8.16 | 4,244 | 0 |
| Trade payables | 8.15 | 119,539 | 21 |
| <i>of which related parties:</i> | | 61,100 | 0 |
| Other liabilities | 8.14 | 11,455 | 0 |
| Total current liabilities | | 184,036 | 21 |
| Total net equity & liabilities | | 471,267 | 50 |

INCOME STATEMENT

| in Euro thousands | Note | 2017 | of which non-current | 2016 | of which non-current |
|---|------|----------------|----------------------|-------------|----------------------|
| Revenues | 9.1 | 37,765 | 0 | 0 | 0 |
| of which related parties: | | 20,850 | 0 | 0 | 0 |
| Total revenues and other revenues and income | | 37,765 | 0 | 0 | 0 |
| Raw material costs | 9.2 | (30,910) | 0 | 0 | 0 |
| of which related parties: | | (20,310) | 0 | 0 | 0 |
| Service costs | 9.3 | (5,893) | (2,926) | 0 | 0 |
| of which related parties: | | (307) | 0 | 0 | 0 |
| Personnel costs | 9.4 | (2,830) | 0 | 0 | 0 |
| Other costs and operating charges | 9.5 | (149) | (33) | (18) | 0 |
| of which related parties: | | (0) | 0 | 0 | 0 |
| Amortisation, depreciation and write-downs | 9.6 | (1,006) | 0 | 0 | 0 |
| Provisions & write-downs | 9.7 | 18 | 0 | 0 | 0 |
| EBIT | | (3,005) | (2,959) | (18) | 0 |
| Investment income and charges | 9.8 | (3,690) | 0 | 0 | |
| Financial income | 9.9 | 637 | 0 | 0 | 0 |
| of which related parties: | | 150 | 0 | 0 | 0 |
| Financial charges | 9.10 | (386) | 0 | 0 | 0 |
| of which related parties: | | (5) | 0 | 0 | 0 |
| Exchange gains/losses | 9.11 | (332) | 0 | 0 | 0 |
| Loss before tax | | (6,777) | (2,959) | (18) | 0 |
| Income taxes | 9.12 | 4,086 | 2,721 | 0 | 0 |
| Net loss for year/period | | (2,690) | (238) | (18) | 0 |

COMPREHENSIVE INCOME STATEMENT

Year/Period ended December 31

| in Euro thousands | Note | 2017 | of which non-current | 2016 | of which non-current |
|--|------|----------------|----------------------|-------------|----------------------|
| Loss for the year/period | | (2,690) | (2,959) | (18) | 0 |
| Actuarial gains/(losses) | 8.10 | 1 | 0 | 0 | 0 |
| Tax effect from actuarial gains and losses | 8.10 | 0 | 0 | 0 | 0 |
| Other income items not to be reversed in income statement in subsequent periods | | 1 | 0 | 0 | 0 |
| Comprehensive loss | | (2,689) | (2,959) | (18) | 0 |

CASH FLOW STATEMENT

| in Euro thousands | Note | 2017 | 2016 |
|---|------|----------------|-------------|
| Operating activities | | | |
| Net Loss | | (2,690) | (18) |
| Income taxes | 9.12 | (4,086) | - |
| Investment income and charges | 9.8 | 3,690 | - |
| Financial income | 9.9 | (637) | - |
| Financial charges | 9.10 | 386 | - |
| Exchange gains/losses | 9.11 | 332 | - |
| (Gains)/losses on sale of assets | | 69 | - |
| Net provisions | | 6 | - |
| Amortisation, depreciation and write-downs | 9.6 | 1,006 | - |
| Cash flow from operating activities before working capital changes | | (1,924) | (18) |
| Decrease/(increase) in inventories | | (4,803) | - |
| Increase/(decrease) in trade payables | | 12,003 | 21 |
| Decrease/(increase) in tax receivables | | 31,793 | - |
| Change in other assets and liabilities | | (5,785) | - |
| Net paid financial charges | | (964) | - |
| Income taxes paid | | - | - |
| Utilisation of provisions | | (43) | - |
| Net cash flow generated by operating activities (A) | | 30,277 | 3 |
| Investing activities | | | |
| Investments in tangible assets | 8.2 | (171) | - |
| Disposal of tangible assets | 8.2 | 5 | - |
| Investments in intangible assets | 8.1 | (383) | - |
| Disposal of intangible assets | | 0 | - |
| Investments in financial assets | | (108,216) | - |
| Disposal of financial assets | | 138,881 | - |
| Cash flow generated by investing activities (B) | | 30,116 | - |
| Financing activities | | | |
| Contribution from Aquafil SpA - Space 3 SpA merger | | 16,844 | - |
| New non-current bank loans | | - | - |
| Repayment non-current bank loans | | (32,536) | - |
| Net changes in current and non-current financial assets and liabilities | | (649) | (3) |
| Share capital increase | | 15,373 | 50 |
| Cash flow from generated/(absorbed) by financing activities (C) | | (968) | 47 |
| Net cash flow in the year (A)+(B)+(C) | | 59,425 | 50 |
| Opening cash and cash equivalents | 8.9 | 50 | - |
| Closing cash and cash equivalents | 8.9 | 59,475 | 50 |

STATEMENT OF CHANGES IN EQUITY

| | Share capital | Legal reserve | Share premium reserve | Non-distribut reserve SC cost increase |
|--|---------------|---------------|--------------------------|--|
| (in Euro thousands) | | | | |
| At January 1, 2017 | 50 | | | (3) |
| Distribution of dividends | | | | |
| Share capital increase from spin-off | 15,373 | | | (1,459) |
| Listing charges relating to share capital increase | | | | (627) |
| Spin-off transaction | | 8 | 138,873 | |
| Contribution Aquafil SpA merger at December 31, 2017 | 34,250 | 3,937 | | (1,198) |
| Merger effect | | (3,937) | (118,843) | |
| Operations with shareholders | 49,623 | 8 | 20,030 | (3,284) |
| Net Loss | | | | |
| Actuarial gains/(losses) employee benefits | | | | |
| Comprehensive loss | | | | |
| At December 31, 2017 | 49,673 | 8 | 20,030 | (3,287) |

| <i>FTA Reserve</i> | <i>IAS 19 Reserve</i> | <i>Other reserves</i> | <i>Retained earnings</i> | <i>Net loss</i> | Total reserves | Total Net Equity |
|--------------------|-----------------------|-----------------------|--------------------------|-----------------|-----------------------|-------------------------|
| | | | (18) | (18) | (21) | 29 |
| | | | | 18 | | |
| | | | | | (1,459) | 13,914 |
| | | | | | (627) | (627) |
| | | | | | 138,881 | 138,881 |
| (2,156) | (264) | 46,944 | 9,966 | | 57,229 | 91,479 |
| | | 0 | | | (122,780) | (122,780) |
| (2,156) | (264) | 46,944 | 9,948 | 18 | 71,244 | 120,867 |
| | | | | (2,690) | (2,690) | (2,690) |
| | 1 | | | | 1 | 1 |
| | 1 | | | (2,690) | (2,689) | (2,689) |
| (2,156) | (263) | 46,944 | 9,948 | (2,672) | 68,555 | 118,207 |

NTF

**(yarn for textile
and clothing industry)**

The yarn produced by the NTF division has multiple applications from sportswear to underwear. The leading brands in this division are Dryarn® and ECONYL®





63. Explanatory notes to the Financial Statements

101. Aquafil S.p.A. 2017 Corporate Governance
and Ownership Structure Report

Explanatory notes to the Financial Statements

1. GENERAL INFORMATION

1.1. Introduction

Aquafil S.p.A. (hereafter “**Aquafil**”) is the company resulting from the merger by incorporation of Aquafil S.p.A., founded in Arco (TN) in 1969, and which produces and sells fibres and polymers principally polyamide, and Space3 S.p.A., a company incorporated on October 6, 2016, an Italian Special Purpose Acquisition Company (SPAC) beneficiary of the spin-off operation of Space2 S.p.A. on March 15, 2017 and admitted on the Professional Segment of the Investment Vehicles Market (MIV) organised and managed by Borsa Italiana S.p.A. on April 5, 2017, following the placement with qualified investors in Italy and overseas institutional investors.

The merger was effective on December 4, 2017, simultaneous to admission for trading of the shares on the Italian Stock Exchange, STAR Segment. On the same date Space3 S.p.A. changed its name to Aquafil S.p.A. and established its registered office as Arco (TN), via Linfano n. 9.

As the merger was effective from December 4, 2017, the separate financial statements at December 31, 2017 of Aquafil S.p.A. (formerly Space 3 S.p.A.) present Aquafil’s operating revenues only for the December 4, 2017 - December 31, 2017 period. This differs from the consolidated financial statements, which include the Aquafil Group’s operating revenues for the full calendar year (January 1, 2017 - December 31, 2017).

Aquafil S.p.A. is directly controlled by Aquafin Holding S.p.A., with registered office in Via Leone XIII No. 14, 20145 Milan, Italy. The ultimate parent company, which draws up specific consolidated financial statements, is GB&P S.r.l. with registered office in Via Leone XIII No. 14, 20145 Milan, Italy. The company produces and sells nylon on a global scale by transforming it into three different product lines represented by:

- (i) BCF fibre (bulk continuous filaments), or synthetic yarns mainly intended for the textile flooring sector and used in “contract” segments (hotels, airports, offices, etc.), residential buildings and the automotive market;
- (ii) NTF fibre (nylon textile fibres), or synthetic yarns mainly intended for the clothing sector (sportswear, classic, technical or specialist apparel);
- (iii) nylon 6 polymers, mainly targeting the engineering plastics sector for subsequent use in the moulding industry.

The above product lines are also sold on the market under the ECONYL® brand, which offers the company’s products obtained by regenerating industrial waste and end-of-life products.

1.2 FINANCIAL STATEMENT PRESENTATION

These financial statements were prepared for the year ended December 31, 2017 in accordance with EU Regulation 809/2004, in compliance with International Financial Reporting Standards, issued by the International Accounting Standards Board and endorsed by the European Union (**IFRS**). The Financial Statements were approved by the Board of Directors of the company on March 23, 2018 and audited by PricewaterhouseCoopers S.p.A., statutory auditors of the company.

1.3 Non-Financial Report

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

2. ACCOUNTING POLICIES

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

The transition process from Italian GAAP to IFRS in accordance with the provisions of IFRS 1 “First-time Adoption of International Financial Reporting Standards” (“IFRS 1”) was carried out on the preparation of the three-year consolidated financial statements at December 31, 2014, 2015 and 2016 attached to the Prospectus in relation to the admission for trading on the Italian Stock Exchange, STAR segment of the ordinary shares and of the Market warrants. All the information relating to the transition are illustrated in the afore-mentioned document.

2.1. Basis of preparation

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

These financial statements were prepared:

- on the basis of extensive knowledge on the IFRS and taking into account best practice; any further orientations and interpretative updates will be reflected in subsequent years, in accordance with the provisions of the accounting standards;

- on a going-concern basis of the company resulting from the Merger, as the directors verified the absence of financial, operating or other indicators which may suggest difficulties with regards to the company's capacity to meet its obligations in the foreseeable future and in particular in the next 12 months.
- under the historical cost convention, except for the measurement of financial assets and liabilities where the obligatory application of the fair value criterion is required.

As previously described and illustrated in detail in paragraph 7 below, the year was marked by the merger between Space 3 S.p.A. and Aquafil S.p.A.. This transaction was recognised for accounting purposes at the merger date of December 4, 2017 with all the balance sheet and income statement items of the former Aquafil S.p.A. transferred into Space 3 S.p.A. These balances derive from the financial statements prepared based on international accounting standards at December 4, 2017 of the incorporated company.

Consequently, these separate financial statements at December 31, 2017 are represented by the income statement of the former Space 3 S.p.A. in addition to the income statement effects of the incorporated Aquafil S.p.A. at the effective merger date until the end of the year.

Based on that outlined, the comparative data at December 31, 2016 presented in the financial statements refer to the financial statements of Space 3 S.p.A. at that date which are therefore not comparable with December 31, 2017.

For this reason, all the tables within the Explanatory Notes illustrating movements in the account items include an "ad hoc" line for contributions from the merger. In addition to the afore-mentioned paragraph 7, also attached are the financial statements of the incorporated Aquafil S.p.A. at December 4, 2017 with all the balances deriving from the merger contributing to these separate financial statements.

2.2. Form and content of the financial statements

The financial statements and the relative classification criteria adopted by the Company, within the options permitted by IAS 1 "Presentation of financial statements" ("**IAS 1**") are illustrated below:

- the balance sheet is presented with separation between "current and non-current" assets and liabilities;
- the income statement was prepared separately from the comprehensive income statement, and was prepared classifying operating costs by expense type;
- the comprehensive income statement which includes, in addition to the result for the period, also the changes to equity relating to income items which, in accordance with International Accounting Standards, are recognised under equity;
- the cash flow statement prepared in accordance with the "indirect method".

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

Subsidiaries

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

Associated Companies

Associated companies are those in which the Company exercises a significant influence.

Business combinations

Business combinations, in which the control of an entity is acquired, are recorded in accordance with IFRS 3, applying the so-called acquisition method. In particular, the identifiable assets acquired and the liabilities and contingent liabilities assumed are recorded at the relative present value at the acquisition date and therefore the date in which control was acquired (the "**Acquisition Date**"), with the exception of deferred tax assets and liabilities, assets and liabilities relating to employee benefits and assets held for sale which are recorded based on the relative accounting principles. The difference between the purchase cost and the fair value of the assets and liabilities, if positive, is recorded under intangible assets as goodwill, or, if negative, after verifying the correct measurement of the fair values of the assets and liabilities acquired and of the purchase cost, recorded directly to the comprehensive income statement, as income. When the value of the assets and liabilities of the business acquired is made on a provisional basis, this must be concluded within a maximum period of twelve months from the acquisition date, taking into account only the information relating to facts and circumstances existing at the Acquisition Date. In the year in which the above-mentioned acquisition price is concluded, the provisional values recorded are adjusted retrospectively. Accessory charges to the transaction are recorded in the comprehensive income statement when they are incurred.

The acquisition cost is represented by the fair value at the Acquisition Date of the assets acquired, liabilities assumed and capital instruments issued for the acquisition, and also includes potential payments, or rather that part of the consideration whose amount and payment is subject to future events. The potential payment is recorded based on the relative fair value at the Acquisition Date and the subsequent changes in the fair value are recognised in the comprehensive income statement if the potential payment is a financial asset or liability, while the potential payments classified as equity are not remeasured and the subsequent settlement is recorded directly in equity.

Where control is acquired in several stages, the acquisition cost is determined through the sum of the fair value of the investment previously held in the investee and the total amount for the additional holding. Any difference between the fair value of the investment previously held and the relative carrying amount is recorded in the comprehensive income statement. On acquiring control, any amounts previously recorded under other comprehensive items are recorded in the comprehensive income statement, or in another equity account, where this may not be recorded in the comprehensive income statement.

Business combinations where the companies involved are controlled by the same entity or by the same entities before or after the business combination, and this control is not transitory, are considered as transactions “under common control”. These transactions are not governed by IFRS 3, or by other IFRS. In the absence of an applicable accounting standard, the choice of the accounting method for the transaction must guarantee compliance with the provisions of IAS 8, or rather the reliable and true representation of the transaction. The accounting principle chosen for representing transactions under common control must reflect the substance of the transaction, independent of their legal form. The economic substance therefore constitutes the key element in determining the methodology to be utilised for the accounting of these transactions. The economic substance must make reference to creating added value that results in significant cash flows from the net assets transferred. Current interpretations and guidelines must also be considered for the transaction’s accounting process; in particular, reference is made to the provisions of OPI 1 (Revised) (Assirevi Preliminary Guidelines on IFRS), concerning the “accounting treatment of the business combination of entities under common control in the separate financial statements and in the consolidated financial statements”.

Net assets transferred should therefore be recorded at the book values they had in the company being acquired or, if available, at the values resulting from the common parent company’s consolidated balance sheet. In this regard, in the case of such transactions, the company has chosen to refer to the net assets’ historical values as recorded in the financial statements of the company being acquired.

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

| | 2017 | December 2017 | 2016 | December 2016 |
|---------------|---------------------|----------------------|---------------------|----------------------|
| | Average rate | Year-end rate | Average rate | Year-end rate |
| US Dollar | 1.12989 | 1.1993 | 1.106903 | 1.0541 |
| Croatian Kuna | 7.46351 | 7.44 | 7.533291 | 7.5597 |
| Chinese Yuan | 7.62969 | 7.8044 | 7.352221 | 7.3202 |
| Turkish Lira | 4.12057 | 4.5464 | 3.343254 | 3.7072 |
| UK Sterling | 0.87684 | 0.88723 | 0.819483 | 0.85618 |

Translation of accounts in foreign currencies

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

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

2.3 Accounting policies

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

CLASSIFICATIONS OF CURRENT AND NON-CURRENT ASSETS AND LIABILITIES:

The company classifies an asset as current when:

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

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

The Company classifies a liability as current when:

- it is expected to be settled within the normal operating cycle;
- it is principally held for trading;
- it is expected to be settled within 12 months from the reporting date; or
- the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

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

INTANGIBLE ASSETS

An intangible asset is an asset without physical substance, identifiable and capable of generating future economic benefits. The requisite of identifiability is normally met when an intangible asset is:

- attributable to a legal or contractual right; or
- separable, that is, it can be sold, transferred, leased or exchanged independently.

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

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

An intangible asset, generated during a project's development phase, which complies with the definition of development on the basis of IAS 38, is recognised as an asset if:

- the cost can be measured reliably;
- the product/process is technically feasible;
- it is likely that the company will obtain the future economic benefits that are attributable to the asset developed, and
- where the company intends to complete the project's development and has sufficient resources to do so.

Intangible assets with definite useful lives

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

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

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

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

PROPERTY, PLANT & EQUIPMENT

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

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

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

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

| | Estimated useful life |
|--|------------------------------|
| 1. Buildings and light constructions | 10 - 17 - 33 years |
| 2. General plant and machinery | 7 - 8 - 10 - 13 years |
| 3. Industrial and commercial equipment | 2 - 4 - 8 years |
| 4. Other assets | 4 - 5 - 8 years |

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

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

LEASED ASSETS

The definition of a contractual agreement as a leasing operation (or containing a leasing operation) is based on the substance of the agreement and requires an assessment of whether the agreement depends on the utilisation of one or more specific assets or whether the agreement transfers the right to the utilisation of this asset. The verification that an agreement is a lease is made at the beginning of the agreement.

Assets held through finance lease contracts or rather agreements where the majority of the risks and rewards related to the ownership of an asset have been transferred to the company, are initially recognised as assets at fair value or, if lower, the present value of the minimum lease payments, including any redemption amounts to be paid. The corresponding liability due to the lessor is recorded in the accounts under financial liabilities, applying the amortised cost criterion.

Subsequent to initial recognition, the assets held under finance leases are depreciated applying the same criteria and rates previously indicated for the other tangible assets, except where the duration of the lease contract is lower than the useful life and there is not a reasonable certainty of the transfer of ownership of the asset at the normal expiry date of the contract; in this case, the depreciation is over the duration of the lease contract.

The leased assets where the lessor bears the majority of the risks and rewards related to an asset are recorded as operating leases. Costs related to operating leases are recognised on a straight-line basis over the duration of the lease.

IMPAIRMENT OF INTANGIBLE AND TANGIBLE ASSETS

Intangible and tangible assets with definite useful life

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

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

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

INVESTMENTS

Investments in subsidiaries are recorded at acquisition or subscription cost. In particular the investments held by Aquafil S.p.A. at the merger date with Space 3 S.p.A. (December 4, 2017) were recorded at cost which, on the transition to international accounting standards and in accordance with IFRS 1 paragraph D.15, was considered equal to the recognition value in the financial statements of Aquafil S.p.A. at December 31, 2016.

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

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

SECURITIES OTHER THAN EQUITY INVESTMENTS

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

LOANS, RECEIVABLES AND FINANCIAL ASSETS HELD-TO-MATURITY

Financial assets held to maturity are non-derivative financial assets which the company intends to hold to maturity, having fixed or determinable payments and are not quoted on an active market. These financial assets are classified under current assets if they mature within 12 months, otherwise they are classified under non-current assets.

Financial assets are initially recognised at fair value, including any accessory costs. Subsequent to initial recognition, financial assets held to maturity are measured at amortised cost using the effective interest rate method and subject to verifications for reductions in value.

The company assesses at each reporting date whether a financial asset or a group of financial assets have incurred a loss in value. A financial asset or group of financial assets has incurred a loss in value and must be written-down only if there is a clear indication of a loss in value as a result of one or more events occurring after the initial booking of the asset and which has had an impact, reliably estimated, on the future cash flows generated.

The loss in value of the assets may result from the following circumstances:

- i) significant financial difficulties of the debtor;
- ii) breach of contracts or failure to pay interest or capital;
- iii) the creditor, due to economic or legal reasons relating to the financial difficulties of the debtor, extends to the debtor a concession which would not otherwise have been granted;
- iv) it is probable that the debtor will be declared bankrupt or subject to administrative procedures; or
- v) elimination of an active market for the financial assets.

IMPAIRMENT OF FINANCIAL ASSETS

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

The objective evidence of an impairment loss includes observable indicators such as:

- the issuer or debtor's significant financial difficulty;
- legal disputes with the debtor relating to receivables claimed by the company;
- breach of contract such as default or non-payment of interest or capital;
- evidence that the debtor can enter into insolvency proceedings or another form of financial restructuring;
- an appreciable reduction in estimated future cash flows.

Losses expected to arise as a result of future events are not recognised.

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

INVENTORIES

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

TRADE AND OTHER RECEIVABLES (CURRENT AND NON-CURRENT)

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

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

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

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

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

CASH AND CASH EQUIVALENTS

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

EMPLOYEE BENEFITS

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

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

TRADE AND OTHER PAYABLES (CURRENT AND NON-CURRENT)

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

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

DERIVATIVE FINANCIAL INSTRUMENTS

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

A derivative is a financial instrument or other contract:

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

The financial instruments are undertaken to hedge against the interest rate risk. In accordance with IAS 39, financial derivative instruments may be accounted for under hedge accounting only when:

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

All derivative financial instruments are measured at fair value in accordance with IAS 39.

MEASUREMENT OF THE FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

WARRANTS

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

These financial instruments can have different terms and characteristics and, on the basis of these, can be alternatively considered: (i) as a financial liability that must therefore be measured at fair value at the time of issue and any subsequent variation recorded directly in the income statement in accordance with IAS 39, (ii) or considered as an equity instrument and therefore classified in a specific equity reserve from which they will be released only at the time they are exercised or on their maturity as indicated by IAS 32.

Warrants issued by the company have the characteristics to be considered as equity instruments since both instruments contain a pre-set execution value (defined as the “fixed for fixed criteria”).

In particular, in the case of execution of Sponsor Warrants, an exchange between equity and cash instruments at a pre-set value is envisaged and, in the case of Market Warrants, an exchange based on a pre-defined formula. Information on these instruments is available in paragraph 8.10 on shareholders' equity.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges relate to costs and charges of a defined nature and of certain or probable existence whose amount or date of occurrence are uncertain at the reporting date. Accruals to provisions are recorded when:

- it is probable the existence of a present obligation, legal or implicit, deriving from a past event;
- it is probable that compliance with the obligation will result in a charge;
- the amount of the obligation can be estimated reliably.

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

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

REVENUES AND COSTS

Revenues from the sale of goods and services as well as the purchase costs of goods and services are recognised on the transfer of the risks and rewards connected to the ownership or completion of the service.

Revenues are shown net of discounts, allowances and returns; they are recorded at fair value to the extent in which it is possible to reliably determine such value and the likelihood that the relative economic benefits will be enjoyed. It should be noted that IFRS 15 has not been adopted in advance in these financial statements, which is obligatory from 2018.

An analysis carried out with reference to the associated effects shows that these will not give rise to significant impacts as subsequently commented in paragraph “2.4.3 IFRS 15 and IFRS 9 Application Effects”.

FINANCIAL INCOME AND CHARGES

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

DIVIDENDS

Dividends received are recognised when shareholders become entitled to receive the payment, which coincides with the date of the investee company's shareholders' meeting approving distribution.

INCOME TAXES

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

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

We highlight that the company following the merger operation exited the Group taxation procedure under the option exercised by Aquafin Holding S.p.A. pursuant to Article 117.

This option was again renewed in 2018.

USE OF ACCOUNTING ESTIMATES

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

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

Impairments

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

Amortisation & Depreciation

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

Inventories

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

Doubtful debt provision

The recoverability of receivables is valued taking account of the non-payment risk, of aging of receivables and of the losses recorded in the past on similar receivables.

Deferred tax assets

Deferred tax assets are recorded against deductible temporary differences between the values of the assets and liabilities recorded in the financial statements compared to the corresponding tax amount and the tax losses carried forward, up to the amount that future assessable income is probable against which these losses may be utilised. A discretionary valuation is required by the directors to establish the amount of the deferred tax assets which may be recorded which depends on the estimate of the probable timing and amount of future assessable profits.

2.4 Recently issued accounting standards

2.4.1 Accounting standards not yet applicable, as not yet endorsed by the European Union

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

Amendments to IAS 7 “Disclosure initiative”

These amendments to IAS 7 “Statement of Cash Flows”, published by the IASB on January 29, 2016 introduce the obligation to provide additional information to enable the users of financial statements to evaluate the variations that impacted liabilities as a result of financing activities. The document is part of the project called “IASB’s Disclosure Initiative”, which continues to explore how financial reporting disclosure can be improved.

The amendments are applicable from years beginning January 1, 2017. Early adoption is permitted.

Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealised Losses”

These amendments to IAS 12 “Income Taxes”, published by the IASB on January 19, 2016 concern the recognition of deferred tax assets for unrealised losses and clarify how to account for deferred tax assets relating to debt instruments measured at fair value.

The amendments are applicable retrospectively from years beginning January 1, 2017. Early adoption is permitted.

Amendments to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”

This amendment, published by the IASB on June 20, 2016 clarifies the basis for measuring share-based payment transactions and the accounting treatment of changes to an incentive plan that moves from being settled in cash to equity instruments. The document also introduces an exception to IFRS 2 which entails an incentive plan to be fully accounted for as a plan settled with equity instruments when the employer is obliged to pay the tax authority withholding tax resulting from this plan and which is to be charged to the employee beneficiaries.

The amendments are applicable from years beginning January 1, 2018. Early adoption is permitted.

Amendments to IAS 40 “Transfers of Investment Property”

These amendments, published by the IASB on December 8, 2016, clarify that the transfer to or from an investment property should be motivated by a change in intended use. To decide whether an investment property has undergone a change of use, it is necessary to verify whether the investment satisfies or has ceased to meet the definition of investment property. This change must be supported by evidence.

The amendments are applicable from years beginning January 1, 2018.

Annual improvements 2014-2016

The amendments introduced by this document, published by IASB on December 8, 2016, concerned:

- IFRS 1 "First-time adoption of International Financial Reporting Standards", effective for years commencing from January 1, 2018;
- IFRS 12 "Disclosure on investments in other entities", effective retrospectively from years beginning on or after January 1, 2017;
- IAS 28 "Investments in associates and joint ventures", effective from years beginning from January 1, 2018.

IFRIC 22 "Foreign currency transactions and advance consideration"

This interpretation, published by the IASB on December 8, 2016, addresses the accounting treatment of transactions denominated in foreign currency or parts of transactions whose payment is denominated in foreign currency. The interpretation provides a guide for circumstances in which a single payment/collection is envisaged, as well as for cases in which multiple payments/collections are made. The interpretation aims to reduce inconsistencies encountered in practice. The amendments are applicable retrospectively from years beginning January 1, 2018.

IFRIC 23 "Uncertainty over Income Tax Treatments"

On June 7, 2017, the IASB issued IFRIC 23 "Uncertainty over Income Tax Treatments", containing indications in relation to the accounting of tax assets and liabilities (current and/or deferred) relating to income in the presence of uncertainty over income tax treatment. The provisions of IFRS 23 are effective from years beginning on, or subsequent to, January 1, 2019.

Amendment to IFRS 9 "Prepayment Features with Negative Compensation"

On October 12, 2017, the IASB issued the Amendment to IFRS 9 concerning some issues on the application and classification of IFRS 9 "Financial instruments" in relation to certain financial assets with the possibility of advance repayment.

In addition, the IASB clarified some aspects on the accounting of financial liabilities following some amendments.

The Amendments to IFRS 9 are effective from periods beginning on, or after, January 1, 2019.

Amendment to IAS 28 "Long-term Interests in Associates and Joint Ventures"

On October 12, 2017, the IASB issued the Amendment to IAS 28 which clarifies the application of IFRS 9 Financial Instruments for long-term interests in subsidiaries or joint ventures included in investments in these entities for which the equity method is not applied.

The Amendment to IAS 28 are effective from periods beginning on, or after, January 1, 2019.

IFRS 17 "Insurance Contracts"

On May 18, 2017, the IASB issued IFRS 17 "Insurance contracts" which establishes the principles for the recognition, measurement, presentation and representation of insurance contracts included in the standard.

The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents such contracts, in order to represent a basis for the reader's evaluation of the balance of such contracts' effects on an entity's equity and financial position, financial results and cash flows. The provisions of IFRS 17 are effective from years beginning on, or subsequent to, January 1, 2021.

2.4.2 Accounting standards, amendments and interpretations endorsed by the European Union, not yet obligatory but applicable in advance

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

IFRS 15 "Ricavi provenienti da contratti con i clienti"

The IASB, on May 28, 2014, published IFRS 15 "Revenue from contracts with customers" (hereafter IFRS 15) which governs the timing and amount to be recognised of revenues from contracts with customers, including those from contract orders. In particular, IFRS 15 requires the recognition of revenues according to the following five steps:

- 1) identification of the contract with the customer;
- 2) identification of the contractual commitments to transfer goods and/or services to a customer (i.e. the "performance obligations");
- 3) establishment of the transaction price;
- 4) the allocation of the transaction price to the performance obligations identified on the basis of the stand-alone sales price of each good or service; and
- 5) recognition of revenue upon satisfaction of the relative performance obligation.

IFRS 15, in addition, supplements the financial statement disclosure to be provided in relation to the nature, amount, timing and uncertainty of revenues and the relative cash flows.

The new standard, adopted by the European Commission with EU Regulation No. 2016/1905 of September 22, 2016 is effective from years beginning on, or after, January 1, 2018. Early adoption is permitted.

“Clarifications to IFRS 15 Revenue from Contracts with Customers”

The document, published by the IASB on April 12, 2016, contains clarifications in relation to some aspects on the implementation of IFRS 15 “Revenues from contracts with customers” (hereafter “IFRS 15”).

The amendments to IFRS 15 are effective from years beginning on, or after, January 1, 2018.

IFRS 9 “Strumenti finanziari”

On July 24, 2014, the IASB completed the review process of the standard in relation to financial instruments with the issue of the complete version of IFRS 9 “Financial instruments” (hereafter “IFRS 9”). The new provisions of IFRS 9:

- modify the classification and measurement model of financial assets;
- introduce a new method to write-down financial assets, which takes account of expected losses (so-called expected credit losses); and
- amend the provisions on hedge accounting.

The provisions of IFRS 9, adopted by the European Commission with EU Regulation No. 2016/2067 of November 22, 2016, are effective from years beginning on, or after, January 1, 2018.

IFRS 16 “Leases”

On January 13, 2016, the IASB published IFRS 16 “Leases” (hereafter “IFRS 16”), which replaces IAS 17 “Leasing” and the relative interpretations. IFRS 16 eliminates the distinction between leases as operative or financial for the preparation of the financial statements of lessees; for all leasing contracts greater than 12 months, recognition is required of an asset in terms of the usage right, and of a financial liability, as the obligation to pay that established by the contract. For the purposes of the preparation of the financial statements of lessors, however, the separation is maintained between operating and financing leases. IFRS 16 increases the financial disclosures for both lessors and lessees.

The provisions of IFRS 16 are effective from January 1, 2019. Advance adoption is permitted subject to the advance adoption of IFRS 15.

The amendments were approved by the European Union on October 31, 2017.

Amendment to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”

On September 12, 2016, the IASB issued the amendment to IFRS 4 to address certain issues regarding the application of IFRS 9 “Financial Instruments” with reference to the issuers of insurance-related contracts.

The amendments became effective as of January 1, 2018.

The amendments were approved by the European Union on November 4, 2017. The company believes that there are no economic and financial impacts with regard to the provisions arising from this standard’s entry into force.

2.4.3 IFRS 15 and IFRS 9 Application Effects

IFRS 15

To identify the possible effects that the application of IFRS 15 could have on the next separate financial statements at December 31, 2018, the Company has analysed its revenue streams, verifying the commercial contract categories currently in place in respect of its customers in order to identify whether the agreed-upon payments accurately reflect the value of the good or service provided to the customer.

The analysis of the contractual terms currently applied and all relevant facts and circumstances have not revealed significant situations in which revenues were not in line with the timing and methods of services performed. In conclusion, it is not envisaged that the application of IFRS 15 can bring significant changes to the way the recording of revenues has been applied to-date.

IFRS 9

The new standard’s analysis has not revealed any particularly relevant areas where its application could lead to significant effects in the classification and measurement of financial assets and liabilities. It is worth noting that the separate financial statements have limited applications of IAS 39 and consequently, no significant impacts are envisaged from the application of IFRS 9 which replaced it as from January 1, 2018.

3. FINANCIAL RISK MANAGEMENT

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

- market risk, deriving from fluctuations in exchange rates between the Euro and the other currencies in which the Company operates, the interest rate and raw material prices;
- credit risk, deriving from the possibility of default by a counterparty;
- liquidity risk, deriving from insufficient financial resources to meet financial commitments.

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

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

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

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

3.1. Market risk

Currency risk

Exposure to the risk of exchange rate variations arises from the Company's commercial activities which are also carried out in currencies other than the Euro. Revenues and costs denominated in foreign currencies may be influenced by exchange rate fluctuations with an impact on trade margins (economic risk), just as trade and financial payables and receivables denominated in foreign currency may be affected by the conversion rates used, with an effect on the economic result (transaction risk).

The principal exchange rates the Company is exposed to are:

- Euro/USD, in relation to transactions carried out in US Dollars;

The Company does not adopt specific policies to hedge exchange rate fluctuations.

Sensitivity analysis related to exchange rate risk

For the purposes of an exchange rate sensitivity analysis, balance sheet items as at December 31, 2017 (financial assets and liabilities) denominated in a currency other than the functional currency of the company were identified. In assessing the potential effects arising from changes in exchange rates, inter-company payables and receivables in currencies other than the account currency were also taken into consideration.

Two scenarios were considered for the purposes of the analysis which respectively reflect a 10% appreciation and depreciation of the nominal exchange rate between the currency in which the balance sheet item is denominated and the accounting currency.

The table below highlights the results of the analysis:

| (in Euro thousands) | Book value | Exposition to currency risk | +10% Gains/Losses | -10% Gains/Losses |
|---------------------------------|-----------------|--------------------------------|----------------------|----------------------|
| Financial assets | | | | |
| Cash and cash equivalents | 59,475 | 5 | (1) | 1 |
| Trade receivables | 94,100 | 21,853 | (1,986) | 2,429 |
| <i>of which related parties</i> | <i>79,086</i> | <i>20,939</i> | <i>(1,903)</i> | <i>2,327</i> |
| Tax effect | | | 1.015 | (1,242) |
| Financial liabilities | | | | |
| Trade payables | (119,539) | (3,340) | 303 | (373) |
| <i>of which related parties</i> | <i>(61,100)</i> | <i>(2,523)</i> | <i>229</i> | <i>(282)</i> |
| Tax effect | | | (139) | 171 |
| Total | | | (808) | 986 |

Note: the plus sign indicates a higher profit and an increase in shareholders' equity; the minus sign indicates a lower profit and a decrease in shareholders' equity.

Interest rate risk

The Company uses external funding and utilises on-demand liquidity from monetary and financial market instruments. Changes in the interest rates impact on the cost and return of the various forms of loans and uses, with an effect therefore on the financial charges. The Company policy seeks to limit interest rate fluctuation risk through undertaking fixed or variable rate medium/long-term loans; hedging is carried out through the trading of derivative instruments (e.g. IRS - Interest Rate Swaps), utilised only for hedging purposes and not for speculative purposes. These contracts, although subscribed for hedging purposes relating to the financial exposure of the Company, were not treated as hedges for accounting purposes given the technical complexity of the accounting demonstration of the hedging relationship and the relative effectiveness, and therefore were recognised directly in the income statement.

The following tables summarise the main information concerning hedging derivatives on interest rates as at December 31, 2017:

| (in Euro thousands) | Contract opening date | Contract maturity date | Notional value at signing date in foreign currency | Notional currency | Fair value December 31, 2017 |
|------------------------------|-----------------------|------------------------|--|-------------------|------------------------------|
| IRS Banca Popolare di Milano | 15/09/2015 | 30/09/2020 | 13,334 | Euro | (55) |
| IRS Cassa Centrale | 03/09/2015 | 03/09/2019 | 10,000 | Euro | (32) |
| IRS Veneto Banca | 24/04/2015 | 30/04/2019 | 4,000 | Euro | (6) |
| IRS Mediobanca | 31/12/2015 | 30/09/2019 | 15,000 | Euro | 44 |
| IRS Friuladria | 26/04/2016 | 26/04/2021 | 4,200 | Euro | (12) |
| IRS Banca Intesa | 27/06/2016 | 30/06/2021 | 10,000 | Euro | (11) |
| IRS Friuladria | 29/05/2017 | 28/06/2024 | 10,000 | Euro | (55) |
| Totale | | | 66,534 | | (127) |

Sensitivity analysis related to interest rate risk

With reference to interest rate risk, a sensitivity analysis was carried out to determine the effect on the income statement and shareholders' equity resulting from a hypothetical positive and negative change of 100 bps in interest rates compared to those actually recorded in each period.

The analysis was carried out by primarily focusing on the following items:

- cash and cash equivalents;
- short and medium/long-term financial liabilities.

With reference to cash and cash equivalents, reference was made to the average funds held and the average rate of return for the period. For short and medium/long-term financial liabilities, the impact was calculated on an actual basis. Financial payables settled at a fixed rate and those hedged through derivative instruments were not included in this analysis.

The table below highlights the results of the analysis:

| (in Euro thousands) | Impact on Net Profit | | Effect on Net Equity | |
|---------------------|----------------------|-----------|----------------------|-----------|
| | + 100 bps | - 100 bps | + 100 bps | - 100 bps |
| FY 2017 | (48) | 48 | (48) | 48 |

Note: the plus sign indicates a higher profit and an increase in shareholders' equity; the minus sign indicates a lower profit and a decrease in shareholders' equity.

Price risk

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

Specifically, the company implements a strategy to offset the price volatility risk of the commodities used through contractual hedging and/or purchase price indexing for raw materials, energy sources and partly, selling prices.

3.2. CREDIT RISK

The Company's exposure to credit risk relates to the possibility of insolvency (default) and/or in the deterioration of the credit rating of a counterparty and is managed through adequate valuation instruments of all counterparties by a dedicated department, utilising the appropriate instruments to carry out constant monitoring, on a daily basis, of the behaviour and credit rating of clients.

The company hedges its credit risk through insurance policies on the client exposure, undertaken with primary debt insurance companies. External companies providing corporate information are utilised both to initially evaluate the reliability and for on-going monitoring of the economic and financial situation of clients.

The top 10 clients on total trade receivables at December 31, 2017 was 54.25%.

The following table provides a breakdown of trade receivables from third parties at December 31, 2017, grouped by due date and net of the doubtful debt provision:

| (in Euro thousands) | At December 31, 2017 | Not yet due | Overdue within 30 days | Overdue between 31 and 90 days | Overdue between 91 and 120 days | Overdue beyond 120 days |
|---|----------------------|---------------|------------------------|--------------------------------|---------------------------------|-------------------------|
| Guaranteed trade receivables (a) | 14,199 | 12,434 | 1,571 | 87 | 40 | 67 |
| Non-guaranteed trade receivables (b) | 2,395 | 1,668 | 505 | 18 | 35 | 170 |
| Non-guaranteed trade receivables impaired (c) | 297 | | | | | 297 |
| Trade receivables before doubtful debt provision [(a)+(b)+(c)] | 16,890 | 14,102 | 2,075 | 105 | 75 | 533 |
| Doubtful debt provision | (1,876) | | | | | |
| Trade receivables | 15,014 | | | | | |

3.3. LIQUIDITY RISK

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

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

The company can avail of on-demand liquidity and has a significant availability of credit lines granted by a number of leading Italian and international banks. The company considers that the funds and credit lines currently available, in addition to those that will be generated from operating and financial activities, will permit the satisfaction of its requirements deriving from investment activities, working capital management and the repayment of debt in accordance with their maturities.

The table below shows an analysis of amounts due, based on contractual repayment obligations, relating to financial liabilities, trade payables and other current and non-current liabilities as at December 31, 2017:

| (in Euro thousands) | At December 31, 2017 | Entro 1 anno | Oltre 1 anno e fino a 5 anni | Oltre 5 anni |
|---|----------------------|--------------|------------------------------|--------------|
| Bond loan | 55,126 | 793 | 31,238 | 23,095 |
| Other current and non-current financial liabilities | 146,039 | 48,004 | 91,980 | 6,055 |
| Loans from subsidiaries | 4,882 | | 4,882 | 0 |
| Trade payables | 58,438 | 58,438 | 0 | 0 |
| Trade payables intercompany | 61,100 | 61,100 | 0 | 0 |
| Other current and non-current liabilities | 19,312 | 11,455 | 6,296 | 1,561 |

All the amounts in the table above refer to the nominal amounts not discounted, stated with regards to the residual contractual maturities, both in terms of the capital and interest portions. The company expects to meet these commitments through cash flows generated from operating activities and where necessary, through medium-term financing operations.

4. MANAGEMENT OF CAPITAL

The Company's capital management is aimed at ensuring a solid credit rating and adequate levels of capital indicators to support investment plans, in accordance with contractual obligations entered into with lenders.

The company acquires the necessary capital to finance the needs for business development and operations; financing sources are divided into a balanced mix of risk capital and debt capital to ensure a balanced financial structure and the minimisation of the total cost of capital, for the consequent benefit of all "stakeholders".

The remuneration of risk capital is monitored on the basis of the market trend and business performance, once all other obligations have been met, including the debt service; therefore, in order to ensure an adequate remuneration of capital, the safeguarding of business continuity and business development, the company constantly monitors the development of the debt level in relation to shareholders' equity, business performance and forecasts of expected cash flows in the short and medium/long-term.

5. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

The tables below illustrate the breakdown of financial assets and liabilities of the company required by IFRS 7, as per the categories identified by IAS 39, at December 31, 2017:

| | Financial assets and liabilities measured at fair value through profit or loss | Loans and receivables | AFS financial assets | Financial liabilities at amortised cost | Total |
|--|--|--------------------------|-------------------------|---|----------------|
| (in Euro thousands) | | | | | |
| Current and Non-Current Financial Assets | 44 | 0 | 0 | 0 | 44 |
| Investments in subsidiaries | 0 | 179,710 | 0 | 0 | 179,710 |
| Investments in other companies | 0 | 14 | 0 | 0 | 14 |
| Financial receivables from third parties | 0 | 77 | 0 | 0 | 77 |
| Current and non-current financial receivables | 0 | 41,984 | 0 | 0 | 41,984 |
| Trade receivables | 0 | 15,014 | 0 | 0 | 15,014 |
| Trade receivables intercompany | 0 | 79,086 | 0 | 0 | 79,086 |
| Tax receivables | 0 | 339 | 0 | 0 | 339 |
| Other current & non-current assets | 0 | 5,974 | 0 | 0 | 5,974 |
| Other current & non-current assets intercompany | 0 | 2,641 | 0 | 0 | 2,641 |
| Cash and cash equivalents | 0 | 59,475 | 0 | 0 | 59,475 |
| Total | 44 | 384,314 | 0 | 0 | 384,358 |
| Current and non-current financial liabilities | 170 | 0 | 0 | 200,995 | 201,165 |
| Non-current financial payables intercompany | 0 | 0 | 0 | 4,882 | 4,882 |
| Trade payables | 0 | 0 | 0 | 58,438 | 58,438 |
| Trade payables intercompany | 0 | 0 | 0 | 61,100 | 61,100 |
| Other current and non-current liabilities | 0 | 0 | 0 | 19,312 | 19,312 |
| Total | 170 | 0 | 0 | 344,729 | 344,899 |

The other financial assets and liabilities are short-term and regulated at market interest rates and therefore the book value is considered to reasonably approximate fair value.

5.1. Measurement of the fair value

In relation to financial instruments measured at fair value, the table below reports information on the method chosen to measure the fair value. The methods applied are broken down into the following levels, based on the information available, as follows:

- Level 1: fair value determined with reference to listed prices (not adjusted), on active markets for identical financial instruments;
- Level 2: fair value determined with valuation techniques with reference to observable variables on active markets;
- Level 3: fair value determined with valuation techniques with reference to non-observable variables on markets;

The fair value calculation is determined in accordance with the methods classified in Level 2 and the general criterion utilised for this calculation is the present value of the expected future cash flows of the instrument subject to measurement - a method commonly applied in financial practice. There were no transfers between hierarchical levels of the fair value in the periods considered.

The table below summarises the assets and liabilities measured at fair value at December 31, 2017 and 2016, on the basis of the level which reflects the inputs utilised in the determination of the fair value.

| (in Euro thousands) | At December 31, 2017 | At December 31, 2016 |
|--|----------------------|----------------------|
| Derivative financial instruments - Assets | 44 | 0 |
| Derivative financial instruments – Liabilities | (170) | 0 |
| Total | (126) | 0 |

6. DISCLOSURE BY OPERATING SEGMENT

For the purposes of IFRS 8 – Operating Segments, company activity is identifiable in a single operating segment.

In fact, the company structure identifies a strategic and singular vision of the business and this representation is consistent with the manner in which management takes its decisions, allocates resources and defines the communication strategy, rendering the possibility of driving the business divisionally uneconomic in the current state of affairs.

7. BUSINESS COMBINATIONS

During 2017, there were no business combinations with the exception of the business combination under common control.

As already illustrated, the merger by incorporation took place of Aquafil S.p.A. into the Special Purpose Acquisition Company (SPAC) called Space3 S.p.A. whose shares were admitted for trading on April 5, 2017 on the Investment Vehicles Professional Segment Market (MIV) organised and managed by Borsa Italiana S.p.A. The merger was effective on December 4, 2017, simultaneous to admission for trading of the shares on the Italian Stock Exchange, STAR Segment. On the same date Space3 S.p.A. changed its name to Aquafil S.p.A. and established its registered office as Arco (TN), via Linfano No. 9.

With the merger of Aquafil S.p.A. (non-listed operating company) into Space 3 S.p.A. (non-operating listed company), the majority shareholders of Aquafil S.p.A., pre-merger, became the majority shareholders of the company Space 3 S.p.A., post-merger, now Aquafil S.p.A..

The merger took place according to the financial statements at December 4, 2017 of the two entities involved.

The merger, although between two legal entities, does not for accounting purposes represent a “business combination” as per IFRS 3 as Space 3S.p.A. (“incorporating company”) was not an operating company and therefore did not represent an independent “business”. The merger, through which Space 3 S.p.A. incorporated Aquafil S.p.A. sought to accelerate the Groups’ growth through the listing of Aquafil and the injection of fresh financial resources into the company. With the merger a share swap took place by which the shareholders of Aquafil S.p.A. pre-merger returned their non-listed shares and received in exchange shares of the already listed Space 3 S.p.A. based on a set share swap ratio.

From an accounting viewpoint, the merger of Aquafil S.p.A. into Space 3 S.p.A. was a transaction through which Aquafil S.p.A. (“accounting acquirer”) acquired from Space 3 S.p.A. (“accounting acquiree”) its net assets and its status as a listed company. Given that the accounting acquiree (Space 3 S.p.A.) is not defined as a business for the reasons illustrated above, the entire transaction was recognised in the separate financial statements by the accounting acquirer (Aquafil S.p.A.) not as a “business combination”, but rather as a share-based payment and therefore IFRS 2 (Share-Based payment) was applied rather than IFRS 3 (Business Combinations) in accordance with Consob Recommendation No. 0062667 of My 4, 2017. The accounting of the merger was therefore recorded both in the consolidated financial statements of the Aquafil Group and in the separate financial statements of Aquafil S.p.A. (formerly Space 3 S.p.A.) at December 31, 2017 in accordance with IFRS 2 but the representation of this transaction at the effective merger date was different in the two financial statements as:

- (i) The consolidated financial statements represents the financial statements of an “economic entity” which from an accounting point of view was unchanged both before and after the merger and therefore the accounting acquirer was Aquafil S.p.A. (i.e. the incorporated company) and consequently the consolidated financial statements were prepared in continuity from an economic and temporal consolidation scope viewpoint (i.e. 12 months) with the consolidated financial statements of the Aquafil Group at December 31, 2016, in line with the substance of the merger transaction;
- (ii) The separate financial statements, in view of statutory obligations, represent the financial statements of an “legal entity” which from a legal point of view is however Space 3 S.p.A. (now Aquafil S.p.A.) both before and after the merger.

Consequently, and in consideration of the fact that the merger deed did not contain a retroactive accounting clause, the separate financial statements of Aquafil S.p.A. at December 31, 2017 are represented by the income statement of the former Space 3 S.p.A. in addition to the income statement effects of the former Aquafil S.p.A. at the effective merger date (December 4, 2017) until the end of the year.

Therefore, at December 4, 2017 the incorporated company Aquafil S.p.A. prepared financial statements for the period January 1, 2017 to December 4, 2017 based on international accounting standards which were utilised for the recording of the merger accounting entries where the economic result of the former Aquafil S.p.A. at December 4, 2017 was included in the net equity transferred. This accounting situation is shown below.

The accounting treatment of the merger as described above resulted in a substantial alignment of the shareholders’ equity of the parent company with the consolidated shareholders’ equity. The effects on the separate financial statements of the merger are illustrated in paragraph 8.10 on shareholders’ equity.

Based on that outlined, the comparative data at December 31, 2016 presented in the financial statements refer to the financial statements of Space 3 S.p.A. at that date which are therefore not comparable with December 31, 2017. However, the data reported in the consolidated financial statements are comparable.

The balance sheet and income statement of Aquafil S.p.A. at December 4, 2017 is illustrated below.

BALANCE SHEET

At December 4, 2017

(in Euro thousands)

| | |
|---|----------------|
| Intangible assets | 6,047 |
| Property, plant & equipment | 31,614 |
| Financial assets | 216,398 |
| Deferred tax assets | 1,916 |
| Total non-current assets | 255,975 |
| Inventories | 39,233 |
| Trade receivables | 125,391 |
| Financial assets | 10,150 |
| Tax receivables | 339 |
| Other assets | 7,032 |
| Cash and cash equivalents | 13,688 |
| Total current assets | 195,833 |
| Total assets | 451,808 |
| Share capital | 19,686 |
| Reserves | 47,262 |
| Profit for the period | 9,966 |
| Net equity | 76,914 |
| Employee benefits | 2,848 |
| Financial liabilities | 188,935 |
| Provisions for risks and charges | 529 |
| Deferred tax liabilities | 827 |
| Other liabilities | 7,857 |
| Total non-current liabilities | 200,996 |
| Financial liabilities | 51,607 |
| Current tax payables | 4,244 |
| Trade payables | 106,009 |
| Other liabilities | 12,038 |
| Total current liabilities | 173,898 |
| Total net equity & liabilities | 451,808 |

INCOME STATEMENTPeriod from
January 1, 2017 to

(in Euro thousands)

December 4, 2017

| | |
|---|----------------|
| Revenues | 561,268 |
| Other revenue and income | 9 |
| Total revenues and other revenues and income | 561,277 |
| Raw material costs | (470,280) |
| Service costs | (34,322) |
| Personnel costs | (32,799) |
| Other costs and operating charges | (651) |
| Amortisation, depreciation and write-downs | (4,319) |
| Provisions & write-downs | (485) |
| Costs for internal work capitalised | - |
| EBIT | 18,421 |
| Investment income and charges | 50 |
| Financial income | 1,653 |
| Financial charges | (5,228) |
| Exchange gains/losses | (2,749) |
| Profit before tax | 12,147 |
| Income taxes | (2,193) |
| Net Profit | 9,954 |

COMPREHENSIVE INCOME STATEMENT

 Period from
January 1, 2017 to
December 4, 2017

(in Euro thousands)

| | |
|--|--------------|
| Net Profit | 9,954 |
| Actuarial gains/(losses) | 16 |
| Tax effect on actuarial gains/(losses) | (4) |
| Other income items not to be reversed in income statement in subsequent periods | 12 |
| Total comprehensive income | 9,966 |

8. NOTES TO THE BALANCE SHEET
8.1. Intangible assets

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

| (in Euro thousands) | Patents & property rights | Brands, concess. licenses | Intangible assets in progress | Other intangible assets | Total |
|------------------------------|------------------------------|------------------------------|----------------------------------|----------------------------|--------------|
| Balance at 31/12/2016 | 0 | 0 | 0 | 0 | 0 |
| <i>Of which:</i> | | | | | |
| - Historical cost | 0 | 0 | 0 | 0 | 0 |
| - Accumulated amortisation | 0 | 0 | 0 | 0 | 0 |
| Merger | 0 | 76 | 4,234 | 1,737 | 6,047 |
| Increases | 0 | 0 | 111 | 272 | 383 |
| Decreases | 0 | 0 | 0 | (69) | (69) |
| Amortisation | 0 | (142) | 0 | (492) | (634) |
| Reclassifications | 0 | 415 | (1,653) | 1,595 | 357 |
| Write-downs | 0 | 0 | 0 | 0 | 0 |
| Balance at 31/12/2017 | 0 | 349 | 2,692 | 3,044 | 6,085 |
| <i>Of which:</i> | | | | | |
| - Historical cost | 203 | 4,095 | 2,692 | 11,191 | 18,181 |
| - Accumulated amortisation | (203) | (3,746) | 0 | (8,147) | (12,096) |

At December 31, 2017 the company did not identify any impairment indicators relating to property, plant and equipment.

8.2. Property, plant & equipment

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

| (in Euro thousands) | Land & buildings | Plant & mach. | Industrial & commercial equipment | Other assets | Assets in progress | Total |
|------------------------------|---------------------|---------------|---|--------------|-----------------------|---------------|
| Balance at 31/12/2016 | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>Of which:</i> | | | | | | |
| - Historical cost | 0 | 0 | 0 | 0 | 0 | 0 |
| - Accumulated depreciation | 0 | 0 | 0 | 0 | 0 | 0 |
| Merger | 16,392 | 7,403 | 129 | 162 | 7,528 | 31,614 |
| Increases | 0 | 0 | 0 | 0 | 171 | 171 |
| Decreases | 0 | 0 | 0 | 0 | (5) | (5) |
| Depreciation | (119) | (239) | (10) | (5) | 0 | (372) |
| Reclassifications | 7 | 951 | 16 | 0 | (1,331) | (357) |
| Write-downs | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance at 31/12/2017 | 16,280 | 8,115 | 135 | 157 | 6,363 | 31,050 |
| <i>Of which:</i> | | | | | | |
| - Historical cost | 29,326 | 118,999 | 4,843 | 2,380 | 6,363 | 161,911 |
| - Accumulated depreciation | (13,046) | (110,884) | (4,708) | (2,223) | 0 | (130,861) |

Capex in 2017 totalled Euro 171 thousand and mainly concerned improvements and upgrading on existing plant and in particular for Euro 94 thousand the purchase of mechanical materials and electric pilot take up, for Euro 11 thousand completion experimentation on master pumps and take up components, for Euro 13 thousand the purchase of base component stock for the new M30 lines and for Euro 24 thousand demolition of corridors and walkway construction and the relocating of bathrooms and various improvements on owned buildings.

It should be noted that property, plant and equipment include assets under finance leases for a total amount of Euro 14,697 thousand at December 31, 2017.

At December 31, 2017 the company did not identify any impairment indicators relating to property, plant and equipment.

8.3. Current and Non-Current Financial Assets

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

| (in Euro thousands) | At December 31, 2017 | At December 31, 2016 |
|--|----------------------|----------------------|
| Investments in subsidiaries | 179,710 | 0 |
| Investments in other companies | 14 | 0 |
| Escrow bank deposits and guarantee deposits | 77 | 0 |
| Receivables from related parties | 29 | 0 |
| Non-current financial receivables subsidiaries | 32,805 | 0 |
| Current financial receivables subsidiaries | 9,150 | 0 |
| Derivative financial instruments | 44 | 0 |
| Total | 221,829 | 0 |
| <i>of which current</i> | <i>9,150</i> | <i>0</i> |
| <i>of which non-current</i> | <i>212,679</i> | <i>0</i> |

Investments in subsidiaries:

The breakdown of investments in subsidiaries is illustrated below:

| Company | Registered office | Holding | Opening balance | Merger | Write-downs | Total |
|--|--------------------------------|---------|-----------------|----------------|----------------|----------------|
| Tessilquattro S.p.A. | Arco (TN) | 100,00% | 0 | 16,467 | 0 | 16,467 |
| Aquafil USA Inc | Cartersville (USA) | 100,00% | 0 | 15,907 | 0 | 15,907 |
| AquafilSLO d.o.o. | Ljubjiana (Slovenia) | 100,00% | 0 | 73,343 | 0 | 73,343 |
| Aquafil Jiaxing Co. Ltd | Jiaxing (Rep. Popolare Cinese) | 100,00% | 0 | 40,523 | 0 | 40,523 |
| AquafilCRO doo | Oroslavje (Croazia) | 100,00% | 0 | 11,730 | 0 | 11,730 |
| Aquafil Engineering GmbH | Berlino (Germania) | 90,00% | 0 | 3,470 | 0 | 3,470 |
| Aquafil Asia Pacific Co. Ltd | Rayong (Thailandia) | 99,99% | 0 | 8,608 | 0 | 8,608 |
| Aquafil UK Ltd | Ayrshire (UK) | 100,00% | 0 | 1,692 | 0 | 1,692 |
| Aqualeuna GmbH | Leuna (Germania) | 100,00% | 0 | 2,652 | (2,652) | 0 |
| Borgolon S.p.A. | Varallo Pombio (NO) | 100,00% | 0 | 7,117 | (1,038) | 6,079 |
| Aquafil Tekstil Sanayi Ve Ticaret A.S. | Istanbul (Turchia) | 99,99% | 0 | 807 | 0 | 807 |
| Aquafil Benelux France BVBA | Harelbake (Belgio) | 100,00% | 0 | 99 | 0 | 99 |
| Cenon S.r.o. | Zilina (Slovacchia) | 100,00% | 0 | 985 | 0 | 985 |
| Aquafil India Private Limited | New Dehli (India) | 99,97% | 0 | 1 | 0 | 1 |
| Total | | | 0 | 183,400 | (3,690) | 179,710 |

The write-down recorded in the year derives from the application of the impairment test on the investees where there were indicators of loss in value as described in paragraph 12 of international accounting standard IAS 36.

With regards to the losses of Aqualeuna GmbH, Aquafil S.p.A. will be called to cover losses through the share capital increase of the first half of 2017. Investments in subsidiaries are measured at cost.

Investments in other companies:

Investments in other companies mainly refer to the purchase of shares in Banca di Verona for Euro 11 thousand and the investment in the company Trentino Export Scarl for Euro 3 thousand.

Escrow bank deposits and guarantee deposits

The escrow bank deposits and guarantee deposits refer to guarantees provided to suppliers for various services.

Receivables from other related parties

Receivables from other related parties relate to guarantee deposits paid by the company over a multi-year lease for the property located in Via del Garda 40 - Rovereto.

Financial receivables from subsidiaries

The breakdown of current and non-current receivables from subsidiaries is illustrated below:

| (in Euro thousands) | At December 31, 2017 | di cui parte corrente |
|----------------------------|----------------------|-----------------------|
| AquafilSLO d.o.o. | 17,000 | 2,000 |
| Aquafil Jiaxing Co. Ltd | 13,0500 | 5,850 |
| Aqualeuna GmbH | 9,300 | 0 |
| Aquafil UK Ltd | 1,304 | 0 |
| Aquafil Bulgari Iplik A.S. | 650 | 650 |
| Cenon S.r.o. | 650 | 650 |
| Total | 41,955 | 9,150 |

- Aquafil SLO d.o.o.

Receivables from subsidiaries refers to two loans, one of which granted in October 2015 for an original amount of Euro 14,000 thousand with maturity in December 2022 and a second loan granted in October 2017 for Euro 7,000 thousand, and at December 31, 2017 amounting to Euro 7,000 thousand, with maturity on December 31, 2018.

- Aquafil Jiaxing Co. Ltd

The receivables from the subsidiary includes a loan of Euro 7,200 thousand, with maturity in November 2020, a loan of Euro 3,000 thousand, with maturity in November 2018 and the current portion of a loan granted in 2010, for Euro 2,850 thousand to be repaid in December 2018.

- Aqualeuna GMBH

The receivable from the subsidiary, totalling Euro 9,300 thousand, was financed in several tranches from September 2013 and, following an agreement in November 2017, the maturity on the loan is December 2020.

- Aquafil UK

The receivable from the subsidiary, totalling Euro 1,305 thousand, includes a loan granted in 2016

- Aquafil Tekstil San. Ve. A.S.

The receivable from the subsidiary includes a loan of Euro 650 thousand with maturity in December 2018.

- Cenon S.r.o.

The receivable from the subsidiary includes a loan of Euro 650 thousand with maturity in December 2018

The receivables are non-interest bearing.

8.4. Deferred tax assets and liabilities

The breakdown of the items "Deferred tax assets" and "Deferred tax liabilities" is shown below:

| (in Euro thousands) | At December 31, 2017 | At December 31, 2016 |
|--------------------------|----------------------|----------------------|
| Deferred tax assets | 5,739 | 0 |
| Deferred tax liabilities | (564) | 0 |
| Total | 5,175 | 0 |

Movements in the items "Deferred tax assets" and "Deferred tax liabilities" can be broken down as follows:

| | At December 31, 2016 | Merger contribution | Provisions / releases to income statement | Provisions / releases to comprehen- sive income statement | At December 31, 2017 |
|--|-------------------------|------------------------|--|---|-------------------------|
| (in Euro thousands) | | | | | |
| Deferred tax assets | | | | | |
| Provision for risks and charges | 0 | 153 | 1 | | 154 |
| Doubtful debt provision | 0 | 191 | | | 191 |
| Measurement of employee benefits as per IAS 19 | 0 | 63 | (1) | | 62 |
| Intangible and tangible fixed assets | 0 | 501 | (10) | | 491 |
| Tax losses | 0 | | 740 | | 740 |
| Other provisions | 0 | 65 | 66 | | 131 |
| Derivative financial instruments | 0 | 35 | (5) | | 30 |
| Ace | 0 | | 3,104 | | 3,104 |
| Other | 0 | 909 | (71) | | 837 |
| Total deferred tax assets | 0 | 1,916 | 3,824 | 0 | 5,739 |
| Deferred tax liabilities | | | | | |
| Intangible and tangible fixed assets | 0 | (827) | 262 | | (565) |
| Total deferred tax liabilities | 0 | (827) | 262 | 0 | (565) |
| Total net deferred tax assets | 0 | 1,089 | 4,086 | 0 | 5,175 |

8.5. Inventories

The changes in the account were as follows:

| (in Euro thousands) | At December 31, 2017 | di cui parte corrente |
|--|----------------------|-----------------------|
| Finished products and goods | 29,913 | 0 |
| Raw materials, ancillaries and consumables | 14,123 | 0 |
| Total | 44,036 | 0 |

Inventories are recorded net of the obsolescence provision. The obsolescence provision, amounting to Euro 255 thousand at December 31, 2017, concerned slow moving prior year stock.

8.6. Trade receivables

The changes in the account were as follows:

| (in Euro thousands) | At December 31, 2017 | At December 31, 2016 |
|---|----------------------|----------------------|
| Trade receivables | 16,890 | 0 |
| Receivables from parent, associates and other related parties | 79,086 | 0 |
| Doubtful debt provision | (1,876) | 0 |
| Total | 94,100 | 0 |

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

| (in Euro thousands) | At December 31, 2017 |
|-------------------------------------|----------------------|
| At December 31, 2016 | 0 |
| Merger contribution | (1,901) |
| Provisions net of releases | 25 |
| Utilisations | 0 |
| Balance at December 31, 2017 | (1,876) |

Receivables from subsidiaries, parent and related parties

The account includes current trade receivables as follows:

| (in Euro thousands) | At December 31, 2017 |
|------------------------------|----------------------|
| Tessilquattro S.p.A. | 19,193 |
| Aquaspace S.p.A. | 39 |
| Aquafil Bulgari Iplik A.S. | 15 |
| Aquafil USA Inc | 19,688 |
| AquafilSLO d.o.o. | 32,230 |
| Aquafil Asia Pacific Co. Ltd | 1,064 |
| Borgolon S.p.A. | 961 |
| Cenon S.r.o. | 57 |
| Aquafil Jiaying Co. Ltd | 4,159 |
| Aquafil Benelux France BVBA | 5 |
| Aqualeuna GmbH | 388 |
| Aquafil UK Ltd | 1,286 |
| Total | 79,086 |

8.7. Current tax receivables

Current tax receivables refer to advances paid for Regional Production Tax (IRAP)

8.8. Other current assets

The changes in the account were as follows:

| (in Euro thousands) | At December 31, 2017 | At December 31, 2016 |
|---|----------------------|----------------------|
| VAT receivables | 2,689 | 0 |
| Supplier advances | 2,281 | 0 |
| Social security institution receivables | 56 | 0 |
| Employee receivables | 286 | 0 |
| Tax receivables parent | 1,310 | 0 |
| Tax receivables subsidiaries | 1,331 | 0 |
| Other receivables | 0 | 0 |
| Prepayments and accrued income | 662 | 0 |
| Total | 8,615 | 0 |

- Tax receivables: refer mainly to an amount of Euro 970 thousand receivables for Value Added Tax (VAT), Euro 1,173 thousand in tax credits determined pursuant to Art. 1, paragraph 35 of Law No. 190 of 23/12/2014 and successive amendments, and determined as 50% of the surplus of research and development expenditure incurred in the year 2017 compared to the same average for the years 2012-2013-2014, Euro 305 thousand for the recovery of VAT from insolvency proceedings and Euro 153 thousand for withholding taxes.
- Supplier advances: refer mainly to Euro 2,281 thousand to advances paid for engineering orders for the construction of plant and machinery intended for other Group companies.
- Tax receivables from parent: refer to tax receivables for Corporate Income Tax (IRES) transferred by the parent company to Aquafin Holding S.p.A.
- Tax receivables from subsidiaries: these refer to receivables from the Tax Authorities for IRES corporate tax transferred by the subsidiaries Tessilquattro S.p.A. and Borgolon S.p.A.
- "Prepayments and accrued income" mainly include prepayments on insurance for Euro 52 thousand, ICT consultancy for Euro 244 thousand, maintenance costs for Euro 174 thousand and trade fairs and shows for Euro 92 thousand.

8.9. Cash and cash equivalents

The account is comprised of:

| (in Euro thousands) | At December 31, 2017 | At December 31, 2016 |
|--------------------------|----------------------|----------------------|
| Bank and postal deposits | 59,465 | 50 |
| Cash and equivalents | 10 | 0 |
| Total | 59,475 | 50 |

The item mainly relates to the balance at year-end on the company current accounts.

The breakdown of cash and cash equivalents by currencies is illustrated in the table below:

| (in Euro thousands) | At December 31, 2017 |
|---------------------|----------------------|
| EUR | 54,473 |
| USD | 2 |
| Totale | 54,475 |

8.10. Shareholders' Equity

Share capital

At December 31, 2017, the Parent Company Aquafil S.p.A.'s authorised share capital amounted to Euro 50,676 thousand, whose subscribed and paid-up capital amounts to Euro 49,673 thousand, while the unsubscribed and unpaid portion relates to an amount of Euro 203 for the capital increase in service of Aquafil Market Warrants and an amount of Euro 800 thousand for the capital increase in service of Aquafil Sponsor Warrants. The subscribed and paid-up share capital comprises 50,720,078 shares without nominal value divided into:

- 42,324,058 ordinary shares, identified by the ISIN Code IT0005241192;
- 8,316,020 special Class B shares, identified by the ISIN Code IT0005285330 which, in compliance with any legal limits, assign 3 exercisable voting rights pursuant to Art. 127-sexies of Legislative Decree No. 58/1998 in shareholders' meetings of the company and which may be converted into ordinary shares under specific conditions and circumstances as regulated by the By-Laws, at the rate of one ordinary share for each Class B share;
- 80,000 special Class C shares, identified by the ISIN Code IT0005241747, without voting rights in the ordinary and extraordinary shareholders' meetings of the company and excluded from the right to receive profits which the company resolves to distribute as an ordinary, non-transferable dividend until April 5, 2022 and automatically converted into ordinary shares in the conversion ratio of 4.5 ordinary shares for each Class C share according to specific conditions and circumstances laid down by the By-Laws.

The detailed breakdown of Aquafil S.p.A.'s subscribed and paid-up share capital at December 31, 2017 is shown below:

| Type of shares | no. of shares | % of Share Capital | Listing |
|----------------|-------------------|--------------------|-------------------|
| Ordinary | 42,324,058 | 83.45% | MTA, STAR Segment |
| Class B | 8,316,020 | 16.40% | Non-listed |
| Class C | 80,000 | 0.16% | Non-listed |
| TOTAL | 50,720,078 | 100.00% | |

On the basis of communications sent to the National Commission for Companies and the Stock Exchange "CONSOB", and received by the Company pursuant to Art. 120 of Legislative Decree No. 58 of February 24, 1998, holders of a significant shareholding as at December 31, 2017 - i.e. considering Aquafil S.p.A.'s qualification as an SME pursuant to Article 1(w-quater.1) of the CFA and with a shareholding greater than 5% of the Aquafil S.p.A. voting share capital - are as follows:

| The declarant or subject at the top of the equity chain | Direct Shareholder | Type Shares | Number Shares | Number Voting right |
|---|------------------------|---------------|-------------------|---------------------|
| GB&P S.r.l. | AquaFin Holding S.p.A. | Ordinary | 21,385,216 | 21,385,216 |
| | | Class B | 8,316,020 | 24,948,060 |
| | | TOTAL | 29,701,236 | 46,333,276 |
| | | % held | 58.56% | 68.87% |

Warrants

As part of the listing process, the current parent issued the following warrants, exercisable according to the terms and conditions detailed in the respective regulations approved by the Shareholders' Meeting:

- (i) 3,750,000 "Aquafil Market Warrants", identified by the ISIN Code IT0005241200, and allocated to the holders of Aquafil S.p.A. ordinary shares upon the effectiveness of the afore-mentioned merger on December, 2017. Aquafil Market Warrants incorporate the right to the allocation of Aquafil S.p.A. shares of Conversion Market Warrants in accordance with the relative regulation and are exercisable under the conditions set out in the relative regulation approved by the Space3 extraordinary shareholders' meeting by resolution of December 23, 2016.
- (ii) 800,000 "Aquafil Sponsor Warrants", identified by the ISIN Code IT0005241754, non-listed and exercisable, essentially within ten years from the date of effectiveness of the mentioned merger (December 4, 2017), payable at the unit exercise price of Euro 13 on achieving a "Strike Price" of Euro 13, in response to the allocation of an Aquafil share of Aquafil Conversion Sponsor Warrants for each Sponsor Warrant.

For the conversion of Aquafil Market Warrants and Aquafil Sponsors Warrants, the extraordinary shareholders' meeting of Space3 S.p.A. held on December 23, 2016 before the spin-off operation, resolved:

- a) the paid-in share capital increase, in tranches, for a maximum total amount of Euro 203,488.50, to be reserved for the exercise of 7,500,000 Market Warrants, through the issue of a maximum 2,034,885 Conversion Market Warrants with the maximum number of Aquafil Conversion Shares to be issued equal to 2,034,885; and
- b) the paid-in share capital increase, in tranches, for a maximum total amount including share premium of Euro 10,400,000 premium (of which, 800,000 share capital) to be reserved for the exercise of a corresponding maximum number of 800,000 Sponsor Warrants, through the issue of a maximum number of 800,000 Aquafil shares of Conversion Sponsor Warrants.

Given that the warrants were also assigned in the context of an IFRS 2 share swap, the value of the equity instrument, classify in the reserve, was quantified as equal to the exercise value of the warrants assignable to share capital.

Legal reserve

The legal reserve at December 31, 2017 was Euro 8 thousand resulting from the partial proportional spin-off operation undertaken by Space 2 S.p.A. in favour of Space 3 S.p.A. on April 5, 2017 as already described and commented upon in the half-year financial statements of Space 3 S.p.A. at June 30, 2017 available on the website of the company.

Share premium reserve

The item amounts to Euro 20,030 thousand and derives from:

- (i) the effects from the partial proportional spin-off operation undertaken by Space 2 S.p.A. in favour of Space 3 S.p.A. on April 5, 2017 as already described and commented upon in the half-year financial statements of Space 3 S.p.A. at June 30, 2017 available on the website of the company.
- (ii) the effects of the merger between Aquafil S.p.A. and Space 3 S.p.A. previously described in paragraph 7.

Reserve for share capital increase

The item amounted to Euro 3,287 thousand at December 31, 2017 as a decrease in shareholders' equity. This amount represents the costs incurred by Space 3 S.p.A. and Aquafil S.p.A. for listing transactions that were closely related to the capital increase and which, therefore, based on IAS, are not to be recorded in the income statement but to be recognised as a reduction in shareholders' equity.

In particular: Euro 2,089 thousand are costs incurred by Space 3 S.p.A. for the previous listing on the Italian Stock Exchange of the Investment Vehicles Market (MIV), balance deriving from the above-mentioned spin-off operation, and for the subsequent listing on the MTA STAR segment and which were then recognised following the merger. Euro 1,198 thousand are the costs incurred by Aquafil S.p.A. for listing on the MTA STAR segment.

First Time Adoption Reserve (FTA)

The item amounts to Euro 2,156 thousand and represents the transition effects from Italian GAAP to IFRS. These effects derive from the transition process from Italian GAAP to IFRS in accordance with the provisions of IFRS 1 "First-time Adoption of International Financial Reporting Standards" ("IFRS 1") carried out for the incorporated company Aquafil S.p.A. at the effective merger date of December 4, 2017. The effects are substantially in line with those recorded on the preparation of the three-year consolidated financial statements at December 31, 2014, 2015 and 2016 attached to the Prospectus in relation to the admission for trading on the Italian Stock Exchange, STAR segment of the ordinary shares and of the Market warrants. All the information relating to the transition are illustrated in the afore-mentioned document.

IAS 19 Reserve

At December 31, 2017, it was equal to a Euro 264 thousand reduction in shareholders' equity and includes the actuarial effects at that date of severance indemnities and all the other benefits for employees of Group companies.

Other reserves

At December 31, 2017 these amount to Euro 46,944 thousand and represent the reserves of the incorporated company Aquafil S.p.A. at the merger date of December 4, 2017 as illustrated in the financial statements shown at paragraph 7.

Retained earnings

At December 31, 2017 this amounts to Euro 9,948 thousand and represents the sum of the losses carried forward at December 31, 2016 by Space 3 S.p.A. and the result of the acquired company Aquafil S.p.A. for the period January 1, 2017 to December 4, 2017, the effective merger date.

8.11. Employee benefits

The account is comprised of:

| (in Euro thousands) | At December 31 |
|-------------------------------------|-----------------------|
| Balance at December 31, 2016 | 0 |
| Merger contribution | 2,848 |
| Financial charges | 2 |
| Advances and settlements | (30) |
| Balance at December 31, 2017 | 2,819 |

The post-employment benefits provision includes the effects of discounting as required by the IAS 19 accounting standard. The following is a breakdown of the main economic and demographic assumptions used for actuarial valuations:

| Financial assumptions | 31/12/2017 |
|--|---|
| Discount rate | 0.88% |
| Rate of inflation | 1.50% |
| Annual increase in employee leaving indemnity | 2.625% |
| Demographic assumptions | |
| Death | The RG48 mortality tables published by the General State Controller |
| Disability | INPS tables by age and gender |
| Retirement | 100% on satisfying AGO requirements |
| Annual frequency of Turnover and leaving indemnity advances | |
| Frequency advances | 4.50% |
| Frequency turnover | 2.50% |

It should be noted that the bond's financial average duration at December 31, 2017 is approximately 8 years.

8.12. Current and non-current financial liabilities

The account is comprised of:

| (in Euro thousands) | At December 31, 2017 | current portion | At December 31, 2016 | current portion |
|--|-----------------------------|------------------------|-----------------------------|------------------------|
| Medium/long term bank loans | 131,290 | 46,586 | 0 | 0 |
| Accrued interest on Medium/long term bank loans | 173 | 173 | 0 | 0 |
| Accessory charges on medium/long-term bank loans | (479) | (225) | 0 | 0 |
| Total medium/long-term loans | 130,987 | 46,534 | 0 | 0 |
| Bonds | 55,000 | 667 | 0 | 0 |
| Deferred income - Bonds | 126 | 126 | 0 | 0 |
| Accessory charges on bonds | (591) | (77) | 0 | 0 |
| Total bond loan | 54,535 | 716 | 0 | 0 |
| Leasing financial payables | 13,732 | 1,519 | 0 | 0 |
| Financing payables to Finest S.p.A. | 1,716 | 0 | 0 | 0 |
| Liabilities for derivative financial instruments | 170 | 0 | 0 | 0 |
| Bank advances import / export | 0 | 0 | 0 | 0 |
| Other loans | 29 | 29 | 0 | 0 |
| Loans intercompany | 4,882 | 0 | 0 | 0 |
| Total | 206,048 | 48,798 | 0 | 0 |

Medium/long term bank loans

This item refers to payables relating to loan and financing agreements obtained from leading credit institutions. These agreements primarily envisage the payment of interest at a variable rate, typically linked to the Euribor rate for the period plus a spread.

At December 31

| (in Euro thousands) | Original amount | Granted | Maturity | Rate applied | 2017 | current portion |
|--|-----------------|---------|----------|-----------------------------------|----------------|-----------------|
| Mediobanca (*) | 15,000 | 2015 | 2019 | 2,41% fixed (**) | 5,000 | 0 |
| Banca Intesa (*) | 10,000 | 2016 | 2021 | 1.15% fixed (**) | 8,750 | 2,500 |
| Mediocredito Trentino Alto Adige | 3,000 | 2017 | 2021 | 0.901% fixed | 3,000 | 494 |
| Banca nazionale del lavoro | 8,000 | 2017 | 2019 | 0.28% fixed | 8,000 | 2,667 |
| Medium/long term bank loans - fixed rate | | | | | 24,750 | 5,661 |
| ICBC Bank (*) | 15,000 | 2015 | 2018 | Euribor 6 months + 1.20% | 15,000 | 15,000 |
| Banca Popolare di Milano (***) | 14,000 | 2015 | 2020 | Euribor 3 months + 2.05% | 7,877 | 2,813 |
| Banco Popolare (***) | 10,000 | 2016 | 2020 | Euribor 6 months + 1.70% | 7,500 | 2,500 |
| Cassa Risparmio di Bolzano (*) | 11,500 | 2016 | 2019 | Euribor 6 months + 1.75% | 5,750 | 3,834 |
| Cassa Centrale Banca – Credito Cooperativo del Nord Est (ex Casse rurali trentine) | 5,000 | 2016 | 2021 | Euribor 6 months + 1.50% | 4,389 | 1,234 |
| Banca Popolare di Milano | 5,000 | 2016 | 2019 | Euribor 3 months + 0.60% | 3,840 | 1,998 |
| Banca di Verona (***) | 7,000 | 2015 | 2018 | Euribor 3 months + 1.95% | 2,378 | 2,378 |
| Banca Popolare Emilia Romagna | 5,000 | 2016 | 2020 | Euribor 3 months + 0.95% | 3,561 | 1,246 |
| Deutsche Bank (*) | 5,000 | 2016 | 2020 | IRS 4 years + 0.60% | 3,450 | 1,248 |
| Credit Agricole Friuladria (ex Banca Popolare Friuladria) | 4,200 | 2016 | 2021 | Euribor 6 months + 1.20% | 3,684 | 1,040 |
| Banca di Verona | 3,500 | 2016 | 2022 | Euribor 3 months + 1.80% | 3,043 | 619 |
| Credito Valtellinese (*) | 5,000 | 2016 | 2018 | Euribor 3 months + 1.55% | 633 | 633 |
| Veneto Banca | 4,000 | 2015 | 2019 | Euribor 6 months + 2.10% | 1,369 | 1,024 |
| Banca Popolare Emilia Romagna | 3,000 | 2015 | 2018 | Euribor 3 months + 2.00% | 767 | 767 |
| Banca di Verona | 15,000 | 2017 | 2024 | Euribor 3 months (min. 0) + 2.00% | 15,000 | 1,778 |
| Credito Valtellinese | 3,000 | 2017 | 2022 | Euribor 3 months (min. 0) + 0.90% | 2,853 | 591 |
| Cassa Rurale Raiffeisen Alto Adige | 3,000 | 2017 | 2022 | Euribor 3 months + 0.90% | 3,000 | 554 |
| Credit Agricole Friuladria (ex Banca Popolare Friuladria) (*) | 10,000 | 2017 | 2024 | Euribor 3 months + 1.30% | 10,000 | |
| Veneto Banca | 3,000 | 2017 | 2021 | Euribor 6 months + 0.90% | 2,446 | 745 |
| Banca Popolare di Sondrio | 5,000 | 2017 | 2022 | Average Euribor 1 month + 0.80% | 5,000 | 513 |
| Banca Popolare Emilia Romagna | 5,000 | 2017 | 2022 | Euribor 6 months + 0.90% | 5,000 | 410 |
| Medium/long term bank loans - variable | | | | | 106,540 | 40,925 |
| Accrued interest on medium/long term bank loans | | | | | 173 | 173 |
| Accessory charges on medium/long-term bank loans | | | | | (479) | (225) |
| Total medium/long-term loans | | | | | 130,987 | 46,534 |

(*) Loans that provide for compliance with financial covenants

(**) Variable-rate loan to which an interest rate swap contract is linked under which interest to be paid to the bank is fixed and equal to the value shown in the table

(***) Loans repaid in advance in February and March 2018

It should be noted that certain loan agreements provide for compliance with financial and equity covenants, as summarised below:

| Loan | Period | Parameter | Reference | Limit |
|-------------------------------|-------------|--------------------------------------|-----------|--------|
| Banca Friuladria | annually | Net Debt / Net Equity | Group | ≤ 2,50 |
| | annually | Net debt / EBITDA net of lease costs | | ≤ 3,75 |
| Banca Intesa | annually | Net Debt / Net Equity | Group | ≤ 2,50 |
| | annually | Net Debt / EBITDA | | ≤ 3,75 |
| Cassa di risparmio di Bolzano | annually | Net Debt / Net Equity | Group | ≤ 2,50 |
| | annually | Net Debt / EBITDA | | ≤ 3,75 |
| ICBC Bank | half-yearly | Net Debt / Net Equity | Group | ≤ 2,50 |
| | half-yearly | Net Debt / EBITDA | | ≤ 3,75 |
| Mediobanca | half-yearly | Net Debt / Net Equity* | Group | ≤ 2,50 |
| | half-yearly | Net Debt / EBITDA | | ≤ 3,75 |
| | half-yearly | EBITDA / Financial charges | | ≥ 3,50 |
| Credito Valtellinese | annually | Net Debt / Net Equity | Group | < 3,75 |
| | annually | Net Debt / EBITDA | | < 2,50 |
| Deutsche Bank | annually | Net Debt / Net Equity | Group | ≤ 3,75 |
| | annually | Net Debt / EBITDA | | ≤ 2,50 |
| | annually | EBITDA / Financial charges | | > 3,50 |

(*) As contractually defined; ≤ 2.00 from 30/09/2019 until maturity

At December 31, 2017 all financial covenants have been complied with.

With reference to the loans and borrowings granted no company assets have been mortgaged

Bond loans

At the merger date the company had issued two fixed-rate bond loans for a total value of Euro 55 million. In particular, a bond loan was issued on June 23, 2015 for a total value of Euro 50 million (hereinafter, "**Bond Loan A**") subscribed by:

- The Prudential Insurance Company of America for Euro 25,405 thousand;
- Prudential Legacy Insurance Company of New Jersey Euro 21,478 thousand;
- Pruco Life Insurance Company Euro 3,117 thousand.

An additional bond loan was issued on November 23, 2015 for a total value of Euro 5 million (hereinafter, "**Bond Loan B**"), subscribed by La Finanziaria Internazionale Investments S.G.R. on behalf of the Trentino-Alto Adige Strategic Fund.

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

| Bond loan | Total Nominal Value | Issue date | Maturity date | Capital portion repayment plan | Fixed interest rate |
|-------------|---------------------|------------|---------------|--|---------------------|
| Bond loan A | 50,000,000 | 23/06/2015 | 23/06/2025 | 7 annual instalments from 23/6/2019 | 4.35% |
| Bond loan B | 5,000,000 | 23/11/2015 | 31/01/2025 | 15 half-yearly instalments from 31/01/2018 | 3.75% |

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

Bond loan A

| Financial parameters | Formula | 2017 |
|-----------------------------|-------------------------------------|--------|
| Interest Coverage Ratio (*) | EBITDA / Net financial charges (**) | ≥ 3,50 |
| Leverage Ratio (*) | Net Debt / EBITDA (**) | ≤ 3,75 |
| Net debt Ratio | Net Debt / Net Equity (***) | ≤ 2,50 |

Bond loan A

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

(**) As contractually defined.

(***) ≤ 2.00 from 30.09.2019 until maturity.

Bond loan B

| Financial parameters | Parameter | Covenant limit |
|----------------------|-----------------------|----------------|
| Leverage Ratio | Net Debt / EBITDA (*) | < 3,75 |
| Net debt Ratio | Net Debt / Net Equity | < 2,50 |

Bond loan B

(*) As contractually defined

Non-compliance with just one of the above financial parameters, where not resolved within the contractual deadlines provided, would constitute a circumstance for the bond loan's compulsory early repayment. Moreover, with reference to Bond Loan A, this presents optional early repayment clauses in favour of the company.

As at December 31, 2017, financial covenants on bond loans were complied with.

The terms and conditions of the above bond loans also envisage, as is customary for financial transactions of this type, a structured series of commitments to be borne by the Company and Group companies ("Affirmative Covenants") and a series of limitations on the possibility of carrying out certain transactions, if not in compliance with certain financial parameters or specific exceptions provided for by the agreement with the bondholders ("Negative Covenants"). Specifically, there are in fact certain limitations on the assumption of financial debt, on carrying out certain investments and on acts of disposal of corporate assets.

To ensure the timely and correct fulfilment of obligations arising on account of the parent company from the issue of securities, the following companies belonging to the same Group as the parent company have issued joint corporate guarantees in favour of underwriters required by law in New York: Tessilquattro S.p.A., Aquafil U.S.A. Inc., AquafilSLO D.o.o. and AquafilCRO D.o.o..

Leasing financial payables

Payables for financial leasing contracts mainly refer to the contract with the company Trentino Sviluppo involving the building in Arco. The contract in question was entered into in December 2007 and expires in November 2022. At December 31, 2017, the residual capital relating to financial leasing contracts totalled Euro 13,732 thousand.

8.13. PROVISIONS FOR RISKS AND CHARGES

The account is comprised of:

| (in Euro thousands) | At December 31, 2017 | At December 31, 2016 |
|---|----------------------|----------------------|
| Agents' supplementary indemnity provision | 535 | 0 |
| Total | 535 | 0 |

The changes in the account were as follows:

| (in Euro thousands) | At December 31 |
|-------------------------------------|----------------|
| Saldo At December 31, 2016 | 0 |
| Apporto di fusione | 529 |
| Accantonamenti al netto dei rilasci | 6 |
| Utilizzi | (1) |
| Saldo At December 31, 2017 | 535 |

8.14. Other current and non-current liabilities

The account is comprised of:

| | At December 31, 2017 | current portion | At December 31, 2016 | current portion |
|---|----------------------|-----------------|----------------------|-----------------|
| Employee payables | 5,928 | 5,928 | 0 | 0 |
| Social security payables | 1,655 | 1,655 | 0 | 0 |
| Tax payables | 1,376 | 1,376 | 0 | 0 |
| Other payables | 12 | 12 | 0 | 0 |
| Accrued liabilities and deferred income | 10,342 | 2,484 | 0 | 0 |
| | 19,312 | 11,455 | 0 | 0 |

"Social security payables" include the amount owed by the company and its employees at year-end for social security dues from wages for the month of December and for the "13th-month" pay.

The item "Tax payables" mainly includes VAT payables, withholding taxes and other tax payables.

“Payables to parent companies for taxes” entirely refers to Tessilquattro S.p.A. payables to the parent company Aquafin Holding S.p.A. relating to the national tax consolidation regime.

“Accrued liabilities and deferred income” are mainly referable to the commercial contract between the Aquafil Group and the US group Interface, involving a worldwide collaboration for supply and product development. Against a series of benefits on the conditions of supply and the obligation to purchase annual minimum volumes, Interface paid, in several tranches, USD 12 million as contribution to the contractual commitments of Aquafil S.p.A. for a total period of 8 years. At the time the contract became operational, this amount was reclassified among “Accrued liabilities and deferred income” for the share of this contribution for future years.

8.15. Trade payables

The account is comprised of:

| (in Euro thousands) | At December 31, 2017 | At December 31, 2016 |
|--|----------------------|----------------------|
| Trade payables | 50,788 | 21 |
| Payables for advances | 7,650 | 0 |
| Payables to parent, associates and other related parties | 61,100 | 0 |
| Total | 119,538 | 21 |

This value includes payables related to the normal conduct of commercial activity by the company, in particular, the purchase of raw materials and external processing services.

The item “Payables for advances” refers to advances received from customers for services that have not yet been provided.

At the reporting date, there were no debts falling due over five years.

The payables to parent companies, associates and other related parties refer to payables deriving from purchases related to the production cycle and are as follows:

| (in Euro thousands) | At December 31, 2017 |
|-----------------------------|----------------------|
| Tessilquattro S.p.A. | 17,957 |
| AquafilCRO doo | 1 |
| Aquaspace S.p.A. | 62 |
| Aquafil Bulgari Iplik A.S. | 9 |
| Aquafil USA Inc | 1,092 |
| AquafilSLO d.o.o. | 31,868 |
| Borgolon S.p.A. | 206 |
| Aquafil Benelux France BVBA | 88 |
| Aqualeuna GmbH | 7,592 |
| Aquafil UK Ltd | 2,225 |
| Totale | 61,100 |

8.16. Current tax payables

Current tax payables of Euro 3,853 thousand relate to the IRES position and for Euro 391 thousand the IRAP position.

9. NOTES TO THE INCOME STATEMENT

9.1. Revenues

The breakdown of revenues is shown below:

| (in Euro thousands e percentuale sui ricavi) | 2017 | 2016 |
|--|---------------|----------|
| Italy | 12,274 | 0 |
| North America | 2,694 | 0 |
| Asia and Oceania | 2,092 | 0 |
| Rest of the World | 101 | 0 |
| Europe/M. East/Africa | 20,604 | 0 |
| Total | 37,765 | 0 |

(*) Excluding Italy

9.2. Raw material costs

The breakdown of the account is as follows:

| (in Euro thousands) | 2017 | 2016 |
|---|---------------|----------|
| Raw materials and semi-finished goods | 25,889 | 0 |
| Supplies and consumable stores | 500 | 0 |
| Other purchases and finished products | 9,324 | 0 |
| Cge. inv. raw mat, an., semi-fin & fin products | (4,803) | 0 |
| | 30,910 | 0 |

The costs for raw materials incurred in the year include costs from the following subsidiary and associate companies:

| (in Euro thousands) | 2017 | 2016 |
|----------------------|---------------|----------|
| AquafilSLO d.o.o. | 11,011 | 0 |
| Tessilquattro S.p.A. | 5,640 | 0 |
| Aquafil USA Inc | 2,209 | 0 |
| AquafilSLO d.o.o. | 1,077 | 0 |
| Aquafil UK Ltd | 374 | 0 |
| Total | 20,310 | 0 |

9.3. Service costs

The account is comprised of:

| (in Euro thousands) | 2017 | 2016 |
|---|--------------|----------|
| Tech., ICT, comm, legal, tax and admin. consultants | 3,554 | 0 |
| Electricity, propulsive energy, water and gas | 632 | 0 |
| Maintenance | 420 | 0 |
| Services for personnel | 243 | 0 |
| Marketing and advertising | 185 | 0 |
| Insurance | 182 | 0 |
| Advertising and commercial expenses | 156 | 0 |
| Cleaning, security and waste disposal | 142 | 0 |
| Warehouses and external depots | 109 | 0 |
| External processing | 46 | 0 |
| Other services | 43 | 0 |
| Rent, hire and leases | 40 | 0 |
| Other service costs | 140 | 0 |
| | 5,893 | 0 |

9.4. Personnel costs

These costs are broken down as follows:

| (in Euro thousands) | 2017 | 2016 |
|--------------------------|--------------|----------|
| Wages and salaries | 1,503 | 0 |
| Social security expenses | 962 | 0 |
| Post-employment benefit | 200 | 0 |
| Directors fees | 166 | 0 |
| Total | 2,830 | 0 |

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

| | 2017 |
|--------------|------------|
| Executives | 20 |
| Managers | 36 |
| White-collar | 144 |
| Blue-collar | 359 |
| Total | 559 |

9.5. Other operating costs and income

These costs are broken down as follows:

| (in Euro thousands) | 2017 | 2016 |
|---------------------------|------------|----------|
| Taxes, duties & sanctions | 18 | 0 |
| Losses on asset sales | 69 | 0 |
| Other operating charges | 63 | 0 |
| Total | 149 | 0 |

The item "Taxes, levies and penalties" mainly includes the costs for local taxes.

9.6. Amortisation, depreciation and write-downs

The account is comprised of:

| (in Euro thousands) | 2017 | 2016 |
|---------------------|--------------|----------|
| Amortisation | 634 | 0 |
| Depreciation | 372 | 0 |
| Total | 1,006 | 0 |

9.7. Provisions and write-downs

The account is comprised of:

| (in Euro thousands) | 2017 | 2016 |
|-------------------------|-------------|----------|
| Doubtful debt provision | (18) | 0 |
| Total | (18) | 0 |

Provisions are reported net of the relative release of funds.

9.8. Investment income and charges

The account, amounting to Euro 3,690 thousand, includes the write-down of investments concerning the companies AquaLeuna GmbH and Bor-golon S.p.A. and follows an impairment test which indicated an estimated recoverable value in excess of the carrying amount.

9.9. Financial income

The account is comprised of:

| (in Euro thousands) | 2017 | 2016 |
|--|------------|----------|
| Interest income on loans to parent and other related parties | 150 | 0 |
| Income from financial instruments and derivatives | 401 | 0 |
| Interest income on current accounts | 42 | 0 |
| Other interest income | 43 | 0 |
| Total | 637 | 0 |

Interest income on loans from subsidiaries, parent companies, related companies are as follows:

| (in Euro thousands) | 2017 |
|----------------------------|------------|
| Aquafil Bulgari Iplik A.S. | 2 |
| Aquafil USA Inc | 39 |
| AquafilSLO d.o.o. | 26 |
| Cenon S.r.o. | 2 |
| Aquafil Jiaxing Co. Ltd | 50 |
| Aqualeuna GmbH | 27 |
| Aquafil UK Ltd | 4 |
| Total | 150 |

9.10. Financial charges

The account is comprised of:

| (in Euro thousands) | 2017 | 2016 |
|---|------------|----------|
| Interest on loans and borrowing Bank loans | 62 | 0 |
| Interest on bonds | 196 | 0 |
| Interest exp. on current accounts | 61 | 0 |
| Write-down derivative financial instruments | 23 | 0 |
| Interest export advances and import financing | 0 | 0 |
| Financial charges and interest expense | 39 | 0 |
| Interest group companies | 5 | 0 |
| Total | 386 | 0 |

9.11. Exchange gains and losses

This item, equal to a loss of Euro 332 thousand for the year 2017 (zero in 2016), refers to the net balance between exchange rate gains (realised and unrealised) and exchange rate losses (realised and unrealised).

9.12. Income taxes

The account is comprised of:

| (in Euro thousands) | 2017 | 2016 |
|---------------------|--------------|----------|
| Deferred tax income | 3,824 | 0 |
| Deferred tax charge | 262 | 0 |
| Total | 4,086 | 0 |

Income taxes in 2017 include net deferred tax income of Euro 4,086 thousand due for Euro 3,104 thousand, of which Euro 2,721 thousand relating to the year 2016, to the ACE benefit pursuant to Art. 1 of Decree Law 201/11, calculated on deferred tax assets on exempt income. There is a reasonable assumption that this benefit can be exploited to sufficiently reduce taxable income in future years.

The table below shows the reconciliation of the theoretical rate of income tax with the actual impact on the result:

| (in Euro thousands) | 2017 | % | 2016 | % |
|--|----------------|--------------|-------------|---------------|
| Loss before tax | (6,776) | | (18) | |
| Tax calculated on applicable rate | (1,626) | 24.0% | (5) | 27.50% |
| Non-deductible costs (tax effect) | 1,137 | (16.8)% | 0 | |
| Write-down investments (tax effect) | 886 | (13.1)% | 0 | |
| Exempt revenues (tax effect) | (815) | 12.0% | 0 | |
| Other minor | (189) | 2.8% | 5 | (2750)% |
| Total current income taxes | (608) | 9.0% | 0 | |
| <i>Therefore, a negative assessable income arises which generates deferred tax asset</i> | | | | |
| Deferred tax assets on tax losses | (608) | 9,0% | 0 | |
| Other deferred tax assets | (3,478) | 51.3% | 0 | |
| Total | (4,086) | 60.3% | 0 | |

10. NON-RECURRING ITEMS

La voce in oggetto è dettagliabile come segue:

| (in Euro thousands) | 2017 | 2016 |
|------------------------------|------------|-------------|
| Listing expenses | 2,980 | - |
| Other extraordinary services | (54) | (18) |
| Other extraordinary charges | 33 | - |
| ACE previous year | (2,721) | - |
| Total | 238 | (18) |

11. NET FINANCIAL DEBT

Below is the breakdown of the net financial debt as at December 31, 2017, determined in accordance with ESMA/2013/319 Recommendations:

| (in Euro thousands) | At December 31, 2017 | At December 31, 2016 |
|--|----------------------|----------------------|
| A. Cash | 59,475 | 50 |
| B. Other liquid assets | 0 | 0 |
| C. Securities held-for-trading | 0 | 0 |
| D. Liquidity (A) + (B) + (C) | 59,475 | 50 |
| E. Current financial receivables | 9,150 | 0 |
| F. Current bank payables | (29) | 0 |
| G. Current portion of non-current debt | (47,250) | 0 |
| H. Other current financial payables | (1,519) | 0 |
| I. Current financial debt (F) + (G) + (H) | (48,798) | 0 |
| J. Net current financial debt (I + E+ D) | 19,827 | 50 |
| K. Non-current bank payables | (84,450) | 0 |
| L. Bonds | (53,819) | 0 |
| M. Other non-current financial payables | (18,981) | 0 |
| N. Non-current financial debt (K) + (L) + (M) | (157,250) | 0 |
| O. Net financial debt (J)+(N) | (137,423) | 50 |

12. RELATED PARTY TRANSACTIONS

Transactions and balances with related parties are illustrated in the tables below.

| (in Euro thousands) | Parent companies | Subsidiaries | Related party | Total | Total book value | % on total account items |
|---------------------------------------|------------------|--------------|---------------|--------|------------------|--------------------------|
| Non-current financial assets | | | | | | |
| At December 31, 2017 | 0 | 32,805 | 29 | 32,834 | 212,679 | 15% |
| At December 31, 2016 | 0 | 0 | 0 | 0 | 0 | |
| Trade receivables | | | | | | |
| At December 31, 2017 | 0 | 79,047 | 39 | 79,086 | 94,100 | 84% |
| At December 31, 2016 | 0 | 0 | 0 | 0 | 0 | |
| Current financial assets | | | | | | |
| At December 31, 2017 | 0 | 9,150 | 0 | 9,150 | 9,150 | 100% |
| At December 31, 2016 | 0 | 0 | 0 | 0 | 0 | |
| Other current assets | | | | | | |
| At December 31, 2017 | 1,310 | 1,331 | 0 | 2,641 | 8,615 | 31% |
| At December 31, 2016 | 0 | 0 | 0 | 0 | 0 | |
| Not current financial payables | | | | | | |
| At December 31, 2017 | 0 | 4,882 | 0 | 4,882 | 157,250 | 3% |
| At December 31, 2016 | 0 | 0 | 0 | 0 | 0 | |
| Trade payables | | | | | | |
| At December 31, 2017 | 0 | 61,038 | 62 | 61,100 | 119,539 | 51% |
| At December 31, 2016 | 0 | 0 | 0 | 0 | 21 | 0% |

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

| (in Euro thousands) | Parent companies | Subsidiaries | Related party | Total | Total book value | % on total account items |
|--|------------------|--------------|---------------|----------|------------------|--------------------------|
| Revenues | | | | | | |
| FY 2017 | 0 | 20,850 | 0 | 20,850 | 37,765 | 55% |
| FY 2016 | 0 | 0 | 0 | 0 | 0 | |
| Raw material costs | | | | | | |
| FY 2017 | 0 | (20,310) | 0 | (20,310) | (30,910) | 66% |
| FY 2016 | 0 | 0 | 0 | 0 | 0 | |
| Service costs and rent, lease and similar costs | | | | | | |
| FY 2017 | 0 | (307) | 0 | (307) | (5,893) | 5% |
| FY 2016 | 0 | 0 | 0 | 0 | 0 | |
| Financial income | | | | | | |
| FY 2017 | 0 | 150 | 0 | 150 | 637 | 24% |
| FY 2016 | 0 | 0 | 0 | 0 | 0 | |
| Financial charges | | | | | | |
| FY 2017 | 0 | (5) | 0 | (5) | (386) | 1% |
| FY 2016 | 0 | 0 | 0 | 0 | 0 | |

13. REMUNERATION AND BENEFITS OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

| Name | Office | State | Emoluments for Office ⁽¹⁾ | Emoluments for Committees ⁽²⁾ | Bonuses & Other Incentives ⁽³⁾ | Remuneration for employment ⁽⁴⁾ | Remuneration from subsidiaries ⁽⁵⁾ | TOTAL |
|----------------------|--|-----------|--------------------------------------|--|---|--|---|-----------|
| Giulio Bonazzi | Chairman BoD & Chief Executive Officer | In office | 844.378 | 0 | 280.000 | 185.785 | 143.000 | 1.453.163 |
| Adriano Vivaldi | Executive Director & CFO | In office | 34.603 | 0 | 140.000 | 304.012 | 43.000 | 521.615 |
| Fabrizio Calenti | Executive Director & Chairman NTF & ECONYL® | In office | 34.603 | 0 | 140.000 | 311.192 | 20.000 | 505.795 |
| Franco Rossi | Executive Director & Chairman BCF USA | In office | 3.452 | 0 | 140.000 | 0 | 266.027 | 409.479 |
| Simona Heidenpergher | Lead Independent Director Member Risk Control Committee & Appointments and Remuneration Committee | In office | 3.068 | 1.918 | 0 | 0 | 0 | 4.986 |
| Francesco Profumo | Independent Director Member Risk Control Committee & Appointments and Remuneration Committee | In office | 3.068 | 1.918 | 0 | 0 | 0 | 4.986 |
| Margherita Zambon | Independent Director Member Appointments and Remuneration Committee | In office | 14.148 | 767 | 0 | 0 | 0 | 14.915 |
| Carlo Pagliani | Director Member Risks Control Committee | In office | 3.068 | 767 | 0 | 0 | 0 | 3.836 |
| Silvana Bonazzi | Director | In office | 3.068 | 0 | 0 | 0 | 0 | 3.068 |
| Stefano Loro | Chairman BCF EMEA | In office | 0 | 0 | 112.000 | 256.745 | 50.000 | 418.745 |
| Giuseppe Cippa | Vice Chairman BFC industrial activities | In office | 0 | 0 | 112.000 | 165.394 | 123.000 | 400.394 |
| Sergio Calliari | Vice Chairperson Finance Dept. Executive Officer ex 262/2005 | In office | 0 | 0 | 56.000 | 160.289 | 18.000 | 234.289 |
| Pierluca Mazza | Chair - Board of Stat. Auditors | In office | 16.304 | 0 | 0 | 0 | 0 | 16.304 |

| Name | Office | State | Emoluments for Office ⁽¹⁾ | Emoluments for Committees ⁽²⁾ | Bonuses & Other Incentives ⁽³⁾ | Remuneration for employment ⁽⁴⁾ | Remuneration from subsidiaries ⁽⁵⁾ | TOTAL |
|-------------------------|---------------------------------|------------------------------|--------------------------------------|--|---|--|---|------------------|
| Marco Giuliani | Statutory Auditor | In office | 10.888 | 0 | 0 | 0 | 0 | 10.888 |
| Virginia Marini | Statutory Auditor | In office | 10.840 | 0 | 0 | 0 | 0 | 10.840 |
| Gabriele Villa | Independent Director | Departed October 3, 2017 | 9.041 | 0 | 0 | 0 | 0 | 9.041 |
| Francesca Prandstraller | Independent Director | Departed December 4, 2017 | 11.079 | 0 | 0 | 0 | 0 | 11.079 |
| Mauro Moretti | Director | Departed December 4, 2017 | 27.699 | 0 | 0 | 0 | 0 | 27.699 |
| Michele Prencipe | Director | Departed December 4, 2017 | 27.699 | 0 | 0 | 0 | 0 | 27.699 |
| Edi Kraus | Director | Departed December 4, 2017 | 149.573 | 0 | 0 | 0 | 0 | 149.573 |
| Carlo Bonazzi | Director | Departed December 4, 2017 | 92.329 | 0 | 0 | 0 | 0 | 92.329 |
| Pietro Monti | Chair - Board of Stat. Auditors | Departed December 4, 2017 | 35.750 | 0 | 0 | 0 | 0 | 35.750 |
| Paolo Nicolai | Statutory Auditor | Departed December 4, 2017 | 24.406 | 0 | 0 | 0 | 0 | 24.406 |
| Massimo Gazzani | Statutory Auditor | Departed December 4, 2017 | 23.920 | 0 | 0 | 0 | 0 | 23.920 |
| TOTAL | | | 1.382.984 | 5.370 | 980.000 | 1.383.417 | 663.027 | 4.414.798 |

(1) Emoluments for the office of director refers to amounts received by these individuals during the entire year 2017, with the exception of directors who ceased to hold office at the effective merger date and for whom emoluments paid up to-date are reported.

(2) Emoluments paid to individual directors as members of the Risks Control Committee or the Appointments and Remuneration Committee are shown from December 4, 2017 until December 31, 2017.

(3) The bonus amount to be recognised for the financial year 2017, specifying that this amount is accrued at the reporting date but not paid. It is also highlighted that certain individuals and, in particular, Adriano Vivaldi, Fabrizio Calenti, Stefano Loro, Giuseppe Crippa and Sergio Calliari are guaranteed policies for the reimbursement of medical expenses, injury and death that are as a minimum in line with the provisions of the National Collective Labour Agreement for Industrial Executives; moreover, Fabrizio Calenti, Stefano Loro and Giuseppe Crippa are granted the use of apartments for residential purposes.

(4) Employee remuneration is to be understood as disbursed by Aquafil S.p.A.

(5) Remuneration by subsidiaries includes both employment income, directors' emoluments and any bonuses disbursed by Aquafil S.p.A. subsidiaries.

14. OTHER INFORMATION

14.1. Commitments and risks

Lease commitments

The breakdown of the minimum payments on non-annullable operating lease contracts at December 31, 2017 is as follows:

| (in Euro thousands) | At December 31, 2017 |
|-----------------------|----------------------|
| Within 1 year | 229 |
| Between 1 and 5 years | 840 |
| Over 5 years | 1,675 |
| Total | 2,744 |

Other commitments

At December 31, 2017, the parent company Aquafil S.p.A. provided sureties in favour of credit institutions in the interest of subsidiaries and subject to the control of the parent company for a total of Euro 5,072 thousand. Sureties for Euro 457 thousand were also issued by other subsidiaries in favour of credit institutions and public authorities in the interest of Group companies.

Contingent liabilities

We are not aware of the existence of further disputes or proceedings that are likely to have significant repercussions on the Company's economic and financial situation.

ATTACHMENT 1 - DISCLOSURE PURSUANT TO ARTICLE 149 OF THE CONSOB ISSUER'S REGULATION

The following table, drawn up pursuant to Art. 149-duodecies of the Consob Issuers' Regulation, highlights the fees charged in the year 2017 for auditing and non-auditing services rendered by the appointed audit company.

It is specified that on January 30, 2018, the Shareholders' Meeting conferred the assignment of Aquafil S.p.A (formerly Space 3 S.p.A.) audit to PricewaterhouseCoopers S.p.A., replacing the previous audit firm KPMG S.p.A.

For further clarity we report the fees paid by Aquafil S.p.A. in the table below.

| Company providing service | Recipient of service | Type of services | Fees 2017 |
|---|--------------------------------|--|----------------|
| PwC SpA | Aquafil SpA (formerly Space 3) | Audit separate financial statements | 125,055 |
| PwC Advisory SpA | Aquafil SpA (formerly Space 3) | Support application method Law 262/2005 (Art. 154-bis CFA) | 70,000 |
| Total services in 2017 on behalf of the listed Aquafil SpA | | | 195,055 |

Aquafil S.p.A.
**2017 Corporate Governance
and Ownership Structure Report**
as per Article 123-bis of Legislative Decree No. 58/1998

(modello di amministrazione e controllo tradizionale)
Sito Web: www.aquafil.com
Esercizio a cui si riferisce la Relazione: 2017
Data di approvazione della Relazione: 23 marzo 2018

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KEY DEFINITIONS

The key definitions utilized in this Report are illustrated below.

| | |
|---|---|
| Borsa Italiana | Borsa Italiana S.p.A., with registered office at Milan, Piazza degli Affari No. 6. |
| Civil Code | Legislative Decree No. 262 of March 16, 1942 and subsequent amendments and supplements. |
| Self-Governance Code or Code | The Self-Governance Code of listed companies approved in July 2015 by the Corporate Governance Committee and promoted by Borsa Italiana., ABI, Ania, Assogestioni, Assonime and Confindustria, available on the website www.borsaitaliana.it in the “Borsa Italiana - Regulation - Corporate Governance” section. |
| Consob | The National Commission for Companies and the Stock Exchange, with registered office in Rome, Via G.B. Martini No. 3. |
| Effective Merger Date | December 4, 2017. |
| Issuer, Aquafil or Company | Aquafil S.p.A., with registered office in Arco (Trento), Via Linfano, No. 9, VAT and Tax No. 09652170961. |
| Reporting Period | year-ended December 31, 2017 |
| Merger | the merger by incorporation of Aquafil (pre-merger), completed on the Effective Merger Date. |
| Group or Aquafil Group | Aquafil and the companies within its consolidation scope. |
| Stock Exchange Regulation Instructions | the Instructions to the Regulation for Markets organized and managed by Borsa Italiana. |
| Market Warrants | the warrants pursuant to the regulation for “Aquafil S.p.A. Market Warrants”. |
| MIV | the Investment Vehicles Market organized and managed by Borsa Italiana. |
| MTA | the Italian Stock Exchange organized and managed by Borsa Italiana. |
| Transaction | the business combination between Space3 and Aquafil (pre-merger), as approved by the Board of Directors of the above-mentioned companies on July 15, 2017, undertaken principally through the Merger. |
| Aquafil Reporting Period | the period between the Effective Merger Date and December 31, 2017. |
| Space3 Reporting Period | the period between January 1, 2017 and the Effective Merger Date. |
| SME's | small and medium-sized issuers of listed shares pursuant to Article 1, paragraph 1, letter w-quarter1), of the CFA. |
| Related Party Transactions Policy or RPT Policy | the related party transactions policy adopted by the company in compliance with the Consob RPT Regulation. |
| Stock Exchange Regulation | the regulation for markets organized and managed by Borsa Italiana, and subsequent amendments and supplements. |
| Issuers' Regulation | the enacting regulation of the CFA concerning the governance of issuers, adopted by Consob with motion No. 11971 of May 14, 1999 and subsequent amendments and supplements. |
| Related Parties Regulation or RPT Regulation | the regulation adopted by Consob motion No. 17221 of March 12, 2010 (as subsequently amended and supplemented) in relation to related party transactions. |
| Report | this Corporate Governance and Ownership Structure Report, prepared in accordance with Article 123-bis of the CFA. |
| Space 3 | Space 3 S.p.A. |
| Space Holding | Space Holding S.r.l., with registered office at Piazza Cavour 1, Milan, promotor of Space3. |
| Sponsor Warrants | the warrants pursuant to the regulation for “Aquafil S.p.A. Sponsor Warrants”. |
| By-Laws | the By-Laws of the company in force at the reporting date. |
| CFA | Legislative Decree No. 58 of February 24, 1998, as subsequently amended and supplemented. |

INTRODUCTION

This Report, approved by the Board of Directors on March 23, 2018, provides a comprehensive overview on the Issuer's corporate governance and ownership structure at December 31, 2017, pursuant to Article 123-bis of the CFA and in light of the Self-Governance Code's provisions, as well as the "Format for the report on corporate governance and ownership structure" document (VII Edition, January 2018) prepared by Borsa Italiana.

On December 4, 2017, the Merger became effective - i.e. the merger by incorporation of Aquafil into Space3, as a result of which Space3 assumed all rights and obligations of the Incorporated Company and was renamed "Aquafil S.p.A.". As indicated above, the definitions "company", "Aquafil" and "Issuer" refer in this Report to the company resulting from the Merger.

The legal, accounting and tax effects of the Merger run from December 4, 2017.

On November 27, 2017, Borsa Italiana approved, effective as of December 4, 2017, the listing of ordinary Aquafil shares on the MTA ("Mercato Telematico Azionario") market, STAR segment, with the simultaneous discontinuation of trading on the MIV market.

In consideration of the amendments to the governance and shareholder structure of the company following the Merger, the present Report is structured as follows:

- (i) disclosure concerning the corporate governance and ownership structure of Space3 is reported at Annex A to this Report and, except where otherwise specified, refers to the period between January 1, 2017 and the Effective Merger Date;
- (ii) disclosure concerning the corporate governance and ownership structure of the Issuer for the Aquafil Reporting Period is contained in the body of this Report.

1. COMPANY PROFILE AND GOVERNANCE SYSTEM

For more than 50 years, Aquafil has been a leading Italian and global producer of synthetic fibers, and particularly of polyamide 6 fibers.

The Group sets benchmarks in terms of quality, innovation and new sustainable development models. It is considered a strategic choice in view of the focus on continual process and product development, delivered through ongoing capital and know-how investment.

The Group operates, with over 2,700 employees and 15 production facilities, in eight countries on three continents: Italy, Slovenia, Croatia, Germany, the United Kingdom, the United States, Thailand and China.

Aquafil's Corporate Governance system, i.e. the set of rules and conduct adopted for streamlined and transparent corporate board and control system operation, is based on the Code's principles and recommended application criteria.

As an Italian-registered company with shares traded on the STAR segment of the Italian Stock Exchange and compliant with the Code, Aquafil's corporate governance structure - based on the traditional model - is composed of the following bodies: the Shareholders' Meeting; the Board of Directors, also operating through the Chief Executive Officer and the Executive Directors; the Board of Statutory Auditors; the Control and Risks Committee; the Appointments and Remuneration Committee; the Supervisory Board; the Independent Audit Firm.

The Shareholders' Meeting is the body whose motions express the shareholders wishes. The motions passed in compliance with law and the By-Laws bind all shareholders, including those absent or dissenting, although these latter have the right to withdrawal in permitted cases. The Shareholders' Meeting is called in accordance with law and the regulations for companies with listed shares to resolve upon the matters reserved to it by law. The Board of Directors sets out the company and Group strategic guidelines and is responsible for management oversight. It is therefore granted the widest powers of company administration considered appropriate in pursuit of the company's aims and objectives, with the sole exclusion, obviously, of those expressly reserved by law for the Shareholders' Meeting.

The Board of Statutory Auditors supervises compliance with law and the By-Laws and in particular:

- operating control functions, in particular verifying:
 - compliance with the principles of correct management;
 - the adequacy of the company's organisational structure;
 - proper implementation of the Code;
 - the adequacy of the instructions provided to the subsidiaries in terms of the market and inside information communication obligations;
- functions of the Internal Control and Audit Committee, particularly concerning:
 - oversight of:
 - i. the financial disclosure process;
 - ii. the efficacy of the internal control and internal audit systems, and if applicable, the risk management system;
 - iii. the audit of the statutory annual accounts and of the consolidated annual accounts;
 - iv. the independence of the independent audit firm;
 - communicating to the Board of Directors the outcome of the statutory audit;
 - responsibility for the independent audit firm selection policy.

The statutory audit is not within the committee's scope, as assigned in accordance with law to an independent audit firm chosen by the Shareholders' Meeting.

The independent audit firm oversees the correct keeping of the accounting records and the reporting of operating events, while ensuring that the separate and consolidated financial statements are consistent with the accounting records and audits carried out and are compliant with applicable provisions. It may perform additional services assigned by the Board of Directors, where not incompatible with the statutory audit assignment.

The Supervisory Board completes the governance structure, with the company having adopted an Ethics Code and an Organization, Management

and Control Model as per Article 6 of Legislative Decree No. 231/2001 and subsequent, applying the relative structure of powers and duties. The Corporate Governance Report, which forms an integral part of the Directors' Report, and the By-Laws, are available on the company website (www.aquafil.com – Investor Relations – Corporate Governance).

2. DISCLOSURES ON SHAREHOLDERS (ARTICLE 123-BIS, PARAGRAPH 1 OF THE CONSOLIDATED FINANCE ACT)

2.1. SHARE CAPITAL STRUCTURE (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER A), CFA)

2.1.1. Share capital and shares of the company

At the Reporting date, the subscribed and paid-in share capital of Aquafil amounts to Euro 49,708,767.68, divided into 51,082,298 shares, of which 42,686,278 ordinary shares; 8,316,020 special B shares (B Shares) and 80,000 special C shares (C Shares), all without nominal value.

Specifically, Aquafil's share capital is broken down as follows:

| | No. of shares | % of share capital | Listed (with market indicated)/not listed | Rights and obligations |
|---|---------------|--------------------|---|--|
| Ordinary shares | 42,686,278 | | MTA, STAR Segment | The shares are indivisible and each share shall entitle the holder to one vote. Those in possession of shares may exercise their shareholder and equity rights in compliance with the limits established by statutory regulations and the By-Laws. |
| Multi-votes shares (B Shares) | 8,316,020 | | Non-listed | Assign the rights as per Article 5 of the By-Laws, including the right to three votes per share at Shareholders' Meetings |
| Shares without voting rights (C Shares) | 80,000 | | Non-listed | Assign the rights as per Article 5 of the By-Laws |
| Other | | | | |

The ordinary shares, the B Shares and the C shares are subject to the dematerialisation rules pursuant to Article 83-bis and thereafter of the CFA. The ordinary shares are to bearer, indivisible, freely transferable and confer to the owners equal rights. In particular, each ordinary share attributes the right to one vote at the Ordinary and Extraordinary Shareholders' Meeting of the company, as well as additional equity and administrative rights pursuant to the By-Laws and statutory law.

In accordance with Article 5.4 of the By-Laws, the B shares attribute the same rights as the ordinary shares, with the exception of:

- each B Share confers the right to three votes pursuant to Article 127-sexies of the CFA at all Shareholders' Meetings of the company, subject to any statutory limitation;
- they automatically convert into ordinary shares, based on one ordinary share for each B Share (without requiring a motion of the B Shares special shareholders' meeting or of the shareholders' meeting of the company) in the event of: (i) transfer to parties who are not already holders of B Shares, except where the transferee is a parent, is controlled by or under common control of the transferor and, provided that, in this case, where the transferee loses the status of parent, control by or under the common control of the transferor, all the B Shares held by them are automatically converted into ordinary shares, based on one ordinary share for every B Share; (ii) in the case in which the holder of the B Shares ceases to be controlled, directly or indirectly, by (a) Giulio Bonazzi; (b) Roberta Previdi; (c) Silvana Bonazzi; (d) Francesco Bonazzi and/or (e) one or more direct line successors upon death of both (and not only one of) Giulio Bonazzi and Roberta Previdi, each of which, exclusively or jointly to one or more of the other above-mentioned parties;
- they may be converted, in all or in part and also in several tranches, into ordinary shares on the simple request of the owner, to be sent to the Chairman of the Board of Directors of Aquafil and in copy to the Chairman of the Board of Statutory Auditors, also based on one ordinary share for every B Share.

The ascertain of an event of conversion is ratified by the Board of Directors resolved upon by statutory majority. In the event of omission by the Board of Directors, the conversion is ratified by the Board of Statutory Auditors with the approval of a majority of those present.

Ordinary shares may not be converted into B Shares.

In accordance with Article 5.5 of the By-Laws, the C Shares attribute the same rights as the ordinary shares, with the exception of:

- they are without voting rights at the ordinary and extraordinary shareholders' meetings of the company;
- they are excluded from the right to receive the profits which the company resolves to distribute by way of ordinary dividend;
- they are non-transferable until April 5, 2022, except for: (a) the transfer of the special shares to withdrawing shareholders of Space Holding, on the completion of the liquidation of their holding in kind; and (b) the assignment of the special shares to the beneficiary company of a proportional spin-off of Space Holding for, among other matters, the investment of Space Holding in the company;
- they attributed the right at the time of issue to the allocation of "Space 3 S.p.A. Sponsor Warrants" (now called "Aquafil S.p.A. Sponsor Warrants") in the ratio of 2 warrants for every C Share;
- they are automatically converted into ordinary shares, in the ratio of 4.5 ordinary shares for every C Share, without the need for holders to request such and without amending the share capital, notwithstanding that this conversion will reduce the implied par value of the ordinary shares within

60 months from the Effective Merger Date in the amount of 80,000 C Shares in the case in which the official ordinary share price, for at least 20 days, even non-consecutively, out of 30 open consecutive trading days, is higher or equal to Euro 13 per ordinary share, subject to the fact that the period for the recording of the official ordinary share price for the triggering of this conversion event runs between the Space 3 Shareholders' Meeting date approving the Merger and the completion of 60 months from the Effective Merger Date. Where this period of 60 months is completed without conversion, all C Shares will automatically convert into 1 ordinary share, without amending the share capital.

The company may issue B Shares limited to the following cases: (a) share capital increases pursuant to Article 2442 of the Civil Code or through new conferment without exclusion or limitation of the option right, in any case together with ordinary shares; and (b) mergers or spin-offs. Under no circumstances can the company proceed with the issue of new C Shares.

In the event of a share capital increase to be carried out through the issue of ordinary shares, all shareholders will have the right to subscribe to the newly-issued ordinary shares (unless the option right is excluded in accordance with law or there is no entitlement) in proportion and in relation to the shares - including ordinary shares, B Shares or C Shares – held by each at the time of execution of the share capital increase. In such an event, the passing of the relative motion pursuant to Article 2376 of the Civil Code by the special shareholders' meeting of the B Shares is not required, or of the C Shares special shareholders' meeting.

In the event of a share capital increase through the issue of ordinary shares and B Shares: (i) the number of newly issued ordinary shares and B Shares must be proportional to the number of ordinary shares and B Shares in which the share capital is divided on the date of the relevant motion specifying that, to this end, existing C Shares will be counted as an equal number as ordinary shares; (ii) holders of C Shares may subscribe to ordinary shares according to the portion of the share capital represented by ordinary shares and C Shares held at the time of the share capital increase and (iii) newly issued ordinary shares and B Shares must be offered to the individual shareholder in relation to and in proportion to, respectively, the ordinary shares and B Shares held at the time of the share capital increase, specifying that: (a) existing C Shares, for this purpose, will be counted as an equal number as ordinary shares; and (b) B Shares may only be subscribed to by shareholders who are already holders of B Shares; in the absence of subscription to newly issued B Shares by shareholders who are already holders of B Shares, the B Shares will automatically be converted into ordinary shares at the ratio of one ordinary share for every B Share and will be offered to other shareholders as provided by law.

Where the Company participates in a merger by incorporation as the incorporating company or in a merger, the holders of the B Shares will have the right to receive, within the share swap ratio, shares with the same characteristics - in relation to the multi-voting rights – as the B Shares, in accordance with applicable legal provisions.

At the Reporting date, the company had adopted the remuneration plans for directors and employees of the Group described in the remuneration report prepared in accordance with Article 123-ter of the CFA and Article 84-quater of the Issuers' Regulation, as well as the disclosure document prepared pursuant to Article 114-bis of the CFA and Article 84-bis of the Issuers' Regulations and the relative illustrative report prepared in accordance with Article 114-bis of the CFA, available on the company website www.aquafil.com – Corporate Governance section.

2.1.2. Warrants

At the Reporting date, the following financial instruments that grant the right to subscribe newly issued Aquafil ordinary shares had been issued.

| | Listed (with market indicated)/not listed | No. of instruments outstanding | Class of shares for conversion/exercise | No. of shares for the conversion/ |
|---|---|--------------------------------|---|-----------------------------------|
| Warrant named: "Aquafil S.p.A. Market Warrants" ISIN Code IT 0005241200 | MTA, STAR Segment | 6,068,910 | Ordinary shares | 1,672,665 |
| Warrant named: "Aquafil S.p.A. Sponsor Warrants" ISIN Code: IT 0005241754 | Non-listed | 800,000 | Ordinary shares | 800,000 |

On December 23, 2016, the Extraordinary Shareholders' Meeting of Space 3 - among other matters – resolved upon:

- the divisible paid-in share capital increase for a maximum amount of Euro 203,488.50, to be reserved for the exercise of 7,500,000 "Aquafil S.p.A. Market Warrants", through the issue of a maximum 2,034,885 ordinary shares, without nominal value, at a price of Euro 0.10, entirely as the implied par value; and
- the divisible paid-in share capital increase for a maximum amount, including share premium, of Euro 10,400,000, to be reserved for the exercise of 800,000 "Aquafil S.p.A. Sponsor Warrants", through the issue of a maximum 800,000 ordinary shares, without nominal value, at a price of Euro 13.00, through the allocation of Euro 1.00 as the implied par value and Euro 12.00 as the share premium.

The "Aquafil S.p.A. Market Warrants" may be exercised, in accordance with the terms and conditions of the Market Warrants Regulation, from February 5, 2018 until the first of the following dates: (i) the first open trading day subsequent to the completion of 5 years from December 4, 2017 and (ii) the first open trading day subsequent to the completion of 60 calendar days from publication of the Acceleration Communication (as defined in accordance with the Market Warrants Regulation). In particular, at the Reporting date, 1,431,090 Market Warrants have been exercised, against the subscription of 362,220 ordinary shares of the Company.

The Aquafil S.p.A. Market Warrants are listed on the STAR segment of the Italian Stock Exchange.

As the Reporting date, Space Holding holds all of the "Aquafil S.p.A. Sponsor Warrants" (i.e. 800,000). The "Aquafil S.p.A. Sponsor Warrants" are exercisable, at the terms and conditions of the Sponsor Warrants Regulation, in the period between the first market trading day after December 4, 2017 (the Effective Merger Date) and the tenth anniversary of that date.

The Aquafil S.p.A. Sponsor Warrants are not listed on any regulated market.

The Market Warrants Regulation and the Sponsor Warrants Regulation are available to the public on the company website www.aquafil.com – Investor Relations Section – Shareholder Information.

2.2. RESTRICTION ON THE TRANSFER OF SHARES (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER B), CFA)

At the Reporting date, there are no restrictions on the transfer of the ordinary shares of the company, subject to that illustrated below.

It is recalled that Space Holding undertook a lock-up commitment with the Issuer on the ordinary Aquafil shares from the conversion of special Space3 shares under the Merger, as per the following terms and conditions: (i) with regards to the 630,000 ordinary Aquafil shares from the conversion, in compliance with Article 5.4, letter (f), point (ii) of the By-Laws *pro tempore*, of 140,000 Space3 special shares at the Effective Merger Date, the lock-up commitment has a duration of 12 months from the Effective Merger Date; (ii) with regards to the 810,000 Aquafil shares from the conversion, in compliance with Article 5.4, letter (f), point (iii) of the By-Laws *pro tempore*, of 180,000 Space 3 special shares at the Effective Merger Date, the lock-up commitment has a duration of 12 months from the Effective Merger Date; and (iii) with reference to the Aquafil ordinary shares from the conversion of the C Shares on the occurrence of the other events indicated at Article 5.5 of the By-Laws, the lock-up commitment will have a duration of 6 months from the relative conversion, subject to the fact that wherever the conversion is based on the other events at Article 5.5 of the By-Laws within the 12 months subsequent to the Effective Merger Date, the lock-up commitment with regards to the shares from this conversion will be considered undertaken until the latter between (a) 12 months from the Effective Merger Date and (b) 6 months from the conversion.

In accordance with the shareholder agreement signed on June 15, 2017 between Aquafil Holding S.p.A., Adriano Vivaldi, Edi Kraus, Fabrizio Calenti, Franco Rossi, Sergio Calliari, Space 3, Space Holding and TH IV S.A. **Shareholder Agreement**):

- i. Aquafil Holding committed with Space 3 not to transfer securities until conclusion of 18 months from the Effective Merger Date;
- ii. TH IV S.A. committed to Space 3 to: (i) not undertake sales and/or other transfers upon Aquafil shares; and (ii) not to promote and/or execute transactions on other derivative instruments with the same effects - even only financially - as the transactions at the above points; this commitment runs until conclusion of the 9th month subsequent to the Effective Merger Date;
- iii. Adriano Vivaldi, Edi Kraus, Fabrizio Calenti, Franco Rossi and Sergio Calliari committed to Space 3 to: (i) not undertake sales and/or other transfers upon Aquafil shares; and (ii) not to promote and/or execute transactions on other derivative instruments with the same effects - even only financially - as the transactions at the above points; this commitment runs until conclusion of the 18th month subsequent to the Effective Merger Date.

There are no limits to holding shares of the company, nor any clauses to restrict becoming a shareholder.

2.3. SIGNIFICANT HOLDINGS (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER C), CFA)

The ordinary shares of the company are traded within the management system authorized pursuant to the CFA.

At the Reporting date, the company is an SME; therefore, pursuant to Article 120, paragraph 2 of the CFA, the significance threshold for the purposes of the communication obligations of significant shareholdings is equal to 5% of the voting share capital.

Based on the information available, the following table reports the data regarding the shareholders which, at the date of this Report, have holdings of above 5% of the voting share capital of the Issuer, directly or indirectly, including through nominees, trusts and subsidiaries.

RELEVANT SHAREHOLDINGS

| Shareholder | Direct shareholder | % of ordinary share capital | % of voting share capital |
|-------------|------------------------|-----------------------------|---------------------------|
| GB&P S.r.l. | Aquafil Holding S.p.A. | 50.14% | 68.87% |

2.4. SHARES WHICH CONFER SPECIAL RIGHTS (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER D), CFA)

There are no securities which confer special control rights or securities with special powers pursuant to the regulations and statutory provisions, except for that outlined below.

Each B Share has the right to three votes pursuant to Article 127-sexies of the CFA at all Shareholders' Meetings of the company, subject to any legal limitations and confer all rights and obligations indicated at paragraph 2.1.1 of this Report.

The By-Laws do not contain provisions upon multi-vote shares in accordance with Article 127-quinquies of the CFA.

2.5. EMPLOYEE SHAREHOLDINGS: METHOD FOR THE EXERCISE OF VOTING RIGHTS (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER E), OF THE CFA)

At the Reporting date, no share ownership systems for Directors and employees had been established described in the remuneration report prepared in accordance with Article 123-ter of the CFA and Article 84-quater of the Issuers' Regulation, as well as the disclosure document prepared pursuant to Article 114-bis of the CFA and Article 84-bis of the Issuers' Regulations and the relative illustrative report prepared in accordance with Article 114-bis of the CFA, available on the company website www.aquafil.com – Investor Relation section.

2.6. VOTING RESTRICTIONS (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER F), CFA)

There are no restrictions on voting rights for holders of ordinary shares and/or B Shares. For completeness, the C Shares are without voting rights at the ordinary and extraordinary shareholders' meetings of the company;

2.7. SHAREHOLDER AGREEMENTS (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER G), CFA)

On June 15, 2017, as part of the Transaction, Aquafin Holding S.p.A., Adriano Vivaldi, Edi Kraus, Fabrizio Calenti, Franco Rossi, Sergio Calliari, Space 3, Space Holding and TH IV S.A. signed a Shareholder Agreement, entering into force on the Effective Merger Date and with a duration of 3 years, and consisting of a number of significant conditions in accordance with Article 122, paragraph 5 of the CFA.

Specifically, the Shareholder Agreement concerns: (i) the appointment and composition of the Board of Directors and of the Board of Statutory Auditors of the company resulting from the Merger (i.e. the Issuer); and (ii) the circulation of the shares of the company resulting from the Merger (i.e. the Issuer).

In accordance with the Shareholder Agreement, Aquafin Holding has, inter alia, undertaken commitments to ensure that the Board of Directors of the company, until the approval of the Aquafil 2019 Annual Accounts, contains 2 directors appointed by Space Holding, of which 1 belonging to the under-represented gender and independent pursuant to applicable regulations.

In particular, Aquafin Holding undertook commitments to Space Holding with regards to the appointment of the Board of Statutory Auditors with effect from the approval date of Aquafil's 2019 Annual Accounts.

In compliance with the Shareholders' Agreement, the above lock-up commitments were also undertaken.

Pursuant to Article 122 of the CFA, on June 20, 2017 an extract of the Shareholder Agreement was published in the daily newspaper "Il Sole 24 Ore", in accordance with Article 129 of the Issuers' Regulation, and the key information relating to the Shareholder Agreement was published on the Aquafil's website at www.aquafil.com, in accordance with Article 130 of the Issuers' Regulation.

2.8. CHANGE OF CONTROL CLAUSE (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER H), OF THE CFA) AND STATUTORY PROVISIONS ON PUBLIC PURCHASE OFFERS (AS PER ARTICLE 104, PARAGRAPH 1-TER AND 104-BIS, PARAGRAPH 1, OF THE CFA).

With regards to the agreements which may be voided in the case of a change in control of Aquafil S.p.A., we report the following.

Loan contracts

At the Reporting date, Aquafil has in place the loans detailed in the form below:

| Bank | Original amount | Starting date | Expiration date |
|-----------------------------|-----------------|---------------|-----------------|
| BANCA DI VERONA | 3.500.000,00 | 23/09/2016 | 30/09/2022 |
| BANCA DI VERONA | 15.000.000,00 | 05/05/2017 | 31/03/2024 |
| BANCA NAZIONALE DEL LAVORO | 8.000.000,00 | 06/07/2017 | 06/07/2019 |
| BANCA POPOLARE DI MILANO | 5.000.000,00 | 01/12/2016 | 30/11/2019 |
| BANCA POPOLARE DI SONDRIO | 5.000.000,00 | 21/07/2017 | 31/07/2022 |
| BANCA INTESA | 10.000.000,00 | 22/06/2016 | 30/06/2021 |
| BANCA INTESA | 15.000.000,00 | 30/01/2018 | 31/01/2024 |
| CASSA C. C. RURALI TRENTINE | 5.000.000,00 | 23/06/2016 | 30/06/2021 |
| CASSA RISP. DI BOLZANO | 11.500.000,00 | 03/03/2016 | 30/06/2019 |
| DEUTSCHE BANK | 5.000.000,00 | 08/09/2016 | 08/09/2020 |
| BANCA POP. EMILIA ROMAGNA | 3.000.000,00 | 02/09/2015 | 02/09/2018 |
| BANCA POP. EMILIA ROMAGNA | 5.000.000,00 | 17/10/2016 | 17/10/2020 |
| BANCA POP. EMILIA ROMAGNA | 5.000.000,00 | 02/08/2017 | 02/08/2022 |
| CREDITE AGRICOLE | 4.200.000,00 | 26/04/2016 | 26/04/2021 |
| CREDITE AGRICOLE | 10.000.000,00 | 29/05/2017 | 30/06/2024 |
| ICBC | 15.000.000,00 | 15/12/2015 | 14/12/2018 |
| MONTE DEI PASCHI DI SIENA | 15.000.000,00 | 26/01/2018 | 30/06/2023 |
| RAIFFEISEN | 3.000.000,00 | 28/06/2017 | 31/03/2022 |
| CREDITO VALTELLINESE | 5.000.000,00 | 22/01/2016 | 31/03/2018 |
| CREDITO VALTELLINESE | 3.000.000,00 | 18/04/2017 | 05/07/2022 |
| VENETO BANCA | 3.356.985,57 | 31/12/2015 | 30/04/2019 |
| VENETO BANCA | 3.000.000,00 | 13/02/2017 | 28/02/2021 |
| MEDIOBANCA | 15.000.000,00 | 26/10/2015 | 30/09/2019 |
| MEDIOCREDITO T.A.A. | 3.000.000,00 | 28/06/2017 | 28/06/2021 |

The Company issued *two bonds*:

- of Euro 50 million ending on 26 June 2025;
- of Euro 5 million ending on 31 January 2025.

The main objectives of these contracts is to fund the company's investment plan, with the lending banks having the right to rescission on changes with regard to the direct or indirect control of Aquafil in accordance with Article 2359 of the Civil Code.

Contracts and Agreements

Within the scope of some contracts and commercial agreements signed by Aquafil, communication obligations in the case of a change in control are applicable; the company has also signed agreements in which the change of control clause may result in resolution.

These agreements, overall not significant in terms of company and Group operations, are subject to confidentiality restrictions.

Public Purchase Offer

The company By-Laws do not provide for exceptions to the passivity rule pursuant to Article 104, paragraphs 1 and 2 of the CFA, nor the application of the neutralisation rules pursuant to Article 104-bis, paragraphs 2 and 3 of the CFA.

2.9. POWER TO INCREASE THE SHARE CAPITAL AND AUTHORISATION TO PURCHASE TREASURY SHARES (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER A), CFA)

2.9.1. Share capital increases

The By-Laws do not specifically assign to the Board of Directors the power to increase the share capital. The Issuers' Extraordinary Shareholders' Meeting of December 23, 2016 approved:

- (i) the divisible paid-in share capital increase for a maximum amount of Euro 203,488.50, to be reserved for the exercise of 7,500,000 "Aquafil S.p.A. Market Warrants", through the issue of a maximum 2,034,885 ordinary shares, without nominal value, at a price of Euro 0.10, entirely as the implied par value;
- (ii) the divisible paid-in share capital increase for a maximum amount, including share premium, of Euro 10,400,000, to be reserved for the exercise of 800,000 "Aquafil S.p.A. Sponsor Warrants", through the issue of a maximum 800,000 ordinary shares, without nominal value, at a price of Euro 13.00, through the allocation of Euro 1.00 as the implied par value and Euro 12.00 as the share premium.

2.9.2. Treasury shares

At the Reporting date, the company does not have treasury shares in portfolio.

2.10. MANAGEMENT AND CO-ORDINATION (AS PER ARTICLE 2497 AND SUBSEQUENT OF THE CIVIL CODE)

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

The parent company Aquafil Holding S.p.A. does not exercise management and co-ordination over Aquafil as substantially operating as a holding company, without an independent organisational structure and, consequently, *de facto* does not exercise direct management over Aquafil. Furthermore, it is highlighted that: (i) the Board of Directors of the company approves the budget and the business plan; (ii) the company has independent negotiating powers with customers and suppliers; and (iii) a centralised treasury agreement between the company and the companies within the chain of control is not in place.

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

The information required by Article 123-bis, paragraph 1, letter i) of the CFA ("the agreements between the company and directorswhich provide indemnity in the case of resignation or dismissal from office without just cause or termination of employment following a public purchase offer") is illustrated in the Remuneration Report, published as per Article 123-ter of the CFA and Article 84-quater of the Issuers' Regulation, available in accordance with the provisions of law on the company website www.aquafil.com.

The information required by Article 123-bis, paragraph 1, letter l) of the CFA) relating to the "applicable regulations concerning the appointment and replacement of directors (.....), in addition to the amendment of the By-Laws if differing from applicable law and regulations" is illustrated in the Board of Directors section.

3. COMPLIANCE (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER A), CFA

This Report reflects and illustrates the corporate governance structure applied by the company in accordance with the Code, available at <http://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/codice2015.pdf>.

The Board of Directors is always open to assessing new guidelines presented in the Code and their incorporation into the company's corporate governance system, as long as compatible with the company's situation and that the recommendations further improve the Company's reliability in the eyes of investors.

Aquafil S.p.A. and its strategic subsidiaries, as far as the Board of Directors is aware, are not subject to laws in force outside Italy which affect the corporate governance structure of the Company.

4. BOARD OF DIRECTORS

In accordance with current regulations for companies with listed shares on regulated markets, the Board of Directors is central to the governance system of the company.

4.1. APPOINTMENT AND REPLACEMENT (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER L), CFA)

The Company is administered by a Board of Directors made up of between 8 and 15 members. The Shareholders' Meeting establishes the number of members on the Board of Directors, which remains in place until otherwise resolved.

All directors must satisfy the eligibility and good standing requirements established by applicable law and other provisions. In addition, in accordance with the legal and regulatory requirements, a number of directors should be independent.

The Shareholders' Meeting appoints the Board of Directors on the basis of slates presented by the shareholders, in accordance with the procedure set out in the following paragraphs, except where otherwise established by obligatory laws or regulations.

Shareholders can present a slate for the appointment of Directors who, alone or together with other presenting shareholders, have a shareholding at least equal to that determined by Consob in accordance with applicable provisions and regulations (which for the company with regards to 2018 is 2.5% of the share capital considering the share capital comprised of listed shares). Ownership of the minimum shareholding is determined according to the shares that are registered in favour of the shareholder on the day in which the slates are filed with the issuer; certification can also be presented subsequent to the filing provided that it is within the deadline for the publication of the slates.

The slates must be filed at the registered office of the company according to the manner prescribed by current regulations, at least twenty-five days prior to the Shareholders' Meeting called to appoint the directors. The slates must be made available to the public by the Company at least twenty-one days prior to the Shareholders' Meeting in accordance with the manner prescribed by current regulations.

The slates provide for a number of candidates not below 6 and not above 15, each listed by progressive number. The slates may not be composed of candidates only from the same gender (masculine or feminine); each slate must include a number of candidates of the under-represented gender to guarantee the composition of the Board of Directors in accordance with legal and regulatory provisions in relation to gender equality (masculine and feminine), rounded upwards.

The following must be attached to each slate, or else shall be considered as not presented:

- curriculum vitae of the candidates;
- declarations of the individual candidates, in which they accept their candidature and certify, under their own responsibility, the inexistence of any cause of ineligibility or incompatibility, as well as the satisfaction of the requirements prescribed by applicable regulations for the office of Director of the company, including where applicable, declarations on the independence of candidates;
- the shareholders who have presented the slates and their total shareholding;
- any other further declaration, disclosure and/or document required by law and applicable regulatory rules.

Individual Shareholders, shareholders belonging to the same group or members of a shareholder agreement pursuant to Article 122 of the CFA, may not present or be involved in the presentation, even through nominees or trust companies, of more than one slate or vote on other slates; in addition, each candidate may only be present on one slate, at the risk of being declared ineligible.

The candidates elected at the end of the voting shall be those on the two slates that have obtained the highest number of votes as follows: (i) from the slate which obtained the highest number of votes (the "Majority Slate"), all the directors shall be elected in progressive number, less one; and (ii) from the slate which obtained the second highest number of votes and that is not associated, even indirectly, with the shareholders who presented or voted for the Majority Slate (the "Minority Slate") one director shall be elected, being the first candidate indicated on the slate.

Consideration is not taken of the slates which have not obtained at least half of the votes required for the presentation of slates.

Should two slates receive the same number of votes, a second vote of the entire Shareholders' Meeting shall decide, with the candidate being elected by means of a simple majority of the votes.

If voting does not result in compliance with legal and regulatory provisions in relation to gender equality (including rounding up where necessary in relation to the under-represented gender), the elected candidate appearing last on the Majority Slate of the over-represented gender is excluded and will be replaced by the first candidates from the same slate belonging to the other gender. Where it is not possible to implement this replacement procedure in order to guarantee compliance with legal and regulatory provisions concerning gender equality, the non-elected directors will be elected by the Shareholders' Meeting through ordinary majority, with presentation of candidates belonging to the under-represented gender.

Where the candidates elected do not ensure the number of independent directors as required by applicable regulations, the non-independent candidate(s) elected last in progressive order of the Majority Slate will be replaced by the first independent candidate according to the progressive numbering not elected in the same Majority Slate. Where this procedure does not ensure the required number of independent directors, the Shareholders' Meeting will elect in accordance with ordinary majority, with presentation of independent candidates.

Where only one slate is presented, the Shareholders' Meeting will vote on that slate and, where this slate receives the majority of the votes, all the members of the Board of Directors will be taken from this slate in accordance with applicable law and regulations, including gender equality regulations.

In the absence of slates, or where only one slate is presented and this slate does not receive the majority of the votes, or where the number of directors elected based on the slates presented is below the number of members to be elected, or where the entire Board of Directors need not be re-elected, or where it is not possible for whatever reason to proceed with the nomination of the Board of Directors with the above-mentioned procedures, the members of the Board of Directors will be appointed by the Shareholders' Meeting through ordinary majority, without application of the slate voting mechanism, subject to the obligation to maintain the minimum number of independent directors established by law and in accordance with applicable law and regulations in relation to gender equality.

The directors are elected for a period, established by the Shareholders Meeting, of not greater than three years from the acceptance of their office and until the date of the Shareholders' Meeting for the approval of the annual accounts for the last year of their appointment.

Where over half the directors appointed by the Shareholders' Meeting resign, the entire Board shall be deemed to have vacated office with effect from the re-appointment of the Board of Directors and the remaining directors must promptly call a Shareholders' Meeting for the appointment of the new Board of Directors.

In the event that, for whatever reason, one or more directors are no longer sitting, the Board of Directors will proceed with co-option, where possible, from among the non-elected candidates from the slate from which the director leaving office had been elected, according to the progressive numbering of the slate, while maintaining the obligation of a minimum number of independent directors as established by law, considering also the share segment, and in accordance with the applicable law and regulations on gender equality quotas.

The Board of Directors elects a Chairman from among its members, who remains in this position for the duration of the Board's mandate.

4.2. COMPOSITION (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER D), CFA)

4.2.1. Members of the Board of Directors

The Board of Directors of the company is comprised of a minimum of 8 and a maximum of 15 members. The number of members is established by the Shareholders' Meeting.

As required by the Code, the Board of Directors consists of executive and non-executive directors; the number, the expertise, the authority and the availability of time of the non-executive directors is such to guarantee that their opinion can have a significant impact on board motions.

The Shareholders' Meeting of the Issuer of July 27, 2017 appointed the Board of Directors, entering office on the Effective Merger Date, having first decided on the number of members, their term of office and their remuneration. In particular, the Shareholders' Meeting of the Issuer set the number of the members of Aquafil's Board of Directors as nine, establishing their term in office as three financial years from the Effective Merger Date. Subsequently, by implementing the slate voting system provided for by Article 11 of the By-Laws *pro tempore*, the Shareholders' Meeting appointed the Board of Directors of Aquafil with effect from the Effective Merger Date. In particular, the members of the Board of Directors came from the slate presented by the exiting Board of Directors (as per Article 11.3 of the By-Laws applicable *pro-tempore*), as no other slate was presented in accordance with the applicable rules and regulations.

The Board of Directors comprises, also in view of the gender equality regulation at Article 147 ter, paragraph 1 ter of the CFA, 9 Directors, of which 4 executive, as follows:

| Office | Name | Place and date of birth | Date of appointment |
|------------------------------------|----------------------|--|---------------------|
| Chairman & Chief Executive Officer | Giulio Bonazzi | Verona, July 26, 1963 | July 27, 2017 |
| Executive Director | Adriano Vivaldi | Riva (Trento), December 15, 1962 | July 27, 2017 |
| Executive Director | Fabrizio Calenti | Turin, August 20, 1957 | July 27, 2017 |
| Executive Director | Franco Rossi | Milan, November 2, 1959 | July 27, 2017 |
| Director | Silvana Bonazzi | Bussolengo (Verona), February 27, 1993 | July 27, 2017 |
| Director | Simona Heidempergher | Milan, November 1, 1968 | July 27, 2017 |
| Director | Carlo Pagliani | Milan, January 25, 1962 | July 27, 2017 |
| Director | Margherita Zambon | Vicenza, November 4, 1960 | July 27, 2017 |
| Director | Francesco Profumo | Savona, May 3, 1953 | July 27, 2017 |

The Board of Directors shall remain in office until the approval date of the 2019 Annual Accounts.

All members of the Board of Directors possess the standing requirements set out for control members with regulation of the Italian Ministry of Justice pursuant to Article 148, paragraph 4, of the CFA. In addition, the Independent Directors Heidempergher, Zambon and Profumo declared their independence in accordance with Article 147-ter, paragraph 4 of the CFA and Article 3 of the Code.

The Non-executive and independent directors bring their specific expertise to Board discussions, contributing to the making of decisions in the company's interest.

The Directors act and deliberate in a knowledgeable and independent manner, pursuing the creation of value for the shareholders. They execute the role in the certainty of having the necessary time available to diligently perform their duties.

The Chairman coordinates activities and leads the Board of Directors' meetings and ensures that its members are informed appropriately in advance on the significant matters to be discussed and with regards to useful elements for constructive involvement, subject to necessity, urgency or confidentiality.

The Chairman, in addition, through the competent company functions, ensures that the Directors are involved in initiatives which improve their knowledge of the entity and its dynamics and that they are informed upon major legislative and regulatory developments regarding the company and the corporate boards.

The table on the following page provides further clarifications upon the Board of Directors' composition.

At the Reporting date, there were no changes to the Board of Directors.

The Company highlights that no specific policy concerning diversity has been adopted, even if the appointment of the members of the bodies of administration, management and control have been inspired with attention – further to the provisions of law in force – about: the age of the possible members (with reference to the possible support of experience and professionalism) and of each curriculum of each member.

The Company looks forward to obtaining a fruitful support by the composition during 2018, the first year of listing.

Board of Directors

| Office | Members | Date of birth | Date of first appointment * | In office from | In office until | Slate | Exec |
|---|----------------------|---------------|-----------------------------|----------------|------------------------|-------------------------------------|------|
| Chairman & Chief Executive Officer | Bonazzi Giulio | 1963 | 27/07/2017 | 4/12/17 | App. Accounts 31/12/19 | ** | X |
| Executive Director | Vivaldi Adriano | 1962 | 27/07/2017 | 4/12/17 | App. Accounts 31/12/19 | | X |
| Executive Director | Calenti Fabrizio | 1957 | 27/07/2017 | 4/12/17 | App. Accounts 31/12/19 | | X |
| Executive Director | Rossi Franco | 1959 | 27/07/2017 | 4/12/17 | App. Accounts 31/12/19 | | X |
| Director | Bonazzi Silvana | 1993 | 27/07/2017 | 4/12/17 | App. Accounts 31/12/19 | | |
| Director | Heidempergher Simona | 1968 | 27/07/2017 | 4/12/17 | App. Accounts 31/12/19 | | |
| Director | Pagliani Carlo | 1962 | 27/07/2017 | 4/12/17 | App. Accounts 31/12/19 | | |
| Director | Zambon Margherita | 1960 | 27/07/2017 | 4/12/17 | App. Accounts 31/12/19 | | |
| Director | Profumo Francesco | 1953 | 27/07/2017 | 4/12/17 | App. Accounts 31/12/19 | | |
| Number of meetings held in the year: | | | | | | Control and Risks Committee: | |
| Quorum required for the presentation of slates by minority shareholders for the election of one or more members (as per Art. 147 CFA): | | | | | | | |

NOTE

The following symbols must be indicated in the "Office" column:

- This symbol indicates the Director in charge of the internal control and risk management system.
- ◊ This symbol indicates the main person responsible for the Issuer's operative management (Chief Executive Officer or CEO).
- o This symbol indicates the Lead Independent Director (LID).
- * The first appointment of each Director refers to the date on which the Director was appointed for the first time to the Board of the Issuer.
- ** This column indicates the slate from which each Director originated ("M": majority slate; "m": minority slate; "BoD": slate presented by the BoD).
- *** This column indicates the number of offices a Director or Statutory Auditor holds in other companies listed on regulated markets, including foreign markets, in holding, banking, insurance or large enterprises. The report on corporate governance indicates all offices held.
- (*). This column indicates the percentage of attendance of the Director in relation to the number of BoD and Committee meetings (indicates the number of meetings attended compared to the amount they could have attended; e.g. 6/8; 8/8 etc.).
- (**). This column indicates the position of the Director on the Committee: "C": chairman; "M": member.

| | Non Exec. | Ind. Code | Ind. CFA | No. other offices | Control and Risks Committee | | | Remuneration Committee | | Appointments Committee | | Possible Executive Committee | |
|--|-----------|-----------|--------------------------------|--------------------------------|-----------------------------|-----|-----------------------------|------------------------|------|------------------------|------|------------------------------|------|
| | | | | | (*) | (*) | (**) | (*) | (**) | (*) | (**) | (*) | (**) |
| | | | *** | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | X | | | | | | | | | | | | |
| | X | | X | | | | | | | | | | |
| | X | | | | | | | | | | | | |
| | X | | X | | | | | | | | | | |
| | X | | X | | | | | | | | | | |
| | | | Remuneration Committee: | Appointments Committee: | | | Executive Committee: | | | | | | |

For further information on the slates filed for the appointment of the Board of Directors on July 27, 2017, reference should be made to the company website www.aquafil.com, where the curriculum vitae of each director is available.

4.2.2. Maximum number of offices held in other companies

The Board of Directors has not defined the general criteria relating to the maximum number of offices of administration and control in other companies that may be considered compatible with the proper carrying out of their duties as directors of the company.

This decision was based on the Board's consideration that it was more appropriate for each Director to decide whether the office of Director or Statutory Auditor is compatible with positions held in other listed companies on regulated markets (including overseas), in financial, banking, insurance or large companies, with the diligent undertaking of their duties as Director of the Issuer.

This assessment is undertaken on an annual basis during the disclosures of the offices held by the Directors and, in the event of incompatibility arising, each Director will present to the Board any situations of accumulated offices not compatible which will be assessed on a case by case basis by the Board.

The Board meeting of December 4, 2017 assessed the offices held by its Directors in other companies, and considered the composition of the Board in accordance with the provisions of law and regulations, as well as compatible with an efficient undertaking of their duties as Director of the Issuer.

In relation to the offices held by the directors of the Issuer at the date of the present Report in financial, banking and insurance companies or of significant size listed on regulated markets (including abroad), other than belonging to the Group, reference should be made to the Prospectus (pages 379-384) which at the moment is unchanged and available on the Company website www.aquafil.com.

4.2.3. Induction Programme

The Board meetings, for their content and frequency, permits the Directors to receive adequate information on the sector in which the Issuer operates, on the business operations and their performances, on the principles of correct risk management, as well as the relative regulatory framework. In particular, considering the date of taking office (December 4, 2017), it is underlined that at the first Board meeting - in addition to the subsequent meeting in the Reporting Period and until the Reporting date - the Directors have received ongoing briefings on each sector in which the Issuer operates in order to inform them as best as possible on the dynamics affecting the business and the relative developments.

4.3. ROLE OF THE BOARD OF DIRECTORS (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER D OF THE CFA)

4.3.1. Powers attributed to the Board of Directors

The Board shall have the widest powers of ordinary and extraordinary administration of the company, with the power to carry out all acts it deems appropriate for attaining the corporate scope, with the sole exclusion of those attributed by law to the Shareholders' Meeting.

The Board of Directors, in accordance with Article 2365, paragraph 2 of the Civil Code is also empowered to pass the following motions, without prejudice to the concurrent competence of the Shareholders' Meeting: (i) the opening and closing of secondary offices; (ii) the appointment of directors as company representatives; (iii) the reduction of the share capital in the case of withdrawal of the shareholders; (iv) the transfer of the registered office within the national territory, (v) the merger of the company in the cases established by Articles 2505 and 2505-bis of the Civil Code, also with regards to that stated, for spin-offs, by Article 2506-ter, final paragraph; and (vi) amendment of the By-Laws in accordance with regulatory provisions. The Board has a central role in operating activities, overseeing the various functions and is responsible for the organisational and strategic guidelines, as well as for verifying the existence of the necessary controls to monitor the performance of the Issuer and the Group.

The remit of the Board includes the review and approval of the strategic, industrial and financial plans of the Issuer and of the Group, periodically monitoring their implementation.

The Board also defines the corporate governance system of the Issuer and the structure of the Group.

In accordance with the regulatory provisions and the Code, the Board reviews and approves in advance the Issuers' and its subsidiaries' operations, when having a significant strategic, economic or financial importance for the Issuer, paying particular attention to the situations in which one or more directors have an interest on their own behalf or on behalf of third parties.

The Board has not established criteria for the identification of transactions which have significant strategic, economic, equity or financial importance for the Issuer, in that these transactions, where not within the powers conferred to the Chief Executive Officer, are within the remit of the Board.

This ensures that, with the exception of the powers expressly conferred to the Chief Executive Officer and the Executive Directors (listed in detail in paragraph 4.4.1 below), the Board of the Issuer reviews and assesses the most significant transactions which guarantees constant monitoring of the operating performance and taking an active part in the principal business decisions.

In relation to the management of conflicts of interest and related party transactions of the Issuer and of the Group, reference should be made to paragraph 13 below.

Considering the date of taking office (i.e. December 4, 2017), in compliance with Article 2381 of the Civil Code and application criterion 1.C.1., letter c) of the Code, during the coming year the Board will periodically assess the adequacy of the organisational, administration and general accounting system of the Issuer, with particular reference to the internal control and risk management system, in accordance with the procedures adopted by the Issuer.

In the undertaking of these activities the Board shall be assisted, on a case by case basis, by the Control and Risks Committee, the Internal Audit Manager and the Executive Officer, as well as the procedures and verifications implemented in accordance with Law 262/2005.

Simultaneously, the Board at least quarterly shall assess the general operational performance, taking into account, in particular, the information received from the Chief Executive Officer and the Executive Directors, as well as periodically, comparing the results with the budgets.

Similarly, the Board shall undertake their annual assessment, in accordance with application criterion 1.C.1. letter g) of the Code, in order to establish whether the size, the composition and the functioning of the Board and of its committees shall be adequate in relation to the operational and organisational needs of the company, also taking into account the professional characteristics, experience, including managerial and sectorial, of its members as well as the presence, of a total of 9 directors, of 5 Non-Executive Directors (of which 3 independent), capable of influencing, for their number and authority, the Board decisions and contributing their specific know-how and which also guarantees an appropriate composition of the Committees within the Board.

As of the Reporting date, the Shareholders' Meeting has not authorized any general and preemptive departure from the competition restrictions under Article 2390 of the Civil Code.

4.3.2. Procedures and frequency of board meetings

The validity of Board motions requires the presence of a majority of its members in office, with motions passed by a majority of those present.

The Board of Directors elects a Chairman from among its members, who remains in this position for the duration of the Board of Directors.

Under Article 12 of the By-Laws, the Board of Directors may delegate part of its powers to an Executive Committee, determining the limits of such mandate as well as the number of members of the committee and its operating procedures.

The Board of Directors may appoint one or more executive directors, granting them the relevant powers and conferring to one of them, where applicable, the role of Chief Executive Officer. In addition, the Board of Directors may also establish one or more committees with consulting, advisory, or audit functions in accordance with applicable laws and regulations. The Board of Directors may also appoint General Managers, defining their powers and granting powers of attorney to third parties for certain acts or categories of acts.

Under Article 13 of the By-Laws, the Board of Directors meets at the company's registered office or another location, whenever the Chairman deems it necessary or whenever a request is made by the Chief Executive Office, if appointed, or by at least two of its members or by the Board of Statutory Auditors.

The calling of the Board of Directors is made by the Chairman or, if absent, by the Chief Executive Officer, with notices to be sent, by letter, telegram, fax or email with proof of receipt, to the domicile address of each director and statutory auditor at least five days before the date set for the meeting; in case of urgency, the calling of the Board of Directors may be made at least two days before the date set for the meeting. The meeting of the Board and its motions are valid, even in the absence of formal call, where all directors in office and the majority of the Board of Statutory Auditors are in attendance, as long as the absent members of the Board of Statutory Auditors have been informed in advance of the meeting and are not opposed. In these cases (i) any of the attendees may oppose the discussion and voting of the matters on which they have not been adequately informed; and (ii) the motions undertaken should be communicated in a timely manner to the absent statutory auditors. In the absence of the Chairman, the chair of the meeting is assumed by the Chief Executive Officer, if appointed, or failing that the most senior director.

The meetings of the Board of Directors may also be held by audio or video conference, provided that: (i) the Chairman and the Secretary, if appointed, are present in the same location and write and sign the minutes, verifying that the meeting was held in that location; (ii) the Chairman of the meeting may verify the identity of the participants, direct the course of the meeting and witness and announce the results of the voting; (iii) the person taking the minutes may adequately observe the events of the meeting to be recorded in the minutes; and (iv) participants may participate in the discussion and the simultaneous voting on the matters on the agenda, as well as view, receive or transmit documents.

The Board of Directors, after prior mandatory consultation with the Board of Statutory Auditors, shall appoint an Executive Officer responsible for the preparation of the financial statements, in accordance with Art. 154-bis of the CFA (the Executive Officer), granting this person the adequate means and powers for the accomplishment of the tasks assigned.

From the Effective Merger Date and during the Aquafil Reporting Period, the Board of Directors met 2 times, with an average meeting duration of approx. 1.5 hours.

For 2018, the Board of Directors met 4 times and are expected to meet an additional 3 times (according to that stated in the approved financial calendar).

The meetings were minuted as per the applicable procedure.

The duration of the meetings were on average approximately 2 hours and 30 minutes.

During the Aquafil Reporting Period, following the Effective Merger Date, the attendance of each Director was 100%.

The Chairman of the Board of Directors ensured that the documentation relating to the matters on the agenda was made available to the directors and statutory auditors with sufficient time before the date of each Board meeting. The timeliness and completeness of pre-meeting information is guaranteed by communication of the documentation with an advance of at least 1/2 days before the date of the meeting of the Board of Directors.

This term was generally respected.

In addition, the Chairman of the Board ensured that sufficient time was provided to the matters on the Agenda in order that all the Directors may contribute, thereby guaranteeing, constructive debate in the Board meetings.

Executives of the Issuer attended Board meetings in order to provide detailed information on matters on the Agenda.

In general, the Chief Executive Officer and the Executive Directors ensure - within their respective scopes - that the executives are available to attend Board meetings so that valuable contributions may be made, in particular for the non-executive Directors to acquire adequate information on the operations of the Issuer.

The Executive Officer appointed normally attends the Board of Directors' meetings.

4.4. EXECUTIVE BODIES

In accordance with the By-Laws, the Board of Directors may delegate part of its powers to an Executive Committee, determining the limits of such mandate, as well as the number of members of the committee and its operating procedures.

Under Article 12.3 of the By-Laws, the Board of Directors may appoint one or more executive directors, granting them the relevant powers and conferring to one of them, where applicable, the role of Chief Executive Officer. In addition, the Board of Directors may also establish one or more committees with consulting, advisory, or audit functions in accordance with applicable laws and regulations. The Board of Directors may also appoint General Managers, defining their powers and granting powers of attorney to third parties for certain acts or categories of acts.

Under Article 12.4 of the By-Laws, the Chairman of the Board of Directors is the legal representative of the company in dealings with third parties and in legal matters (with the right to appoint lawyers and attorneys-of-record). Representation also rests with the directors who have delegated powers granted by the Board of Directors, with the General Managers, proxies and attorneys-in-fact, within the limits of the powers conferred to them.

4.4.1. Chief Executive Officer and Executive Directors

On December 4, 2017, the Board of Directors appointed Giulio Bonazzi as Chief Executive Officer and Adriano Vivaldi, Fabrizio Calenti and Franco Rossi as Executive Directors, assigning the powers outlined below.

The Chief Executive Officer is the main party responsible for the management of the Issuer. There are no interlocking directorates as per Criteria 2.C.5. of the Code.

(a) Powers of the Chief Executive Officer Giulio Bonazzi

all powers for the company's ordinary and extraordinary administration (with the sole exception of those that the By-Laws, the law or the Self-Governance Code reserve exclusively to the Board of Directors and the Shareholders' Meeting). In particular, Director Giulio Bonazzi is granted, including, and without limitation, full powers to manage the following areas, activities and corporate functions:

- a) commercial, promotional, marketing and communication activities;
- b) production and logistics activities;
- c) financial and operational purchasing and/or sale and/or trade and/or leasing activities, and in any case, including through the signing of related lease and/or lease of use contracts and/or any contract, document or instrument required, of (a) movable assets (including those registered), (b) real estate, (c) services of any type and nature, (c) utilities, (d) rights and obligations of any nature and type, and (e) in any case, all that is deemed necessary by the Director for the company's management;
- d) the acquisition and/or sale of corporate holdings of any type up to a maximum of Euro 25,000,000 per transaction and the disposal of the Company's strategic assets up to a maximum of Euro 25,000,000 per transaction, together with the establishment and dissolution and/or the liquidation of investee companies;
- e) activities related to financial transactions, including, without limitation: (i) to request and obtain bank credit facilities and/or short, medium and long-term financing of any kind and nature; (ii) to open, close and change bank current accounts of any kind and to make deposits and withdrawals (by obtaining associated instruments such as bank cheques or bank drafts and any other instrument deemed necessary for this purpose); (iii) to submit, recall or defer bills of any kind for discount or collection; (iv) to carry out factoring transactions of any form and type; (v) to grant, where necessary and/or required for financing activities, any and all kinds of guarantor, guarantee and any other type of commitment, including collateral security, both on real estate and movable assets (including, but not limited to, the creation of liens and mortgages, etc.);
- f) activities related to the assumption of guarantor and/or guarantee commitments of any kind in respect of third parties to guarantee the obligations assumed by the company's subsidiaries (directly or indirectly) or the obligations assumed by third parties, up to a maximum of Euro 15,000,000 per transaction;
- g) activities connected to the issue of declarations of conformity (and/or any associated or related declaration) for products marketed by the company;
- h) activities related to any operation or fulfilment of any kind and nature, to be carried out with both national and international government entities at all levels, supervisory authorities and/or surveillance authorities;
- i) to represent the company in court and out of court in all matters and before national and international courts of all types and at all levels, both as the plaintiff and the defendant, with the power (without limitation) to appoint lawyers, attorneys-of-record, consultants and arbitrators, elect domicile, file complaints and lawsuits, bring civil actions, propose petitions and appeals, undertake and request procedural acts or protective, executive and insolvency measures, represent the company in court whenever the law or the court requests the participation of the company's legal representative, and to confer all powers upon any appointed attorneys-of-record, including the definition of rights in disputes, with the power to reconcile, settle, issue receipts, withdraw from proceedings, accept waivers and perform any other necessary act;
- j) to represent the company at the shareholders' meeting of Italian and foreign investee companies, in any jurisdiction; and
- k) activities related to personnel management in all respects, including, but not limited to, recruitment, dismissals, changes to any type of role, grading, duties and remuneration, as well as in connection with the management of trade union relations of all types and levels;

all this: (a) with the company's representation for all purposes, within the scope of the powers conferred, in respect of any third party, including, without limitation, any national or international authority, including, without limitation, civil, administrative, judicial, social security and insurance Authorities or Entities of any level, as well as tax and registry offices and, in general, the State Financial Administration, the central and peripheral offices of the Cassa Depositi e Prestiti (Deposit and Loan Bank), State Treasuries, Regions, Provinces and Municipalities as well as regional or trade Industrial Associations; (b) with the power to confer mandates and grant powers of attorney, according to the terms deemed most suitable by the director, for individual acts or categories of acts (or matters), within the scope of the powers conferred, as well as to revoke and/or modify them; (c) with all the necessary, useful or appropriate powers, without any limitation and including those not expressly mentioned, for the purposes of exercising the powers conferred, including, but not limited to, the power to sign, supplement and amend any and all deeds, attestations, declarations or documents and to perform all acts and actions that may be necessary, useful or even solely suitable for this purpose.

(b) Powers of the Executive Director Adriano Vivaldi

all powers for the ordinary and extraordinary management of the following business areas of the company and the Aquafil Group: administration, finance, control, legal, human resources and information and communication technology. In particular, within the scope of the foregoing, the broadest powers are attributed (without limitation) in relation to the following:

- a) with regard to the administration activity's management, the broadest and full powers to organise, manage and supervise the activities of the company and the Group, ensuring the company's full compliance with applicable regulations through, inter alia, the correct management of relations with suppliers and customers, the drafting and relative submission of each declaration and/or in general any documentation for tax purposes, within the deadlines and in the manner prescribed by applicable regulations (in any case, including the power to make use of external consultants, where necessary);
- b) with regard to the financial activity's management, the broadest powers to organise, manage and supervise the activities of the company and the Group, by ensuring and maintaining a correct and effective financial management of the company (in any case, including the power to make use of external consultants, where necessary);
- c) with regard to the control activity's management, the broadest powers to organise, manage and supervise the activities of the company and the Group, ensuring and maintaining a management control system in line with any applicable standard or regulation and which allows for timely, correct and effective information on the company and Group's performance (with the power to make use of external consultants, where necessary);
- d) with regard to the legal activity's management, the broadest powers to organise, manage and supervise the activities of the company and the Group, ensuring and maintaining adequacy in respect of applicable regulations and ensuring the company and the Group's compliance and conformity thereof (with the power to make use of external consultants, where necessary);
- e) with regard to the management of human resources, the broadest powers to organise, manage and supervise the company and the Group's employees at all levels, and carrying out any necessary operation for the purposes of their management in every area (with the power to make use of external consultants, where necessary);
- f) with regard to the management of information and communication technology, the broadest powers to organise, manage and supervise such activities, ensuring and maintaining a technological and performance level that is at least in line with the sector in general;
- g) In addition to the above, the Director is specifically conferred (with full representation of the company) with the following powers:
 - (i) maintaining relations and representing the company in respect of any financing institution, company and/or entity, with full delegation to operate with them in order to inter alia : (i) request and obtain bank credit facilities and/or short, medium and long term financing of any kind and nature; (ii) open, close and change bank current accounts of any kind and make deposits and withdrawals, by obtaining and signing associated instruments such as bank cheques or bank drafts and any other instrument or document deemed necessary for this purpose; (iii) submit, recall or defer bills of any kind for discount or collection; (iv) carry out factoring transactions of any form and type; (v) order payments and collect payments relating to the company's suppliers and customers with all necessary instruments; (vi) make transfers. All this, with the power to grant, where necessary and/or required, any and all kinds of guarantor, guarantee and any other type of commitment, including collateral security, both on real estate and movable assets (such as, without limitation, liens, mortgages, etc.);
 - (ii) represent the company in all matters before national and international government entities of any kind and nature, and supervisory and/or surveillance authorities by signing statements, including tax statements, of any type, nature and form;
 - (iii) to represent the company in any matter in court and out of court and before national and international courts of all types and all levels, both as the plaintiff and the defendant, to appoint lawyers, attorneys-of-record, consultants and arbitrators, elect domicile, file complaints and lawsuits, bring civil actions, propose petitions and appeals, undertake and request procedural acts or protective, executive and insolvency measures, represent the company in court whenever the law or the court requests the participation of the company's legal representative, and conferring all powers upon any appointed attorneys-of-record, including the definition of rights in disputes, with the power to reconcile, settle, issue receipts, withdraw from proceedings, accept waivers and perform any other act necessary for this purpose;
 - (iv) activities related to personnel management in all respects, including, but not limited to, recruitment, dismissals, changes to any type of role, grading, duties and remuneration, as well as in connection with the management of trade union relations of all types and levels;
 - (v) activities related to the assumption of guarantor and/or guarantee commitments of any kind in respect of third parties to guarantee the obligations assumed by the company's subsidiaries (directly or indirectly) or the obligations assumed by third parties, up to a maximum of Euro 15,000,000 per transaction;
- h) the acquisition and/or sale of corporate holdings of any type up to a maximum of Euro 25,000,000 per transaction and the disposal of the company's strategic assets up to a maximum of Euro 25,000,000 per transaction, together with the establishment and dissolution and/or the liquidation of investee companies;
- i) to represent the company at the shareholders' meeting of Italian and foreign investee companies, in any jurisdiction;
- j) financial and operational purchasing and/or sale and/or trade and/or leasing activities, and in any case including through the signing of related lease and/or lease of use contracts and/or any contract, document or instrument required, of (a) movable assets (including those registered), (b) real estate, (c) services of any type and nature, (c) utilities, (d) rights and obligations of any nature and type, and as deemed necessary by the director for the company's management;

all this: (a) with the company's representation for all purposes, within the scope of the powers conferred, in respect of any third party, including, without limitation, any national or international authority, including, without limitation, civil, administrative, judicial, social security and insurance Authorities or Entities of any level, as well as tax and registry offices and, in general, the State Financial Administration, the central and peripheral offices of the Cassa Depositi e Prestiti (Deposit and Loan Bank), State Treasuries, Regions, Provinces and Municipalities as well as regional or trade Industrial Associations; (b) with the power to confer mandates and grant powers of attorney, according to the terms deemed most suitable by the director, for individual acts or categories of acts (or matters), within the scope of the powers conferred, as well as to revoke and/or modify them; (c) with all the necessary, useful or appropriate powers, without any limitation and including those not expressly mentioned, for the purposes of exercising the powers conferred, including, but not limited to, the power to sign, supplement and amend any and all deeds, attestations, declarations or documents and to perform all acts and actions that may be necessary, useful or even solely suitable for this purpose.

(c) Powers of the Executive Director Fabrizio Calenti

All powers for the management of the following business areas of the company and the Aquafil Group: activities in the NTF product area and the maintenance and development of ECONYL® technology, with the assignment of the office of President of NTF Econyl & technology. In particular, within the scope of the foregoing, the broadest powers are attributed (without limitation) in relation to the activities indicated below:

- a) commercial, promotion and marketing;
- b) production and logistics;
- c) product development and associated customer technical assistance;
- d) technological development and baseline and application R&D activities;
- e) the purchase and/or sale and/or trade and/or lease (with the exclusion of financial leasing) of (a) movable assets including those registered, (b) services of any kind and nature, (c) utilities, (d) rights and obligations of any nature and type, and as deemed necessary by the director, within the limits of the powers conferred;
- f) those related to the issue of declarations of conformity (and/or any associated or related declaration) for products marketed by the company; all this: (a) with the company's representation for all purposes, within the scope of the powers conferred, in respect of any third party, including, without limitation, any national or international authority, including, without limitation, civil, administrative, judicial, social security and insurance Authorities or Entities of any level, as well as tax and registry offices and, in general, the State Financial Administration, the central and peripheral offices of the Cassa Depositi e Prestiti (Deposit and Loan Bank), State Treasuries, Regions, Provinces and Municipalities as well as regional or trade Industrial Associations; (b) with the power to confer mandates and grant powers of attorney, according to the terms deemed most suitable by the director, for individual acts or categories of acts (or matters), within the scope of the powers conferred, as well as to revoke and/or modify them; (c) with all the necessary, useful or appropriate powers, without any limitation and including those not expressly mentioned, for the purposes of exercising the powers conferred, including, but not limited to, the power to sign, supplement and amend any and all deeds, attestations, declarations or documents and to perform all acts and actions that may be necessary, useful or even solely suitable for this purpose.

(d) Powers of Executive Director Franco Rossi

All powers to manage the company's dealings and relations with Group subsidiaries in North America and Mexico. In particular, within the scope of the foregoing, the broadest powers are attributed in relation to managing the company's relations with the Aquafil Group's subsidiary companies in North America and Mexico, including the power to represent the company at the shareholders' meetings of the Group's subsidiaries in the above-mentioned territories.

4.4.2. Chairman of the Board of Directors

On December 4, 2017, Giulio Bonazzi was appointed Chairman of the Board of Directors.

In this respect, it's highlighted that – due to the composition of the Board of Directors in charge as from the Effective Merger Date and the appointment of the aforesaid powers – are in place the conditions under Applicative Criteria 2.C.3. of the Self-Governance Code; in particular Mr. Giulio Bonazzi is the Chairman of the Board of Directors of Aquafil post Merge and the principal responsible person of the administration of the enterprise. Therefore, under the Self-Governance Code, it was necessary that the Board of Directors appointed one of the member of the Board as Lead Independent *Director*, Ms. Simona Heidempergher.

Under Article 12.4 of the By-Laws, the Chairman of the Board of Directors is the legal representative of the company in dealings with third parties and in legal matters (with the right to appoint lawyers and attorneys-of-record).

4.4.3. Executive Committee

Under Article 12.2 of the By-Laws, the Board may delegate some of its powers to an Executive Committee, determining the limits of the mandate, as well as the number of members and the operating procedures.

Pursuant to Article 2389 of the Civil Code, the remuneration of the Executive Committee members is to be decided by the Shareholders' Meeting. At the Reporting date, an Executive Committee had not been established.

4.4.4. Reporting to the Board of Directors

Pursuant to Article 14.5 of the By-Laws, the Board of Directors and the Board of Statutory Auditors are informed, also by the appointed boards, of the activities carried out, on the performance and outlook, as well as on the most important economic, financial and equity operations of the company and its subsidiaries; in particular, the executive bodies report on operations in which they have an interest, on their own behalf or on behalf of third parties, or which are influenced by any party exercising management and co-ordination, where existing. The communication shall be made in good time and, in any case, at least on a quarterly basis, either on the occasion of a meeting or by means of a written note.

From the beginning of their mandate, including in the Aquafil Reporting Period, the Chief Executive Officer and the Executive Directors reported in an adequate and timely manner to the Board of Directors and the Board of Statutory Auditors on the activities undertaken concerning the powers conferred and in a manner to permit the Board to express opinions in an informed manner on the matters under examination, aware of the fact that in 2018 it is required to provide adequate disclosure, at least on a quarterly basis.

4.5. OTHER EXECUTIVE DIRECTORS

At the Reporting date, beyond the Chief Executive Officer and the Executive Directors, no other directors have been assigned delegated duties.

4.6. INDEPENDENT DIRECTORS

Pursuant to the combined provisions of Articles 147-ter, paragraph 4, and 148, paragraph 3, of the CFA and in accordance with the requirements of Article 2.2.3, paragraph 3, letter m) of the Borsa Italiana Regulation and Article IA.2.10. 6 of the Instructions to the Borsa Italiana Regulation, three independent directors currently hold office on the Board of Directors, in the persons of Simona Heidempergher, Margherita Zambon and Francesco Profumo.

The Board of Directors assesses the existence and permanence of the requirements above, also applying all the criteria as per the Self-Governance Code (application criteria 3.C.1 and 3.C.2) on the basis of the information that the parties are required to provide under their own responsibility, or of the information available to the Board of Directors.

With reference to the Board of Directors currently in office, it is noted that during the meeting of December 4, 2017 the Board carried out the necessary checks on the fulfillment of the independence requirements of the afore-mentioned directors. The outcome of these assessments was announced to the market in the press release of December 4, 2017, available on the website of the Issuer www.aquafil.com, in the Investor Relations – Price sensitive Press Releases section.

The Board of Statutory Auditors verified the correct application of the criteria and procedures adopted by the Board of Directors to assess the independence of its members on February 5, 2018.

Considering the term of office, the meetings of the Committee were opportunities for the independent directors to meet - in the absence of other Directors - for preliminary discussions having become aware of the company situation. For the considerations suggested by the Independent Directors during this meeting, reference should be made to paragraph 4.7 below.

4.7. LEAD INDEPENDENT DIRECTOR

Considering the composition of the Board of Directors in office from the Effective Merger Date, the conditions at Application Criterion 2.C.3 of the Self-Governance Code have been satisfied; in particular, the Chairman of the Board of Directors is principally responsible for company management. Therefore, on December 4, 2017 the Board of Directors appointed a lead independent director in the person of Independent Director Ms. Simona Heidempergher. In accordance with the provisions of the Code, the Lead Independent Director was tasked with the duties of collecting and coordinating the petitions and contributions of non-executive directors, in particular of the independent directors, as well as working with the Chairman of the Board of Directors to ensure that directors receive adequate and timely information and may call meetings of the independent directors to discuss the functioning of the Board and corporate operations.

During the Reporting Period, the considerations suggested by the independent directors mainly related to ensuring:

- the continual improvement of the governance level, also in view of the growth and expansion of the Group;
- the constant and attentive monitoring of any critical issues arising within business operations.

Among the initiatives suggested to the Board of Directors by the Lead Independent Director and by the other Independent Directors for 2018, we indicate those to ensure the effective and correct implementation of all the necessary procedures in place to identify in advance all operations which are subject to approval by the Committees.

4.8. GENERAL MANAGER

As of the date of this Report, the Board of Directors has not appointed any General Manager.

5. PROCESSING OF CORPORATE INFORMATION

The company has adopted the following policies:

- (i) inside information processing policy; and
- (ii) internal dealing code of conduct.

5.1. INSIDE INFORMATION PROCESSING POLICY

The purpose of the Inside Information Processing Policy (the **Inside Insider Information Processing Policy**) is to prevent the release of Inside Information (as defined below) in an untimely, incomplete or inadequate manner, or in any case in such a way as to cause asymmetric information within the market.

In particular, the dissemination of Inside Information, as governed by the afore-mentioned Inside Information Policy protects the market and investors, assuring them adequate knowledge of the events concerning the Issuer on which to base their investment decisions.

It is also the objective of the Policy to prevent certain persons or categories of persons from using information not known to the public to make speculative transactions on the markets to the detriment of the investors without knowledge of such information.

The essential elements of the Insider Information Processing Policy are presented below.

5.2. DEFINITION OF INSIDE INFORMATION

Inside Information is taken to mean information:

- (a) of a precise nature, or:
 - (i) relating to a series of existing circumstances or which may reasonably be considered to occur, or an event which is verified or which may reasonably be expected to be verified;
 - (ii) is specific enough to enable conclusions to be drawn on the possible effect of the set of circumstances or the event referred at point (i) on the prices of Financial Instruments (identified as per the applicable regulation) or of the associated derivative financial instrument.
In this regard, in the case of an extensive process undertaken to achieve, or which results in, a particular circumstance or a particular event, this future circumstance or future event, in addition to the interim steps taken as part of the process linked to the achievement or the occurrence of the circumstance or future event, may be considered as information of a precise nature;
- (b) has not been made public;
- (c) concerning directly or indirectly the company or the subsidiaries or company financial instruments; and
- (d) which, if made public, could influence significantly the price of Financial Instruments or any associated derivative financial instruments, therefore which an investor may reasonably utilize as an element on which to base their investment decisions.

An interim step in an extensive process is considered Inside Information if complying with the criteria above.

5.2.1. Addressees of the Inside Information Processing Policy

Those required to comply with the procedures outlined in the Insider Information Processing Policy: (a) the members of the administrative and control bodies of Aquafil and its subsidiaries who, on the basis of their work or duties, have access on a regular or occasional basis to inside information concerning Aquafil or the subsidiaries; and (b) all those with whom the company undertakes professional collaboration and who, in exercising their duties, have access to inside information (hereafter, jointly, the **Covered Persons**).

5.2.2. Processing of inside information

Covered Persons must maintain the complete confidentiality of the Inside Information of which they are aware. All Inside Information must be processed with the necessary care to ensure that its circulation within the company does not threaten its confidential nature, unless such is announced to the market according to the means established by the Inside Information Processing Policy and the applicable regulation.

Subject to Article 184 and subsequent of the CFA, in addition to Articles 14 and 15 of Regulation 596/2014, Covered Persons may not: (a) acquire, sell or otherwise execute operations on Financial Instruments (including the cancellation or amendment of orders where the order has been sent before the interested party came into possession of Inside Information), on their own behalf or on behalf of third parties, directly or indirectly, utilizing Inside Information; (b) advise or induce others, on the basis of Inside Information, to carry out any operations at point (a); (c) communicate to third parties Inside Information outside of the normal exercise of their duties, profession, function or office. The communication to third parties of advice or inducements as per letter (b) is considered as unlawful communication of Inside Information where the person communicating the advice or inducement knows or should know that such is based on Inside Information.

Covered Persons are absolutely prohibited from releasing interviews or information to the press or declarations in general containing inside information not yet announced to the market in accordance with the Inside Information Processing Policy.

The Board of Directors of Space3, ahead of the Merger, on September 12, 2017 appointed - from the Effective Merger Date - Ivan Roccasalva, as the officer in charge of corporate relations, with the responsibility for the drafting of press releases relating to Inside Information concerning the company or its Subsidiaries and to ensure compliance with the disclosure obligations for Inside Information under the Insider Information Processing Policy and applicable regulations (the Disclosure Officer). This appointment was confirmed by the Board of Directors of the Issuer on December 4, 2017.

The Chief Executive Officer of Aquafil: (a) oversees the processing of Inside Information, in addition to relations between the company and institutional investors and with the press, utilizing the relevant internal structures; and (b) approves the Press Releases presented to him/her by the Disclosure Officer.

Any interactions with the press or other media for the circulation of Inside Information should be expressly authorized by the Chief Executive Officer of the company, or parties appointed by this latter.

The Disclosure Officer: (a) ensures, with the assistance and support of the internal company structures, the fulfilment of the disclosure obligations concerning Inside Information under the Inside Information Processing Policy and the applicable regulation; (b) utilizing the internal company structures, oversees relations with the disclosure bodies and prepares the communications concerning Inside Information.

The Boards of Directors of the subsidiaries: (a) manage the Inside Information concerning their respective companies; (b) through their appointed director, or the respective internal structures, promptly communicate to the Chief Executive Officer of the company and the Disclosure Officer all Inside Information concerning their respective companies.

A copy of the Inside Information Processing Policy is available on the website of the company www.aquafil.com - Procedures and Regulations Section.

5.3. INTERNAL DEALING POLICY

In accordance with the provisions of the MAR Regulation, the Internal Dealing Policy identifies:

(1) the “Covered Persons”, specifically:

(i) any persons with a holding, calculated as per Article 118 of the Issuers’ Regulation, of at least 10% of Aquafil’s voting share capital, in addition to any other person with a controlling position at Aquafil;

(2) the “Managers”, specifically:

(i) the members of the Board of Directors and of the Board of Statutory Auditors of the Issuer;

(ii) the other Senior Executives of Aquafil (other than those identified at point (i) above) with regular access to inside information directly or indirectly concerning Aquafil and with the power to make operating decisions which may impact the future outlook and development of Aquafil.

The internal dealing policy also identifies the “Closely Related Persons” to Covered Persons, and in particular:

(i) not legally separated spouses, children - including those of spouses if supported and living together for at least one year, parents, relatives and in-laws of Covered Persons;

(ii) legal entities, partnerships or trusts which a Covered Person or one of the persons indicated at point (i) above manages solely or jointly;

(iii) legal entities controlled directly or indirectly by a Covered Person or by one of the persons indicated at point (i) above;

(iv) partnerships whose economic interests are substantially equivalent to those of a Connected Person or of a person indicated at point (i) above;

(v) trusts created on behalf of a Connected Person or one of the persons indicated at point (i) above.

The internal dealing policy also identifies the “Closely Related Persons” to Managers, and in particular:

(i) the spouse or partner considered as a spouse in accordance with the applicable domestic regulation, dependent children as per Italian statutory law, in addition to any relatives who have cohabited for at least one year from the Significant Transaction date;

(ii) a legal entity, trust or partnership, the managerial responsibilities of which are discharged by a person undertaking administration, control or management or by a person referred to at point (i) above, which is directly or indirectly controlled by the person, or set up for their benefit, or whose economic interests are substantially equivalent to those of the person.

The policy governs therefore the disclosure obligations of Covered Persons, Managers and Closely Related Persons to the Issuer, in addition to obligations of such Covered Persons, Managers and of the Issuer to Consob and the public, in relation to transactions concerning the shares and associated financial instruments issued by Aquafil (as identified by the applicable regulation) by Covered Persons, Managers or Closely Related Persons, directly or through nominees, trustees or subsidiaries, except for transactions whose overall amount does not reach Euro 20,000 by year-end.

The internal dealing policy also governs the management, handling and disclosure of these transactions. For these purposes, the Policy:

- governs the disclosure obligations of the Covered Persons to the Company, requiring that these parties communicate to the Disclosure Officer information relating to Significant Transactions carried out by themselves or by Connected Persons attributable to them, within two trading days from the date of execution of the Significant Transaction.
- establishes that the Disclosure Officer shall communicate the information to Consob and to the public on behalf of the Covered Persons, also availing of persons external to the company but linked through consultancy relationships, within three trading days from the date of execution of the Significant Transaction.
- governs the restrictions and limitations to undertake Significant Transactions by the Covered Persons and Closely Related Persons and the manner in which the Disclosure Officer informs the Covered Persons of the obligations in accordance with the internal dealing policy.

In accordance with the provisions of the Internal Dealing Policy, the Disclosure Officer is the person appointed for the implementation of the above-mentioned Policy and the updating of the list of Covered Persons. In this regard, the Board of Directors of Space3, ahead of the Merger on September 12, 2017 appointed - from the Effective Merger Date - Ivan Roccasalva as Disclosure Officer. This appointment was confirmed by the Board of Directors of the Issuer on December 4, 2017.

A copy of the Internal Dealing Policy is available on the company website www.aquafil.com - Procedures and Regulations Section.

6. INTERNAL COMMITTEES TO THE BOARD OF DIRECTORS (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER D), OF THE CFA)

The Board of Directors of Aquafil have set up the following committees:

- Control and Risks Committee, whose latest regulation was approved with Board of Directors’ motion of September 12, 2017, with effect from the Effective Merger Date;
- Appointments and Remuneration Committee, established ahead of the Merger with Board of Directors’ motion of Space3 of September 12, 2017, with effect from the Effective Merger Date.

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

7. APPOINTMENTS AND REMUNERATION COMMITTEE

7.1. COMPOSITION AND OPERATION (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER D) OF THE CFA)

In accordance with Article 2.2.3., paragraph 3, letter n) of the Stock Exchange Regulation, applicable to issuers with shares traded on the MTA, STAR segment, as well as in accordance with the provisions of Article 6 of the Code, the Board of the company set up an Appointments and Remuneration Committee.

The Appointments and Remuneration Committee was established on September 12, 2017 by Board of Directors motion becoming effective on December 4, 2017 (i.e. the Effective Merger Date).

With motion of December 4, 2017 (i.e. the Effective Merger Date), the Board of Directors of the company appointed the following Non-Executive Directors, a majority of whom independent, to the Appointments and Remuneration Committee:

| | |
|----------|-----------------------|
| Chairman | Francesco Profumo (*) |
| Member | Margherita Zambon |
| Member | Simona Heidempergher |

(*) Person with adequate financial and remuneration policy knowledge and experience, as assessed by the Board of Directors meeting of December 4, 2017.

The meetings of the Appointment and Remuneration Committee are coordinated by its Chairman and minutes of the meetings are kept. The Chairman regularly provided information on the meetings held by the Committee in the next Board of Directors meeting.

In view of the date of taking office, during the Aquafil Reporting Period, the Appointments and Remuneration Committee met once, on December 7, 2017, with the meeting lasting 30 minutes and all members present (i.e. 100% attendance).

At least one member of the Board of Statutory Auditors attended the Remuneration Committee meeting.

In accordance with the combined provisions of Article 2.2.3, paragraph 3, letter n) of the Stock Exchange Regulations - applicable to the issuers with shares traded on the MTA, STAR segment - and application criterion 6.C.6 of the Code, no director takes part in the meetings of the Appointment and Remuneration Committee in which the proposals to the Board of Directors relating to their remuneration is being discussed.

In 2018, at the Reporting Date, the Appointments and Remuneration Committee met on 19 February 2018 and 23 March 2018, at which all members were present, with the meeting lasting 1 hour.

7.2. APPOINTMENTS AND REMUNERATION COMMITTEE DUTIES AND ACTIVITIES

In accordance with the Appointments and Remuneration Committee governing regulation, entering into force from the Effective Merger Date, this Committee comprises three independent directors, or alternatively, non-executive directors, the majority of whom independent, from among whom the Chairman will be chosen; as per this regulation, in addition, the members of the Committee should have appropriate expertise to execute the duties required of them and at least one member of the Remuneration Committee should possess adequate knowledge and experience with regards to finance and remuneration policies, as per Article 6.P.4. of the Self-Governance Code and as assessed by the Board of Directors on appointment. The Appointments and Remuneration Committee, with regards to appointments, supports the Board of Directors with investigative, proposal and consultation duties. In particular:

- (i) it assists the Board in defining and preparing any criteria for the designation of the parties at point (ii) below;
- (ii) it draws up opinions for the Board of Directors in relation to the size and composition of the Board and expresses recommendations on the professional roles whose presence on the Board of Directors is considered beneficial, and also with regards to the following matters:
 - a) maximum number of director or statutory auditor positions in other companies compatible with the effective performance of the position of director with the company, taking account of the participation of directors on internal Board Committees. It therefore sets out general criteria based on the commitment related to each role (executive director, non executive or independent), also in relation to the nature and to the size of the companies, as well as whether belonging to the Group. The committee also carries out investigative work with regards to the relative periodic checks and assessments.
 - b) assessments upon each matter or issue handled by the Board with regards to authorisation by the Shareholders' Meeting of any exceptions to the non-competition requirement under Article 2390 (non-competition requirement);
- (iii) reports to the Board its assessment with regards to the appointment of executives and members of the company's Boards and bodies, proposed by the Chief Executive Officer and/or by the Chairperson of the Board of Directors, appointed by the Board and oversees the relative succession plans. Where possible and appropriate, in relation to the ownership structure, proposes to the Board the Chief Executive Officer succession plan;
- (iv) on the proposal of the Chief Executive Officer, reviews and assesses the criteria for the senior executive succession plans of the company;
- (v) proposes to the Board directorship candidates where during the year one or more vacancies arises on the Board (Article 2386, first paragraph of the Civil Code), ensuring compliance with the minimum number of independent directors requirement and the under-represented gender quota;
- (vi) oversees the annual self-assessment of the Board and its Committees in accordance with the Self-Governance Code, undertaking the research for the appointment of an outside consultant for the self-assessment; taking account of the results of the self-assessment, draws up opinions for the Board with regards to its size and that of its Committees, and also with regards to the managerial and professional expertise and roles which would support the Board or the Committees to express their position to the shareholders before the appointment of the new Board;

- (vii) undertakes the investigations required for the periodic verifications upon the independence and standing requirements of directors and on the absence of reasons for incompatibility or ineligibility;
- (viii) draws up an opinion for the Board with regards to any activities carried out by directors in competition with those of the company;
- (ix) reports to the next appropriate Board meeting, through the Chairman of the Committee, on the main issues reviewed by the Committee at its meetings; in addition, reports to the Board, on at least a half-yearly basis and not beyond the deadline for approval of the annual and half-year financial reports, on the activities carried out, and also on the adequacy of the appointment system, at the Board meeting indicated by the Chairperson of the Board of Directors.

The Appointments and Remuneration Committee is also assigned the duty, with regards to remuneration, to assist the Board of Directors through investigative, proposal and consultation duties, for the evaluations and decisions concerning the remuneration policy of directors and senior executives. In particular:

- (i) it draws up for the Board of Directors proposals upon the remuneration policy of directors and senior executives;
- (ii) it periodically evaluates the adequacy, the overall compliance and the application of the remuneration policy of directors and senior executives, utilising for this latter issue the information provided by the Chief Executive Officers; draws up for the Board of Directors related proposals;
- (iii) it presents proposals or expresses opinions to the Board of Directors on the remuneration of executive directors and other senior directors, as well as establishing the performance objectives related to the variable component of this remuneration; monitors the application of the decisions adopted by the Board verifying, in particular, the achievement of the performance objectives;
- (iv) it reviews in advance the annual remuneration report to be made available to the public at the Shareholders' Meeting for presentation of the Annual Financial Statements;
- (v) it carries out additional duties assigned by the Board of Directors;

The Appointments and Remuneration Committee may access all information and departments necessary for the undertaking of their duties, as well as utilizing outside consultants within the budget approved by the Board of Directors. In this latter regard, where wishing to utilize the services of a consultant for information on remuneration policy market practice, the Committee in advance verifies that such consultants are not in a position whereby their independence of judgement may be affected.

No financial resources have been earmarked for the Appointments and Remuneration Committee as availing, to carry out its role, of the Issuer's corporate resources and structures.

8. REMUNERATION OF DIRECTORS AND SENIOR EXECUTIVES

The remuneration of the Directors is established by the Shareholders' Meeting. Pursuant to Article 15 of the By-Laws, the Shareholders' Meeting may determine the total amount of the remuneration of all of the directors, including senior directors, whose division is established by the Board of Directors, having consulted with the Board of Statutory Auditors, for the remuneration of the senior directors pursuant to Article 2389 of the Civil Code. On July 27, 2017, the Shareholders' Meeting of the company set the emolument of the Board of Directors in office from the Effective Merger Date as Euro 600,000.00, to be broken down among its members as per the relative Board of Directors' motions, subject to any additional compensation devolving to senior directors to be established by the Board of Directors in accordance with Article 2389, third paragraph of the Civil Code.

On December 4, 2017, the Board of Directors passed a motion breaking down among the members of the Board the fixed emolument in the lesser sum of Euro 430,000.00, and, having received a favourable opinion from the Board of Statutory Auditors and the Remuneration Committee, the Board of Directors in addition decided on December 7, 2017 to allocate additional remuneration for duties executed, in favour of the Chairman and the CEO Giulio Bonazzi and the Executive Directors Adriano Vivaldi, Fabrizio Calenti and Franco Rossi for the three-year tenure.

For information on the remuneration policy adopted by the Issuer and the remuneration of the members of the Board of Directors and senior executives, reference should be made to the Remuneration Report prepared pursuant to Article 123-ter of the CFA and 84-*quater* of the Consob Issuer's Regulation available on the company website at www.aquafil.com.

9. INCENTIVE MECHANISMS FOR THE INTERNAL AUDIT MANAGER AND THE EXECUTIVE OFFICER FOR FINANCIAL REPORTING

The incentive mechanisms for the Executive Officer are in line with the relative duties assigned, as confirmed by the Board of Directors with motion of January 30, 2018 (concerning the pre-existing system).

The incentive mechanisms for the Officer for the Internal Audit are in line with the relative duties assigned, as confirmed by the Board of Directors with motion of January 30, 2018 (concerning the pre-existing system).

10. CONTROL AND RISKS COMMITTEE

10.1. COMPOSITION AND OPERATION (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER D) OF THE CFA)

In accordance with the combined provisions of Article 2.2.3., paragraph 3, letter o) of the Stock Exchange Regulation, applicable to issuers with shares traded on the Italian Stock Exchange, STAR segment, as well as in accordance with the provisions of principle 7.P.4 of the Code, the Board of Directors internally set up a Control and Risks Committee.

With motion of December 4, 2017 (i.e. the Effective Merger Date), the Board of Directors appointed to the Control and Risks Committee:

| | |
|-------------|--------------------------|
| Chairperson | Simona Heidempergher (*) |
| Member | Francesco Profumo |
| Member | Carlo Pagliani |

(*) Person with adequate accounting, financial and risk management knowledge and experience, as assessed by the Board of Directors meeting of December 4, 2017.

The meetings of the Control and Risks Committee are coordinated by its Chairman and minutes of the meetings are kept. The Chairman regularly provided information on the meetings held by the Committee at the next Board of Directors' meeting. The Chairman of the Board of Directors attended all Committee meetings.

The role, composition and functioning of the Control and Risks Committee is governed by a specific regulation approved by the Board on September 12, 2017, becoming effective on the Effective Merger Date.

At least one member of the Board of Statutory Auditors attended the Control and Risks Committee meeting.

Since December 4, 2017 and during the Aquafil Reporting Period, the Control and Risks Committee met once, on December 7, 2017.

The duration of the Control and Risks Committee meeting was 30 minutes, at which all Committee members attended.

In 2018, 3 meetings of the Control and Risks Committee has already been held on January 29, 2018, 19 February 2018 and 23 March 2018; other meeting will be scheduled.

10.2. DUTIES ATTRIBUTED TO THE CONTROL AND RISKS COMMITTEE

In accordance with the Control and Risks Committee regulation, the Committee supports the Board of Directors, with appropriate investigative activity, in their assessments and decisions concerning the internal control and risks management system, and with regards to the approval of the periodic financial reports.

The Control and Risks Committee also assists the Board of Directors with regard to its duties concerning (i) the drawing up of the internal control and risk management system guidelines, so as to ensure that the principal risks concerning the company and its subsidiaries may be correctly identified, adequately measured, managed and monitored, establishing the basis for whether such risks are compatible with a sound and correct management of the company according to the identified strategic objectives; (ii) the periodic verification, undertaken at least annually, upon the adequacy and efficacy of the internal control and risk management system according to the specific characteristics of the company and the risk profile assumed; (iii) the description, in the corporate governance report, of the principal characteristics of the internal control and risk management system and the means for co-ordination among the parties involved, to assess its adequacy; (iv) the assessment, having consulted the Board of Statutory Auditors, of the results of the independent audit firm in its report and any letter of recommendations and in the report of fundamental questions established during the audit; (v) the management of risks from impacting events which the Board becomes aware of, supporting, through appropriate investigative actions, the assessments and decisions of the Board of Directors, (vi) the approval, at least annually, of the work plan drawn up by the internal audit manager, having consulted the Board of Statutory Auditors and the Director in charge of the internal control and risk management system.

The Control and Risks Committee in accordance with the Self-Governance Code, in assisting the Board of Directors:

- (i) evaluates, together with the executive officer for financial reporting and having consulted the independent audit firm and the Board of Statutory Auditors, the correct application of the accounting standards and their uniformity for the preparation of the consolidated financial statements;
- (ii) defines the control mechanisms to verify compliance with the duties allocated and periodically monitors their functioning, reporting in a timely manner any irregularities to the Board of Directors;
- (iii) expresses opinions on specific aspects concerning the identification of the principal corporate risks;
- (iv) examines the periodic reports, concerning the assessment of the internal control and risk management system, and those of particular importance, prepared by the Internal Audit Department;
- (v) monitors the independence, adequacy, efficacy and efficiency of the internal audit department;
- (vi) may request the internal audit department to carry out verifications on specific operational areas, simultaneously communicating such to the Chairman of the Board of Statutory Auditors;
- (vii) reports, at least every six months, on the approval of the annual and half-year accounts, to the Board of Directors on the work carried out and on the adequacy of the internal control and risk management system;
- (viii) expresses opinions on the appointment, revocation, remuneration and budget made available to the internal audit function manager;
- (ix) it carries out additional duties assigned by the Board of Directors;

The Committee, in exercising its duties, may access the information and departments necessary to complete their tasks, as well as utilize, at the expense of Aquafil and to the extent of the budget approved by the Board of Directors, outside consultants where their independence of judgment is not affected.

For other functions assigned to the Control and Risks Committee, reference should be made to paragraph 12 below., also minding that the Control

and Risks Committee is also assigned the duties of the Related Parties Committee under the Related Party Transactions Policy. On January 19, 2018, the Control and Risks Committee assessed the correct utilization of the accounting policies and their uniformity in the preparation of the financial statements for the period and planned the constant review of the advancement of the projects for the review of the organization systems and models of the Group, of the internal control and risk management system as well as in this context, the progress of the 2016 audit plan and the compliance controls undertaken in accordance with Law 262/2005 and Legislative Decree No. 231/2001 and subsequent amendments. During the meetings held the Control and Risks Committee discussed the most appropriate initiatives in relation to its own remit and functions, within a progressive improvement of the internal control and risk management system in order to ensure maximum efficiency and security of the system. The meetings of the Control and Risks Committee will largely be undertaken simultaneously with the meetings of the Board of Statutory Auditors of the Issuer and in the presence of the members of the Board of Statutory Auditors, of the Executive Officer for financial reporting and the internal audit manager and, where beneficial, also with the participation of a representative from the independent audit firm. The presence of these control and oversight bodies is expected to permit the communication and discussion of the principal aspects relating to the identification of the business risks. In the carrying out of its functions, the Control and Risks Committee has and will have full access to the information and to the corporate functions necessary for the carrying out of its remit. During the period, no financial resources have been earmarked for the Control and Risks Committee as availing, to carry out its role, of the Issuer's corporate resources and structures.

11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM (AS PER ARTICLE 123-BIS, PARA. 2, LETTER 3) OF THE CFA)

The Internal Control and Risk Management System is the set of rules, procedures and organizational structures aimed at facilitating, through an adequate process of identification, measurement, management and monitoring of the main risks, a sound and correct management consistent with the established goals.

An effective internal control and risk management system contributes to ensuring the protection of corporate assets, the efficiency and effectiveness of business operations, the reliability of financial reporting and compliance with laws and regulations.

On October 17, 2017, for the purposes of the Transaction and - simultaneously - the filing of an application for the listing of the ordinary shares of Aquafil on the MTA market, STAR segment, the Board of Directors approved the adoption of the Internal Control and Risk Management System.

This system allows managers to have on a regular and timely basis a sufficient overview of the economic and financial situation of the company and of the main companies of the Group and soundly and correctly facilitates: (i) the monitoring of the main key performance indicators and risk factors that relate to the company and to the main Group companies; (ii) the collection of data and information with particular reference to financial information, in adequate quantities for analysis according to type of business activity, organizational complexity and specificity of the information needs of management ; (iii) the development of prospective financial data for the business plan and the budget, as well as for the verification of the meeting of business objectives through an analysis of variances.

Looking forward, for 2018 the Board of Directors shall:

- approve the work plan drawn up by the internal audit manager, approved by the Board of Statutory Auditors and the Director in charge of the internal control and risk management system (Director in charge);
- describes, in the next corporate governance and ownership structure report, the main characteristics of the internal control and risk management system, expressing its assessment on its overall adequacy;
- assesses, having consulted the Board of Statutory Auditors, the results presented by the independent audit firm.

In the exercise of these functions, the Board of Directors is supported by the Director in charge and the Control and Risks Committee.

On December 7, 2017, the Board of Directors approved the guidelines of the Executive Officer for Financial Reporting in compliance with Law 262/05, together with the procedure for collecting the related internal representations on behalf of the companies of the Group.

At the Reporting date, the Issuer has completed the drafting and formalization of company policies to guarantee compliance with the applicable regulation.

At the Reporting date, the company:

- had renewed the following certifications:

for the BCF sector:

- REACH (Letter Conformity REACH);
- ECONYL® Product Certificate (certification body: DNV);
- ISO 14001: 2004;
- ISO 9001: 2008 (Aquafil Quality management system);
- ISO 9001: 2008 (Quality management system / TESSIL4);
- ISO 9001: 2008 (Quality Management System Certificate / Group);
- ECONYL® caprolactam certificate (certification body: DNV);
- OEKO – TEX (Aqualeuna);
- OHSAS 18001:2007;
- EPD* (ECONYL® polymer);
- EPD* (ECONYL® yarn (BCF Reprocessed));
- ISO 9001 (AquafilUSA);
- UL 2018 (AquafilUSA);
- ISO 9001:2008 (AquafilAsia Pacific);
- ISO 9001:2008 (Aqualeuna);
- ISO 14001:2004 (Aqualeuna);
- ISO 50001:2011 (Aqualeuna);

- ISO 9001:2008 (Aquafil Jaxing English language);
- ISO 9001:14001 (Aquafil Jaxing English language);
- OHSAS 18001:2007 (Aquafil Jaxing English language);
- OEKO – TEX (standard 100);

for the NTF sector

- REACH (Letter Conformity REACH);
- ECONYL® Product certificate (certification body: DNV);
- ISO 14001 (aquafilSLO entire facility);
- Responsible care, AquafilSLO – Ljubljana (certification body: ICCA);
- OEKO - TEX Standard 100 Aquafil (standard 100);
- EPD * (ECONYL® polymer);
- EPD * (ECONYL® yarn);
- ISO 14001_2004 (AquafilCRO d.o.o.);
- ISO 50001_2011 (AquafilCRO d.o.o.);
- IQNet SR 10:2015 – Social Responsibility Management System (AquafilCRO d.o.o.);
- OHSAS 18001:2007 (AquafilCRO d.o.o.);
- OEKO – TEX (standard 100 AquafilSLO);
- OEKO TEX Standard 100 Aquafil S.p.A. ECONYL® (ECONYL® yarns);
- had confirmed the adoption of the Ethics Code and adopted the new Organizational and Management Model, with reference to the prevention of offences under Legislative Decree No. 231/01 and subsequent, on appointment of and conferment of the powers of the supervisory board of the Issuer, in accordance with the motions passed by the Board of Directors of the Issuer on September 20, 2017;
- had completed the assessment on the IT Risk Management and the analysis of the IT risks.

One of the main elements of the Internal Control and Risk Management System is the internal control of the financial reporting process. This aims to ensure integrity, accuracy, reliability and timeliness in the preparation and communication of disclosure (including financial).

During the Reporting Period, the structuring and strengthening of the internal control and risk management system began. This process comprised the following macro-elements:

- definition of the procedures and risk control matrices for each business process for each Company falling within the consolidation scope;
- identification of corrective actions, follow-ups and reporting - definition and sharing of corrective actions with management, assessment of their effective implementation, preparation of reports to the Executive Officer for financial reporting and the supervisory and control bodies;
- updating of the 262 Model and related documentation, on the basis of corporate, organizational and procedural changes made.

The methodology followed for designing and for carrying out checks concerning the Model 262 were in line with best international practice and shall ensure full traceability in its implementation.

With reference to the identification and assessment of financial reporting risks, the Issuer carries out its analyses and audit activities on subsidiaries with levels of revenue and balance sheet assets in excess of a threshold of predefined materiality, as well as on the management of intercompany transactions. Following qualitative considerations, routine analyzes and audits are performed also on other subsidiaries, regardless of their quantitative contribution to the consolidated financial statements.

The risks, measured and evaluated according to best practices in the field of international risk assessment, cover the operational processes relating to general accounting entries and the estimates and financial statement declarations, with a view to prevent errors of accuracy and completeness and to prevent fraud. The assessment of the 'inherency' of the risks is qualitative and is performed both with regard to the materiality and the nature of the accounting entries and with regard to the frequency of the operational processes.

In relation to the identification and the assessment of controls for identified risks, the 262 Model considers preventive, investigative and second level controls on processes relating to accounting entries and on the estimates. The assessment of the adequacy and effectiveness of controls to mitigate risks shall be qualitative, based on the outcome of the checks carried out in the course of the 262 Model monitoring activities.

The monitoring activities are concentrated on the operational processes relating to the material accounting items, which are identified annually via a preliminary scope analysis. In addition, ad-hoc checks were carried out on activities relating to accounts closures and consolidation entries, which the company documented and which were allocated in terms of responsibilities and authorized via a dedicated computer program in order to guarantee completeness and accuracy of information.

The Executive Officer and the Internal Audit Manager report periodically to the Control and Risks Committee, the Board of Statutory Auditors and to the Director in charge and, to the extent of its remit, to the Supervisory Board concerning the management of the 262 Model, expressing an assessment of the adequacy of the administrative and accounting control system and corrective actions to be implemented.

Considering that the Board of Directors took office on December 4, 2017, during 2018 the Board will assess the adequacy of the internal control and risk management system in terms of the characteristics of the company, in addition to its efficacy, referring to the periodic reports of the Director in charge of the Internal Control and Risk Management System, the Control and Risks Committee, the internal audit manager, the Supervisory Board and the Board of Statutory Auditors.

11.1. DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

As part of the structuring and strengthening of the risk management and control system, on October 17, 2017, the Board of Directors appointed, with effect from the Effective Merger Date, Adriano Vivaldi as the Director in charge of the establishment and maintenance of an effective internal control and risk management system (the Director in charge). This appointment was confirmed by the Board of Directors on December 4, 2017. In this regard, in 2018:

- the Director in charge, together with the internal audit manager, shall carry out a fresh risk assessment in order to identify and/or update the principal risks relating to the main business processes of the Group, taking into account the activities undertaken by the company. These risks will be brought to the attention of the Board, through the periodic reports prepared by the internal audit department;
- on the basis of the risk assessment activity results, any updates to the base of procedures and adjustments to the internal control system will be made, verifying its overall adequacy in view of the legislative and regulatory framework and its efficacy and efficiency considering the operating dynamics.
- the Board of Directors of the company, with the support of the Director in charge and the internal audit manager, and after consultation with the Board of Statutory Auditors, may approve any new risk assessment and, based on the results of this activity, the audit plan.

11.2. INTERNAL AUDIT MANAGER

In view of the admission of company shares to trading on the MTA, STAR segment, the Board of Directors of the Issuer on September 12, 2017, appointed with effect from the Effective Merger Date, Karim Tonelli, as internal audit manager, who shall execute the functions as per application criterion 7.C.5 of the Self-Governance Code. On December 4, 2017, the Board of Directors confirmed this appointment subject however to the conditions as per application criterion 7.C.1 of the Self-Governance Code, concerning the favourable opinion of the Control and Risks Committee (issued on January 30, 2018).

At the Reporting date, the internal audit manager:

- had prepared the audit plan which was presented to the Board of Directors meeting of 23 March 2018, with prior review by the Control and Risks Committee and the Director in charge;
- had prepared and carried out, in line with the audit plan, direct and specific control activities within the Issuer and of the most significant Group companies, in order to uncover any deficiencies in the internal control and risk management system in the various risk areas;
- had assessed and verified, on an ongoing basis and in relation to specific needs and in compliance with international standards, the adequacy, operation and suitability of the internal control and risks management system;
- had verified in the audit plan the reliability of the IT accounting systems, including the accounting systems;
- had prepared periodic reports containing sufficient information on activities, on the manner in which risk management is carried out, as well as compliance with the plans for their containment, for the purposes of the appropriateness of the internal control and risk management system;
- had sent the reports as per the above point to the Director in charge, to the Chairman of the Board of Statutory Auditors, to the Chairman of the Control and Risks Committee and, where required by the events under review, to the Chairman of the Board, in addition to the Supervisory Board.

In particular, the internal audit manager, during the Reporting Period, carried out the verifications on the internal control and risk management system, in line with the audit plan and undertaking the follow up activities (in particular with reference of the controls in compliance with the provisions of Law 262/2005 and Legislative Decree 231/2001).

In addition, during the Reporting Period, the results of the audit activities were analyzed, discussed and shared, between the internal audit department, the head of the processes/departments involved from time to time and management of the company in order to agree upon and undertake appropriate preventative/corrective action, whose realization was constantly monitored until their complete execution. The internal audit manager presented his report on a quarterly basis to the Director in charge, to the Chairman of the Board of Directors, to the Chairman of the Control and Risks Committee, to the Chairman of the Board of Statutory Auditors, as well as the Supervisory Board and the Executive Officer for financial reporting in relation to the issues concerning them.

The remuneration of the internal audit manager was determined in accordance with company policies. The Board ensures that the internal audit manager has adequate resources for the undertaking of his duties.

On 23 March 2018, the Issuer's Board of Directors approved the Audit Plan for 2018.

11.3. ORGANISATION MODEL AS PER LEGS. DECREE 231 OF 2001

The Issuer's Board of Directors, at its meeting of September 20, 2017, adopted, with effect from the Effective Merger Date, for the purposes and effects of Legislative Decree No. 231/01, the new Organizational, Management and Control Model comprising the Ethics Code, the General Section, the Special Sections and the Governance System.

The Model provides for policies and measures to guarantee the performance of activities in accordance with law and to identify and eliminate situations of risk, as well as for a system of prevention designed to mitigate offence risk that is consistent with the organisational structure and with best practice.

It comprises a General Section and 1 Special Section (with 13 sub sections).

In particular, the Special Sections clarify the nature and the possible ways of committing the types of Relevant Offenses identified in the Risk areas, as well as the specific organizational controls implemented to prevent their commission.

Forming an integral part of the Model are the following documents attached thereto: (i) the Supervisory Board Regulation; (ii) the Governance System and (iii) the Ethics Code.

The Ethics Code is an integral part of the Model. It sets ethical principles and prescriptive rules of conduct for employees and other recipients, contributing to establish an appropriate control environment to ensure that the Issuer's activity is always based on the principles of fairness and transparency and to reduce the risk of the offenses covered under Legislative Decree No. 231/2001 and subsequent.

The requirement for exemption from administrative liability has led to the establishment of a Supervisory Board within the Issuer, which has independent powers of initiative and control, with the task of: (i) monitoring the effectiveness of the model, which is embodied in the verification of consistency between actual conduct and the model established; (ii) conducting the examination of the adequacy of the model, or rather its real capacity to prevent, in principle, undesirable conduct; (iii) carrying out an analysis of the maintenance over time of the soundness and functionality of the Model; (iv) ensuring the necessary dynamic update of the Model, through the formulation of specific suggestions, in the event that analyses performed require corrections and adjustments; (v) carrying out the so-called "follow-up", or rather verifying the implementation and the functionality of the solutions proposed.

The Supervisory Board was appointed by the Board of Directors, taking office on December 4, 2017 (i.e. the Effective Merger Date) and comprises three members - Fabio Egidi, outside member, as Chairman; Marco Sargenti, outside member; and Karim Tonelli, outside member and Internal Audit Manager of the Issuer.

On 23 March 2018, Mr. Karim Tonelli, as a member of the Supervisory Board, presented a report to the Board of Directors on the controls and checks performed in the Reporting Period and their outcome.

The Supervisory Board, during the Aquafil Reporting Period, met 1 time, in addition to holding meetings for training purposes.

The offenses covered by the Issuer's model are in line with current law.

The Model introduces an adequate system and sanctioning mechanisms for conduct in violation.

The Ethics Code may be viewed on the company website www.aquafil.com – Corporate Governance – Documents section.

11.4. INDEPENDENT AUDIT FIRM

On January 30, 2018, the Shareholders' Meeting of Aquafil, *inter alia*: (i) approved, pursuant to Article 13 of Legislative Decree No. 39/2010 and Article 7 of the Regulation adopted with Ministerial Decree No. 261/2012, the mutual resolution of the audit appointment of KPMG S.p.A. for nine fiscal years of which the last ending on 31 December 2024; and (ii) simultaneously appointed Pricewaterhousecoopers S.p.A. (**PwC**) for the duration of 9 years (from 2017 to 2025), in accordance with Article 13 of Legislative Decree No. 39/2010.

Therefore, the audit for 2017-2025 period was awarded to PwC S.p.A..

11.5. EXECUTIVE OFFICER FOR FINANCIAL REPORTING

In accordance with Article 16 of the By-Laws, the Board of Directors appoints, upon obligatory approval of the Board of Statutory Auditors, the Executive Officer for financial reporting pursuant to Article 154-bis of the CFA, providing him/her with adequate means and powers to carry out the role. On September 12, 2017, the Board of Directors of the Issuer appointed Mr. Sergio Calliari (Issuer employee in the role of Group Administration Director) as the Executive Officer for financial reporting as per Article 154-bis of the CFA, with effect from the Effective Merger Date (i.e. December 4, 2017). The Board of Directors on December 4, 2017, following the issue of a favourable Board of Statutory Auditors' opinion, confirmed the appointment.

The Executive Officer for financial reporting must be of a professional standard such as to have qualified experience of at least three years in the exercise of administration and control activities, or in executive or consultancy functions, with listed companies and/or relative groups of companies, or companies, entities and enterprises of large and significant size, including the preparation and control of accounting and corporate documents. The Executive Officer must also meet the requirements of good standing as provided for auditors by the applicable legal provisions.

The Executive Officer has the primary duty to design, manage and monitor the processes concerning, in particular, administrative-accounting information flows, including automatic data processing and accounting recording systems, also to provide - in the legally and regulatory required forms - the declarations on their adequacy and effective application.

The Executive Officer, in addition, is required to identify and assess the financial disclosure risks, identify and implement the required controls to mitigate the possibility that these risks occur and monitor and assess the effectiveness of the controls within a risk management and internal control system, in relation to the financial disclosure process, which is adequate and functioning.

As per Article 154-bis of the CFA, the Executive Officer is required to: (i) declare that the deeds and communications of the Issuer communicated to the market and concerning accounting disclosure (including interim) of the Issuer corresponds to the underlying accounting records and entries; (ii) prepare appropriate administrative and accounting policies for the drafting of the statutory and consolidated financial statements, in addition to any other communications of a financial nature; and (iii) jointly with the Chief Executive Officer declare through a specific report attached to the statutory financial statements, the condensed half-year financial statements and the consolidated financial statements, among others, the adequacy and effective application of the procedures at point (ii), during the period to which the documents refer and declare, in addition, the correspondence of such to the accounting records and entries and their suitability to provide a true and fair view of the company financial statements and any companies included in the consolidation, assigning for this purpose the following powers:

- (a) full access to all information considered relevant for the execution of duties, both at the company and at any parent companies;
- (b) attend the meetings of the Board of Directors concerning matters within their scope;
- (c) faculty for dialogue with all administrative and control boards of the company and the subsidiaries;
- (d) faculty to approve company policies with an impact on the financial statements, on the consolidated financial statements or on other documents requiring certification;
- (e) involvement in the design of IT systems impacting the company financial statements;
- (f) possibility to utilise IT systems.

In order to permit the Board of Directors to properly execute its supervisory powers, the Executive Officer should, in addition, report at least quarterly to the Board with regards to activities carried out, in addition to any emerging critical issues.

The Executive Officer is provided with all the necessary powers and means for the execution of his duties.

The Executive Officer, together with the Chief Executive Officer, has the duty to provide instructions also to the subsidiaries belonging to the Group, to ensure adoption of all provisions, administrative and accounting procedures and all other acts and measures necessary for the correct drafting of

the consolidated financial statements, in addition to all measures communicated by the Executive Officer in accordance with Law No. 262/05, which ensures the maximum reliability of information flows to the Executive Officer and concerning the preparation of the financial statements.

11.6. COORDINATION OF THE PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The coordination procedures put in place by the Issuer between the different parties involved in the internal control and risk management system guarantee an efficient and effective coordination and sharing of information between the bodies involved. In particular:

- the internal audit manager Mr. Karim Tonelli maintains periodic communication with the other company bodies and structures with oversight and monitoring functions upon the internal control and risk management system, such as the Executive Officer, the Supervisory Board as per Legislative Decree 231/01 (of which Mr. Tonelli is a member) and the independent audit firm, each within their respective scopes and responsibilities;
- the participation of the internal audit manager at the meetings of the Supervisory Board and at the meetings of the Control and Risks Committee enables the internal audit function to maintain adequate visibility of pressing company risks and managed by the Group and of issues emerging and brought to the attention of the various oversight and control boards;
- the Board of Statutory Auditors maintains periodic communication with the Board of Directors and with the Control and Risks Committee. In particular, at least one member of the Board of Statutory Auditors always attends the meetings of the Control and Risks Committee;
- also the members of the Supervisory Board other than Mr. Tonelli may attend, on invitation, the meetings of the Board of Directors and the Control and Risks Committee, reporting half-yearly on the activities undertaken;
- the independent audit firm attends, where invited, the meetings of the Control and Risks Committee so as to be constantly up to date on activities and on that decided by the Committee, and also for the purposes of reporting on planning and on the outcome of audit activities.

12. DIRECTORS INTERESTS AND RELATED PARTY TRANSACTIONS E

12.1. COMPOSITION AND OPERATION

12.1.1. Composition and operation (as per Article 123-bis, paragraph 2, letter d) of the CFA)

The Board of Directors allocated these functions to the Control and Risks Committee.

The meetings of the Control and Risks Committee are coordinated by its Chairman and minutes of the meetings are kept. The Chairman regularly provided information on the meetings held by the Committee at the next Board of Directors' meeting.

At least one member of the Board of Statutory Auditors attended the Remuneration Committee meeting.

During the Aquafil Reporting Period, the Control and Risks Committee, acting as the Related Parties Transactions Committee, met 1 time, on 7 December 2017 in order to render its opinion about the OPC Procedure.

During the Reporting Period, the average presence of the Directors at the meetings was 100% for all members.

In 2018, 1 meetings of the Related Party Transactions Committees were held on 23 March 2018.

12.1.2. Functions assigned to the Control and Risks Committee with regards to Related Party Transactions and activities carried out

At the date of this Report, the Related Party Transactions Committee executed its functions in compliance with the Related Party Transactions Policy. In particular, the Related Party Transactions Committee, in the undertaking of their duties, analyzed the operations with related parties in place at the Effective Merger Date, and acknowledged them.

12.2. RELATED PARTY TRANSACTIONS POLICY

On September 12, 2017, the Board of Directors approved a draft of the Related Party Transactions policy, in accordance with Article 2391-bis of the Civil Code (with effect from the Effective Merger Date). In line with that established by the Related Parties Regulation, a draft of this policy, subsequent to the Effective Merger Date, was submitted to the Control and Risks Committee (in execution of its role as the Related Parties Committee), which issued a favourable opinion upon the policy, which was thereafter definitively approved by the Board of Directors on December 7, 2017.

The Issuer applies the Related Party Transactions Policy, ensuring transparency and substantial and procedural correctness.

The RPT Policy governs transactions executed by Aquafil directly, or through subsidiaries, with counterparties defined as "Related Parties" in accordance with the RPT Regulation.

The RPT Policy defines "Related Party Transactions" as those involving the transfer of resources, services or obligations between Aquafil (or its subsidiaries) and Related Parties, regardless of whether a price is charged. This includes for example: (i) mergers, spin-offs for incorporation or non-proportional spin-offs, where carried out with Related Parties; (ii) all decisions relating to the allocation of remuneration or benefits, in any form, to members of the corporate boards and Senior Executives.

The RPT Policy distinguishes between "Minor Transactions", "Significant Transactions", "Less Significant Transactions" and "Ordinary Transactions" as follows:

- (a) "Minor Transactions": Related Party Transactions with a maximum amount to be borne by the Issuer of not in excess, for each transaction, (i) Euro 100,000 where the Related Party is a physical person; or (ii) Euro 500,000 where the Related Party is a legal entity;
- (b) "Significant Transactions": Transactions where at least one of the thresholds indicated at Annex 3 of the Related Parties Policy, applicable according to the specific Transaction, is exceeded by more than 5%. Where Aquafil is controlled by a listed company, the above limit of 5% is reduced to 2.5% for transactions undertaken with a listed parent company or with related parties of this latter which in turn are related to Aquafil;
- (c) "Less Significant Transactions": Related Party Transactions other than Significant Transactions and Minor Transactions;

(d) "Ordinary Transactions": Related Party Transactions which: (i) are part of the ordinary operations or the related financial activities of the Issuer and/or of its subsidiaries; and (ii) are concluded at conditions in line with those usually applied to unrelated parties for transactions of a similar nature, size and risk or based on regulated tariffs or prices, or corresponding to those undertaken with parties with which Aquafil is obliged by law to contract at a set price.

Article 12 of the RPT Policy establishes that it does not apply in the cases of the exemptions established under the RPT Regulation, subject to the conditions set out therein, and, in particular: (i) to the Shareholders' motions referred to in the first paragraph of Article 2389 of the Civil Code, concerning the remuneration of the members of the Board of Directors, or any decisions on the remuneration of the senior directors included in the total amount previously determined by Aquafil's Shareholders' Meeting pursuant to Article 2389, third paragraph, of the Civil Code; (ii) to the Shareholders' motions referred to in Article 2402 of the Civil Code pertaining to the remuneration payable to members of the Company's Board of Statutory Auditors; (iii) to Minor Transactions. In addition, subject to the disclosure obligations under the RPT Regulation and the relative circumstances, the Policy does not apply to (a) financial instrument-based remuneration plans approved by the Shareholders' Meeting of the Issuer in accordance with Article 114-bis of the CFA and the relative executory operations; (b) motions, other than those at paragraph (i) above considering the remuneration of Senior Directors, in addition to other Senior Executives (at the conditions established by the RPT Policy), (c) Ordinary Transactions concluded at Market or Standard conditions; and (d) Transactions with or between Subsidiaries, even jointly-held, by the company, in addition to Transactions with associates of the company, where other related parties of the company do not have a significant interest (as defined by the RPT Policy) in the subsidiaries or associates acting as counterparties in the transaction.

With specific regards to the means for the approval and execution of individual categories of Related Party Transactions, the RPT Policy makes a distinction between:

- (a) Significant Transactions, in relation to which the RPT Policy establishes, among other issues, that: (i) except where concerning transactions within the scope of the Shareholders' Meeting in accordance with law or the By-Laws, the approval of these transactions lies within the exclusive competence of the Board of Directors; (ii) the Related Parties Committee should be involved in the negotiations and investigations regarding the transaction; (iii) the Board of Directors considers the transaction having received a prior favourable reasoned opinion from the above Committee with regards to the interest of the Issuer in completion of the transaction, in addition to the benefit and substantial correctness of the relative conditions, subject to the option for the Board of Directors to approve the Significant Transaction also in the presence of a contrary opinion of the above-stated Committee, on condition that completion of such is authorised by the Shareholders' Meeting through the mechanism set out in the RPT Policy;
- (b) Minor Transactions, in relation to which the RPT Policy establishes, among other issues, that (i) the Board of Directors or the party authorised to approve the transaction, depending on the case, approves such transactions following receipt of a reasoned and non-binding opinion of the Related Parties Committee upon the interests of the Issuer in the completion of the transaction, in addition to the benefit and substantial correctness of the relative conditions; and (ii) the Chief Executive Officer or the delegated party provides adequate disclosure to the above Committee.

The Related Party Transactions Committee functions under the RPT Policy are allocated to the Control and Risks Committee, composed as established by the applicable RPT Policy at any given time. Where, with regards to a certain transaction, the Control and Risks Committee (or, depending on the case, the Appointments and Remuneration Committee) does not satisfy the composition requirements under the RPT Regulation, the equivalent controls under the RPT Policy in line with the RPT Regulation are applied, including the replacement, on the basis of age, with other directors on the Board and in possession of these requirements.

The RPT Policy finally establishes that, in the case of Related Party Transactions undertaken by Aquafil through subsidiaries, dependent on the case, the policy for Minor Transactions or for Significant Transactions should be applied.

The Related Party Transactions Policy and the relative annexes are available at the Issuers' website at www.aquafil.com - Corporate Governance - Policies and Regulations section.

13. APPOINTMENT OF STATUTORY AUDITORS

In accordance with Article 17 of the By-Laws, the Board of Statutory Auditors is comprised of 3 statutory auditors and 2 alternate auditors, appointed by the Shareholders' Meeting on the basis of slates presented by shareholders.

As per Article 17 of the By-Laws, shareholders may present a slate for the appointment of statutory auditors who, alone or together with other presenting shareholders, hold a percentage in the share capital at least equal to that determined by Consob in accordance with applicable legislation and regulations (which for the company, for 2018, is 2.5% of the share capital for such purposes referring to the share capital represented by listed shares). Ownership of the minimum shareholding is determined according to the shares that are registered in favour of the shareholder on the day in which the slates are filed with the issuer; certification can also be presented subsequent to the filing provided that it is within the deadline for the publication of the slates.

Slates are filed at the registered office in accordance with applicable law, at least twenty-five days prior to the date of the Shareholders' Meeting called to approve the election of the statutory auditors. The slates must be made available to the public by the Company at least twenty-one days prior to the Shareholders' Meeting in accordance with the manner prescribed by current regulations.

The slates must include the names of one or more candidates for the position of auditor and one or more candidates for the position of alternate auditor. The names of the candidates are divided between each section (standing statutory auditors section, alternate statutory auditors section) with a progressive number and in any event with a number not exceeding the board members to be elected. The slates, if they contain, in both sections, a number of candidates equal to or greater than 3, must contain a number of candidates in both sections to ensure that the composition of the Board of Statutory Auditors, both for statutory auditors and alternate auditors, complies with the legal and regulatory provisions that are in force in relation to gender equality (male and female), provided that if the application of the criterion for the gender equality quota does not result in a full number, this should be rounded up to the next unit.

The following documents must be attached to each slate, at the risk of ineligibility: (i) information on the identity of shareholders who have presented them, with an indication of the total percentage of shares held; (ii) a declaration by shareholders other than those who hold, even jointly, a controlling or majority shareholding, attesting to the absence of any relationship with these latter in accordance with applicable law; (iii) detailed information about the personal and professional characteristics of the candidates, as well as a declaration by the candidates certifying that they meet the statu-

tory requirements, and acceptance of the candidature, accompanied by a list of administrative and control positions held with other companies; (iv) any additional or differing declaration, information, and/or documents provided for by applicable law and regulations.

Each shareholder, shareholders who belong to the same group of companies, as well as shareholders involved in a shareholders' agreement in accordance with Art. 122 of Legislative Decree No. 58/1998, may not present or participate in presenting, even through a nominee or trust company, more than one slate nor can they vote for differing slates; in addition, each candidate may be present in only one slate, at the risk of ineligibility.

In the case where only one slate is filed at the expiry date of the term for presentation of the slates, or slates are only presented by related shareholders pursuant to the applicable directives, slates can be presented up to the third day subsequent to such date. In this case, the percentage threshold established for the presentation of the slate is reduced by half.

The procedure for electing statutory auditors is as follows: (i) from the slate that obtained the largest number of votes (Majority Slate), taken in the progressive order in which they appear on the slate, two statutory auditors and one alternate auditor; (ii) from the slate that obtained the second largest number of votes and are not connected, even indirectly, with the shareholders who presented or voted for the Majority Slate in accordance with the applicable provisions and taken in the progressive order in which they appear on the slate, the third statutory auditor will be chosen (Minority Statutory Auditor), who will chair the Board of Statutory Auditors, and the second alternate auditor (Minority Alternate Auditor). Should two slates receive the same number of votes, a second vote of the entire Shareholders' Meeting shall decide, with the candidate being elected by means of a simple majority of the votes.

Where the result of voting does not satisfy the applicable gender equality law and regulations that are in force (including the rounding up to the next unit if the application of the criterion for the gender equality quota does not result in a full number), the candidate for the office of standing or alternate auditor from the most represented gender elected as last in progressive order from the Majority Slate will be excluded and will be replaced by the next candidate for the office of standing or alternate auditor from the same slate belonging to the other gender.

Where only one slate is presented, the Shareholders' Meeting will vote on that slate and, where this slate receives the majority of the votes, all the standing auditors and alternate auditors will be taken from this slate in accordance with applicable law and regulations, including gender equality regulations, which includes rounding up where necessary in relation to the underrepresented gender.

The standing auditors are appointed for a period of three years (and may be re-elected), which expires on the date of the Shareholders' Meeting called for the approval of the financial statements relating to the final year in office.

Subject to compliance with the applicable law and regulations in force in relation to gender equality, in cases where, for whatever reason, (i) a statutory auditor from the Majority Slate leaves office, the alternate auditor elected from the Majority Slate will take their place, (ii) a Minority Statutory Auditor leaves office, they will be replaced by the Minority Alternate Auditor. If, for whatever reason, it is not possible to proceed as indicated above, the Shareholders' Meeting must be called in order to supplement the Board through statutory majority, without the application of slate voting, subject to compliance with the applicable law and regulations in relation to the gender equality quotas.

In the absence of slates, or where it is not possible for whatever reason to appoint the Board of Statutory Auditors with the procedures provided for in this Article, the three standing auditors and the two alternate auditors will be appointed by the shareholders' meeting through the majority provided for by law, in accordance with the laws and regulations in force also in relation to the gender equality quota (including the rounding up to the next unit if the application of the criterion for the gender equality quota does not result in a full number).

14. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS (EX ARTICLE 123-BIS, PARAGRAPH 2, LETTER D) OF THE CFA)

For the composition of the Board of Statutory Auditors during the Space3 Reporting Period make reference to Attachment A.

On September 12, 2017, ahead of the Merger, the members of the Board of Statutory Auditors of the Issuer resigned from office, with effect from the appointment of the new Board of Statutory Auditors. In this regard, on January 30, 2018, the Shareholders' Meeting appointed the following members to the Board of Statutory Auditors of the company:

| Office | Name | Date of appoint. |
|-------------------|---------------------------|-------------------------|
| Chairperson | Stefano Poggi Longostrevi | January 30, 2018 |
| Statutory Auditor | Bettina Solimando | January 30, 2018 |
| Statutory Auditor | Fabio Buttignon | January 30, 2018 |
| Alternate Auditor | Marina Manna | January 30, 2018 |
| Alternate Auditor | Davide Barbieri | January 30, 2018 |

Messrs. Bettina Solimando, Fabio Buttignon and Marina Manna came from the slate filed by the shareholder Aquafin Holding (obtaining 52,272,119 votes, equal to 92.41% of the voting share capital), while Messrs. Stefano Poggi Longostrevi and Davide Barbieri came from the slate filed jointly by a group of asset management companies and international and domestic institutional investors (obtaining 4,294,000 votes, equal to 7.59% of the voting share capital).

The Board of Statutory Auditors will remain in office until the Shareholders' Meeting called for the approval of the 2020 Annual Accounts.

For further information on the slates filed for the appointment of the Board on January 30, 2018, reference should be made to the company website www.aquafil.com, in the Investor Relations – Shareholders' Meetings section, where the professional curriculum vitae of each statutory auditor is available.

Board of Statutory Auditors

| Office | Members | Date of birth | Date of first appointment * | In office from | In office until | Slate ** | Ind. Code | Attendance at Board meetings *** | No. of other offices **** |
|--------------------------|---------------------------|---------------|-----------------------------|-----------------|---|----------|-----------|----------------------------------|---------------------------|
| Chairman | Poggi Longostrevi Stefano | 1965 | 30 January 2018 | 30 January 2018 | Approval of balance sheet at 31 December 2020 | 2 | x | 100% | 18 |
| Statutory Auditor | Solimando Bettina | 1974 | 30 January 2018 | 30 January 2018 | Approval of balance sheet at 31 December 2020 | 1 | x | 100% | 17 |
| Statutory Auditor | Buttignon Fabio | 1959 | 30 January 2018 | 30 January 2018 | Approval of balance sheet at 31 December 2020 | 1 | x | 100% | 10 |
| Alternate Auditor | Manna Marina | 1960 | 30 January 2018 | 30 January 2018 | Approval of balance sheet at 31 December 2020 | 1 | x | N/A | 5 |
| Alternate Auditor | Barbieri Davide | 1984 | 30 January 2018 | 30 January 2018 | Approval of balance sheet at 31 December 2020 | 2 | x | N/A | 8 |

STATUTORY AUDITORS RESIGNING DURING THE YEAR

See Attachment A

Number of meetings held in the year:

Quorum required for the presentation of slates by minority shareholders for the election of one or more members (as per Art. 148 CFA):

NOTE

* The first appointment of each Statutory Auditor refers to the date on which the Statutory Auditor was appointed for the first time to the Board of Statutory Auditors of the Issuer.

** This column indicates the slate from which each Statutory Auditor originated ("M": majority slate; "m": minority slate).

*** This column indicates the percentage of attendance of the Statutory Auditors in relation to the number of meetings of the Board of Statutory Auditors (indicates the number of meetings attended compared to the amount they could have attended; e.g. 6/8; 8/8 etc.).

**** This column indicates the number of offices of director or statutory auditor in accordance with Article 148 bis of the CFA and the relative enacting provisions in the Consob Issuers' Regulations. The complete list of offices held is published by Consob on its website pursuant to Article 144-quinquiesdecies of the Consob Issuers' Regulations.

Meetings of the Board of Statutory Auditors may be held with participants located in several places, near or far, linked by audio or video, provided that: (i) the Chairman of the meeting is able to verify the identity and the legitimacy of the participants, direct the proceedings of the meeting and witness and announce the results of the vote; (ii) the person taking the minutes is able to adequately observe the events of the meeting that is to be minuted; (iii) the participants are able to follow the discussion and vote simultaneously on the matters on the agenda, as well as view, receive or transmit documents. If all the above-mentioned conditions are complied with, the meeting shall be deemed to have been held in the place where the Chairman is present and where the secretary of the meeting must be present, to permit the minute-taking of the meeting.

For 2018, the Board of Statutory Auditors, appointed by the Shareholders' meeting on January 30, 2018, held 5 meetings, on January 30, February 5, February 19 and March 14, 2018 and March 23, 2018. In accordance with the provisional agenda, at least further 7 meetings are scheduled in the following months of 2018.

At the meeting of January 30, 2018, the Board of Statutory Auditors assessed the independence of its members, already assessed in the application form, and also in accordance with the requirements for independence for Directors by the Code. The result of these assessments were sent to the Board of Directors and announced to the market on the same date, available on the company website at www.aquafil.com.

The Board of Statutory Auditors reviewed and shall review the independence of the Audit Firm, ensuring compliance with regulatory provisions, and the nature and extent of the various services provided to the Issuer and its subsidiaries by the Audit Firm and its network.

The Board has consistently undertaken the usual coordination initiatives with the Control and Risks Committee, with the Internal Audit Function and with the Supervisory Board. For information on the manner of the coordination, reference should be made to paragraph 11.6.

Legislative Decree No. 39/2001 ("Implementation of EU Directive No. 43/2006, relating to the audit of separate and consolidated annual accounts, which modifies EU Directive 78/660 and EU Directive 83/349, and which revokes EU Directive 84/253") attributed to the Board of Statutory Auditors the functions of the Internal Control and Audit Committee and, in particular the oversight functions on (i) the financial reporting process; (ii) the efficiency of the internal control system, internal audit, where applicable, and risk management; (iii) the audit of the separate and consolidated annual accounts; (iv) the independence of the Audit Firm, in particular in relation to non-audit services by the party providing audit services.

For the entire duration of the admission to trading of the company's shares on an Italian regulated market, the Board of Statutory Auditors in addition exercises all other duties and powers established by the special laws; with regards to mandatory reporting, the directors are required to report on a quarterly basis, in accordance with Article 150 of the CFA.

The Chairman of the Board of Directors ensured that the Statutory Auditors received adequate information on the sector in which the Issuer operates, on the business operations and their performances, of the principles of correct risk management as well as the relative regulatory framework. In particular, during the Board meetings held at the headquarters of the company, the Statutory Auditors regularly received detailed information on the sector in which the Issuer undertakes its activities, in order to fully understand the underlying business operations and the relative developments during the year.

In addition, during the first visit of the members of the Board of Statutory Auditors to the company's registered office on February 5, 2018, the Statutory Auditors of Aquafil were able to make an extended visit to the Arco (Trento) production facility in order gain adequate knowledge of the sector in which the Issuer operates, in addition to company and production dynamics.

The remuneration of the Statutory Auditors is commensurate with the commitment required, the importance of the role covered, in addition to the size and sector of the company.

The Issuer does not provide a specific obligation for the Statutory Auditors to promptly inform the other members of the Board of Statutory Auditors and the Chairman of the Board on the nature, terms, origin and size of their interest, where the Statutory Auditor have, on their own behalf or on behalf of third parties, an interest in a transaction of the Issuer; this is due to the fact that the Issuer considers that this disclosure information a normal duty for the parties which hold the position of statutory auditor.

In accordance with the By-Laws, the Chief Executive Officer shall report adequately and promptly to the Board of Statutory Auditors on the activities undertaken, on the general operating performance and outlook, as well as on major operations for their size or nature by the Issuer and its subsidiaries, in accordance with the provisions of law and the By-Laws, and therefore on a quarterly basis.

15. RELATIONS WITH SHAREHOLDERS

The disclosure with shareholders is ensured by making available the most relevant corporate documents in a timely and continuous manner on the Issuer's website www.aquafil.com in the "Investor Relations", "Corporate Governance" and "News&Media" sections and, where required by the applicable regulations, on the authorized storage mechanism eMarket STORAGE at www.emarketstorage.com.

In particular, all press releases issued to the market and the Issuer's periodic financial reports are available on the above-mentioned website as soon as they have been approved by the relevant bodies (annual report, interim report, quarterly report).

Also available on the aforementioned website are the main Corporate Governance documents, the Organization, Management and Control Model in accordance with Legislative Decree No. 231/2001 and subsequent and the Ethics Code.

In accordance with Application Criterion 9.C.1 of the Self-Governance Code, relations with institutional investors are managed by the Investor Relator.

The duty of the Investor Relator is to constantly ensure that senior management are updated on the financial market disclosure obligations and, in particular, those concerning investors.

The Investor Relator represents, therefore, the point of contact between the Issuer and the market and has the duty to liaise with company structures to maintain and incentivise compliance with corporate disclosure regulations. Investor relation activities are shared with and supported by management.

On December 4, 2017, the Board of Directors appointed Mr. Karim Tonelli as Investor Relator of Aquafil (contact: ir@aquafil.com), for the maintenance of relations with shareholders and institutional investors and to undertake any specific tasks for the management of price sensitive information and relations with Consob and Borsa Italiana.

The Board of Directors will assess the implementation of any further initiatives to ensure shareholders more timely and straightforward access to essential information upon the Issuer.

16. SHAREHOLDERS' MEETINGS (AS PER ARTICLE 123-BIS, PARAGRAPH 2 OF LETTER C) OF THE CFA)

16.1. SHAREHOLDERS' MEETING CALL

As per Article 8 of the By-Laws, the Shareholders' Meeting deliberates upon matters reserved to it by law and the By-Laws. Shareholders' Meeting motions, taken in accordance with law and the By-Laws, are binding on all shareholders. The Shareholders' Meeting takes place in single call.

For the purposes of calculating the quorum required by law and the By-Laws for the holding of an ordinary and extraordinary Shareholders' Meeting and for passing of the relevant motions, the number of votes represented by the shares, and not the number of shares, will be counted. Motions for the amendment of Articles 5.6, 5.8 and 8.3 of the By-Laws are passed with majorities of at least 70% of the total number of votes devolving to the issued shares.

As per Article 8.3 of the By-Laws, the Related Party Transactions Policy of the company may establish (i) that the Board of Directors approves the "significant transactions", as defined by the RPT regulation, despite an opinion to the contrary issued by the Independent Directors Committee responsible for issuing an opinion on the above-mentioned transactions, provided that the execution of such transactions are authorised by the Shareholders' Meeting in accordance with Art. 2364, paragraph 1, No. 5 of the Civil Code. In this case, the Shareholders' Meeting will resolve by statutory majority, provided that, where the unrelated shareholders present at the Shareholders' Meeting account for at least 10% of the voting share capital, considering every ordinary share and every multi-vote share individually, without consideration of the right to multiple votes attributed to the special shares, the majority of unrelated shareholders voting at the Shareholders' Meeting do not vote against.

The ordinary Shareholders' Meeting for approval of the annual accounts must be called by the board of directors at least once a year, within one hundred and twenty days after the end of the financial year or, in the cases provided for by Art. 2364, paragraph 2 of the Civil Code, within one hundred and eighty days after the end of the financial year, subject to the provisions of Art. 154-ter of Legislative Decree No. 58/1998.

The Shareholders' Meeting may be called in Italy, even outside the municipality in which the registered office is located, or in other countries of the European Union, in Switzerland or in the United Kingdom.

The Shareholders' Meeting shall be called by publishing a notice on the company website, in addition to the other manners established by applicable law, and shall contain the information required by applicable law, also by reason of the subjects covered.

As per Article 126-bis of the CFA, shareholders who represent, even jointly, at least one-fortieth of the share capital may request - except for matters within the remit of the Board or based on projects or a report prepared by them - within ten days of publication of the Call Notice, or within five days in the case of calling as per Article 125-bis, paragraph 3, of the CFA or Article 104, paragraph 2, of the CFA, a supplementation to the matters on the Agenda, indicating in the request the further matters to be included on the Agenda, or present proposals on matters already on the Agenda.

In accordance with Article 2367 of the Civil Code, the Directors shall call without delay the Shareholders' Meeting where requested by shareholders collectively representing at least one-twentieth of the share capital.

Article 127-ter of the CFA establishes that shareholders may submit questions on the matters on the Agenda, also before the Shareholders' Meeting. For questions submitted before the Shareholders' Meeting, responses will be made, at the latest, during the Meeting itself. The company may provide a single reply to questions with the same subject matter. The call notice indicates the deadline by which questions submitted before the Shareholders' Meeting should reach the company. The deadline may not be more than three days in advance of the Shareholders' Meeting in first or single call, or five days where the call notice establishes that the company provides, before the Shareholders' Meeting, a response to the questions received. In this case, the responses are provided at least two days before the Shareholders' Meeting, also through publication in a separate section of the company website.

16.2. RIGHT TO ATTEND SHAREHOLDERS' MEETINGS

As per Article 10 of the By-Laws, those with voting rights have a right to attend the Shareholders' Meeting.

The right to attend the Shareholders' Meeting and the right to vote is verified by a notice to the company, effected by the authorised intermediary in accordance with law, based on the accounting records at the end of the seventh trading day prior to the date fixed for the Shareholders' Meeting in single call, and submitted to the company in accordance with law.

Those who have the right to vote in the Shareholders' Meeting can be represented by a proxy in accordance with law. Electronic notification of proxy may be made, in the manner indicated in the call notice, by sending a message addressed to the certified email address indicated in the notice itself or by using the appropriate section of the Company's website.

For each Shareholders' Meeting, the company may designate, through notification in the call notice, a person to whom shareholders can confer proxy, with voting instructions on all or some of the proposals on the agenda, in the terms and manner provided by law.

16.3. HOLDING OF THE SHAREHOLDERS' MEETING

The Shareholders' Meeting shall be chaired by the Chairman of the Board of Directors, or in such absence or impediment or at the request of the Chairman himself, by another person elected by the Shareholders' Meeting, including the Chief Executive Officer (if elected). The Chairman shall be assisted by a Secretary elected on his proposal by majority of those present. In the Extraordinary Shareholders' Meeting and, in any case, when the Chairman considers it appropriate, the functions of the Secretary shall be carried out by a Notary appointed by the Chairman.

For valid constitution of the Shareholders' Meeting, both ordinary and extraordinary, and the validity of its motions, the provisions of statutory law and the By-Laws are applied. For the purposes of calculating the quorum required by law and the By-Laws for the holding of an ordinary and extraordinary Shareholders' Meeting and for passing of the relevant motions, the number of votes represented by the shares, and not the number of shares, will be counted.

The Shareholders' Meeting may be held with participants located in several places, near or far, linked by audio/video, provided that they comply with the collegial approach and the principles of good faith and equal treatment of shareholders, and in particular provided that: (a) the Chairman of the Shareholders' Meeting is able to verify the identity and the legitimacy of the participants, direct the proceedings of the meeting, note and announce the results of the vote; (b) the person taking the minutes is able to adequately observe the events of the Shareholders' Meetings that are to be minuted (c) the participants are able to follow the discussion and vote simultaneously on the matters on the agenda; (d) this method is provided for in the call notice of the Shareholders' Meeting which states, in addition, the places to be attended. The meeting shall be considered to have been held in the place where there are, simultaneously, the Chairman and the person taking the minutes.

Pursuant to Article 7 of the By-Laws, shareholders may withdraw in accordance with the mandatory cases provided for by law.

The opposition of Shareholders to motions regarding the extension of the duration of the company or the introduction or the removal of provisions concerning the circulation of shares does not constitute a right to withdrawal.

As per Article 20 of the By-Laws, the net profit for the period, excluding the five per cent share allocated to the legal reserve until the reaching of one-fifth of the share capital, is divided among the shareholders, as resolved by the Shareholders' Meeting.

The Shareholders' Meetings of the Issuer adopted Shareholder Meeting regulations, approved on December 23, 2016 by the Shareholders' Meeting of Space 3. This Shareholders' Meeting Regulation establishes, among other matters, that:

- the Chairman (the Chairman of the Board of Directors or, in his/her absence or impediment the person designated by the Shareholders' Meeting) may adopt any provision considered appropriate to ensure the correct execution of Shareholders' Meeting business and the exercise of the rights of participants;
- in the discussion of such matters and proposals, the Chairman, where a majority of the share capital is not in opposition, may follow a different order of consideration from that stated in the formal notice of the meeting and may call for some or all of the matters on the agenda to be discussed together;

- the chairman conducts the discussion, giving the floor to directors, to statutory auditors and any parties so requesting. Those holding the right to vote and the bondholders' joint representative may request the floor on only one occasion for each matter on the agenda, making observations and requesting information. Those persons entitled to vote may also draw up proposals. Requests to contribute may be made from the constitution of the shareholders' meeting until the time at which the chairman has not declared the discussion of the matter closed. In order to ensure the orderly conduct of the meeting, the Chairman has the power to determine, at the opening of or during the discussion of individual matters, a deadline for the submission of requests to contribute. The chairman establishes the manner in which contribution requests are made and the order in which they are heard. The Chairman and, on his invitation, those assisting him respond to speakers at the end of all contributions under discussion, or after each contribution, taking account also of any questions drawn up by shareholders before the Shareholders' Meeting, which have not been responded to by the company. Those who have requested the floor have the right to a brief reply;
- before voting commences, the chairman readmits to the Shareholders' Meeting any persons excluded during the discussion in accordance with the regulation;
- the chairman shall decide the order in which the proposals on the individual matters on the agenda are put to the vote, generally giving priority to those formulated by the Board of Directors.

As from the Effective Merger Date no Shareholders' meeting was held; in Attachment A the details concerning the shareholders' meeting held by Space3 in 2017 before the Merge are listed.

With regards to the rights of shareholders not outlined in this Report, reference should be made to the applicable pro tempore laws and regulations.

17. FURTHER CORPORATE GOVERNANCE ACTIVITIES

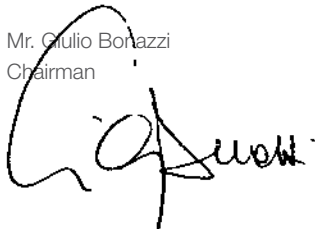
At the Reporting date, no additional corporate governance practices effectively applied by the Issuer outside of the obligations established by legislation or regulations exist.

18. CHANGES SINCE THE END OF THE REPORTING PERIOD

Since the end of the Reporting Period, no changes have been made to the corporate governance structure, further to the appointment of the Board of Statutory Auditor held on January 30, 2018.

Arco (TN), March 23, 2018
 Aquafil S.p.A.
 For the Board of Directors

Mr. Giulio Bonazzi
 Chairman



ANNEX A

1. SPACE3 PROFILE

Space3 was a private company qualifying as an SIV (special investment vehicle) in accordance with Article 2.2.42, paragraph 1, of the Stock Exchange Regulation and whose shares were admitted for trading on the MIV professional segment, which includes, among others, financial instruments issued by SIV's (among which Space3) reserved exclusively to qualified investors.

Space3 was created with the objective of identifying a target company in order to realise, within a period of approx. two years from the date of admission of shares to trading on the MIV (i.e. December 18, 2013), a significant transaction, i.e. the acquisition of a company, entity, business or business unit (the "Target") by any means - including business combinations on through conferment or merger, also combined with the acquisition or subscription of equity investments.

1.1. WARRANTS

The Extraordinary Shareholders' Meeting of Space3, on December 23, 2016, resolved to approve: (i) the Capital Increase named Warrant Space Market 3, with the exclusion of the option right pursuant to Article 2441, paragraph 5, of the Italian Civil Code, in divisible way, for a maximum amount of 203,488.50 euros by issuing the maximum no. 2,034,885 Remuneration shares of the Warrant Market3 without indication of the nominal value, for the exercise of the Market Space 3 Warrants, at a price of Euro 0.10 (zero point ten), fully charged to the implied book value; and (ii) the Capital Increase named Sponsor Warrants Space3, with the exclusion of the option right pursuant to Article 2441, paragraph 5, of the Civil Code, in divisible form, for a maximum amount of Euro 10,400,000 through the issue of the maximum n. 800,000 shares of the Space 3 Compendium Warrant without indication of the nominal value, for the exercise of Sponsor Warrant Space3, at a price of Euro 13 charged for Euro 1.00 at the implied nominal value and for Euro 12.00 for share premium.

The ordinary shares whose issue was approved for the Market Warrants Space3 and the Sponsor Warrants Space3 have been made available to those entitled to exercise, respectively, Market Warrants Space 3 or Sponsors Warrants Space 3, in compliance with the relevant regulations and, for the Space3 share of compendium, within 5 years from the date of entry into force of the Relevant Transaction (subject to acceleration) and, for the Space 3 shares of compendium, within 10 years from the effective date of the Relevant Transaction.

The same Extraordinary shareholders' meeting of 23 December 2016 approved the issue of a maximum of 7,500,000 of Space 3 Market Warrant, of which: (i) no. 3,750,000 admitted to negotiations on MIV, SIV segment at the Demerger Effective Date; while (ii) the right to receive the further maximum no. 3,750,000 of Space3 Market Warrants assigned to each of the 4 Space3 ordinary shares have been incorporated into the Space3 ordinary shares subject to assignment in the context of the spin-off and circulate with the same until the effective date of the relevant transaction carried out by Space3; at that date, the second Space 3 Market Warrant was issued and started to be traded separately from the ordinary Space3 shares. The Space3 Market Warrants issued as indicated under (i) and (ii) are identified by the same ISIN code IT0005241200.

The Space3 Market Warrants were awarded to holders of the Space2 Market Warrants outstanding as part of the Demerger on the basis of the assignment ratio defined in the Demerger Plan, equal to n. 1 Space 2 Market Warrants canceled and no. 1 Market Warrant Space3 assigned every n. 2 Space2 Market Warrants held.

Each Space3 Market Warrants incorporates the right to subscribe a number of Market Warrants shares of compendium - determined according to the formula below - at the price of Euro 0.10 (zero point ten) provided that the average price of the Ordinary Shares Spazio3 is higher than the so-called "Exercise price", equal to 9.5 euros. If the average monthly price of the Space3 ordinary shares is equal to or higher than Euro 13, Space3 will publish a specific "acceleration notice" and the Space3 Market Warrants must be exercised, under penalty of settlement, by the first trading day following the next following 60 calendar days from the date of publication of the communication.

The exercise price for the exercise of Space 3 Market Warrants has been identified on the basis of the net equity per share of Space3 (equal to Euro 10, without taking into account the costs incurred from the date of incorporation up to the Date of the Report) and does not reflect the Issuer's expectations regarding the profitability of the Company, since as of the Information Document Date no target company has been identified and therefore it is not possible to carry out evaluations on the prospects for restitution of the Space3 Ordinary Shares and Space3 Market Warrant following the relevant operation.

The terms and conditions for the exercise of the Market Warrants are defined in the Market Warrants Regulation3 approved by the Extraordinary Meeting of Space3 by resolution of December 23, 2016, available to the public on the Issuer's website www.space3spa.com.

Terms and conditions of the Space 3 Sponsors Warrant are governed by the regulation approved by the extraordinary shareholders' meeting with resolution of December 23, 2016. In particular, each Space3 Sponsor Warrant grants the right to subscribe a Sponsor Warrants Shares of compendium at the unit price of Euro 13.00, provided that the official price of the Space3 Ordinary Shares recorded on at least one day during the period, between the first day of open exchange after the effective date of the Relevant Transaction and 10 years from the same effective date of the 'Relevant Transaction, equal to or higher than Euro 13.00.

2. BOARD OF DIRECTORS

2.1. COMPOSITION OF THE BOARD OF DIRECTORS

The Board of Directors of Space in office from January 1, 2017 until the Effective Merger Date comprised the following members:

1° gennaio- 3 ottobre 2017

| Office | Name | Date of appointment |
|-------------------------|----------------------------|---------------------|
| Chairman | Gianni Mion | December 23, 2016 |
| Chief Executive Officer | Roberto Italia | October 6, 2016 |
| Director | Carlo Pagliani | October 6, 2016 |
| Director | Edoardo Carlo Maria Subert | October 6, 2016 |
| Director | Francesca Prandstraller | December 23, 2016 |
| Director | Margherita Zambon | December 23, 2016 |
| Director | Gabriele Villa | 23 dicembre2016 |

On 3 October 2017, Mr. Villa resigned by the role of member due to professional reasons. Previously, on June 15, 2017, all the members of the Board of Directors have resigned with effective as from the Effective Merger Date with Aquafil S.p.A., in order to allow the entrustment of the new corporate bodies, expression of the changed corporate ownership of Space3 following the Merge.

As from October 3, 2017 until the Effective Merger Date, i.e. December 4, 2017, the Board of Directors of Space 3 was the following:

As from October 5, 2017 until December 4, 2017:

| Role | Name and surname | Date of appointment |
|----------------|----------------------------|---------------------|
| Chairman | Gianni Mion | 23 December 2016 |
| CEO | Roberto Italia | 6 October 2016 |
| Member | Carlo Pagliani | 6 October 2016 |
| Member | Edoardo Carlo Maria Subert | 6 October 2016 |
| Member | Francesca Prandstraller | 23 December 2016 |
| Member | Margherita Zambon | 23 December 2016 |
| Amministratore | Gabriele Villa | 23 dicembre2016 |

2.2. BOARD OF DIRECTORS' ACTIVITIES

During the relevant period of reference, 1 January to 4 December 2017, the Board of Directors took decisions regarding the following issues:

- Approval of the information document for the admission to listing of the ordinary shares and market warrants of Space3 S.p.A. on MIV, Segment SIV;
- Approval of the draft financial statements as at 31 December 2016;
- Approval of the report on corporate governance and ownership structures pursuant to article 123-bis of the TUF, of the remuneration report pursuant to article 123-ter of the TUF; other obligations related to the approval of the draft financial statements as at December 31, 2016;
- Verification of independence requisites pursuant to art. 147-ter, paragraph 4 of Legislative Decree no. 58/98 and of the art. 3 of the Corporate Governance Code for Listed Companies;
- Approval of the organizational model and the code of ethics pursuant to Legislative Decree no. 231/2001; appointment of the supervisory body;
- Approval of the merger by incorporation of Aquafil S.p.A. in Space3 S.p.A.;
- Approval of the project for admission to trading on the Electronic Stock Market (MTA) of ordinary shares and "Market Warrant Space3 S.p.A."; inherent and consequent resolutions.
- Authorization to request exclusion from trading on the Electronic Market of Investment Vehicles (MIV) of ordinary shares and "Market Warrant Space3 S.p.A.", subject to the issue of admission of the same financial instruments on the Mercato Telematico Azionario (MTA);
- Approval of the half-yearly financial report as at 30 June 2017;
- Approval of the draft prospectus for admission to listing on the Mercato Telematico Azionario of ordinary shares and market warrant of Space3 S.p.A. following the merger by incorporation of Aquafil S.p.A. in Space3 S.p.A. ; inherent and consequent resolutions;
- Application for admission to the MTA / Star segment of the Company after the merger by incorporation of Aquafil SpA in Space3 S.p.A. and to the relative attestations to be deposited at Borsa Italiana S.p.A..

2.3. BOARD OF DIRECTORS' MEETINGS

During this period, the Board of Directors held 14 meetings, on the following dates:

January 13, 2017; February 2, 2017; February 21, 2017; March 13, 2017, April 11, 2017; April 26, 2017; May 23, 2017; June 7, 2017; 15th June 2017; 29 June 2017, 27 July 2017, 12 September 2017; 5 October 2017 and 17 October 2017

The average duration of the meetings was about 1.30 minutes and the meetings were duly recorded. The percentage attendance at the meetings was 97%.

2.4. EXECUTIVE BODIES

No executives bodies were appointed.

2.5. CHAIRMAN OF THE BOARD OF DIRECTORS

On 23 December 2016, Gianni Mion was appointed Chairman of the Board of Directors.

3. INTERNAL COMMITTEES TO THE BOARD OF DIRECTORS (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER D), CFA)

For simplification and efficiency of the governance structure, the Board of Directors of Space3 only set up the Control and Risks Committee.

3.1. CONTROL AND RISKS COMMITTEE

3.1.1. Composition and operation (as per Article 123-bis, paragraph 2, letter d) of the CFA)

On February 2, 2017, the Board of Directors of Space3 approved the establishment of a Control and Risks Committee comprising 3 (three) directors considered independent as per Article 147-ter, paragraph 4 of the CFA, of which at least 1 (one) possessing appropriate accounting and financial or risk management experience.

Pursuant to the Control and Risks Committee regulation, adopted by the Board of Directors motion of February 2, 2017, the Control and Risks Committee is comprised of independent directors.

| OFFICE | NAME AND SURNAME |
|----------|-------------------------|
| Chairman | Francesca Prandstraller |
| Member | Gabriele Villa |
| Member | Margherita Zambon |

The Chairman of the Board of Statutory Auditors also attended the Control and Risks Committee meetings held during the Space3 Reporting Period. During the Space3 Reporting Period, the Control and Risks Committee met 3 times, on the following dates: April 26, May 23, July 27, 2017. Minutes are kept of the Control and Risks Committee.

3.1.2. Activities

During the Space3 Reference Period, the Control and Risk Committee addressed the following points:

- Annual financial report, report on corporate governance and ownership structure and internal control and risk management system;
- Examination of the organizational model and the code of ethics pursuant to Legislative Decree no. 231/2001;
- Examination of the half-yearly report as at 30 June 2017.

4. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM (AS PER ARTICLE 123-BIS, PARA. 2, LETTER 3) OF THE CFA)

In consideration of the nature of the activities undertaken and the corporate organization, Space3 did not set up an internal control and risk management system, concerning the set of rules, procedures and organizational structures which enable the identification, measurement, management and monitoring of the principal risks.

Space management, having assessed the organizational requirements, considered it appropriate only to set up the Internal Control and Risk Management System and to appoint the director in charge of the Internal Control and Risk Management system as Mr. Carlo Pagliani.

5. INDEPENDENT AUDIT FIRM

With motion of October 6, 2013, the Space3 Shareholders' Meeting, in accordance with Article 16 of Legislative Decree 39/2010, appointed – KPMG S.p.A. as the auditor of accounts for the years 2016 to 2024.

6. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER D) OF THE CFA)

During the Space3 Reporting Period and until January 30, 2018, the Board of Statutory Auditors of Space3 in office comprises the following members appointed by the Space3 Shareholders' Meeting on incorporation and, therefore, on October 7, 2013:

| Office | Name | Date of appointment |
|-------------------|------------------------|----------------------------|
| Chairman | Pier Luca Mazza | October 6, 2016 |
| Statutory Auditor | Virginia Marini | October 6, 2016 |
| Statutory Auditor | Marco Giuliani | October 6, 2016 |
| Alternate Auditor | Simona Valsecchi | October 6, 2016 |
| Alternate Auditor | Fabio Massimo Micaludi | October 6, 2016 |

The duration of the mandate of these Statutory auditors was until the Shareholders' Meeting date called for the approval of the financial statement at 31 December 2018.

During the Space3 Reporting Period, the Space3 Board of Statutory Auditors met 5 times, on the following dates: 13 March 2017, 28 April 2017, 27 July 2017, 23 October 2017 and 1 December 2017. The attendance of each Statutory Auditor of Space3 at the meetings in the Space3 Reference Period was 100%.





147. Statement of the Principal Financial Officer
and the Delegated Bodies

149. Board of Statutory Auditor's Report

158. Report on the Audit of the Financial
Statements

164. Independent Auditor's Report on the
non Financial Report

Statement of the Principal Financial Officer and the Delegated Bodies



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

STATEMENT OF THE PRINCIPAL FINANCIAL OFFICER AND THE DELEGATED BODIES (art 154-bis, comma 5) ABOUT THE YEAR END FINANCIAL STATEMENTS OF AQUAFIL SPA AS OF 2017.12.31 IN ACCORDANCE WITH ART 81-TER OF CONSOB REGULATION N. 11971 OF 14 MAY 1999 AND ANY SUBSEQUENT AMEDEMMENTS AND ADDITIONS

1. The undersigned Adriano Vivaldi, Managing Director, and Sergio Calliari, Principal Financial Officer ex Law 262/05 of Aquafil SpA, certify, based on art. 154-bis, commas 3-4, and Legislative Decree 58/98:

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

of the administrative - accountability procedures in order to prepare the financial statements as of 2017.12.31.

2. No relevant issues arose.

3. It is also certified that the financial statements as of 2017.12.31:

- a) are drafted based on the International Financial Reporting Standards (I.F.R.S.), recognized in the European Community in accordance with Regulation (EC) n. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- b) match with the results of the accountability books and registrations;
- c) are appropriate to give a truthful and correct representation of the statement of the assets, liabilities, and capital of the Company.

Arco, March 23, 2018

Managing Director

Adriano Vivaldi

Principal Financial Officer

Sergio Calliari

A handwritten signature in blue ink, appearing to read 'Sergio Calliari', with a stylized flourish at the end.

Board of Statutory Auditor's Report

Aquafil S.p.A.

Via Lufano 9 – Arco (TN)

Fiscal Code and Trento Companies Registration office No. 09652170961

BOARD OF STATUTORY AUDITORS' REPORT FOR THE SHAREHOLDERS' MEETING OF AQUAFIL S.p.A OF APRIL 27, 2018, PURSUANT TO ART. 153 OF LEGISLATIVE DECREE 58/1998 AND ART. 2429 OF THE CIVIL CODE

Dear Shareholders,

The Board of Statutory Auditors currently in office was appointed by the Shareholders' Meeting of Aquafil S.p.A. (hereinafter, the "company") on January 30, 2018 and will cease its mandate with the shareholders' meeting for the approval of the financial statements as of December 31, 2020.

It should preliminarily be noted that on December 4, 2017 the merger by incorporation of Aquafil into Space3 S.p.A. - a company incorporated on October 6, 2016 as a Special Purpose Acquisition Company (SPAC) under Italian law and established in the form of a SIV (Special Investment Vehicle) - became effective as a result of which, Space3 succeeded all the rights and obligations of the incorporated company and assumed the new name of "Aquafil S.p.A."

On November 27, 2017, Borsa Italiana (Italian Stock Exchange) admitted Aquafil's ordinary shares to listing on the Italian Stock Exchange (MTA), STAR segment with effect from December 4, 2017 and their simultaneous exclusion from trading on the MIV.

The Board of Statutory Auditors in office during the year 2017 and up to January 30, 2018 for Space3 S.p.A. (incorporating company) was composed of Pier Luca Mazza, Marco Giuliani and Virginia Marini, while the Board of Statutory Auditors in office during the year 2017 up to December 4, 2017 for Aquafil S.p.A. (incorporated company) consisted of Pietro Monti, Paolo Nicolai and Massimo Gazzani.

Pursuant to Art. 153, paragraph 1 of Legislative Decree No. 58 of February 24, 1998 (hereinafter, the "CFA"), the Board of Statutory Auditors is reporting on the supervisory and control activities provided for by applicable legislation, with reference to the period commencing on its appointment, and with particular regard to the provisions of the Civil Code, Arts. 148 *et seq.* of the CFA, Legislative Decree No. 39 of January 27, 2010 as amended by Legislative Decree No. 135 of July 17, 2016 and Legislative Decree No. 254/2016, as well as to Instructions contained in the CONSOB communications concerning corporate controls and the activity of the Board of Statutory Auditors, and to the principles of conduct recommended by the National Council of Chartered Accountants and Accounting Professionals.

For supervisory activities during the fiscal year ended 31/12/2017, the Board examined the minutes of the meetings of the Boards of Statutory Auditors of Space3 S.p.A. and Aquafil S.p.A. respectively, in which supervisory activities performed are summarised. No reprehensible facts, omissions or irregularities emerged from these minutes such as to require a statement to the competent bodies or a mention in the Shareholders' Meeting.

This report is being provided to Aquafil S.p.A. shareholders in view of the Shareholders' Meeting convened in a single call for April 27, 2018 to approve the Annual Financial Statements as of December 31, 2017 and the presentation of Consolidated Financial Statements.

In view of the above, activities carried out by the Board of Statutory Auditors up to the date of this report are presented below, also with reference to the requirements of Consob Communication No. DEM/1025564 of April 6, 2001 and subsequent amendments. As regards the activity performed by the previous Board of Statutory Auditors, this report is based on related documentary evidence.

1. Significant economic, financial and equity transactions.

The following are the significant transactions and events that occurred in the financial year 2017.

The year was characterised by the merger between Space 3 S.p.A. and Aquafil S.p.A. This transaction was recognised at the effective date of December 4, 2017 where all the accounts of the former Aquafil S.p.A. were merged into Space 3 S.p.A.

From an accounting perspective, the merger of Aquafil S.p.A. into Space 3 S.p.A. therefore represents a transaction through which Aquafil S.p.A. ("the accounting acquirer") acquires the net assets and listed company status from Space 3 S.p.A. ("the accounting acquiree"). Given that the accounting acquiree (Space 3 S.p.A.) does not fall under the definition of a business, the entire transaction was recorded in the separate financial statements of the accounting acquirer (Aquafil S.p.A.) as a share acquisition transaction and not as a "business combination" and, therefore, IFRS 2 (Share-Based Payment) was applied, instead of IFRS 3 (Business Combinations), as required by Consob Recommendation No. 0062667 of May 4, 2017.

The company issued two types of warrants: "Market warrants", also listed, and non-listed "Sponsor warrants".

The company considered the warrants issued as equity instruments, and not as a financial liability, and therefore classified in a special net equity reserve, from which they will be released only when they will be exercised or at their expiration, as indicated by IAS 32.

Given that the merger took effect from 4 December 2017, it should be noted that the individual financial statements as of 31 December 2017 of Aquafil S.p.A. (formerly Space 3 SpA) presents the revenues from Aquafil's operating activities only for the period from 4 December 2017 to 31 December 2017. This differs from the Consolidated Financial Statements, which include the revenues from the Aquafil Group's operating activities for the entire year 1 January 2017 - 31 December 2017.

The Board of Statutory Auditors received information from Directors with due periodicity on the activities and significant economic, financial and equity transactions carried out by the Company and its subsidiaries. Directors have reported these transactions in their Directors'

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

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

Transactions involving Directors' interests or with other related parties were subject to transparency procedures envisaged by applicable legislation.

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

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

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

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

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

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

The independent audit firm PricewaterhouseCoopers S.p.A. issued its report on March 27, 2018 in accordance with Art. 14 of Legislative Decree 39/2010 and with Art. 10 of the EU Regulation 537/2014, in which PricewaterhouseCoopers *acknowledges that the separate financial statements and the consolidated financial statements as of December 31, 2017 give a true and fair representation of the equity and financial position, economic result and cash flows - respectively, of the Company and its Group - for the financial year ended on the indicated date in compliance with International Financial Reporting Standards adopted by European Union.*

PricewaterhouseCoopers S.p.A. also issued its additional report on March 27, 2018 addressed to Internal Control and Audit Committee, in accordance with Art. 11 of the EU Regulation 537/2014.

4. Statements pursuant to Art. 2408 of the Civil Code and submission of explanations. Initiatives taken by the Board of Statutory Auditors and related outcomes.

No statement or report was received from Shareholders during the financial year 2017. No disclosures were submitted to the Board of Statutory Auditors during the year 2017.

5. Appointment of the independent audit firm and associated costs.

The Board of Statutory Auditors was provided with evidence from the independent audit firm PricewaterhouseCoopers S.p.A. on the accounting of the following fees paid to it and to companies belonging to its network-for services of 2017 year competence (amounts in euro):

| Company providing the service | Recipient of Service | Type of services | 2017 year competence Fees |
|--|---|---|---------------------------|
| PwC SpA | Aquanil SpA (ex Space 3) | Audit of the annual financial statements | 125.055 |
| | | Audit of the consolidated financial statements | 39.375 |
| PwC SpA | Controlled companies Italy Foreign controlled companies | Audit of the annual F/S and Group Rep Pack | 33.060 |
| PwC | | Audit of the annual F/S and Group Rep Pack | 112.600 |
| Total audit services provided in 2017 to the listed Company Aquanil S.p.A. (already Space 3 S.p.A.) | | | 310.089 |
| PwC Advisory SpA | Aquanil S.p.A. (ex Space 3) | Methodological support applications Law requirements 262/2005 (art. 154-bis C.F.A.) | 70.000 |
| Total other services provided in 2017 to the listed Company Aquanil S.p.A. (already Space 3 S.p.A.) | | | 70.000 |
| Total services provided in 2017 to the listed Company Aquanil S.p.A. (already Space 3 S.p.A.) | | | 380.089 |
| Company providing the service | Recipient of Service | Type of services | 2017 year competence Fees |
| PwC | Foreign controlled Companies | Support review transfer pricing documentation in Germany and other services | 29.000 |
| PwC Advisory S.p.A. | Aquanil S.p.A. | Support activity to the listing process | 430.000 |
| PwC S.p.A. | Aquanil S.p.A. | Support activity to the listing process | 310.000 |
| Total services provided in 2017 to the Company Aquanil S.p.A. (before its listing) | | | 769.000 |

Pursuant to the provisions of Art. 6, paragraph 2(a) of EU Regulation 537/2014), PricewaterhouseCoopers S.p.A. has provided the Board of Statutory Auditors with a statement that, up to this date, considering the activities performed, it has maintained its position of independence and objectivity in respect of the Company and its Group, and has provided timely communication of non-audit services to the Company by PricewaterhouseCoopers S.p.A. itself and entities in its network.

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

The undersigned members of the Board of Statutory Auditors declare that they have not issued any opinion from the date of their appointment to-date, in accordance with applicable legislation.

Following its appointment, and up to this report's date, the Board of Statutory Auditors has:

- Examined and positively assessed the Remuneration Policy for the year 2018 as per proposal approved by the Appointments and Remuneration Committee in the meeting of March 2, 2018 as well as the Remuneration Report's text approved by the Board of Directors in the meeting of March 23, 2018 and verified that this contains the information required by Art. 123-ter of the CFA and Art. 84-quater of Consob Regulation No. 11971/1999;
- Examined and positively assessed the text of the Corporate Governance and Ownership Structure Report approved by the Board of Directors in the meeting of March 23, 2018, and verified that this contains the information required by Art. 123-bis of the CFA and complies with the provisions of the schedule provided by Borsa Italiana S.p.A (Italian Stock Exchange).;
- Examined and positively assessed, together with the Control and Risks Committee, the 2018 Audit Plan drawn up by the Internal Audit Manager and approved by the Board of Directors in the meeting of March 23, 2018.

7. Attendance at the meetings of corporate bodies

In 2018, from the date of its appointment to-date, the Statutory Auditors Board attended all 4 sessions of the Board of Directors' meetings, during which it was informed of activities performed and significant transactions made by the company and its subsidiaries. In this context, the Board has received the disclosure on powers conferred from the Chief Executive Officer.

Moreover, the Statutory Auditors Board participated in 3 meetings of the Control and Risks Committee (also performing the function of Related Parties Committee) and 2 meetings of the Appointments and Remuneration Committee. It also held 5 Statutory Auditors meetings during which exchanges of information with the independent audit company also took place to ensure that no transactions occurred that were imprudent, risky, with a potential conflict of interest, in breach of the law or the By-Laws or shareholders' meeting resolutions or such as to compromise the integrity of the company's assets.

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

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

9. Observations on the suitability of the organisational structure.

The Board of Statutory Auditors has gathered information on the company's organisational structure and changes made to it, including by holding meetings with the relevant Company managers. In light of what has been confirmed, the Board of Statutory Auditors considers

that the Company's organisational structure, procedures, competences and responsibilities are suitable for the size of the Company and the type of activity performed.

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

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

- a. The gathering of information, including during meetings of the Control and Risks Committee, as well as through meetings with the Internal Audit Manager and with the managers of other functions, activities performed, mapping of risks related to activities in progress, audit plans and the internal control system's implementation projects, with the acquisition of associated documentation;
- b. Regular participation in the work of the Control and Risks Committee set up in accordance with the Self-Governance Code for listed companies;
- c. The review of the Control and Risks Committee's Annual Report;
- d. The review of the Internal Audit Manager's annual report, together with the Internal Audit Manager's positive assessment of the suitability of the Company's internal control and risk management system with respect to the Company's characteristics and risk profile assumed;
- e. In particular, on March 23, 2018, the Statutory Auditors Board (i) delivered a favourable opinion on the suitability, efficacy and effective functioning of the company's internal control and risk management system with respect to its characteristics and risk profile assumed; (ii) delivered a favourable opinion on the company's organisational, administrative and accounting structure with particular reference to the internal control and risk management system.

Furthermore, the Board of Statutory Auditors has:

- Confirmed that the company has an Organisation, Management and Control Model that is compliant with the principles contained in Legislative Decree 231/01 and the guidelines drawn up by Trade Associations, as last updated by the Board of Directors on October 5, 2017;
- Reviewed the Supervisory Body's report as of December 31, 2017 as envisaged by Legislative Decree 231/2001, which summarises the activities carried out in the year, and met with its members.

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

- a) Did not find any critical situations or facts suggesting that Aquafil S.p.A.'s internal control and risk management system is inadequate;
- b) Took note of the information provided by the Chairman of the Supervisory Board and the abovementioned report which concludes that there were no reprehensible facts or violations of the Model in the year 2017;

- c) Took note of the positive assessment delivered by the Board of Directors on the suitability and effective functioning of the Internal Control and Risk Management System for the financial year 2017.

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

The Board of Statutory Auditors, for all aspects falling within its competence, supervised the administrative and accounting system's suitability and its reliability in correctly representing accounting data and activities performed under the coordination of the Executive Officer for Financial Reporting, for the purposes of the requirements referred to in Law 262/05 "Provisions for the protection of savings and the regulation of financial markets" and subsequent amendments and additions through:

- a) The acquisition of information from the Executive Officer for Financial Reporting, and from managers of other business functions, including during participation in the work of the Control and Risks Committee;
- b) The acquisition of information on procedures adopted and instructions issued by Aquafil S.p.A. for the preparation of the Group Annual Financial Report as of 31/12/2017;
- c) The review of the report drawn up by the Executive Officer on Financial Reporting on the suitability of administrative and accounting procedures as per Law 262/05 and on the outcome of the related tests performed;
- d) Meetings with the Independent Audit Firm and the results of the work it performed.

While performing the above activities, the Board of Statutory Auditors did not find any critical situations or facts suggesting that Aquafil S.p.A.'s administrative and accounting system for the year 2017 was inadequate and/or unreliable.

12. Suitability of instructions imparted to subsidiaries.

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

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

The Board of Directors met the independent legal Audit firm to:

- a) Exchange information on the audits performed by the latter, pursuant to Legislative Decree 39/2010 and Art. 150, paragraph 3 of the CFA, on the Company's accounting records and on the correct recording of accounting data in the accounting records. No critical issues or anomalies emerged from these meetings;
- b) Examine and assess the compilation process, including the evaluation of the correct application of accounting principles and their homogeneity, and the Aquafil Group's Annual Financial Report as of 31/12/2017, together with the results of the audit activities and evaluation of these documents.

In addition to what is reported in paragraph 3, the Board of Statutory Auditors also:

- a) Received the independent legal Audit firm's report, pursuant to Art. 11, paragraph 2 of EU Regulation No. 537/2014, also highlighting the fundamental issues that emerged during the audit and any significant shortcomings detected in the internal control system on the financial reporting process, in which no significant shortcomings were found;
- b) Discussed with the independent legal Audit firm, pursuant to the provisions of Art. 6, paragraph 2(b) of EU Regulation No. 537/2014, the risks associated with the firm's independence and the measures adopted by it to limit these risks.

14. Adherence to the Self-Governance Code of the Governance Committee for listed companies.

The Board of Statutory Auditors has confirmed that the Company adheres to the Self-Governance Code for listed companies, approved in March 2006 and last amended in July 2015 (hereinafter, the "Code").

Pursuant to Art. 149, paragraph 1 (c-bis) of the CFA, it therefore monitored the practical implementation methods of the corporate governance rules envisaged by the Code, with particular regard to:

- The correct application of criteria and assessment procedures adopted by the Board of Directors to assess the independence of its members;
- The procedures with which the Internal Committees to the Board of Directors are composed, in particular with reference to directors' independence requirements.
- The company's corporate governance structure.

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

- On January 30, 2018, in parallel with the appointment of the Board of Statutory Auditors currently in office by the Shareholders' Meeting on the same date, positively verified the compliance of independence criteria for each of its members, as required by the Self-Governance Code. In carrying out these assessments, the Board of Statutory Auditors applied all the criteria envisaged by the Self-Governance Code. The outcome of these checks is shown in the Corporate Governance and Ownership Structure Annual Report drawn up for the financial year 2017.

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

Having regard to the above and having:

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

- Monitored the functioning and effectiveness of the internal control system and the administrative and accounting system, in order to assess their adequacy in meeting corporate needs and their reliability for representing accounting data;
- Monitored compliance with legal provisions concerning the formation and preparation of the Company's Annual Financial Statements and the Group's Consolidated Financial Statements and the Directors' Report for the financial year 2017, including by means of direct audits and information gathered by the independent legal Audit firm, and ascertaining compliance with legal provisions of the Directors' Report for the year 2017;
- Monitored that, in compliance with Regulation (EC) No. 1606/2002 and Legislative Decree No. 38/2005, Aquafil S.p.A.'s financial statements at December 31, 2017 and Group consolidated financial statements were drawn up in accordance with IAS/IFRS international accounting standards approved by the European Commission and supplemented by the related interpretations issued by the International Accounting Standard Board (IASB);
- Monitored compliance with the procedure for the preparation and presentation of the Annual Financial Statements and Consolidated Financial Statements to the Shareholders' Meeting;
- Monitored compliance with the provisions established by Legislative Decree 254/2016 and Consob Regulation No. 20267/2018, by examining, *inter alia*, the Non-Financial Consolidated Statement contained in the Consolidated Financial Statements and also ascertaining compliance with the provisions governing its drafting, pursuant to the abovementioned decree and, therefore, its preparation in accordance with these regulations. In particular, the Board of Statutory Auditors has, *inter alia*, confirmed the approval of the above-mentioned Statement by the Board of Directors on March 23, 2018 and the independent Audit firm's issuing of the Statutory Declaration on March 27, 2018, concerning the compliance of information provided in this document as envisaged by Arts. 3 and 4 of Legislative Decree 254/2016;

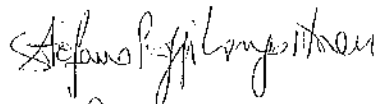
now, therefore, the Board of Statutory Auditors declares that, during its supervisory activity, as described above, no reprehensible facts, omissions or irregularities emerged that would require a statement to be made to the competent bodies.

In consideration of the above, the Board of Statutory Auditors invites you to approve the financial statements as of December 31, 2017, as presented by the Board of Directors together with the Directors' Report and the allocation proposal for the year's result.

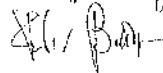
Arco, March 27, 2018

Board of Statutory Auditors


Mr. Stefano Poggi Longostrevi – Chairman



Mr. Fabio Buttignon- Statutory Auditor



Ms. Bettina Solimando – Statutory Auditor



Report on the Audit of the Financial Statements



Independent auditor's report

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

To the shareholders of
Aquafil SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Aquafil SpA (the Company), which comprise the statement of financial position as of 31 December 2017, the income statement, the statement of comprehensive income and the statement of changes in equity, the statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2017, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the

PricewaterhouseCoopers SpA

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

Key Audit Matter

Audit procedures on key aspects

Recoverability of the value of the investments in subsidiaries

Note 8.3 “Current and non-current financial assets” in the separate financial statements

The financial statements of Aquafil SpA include investments in subsidiaries for Euro 179,710 thousand totalling 38% of total assets. The investments are recorded at cost.

Management of the Company, at least annually, carries out an analysis on the individual investments, focusing on the companies whose carrying amount in the financial statements is higher than related net equity portion. Where, after this analysis, impairment indicators of the investments arise, management carries out an impairment test.

In consideration of the importance of this account and the use of estimates generally arising in the valuations, we have identified as a key aspect of the audit any impairment indicators in the valuation of the investments in subsidiaries and any consequent write-down in the financial statements.

The audit procedures carried out concerned the review and discussion with management of the economic/financial performance of the subsidiaries, as well as the existence of any impairment indicators, as per IAS 36 (“Impairment of Assets”).

We also obtained and analysed the results of the activities undertaken by the audit teams of the subsidiaries on the reporting packages utilised for the consolidated financial statements, carried out based on our instructions, in order to determine the existence or otherwise of any impairment indicators.

In the presence of impairment indicators of the investments, we discussed the conclusions with management following the impairment test. We verified the adequacy of the write-downs made to the carrying amount of the investments. In particular we reviewed the calculation method of the cash flow projections utilised in order to determine the value in use and the application of the mathematical model of the discounted cash flows net of the debtor positions. In addition we reviewed the projections utilised compared to management plans.

Finally we verified the completeness and accuracy of disclosures contained in the Explanatory Notes.



Key Audit Matters

Auditing procedures performed in response to key audit matters

Accounting recognition of the merger by incorporation

Note 7 “Business combinations” of the separate financial statements

In 2017 the merger by incorporation took place of Aquafil SpA into the Special Purpose Acquisition Company (SPAC) called Space3 SpA. The merger was effective on December 4, 2017, simultaneous to admission for trading of the shares on the Italian Stock Exchange (MTA), STAR Segment. On the same date Space3 SpA changed its name to Aquafil SpA.

With the merger by incorporation of Aquafil SpA (non-listed operating company) into Space 3 SpA (non-operating listed company), the majority shareholders of Aquafil SpA, pre-merger, became the majority shareholders of the company Space 3 SpA, post-merger, now Aquafil SpA. The merger took place according to the financial statements at December 4, 2017, effective merger date, of the two entities involved.

As Space 3 SpA (“incorporating company”) does not represent a business as per IFRS 3 (“Business Combination”), the directors considered that the merger should be recognised based on IFRS 2 (“Share-based Payment”) as with the corporate transaction the shareholders of Aquafil SpA pre-merger swapped their shares with the shares of Space 3 SpA based on a pre-determined share swap ratio.

In consideration of the nature of the transaction and of the significance of its impact on the financial statements, we identified as a key aspect the correct representation of the merger in the separate financial statements.

Within our activities we obtained and analysed in detail the merger and were satisfied that the merger of Aquafil SpA into Space 3 SpA should be represented in the financial statements in accordance with IFRS 2.

In particular we verified, with the support of internal consultants on business combination accounting, that the merger of Aquafil SpA into Space 3 SpA should be represented in the financial statements (differing than that recorded in the consolidated financial statements and in accordance with national regulatory obligations), recording the net assets of Aquafil SpA at the effective merger date (December 4, 2017) and the relative revenues and costs for the period from December 4 to December 31, 2017.

We have therefore audited the financial statements, prepared in accordance with international accounting standards, of the incorporated company Aquafil SpA at December 4, 2017.

In relation to the above-mentioned transaction we also verified that there was no significant difference between (i) the fair value of the shares which Aquafil SpA would have had to issue to confer to the shareholders of Space 3 SpA the shareholding of the entity post-merger which they effectively obtained, and (ii) the fair value of the net assets of Space 3 SpA and therefore there was no charge to recognise as per IFRS 2.

Finally, we verified that the effects of the merger as illustrated above were correctly



Key Audit Matters

Auditing procedures performed in response to key audit matters

recognised in the net equity of the parent company Space 3 SpA (now Aquafil SpA) at December 31, 2017, as well as in the disclosures in the explanatory notes to the financial statements.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/05 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, management uses the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the financial statements,



whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- we obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- we concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) n° 537/2014

On 30 January, the shareholders of Aquafil SpA in general meeting engaged us to perform the statutory audit of the Company's and consolidated financial statements for the years ending 31 December 2017 to 31 December 2025.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) n° 537/2014 and that we remained independent of the Company in conducting the statutory audit.



We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree n° 39/10 and Article 123-bis, paragraph 4, of Legislative Decree n° 58/98

Management of Aquafil SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the Company as of 31 December 2017, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) n° 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree n° 58/98, with the financial statements of Aquafil SpA as of 31 December 2017 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Aquafil SpA as of 31 December 2017 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree n° 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Trento, 27 March 2018

PricewaterhouseCoopers SpA

Signed by

Alberto Michelotti
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

Independent Auditor's report on the non Financial Report



Independent Auditor's report on the non financial report

pursuant to article 3, paragraph 10, of Legislative Decree No. 254/2016 and article 5 of CONSOB Regulation No. 20267

To the Board of Directors of Aquafil SpA

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016 (the "Decree") and article 5 of CONSOB Regulation No. 20267, we have performed a limited assurance engagement on the non financial report of Aquafil SpA and its subsidiaries (hereafter the "group") for the year ended 31 December 2017 prepared in accordance with article 4 of the Decree and approved by the Board of Directors on March 23, 2018 (hereafter the "NFS").

Responsibility of the Directors and of the Board of Statutory Auditors for the NFS

Directors are responsible for the preparation of the NFS in accordance with article 3 and 4 of the Decree and with the "Sustainability Reporting Guidelines" version G4, defined in 2013 by GRI - Global Reporting Initiative (hereafter "GRI G4 Guidelines"), as laid down in paragraph "Methodological Note" of the NFS, identified by them as the reporting standard.

Directors are responsible, in the terms prescribed by law, for such internal control they deem to be necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

Directors are responsible for identifying the content of the NFS, within the matters mentioned in article 3, paragraph 1, of the Decree, considering the activities and characteristics of the group and to the extent necessary to ensure an understanding of the group's activities, performance, results and related impacts.

Directors are responsible for defining the business and organisational model of the group and, with reference to the matters identified and reported in the NFS, for the policies adopted by the group and for the identification and management of risks generated and/or faced by the group.

The Board of Statutory Auditors are responsible for overseeing, in the terms prescribed by law, compliance with the Decree.

PricewaterhouseCoopers SpA

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Auditor's Independence and Quality Control

We are independent in accordance with the principles of ethics and independence set out in the Code of Ethics for Professional Accountants published by the International Ethics Standards Board for Accountants, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. Our audit firm adopts International Standard on Quality Control 1 (ISQC Italy 1) and, accordingly, maintains an overall quality control system which includes processes and procedures for compliance with ethical and professional principles and with applicable laws and regulations.

Auditor's responsibilities

We are responsible for expressing a conclusion, on the basis of the work performed, regarding the compliance of the NFS with the Decree, with the GRI Standards and the additional reporting methodology according to Regulation UNI 7249/2007 relating to personnel incidents. We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information (hereafter “ISAE 3000 Revised”), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. The standard requires that we plan and apply procedures in order to obtain limited assurance that the NFS is free of material misstatement. The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFS were based on our professional judgement and consisted in interviews, primarily of company personnel responsible for the preparation of the information presented in the NFS, analyses of documents, recalculations and other procedures designed to obtain evidence considered useful.

In particular, we performed the following procedures:

1. Analysis of the relevant matters reported in the NFS relating to the activities and characteristics of the company, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree and the with the reporting standard adopted;
2. Analysis and assessment of the criteria used to identify the consolidation area, in order to assess their compliance with the Decree;
3. Comparison of the financial information reported in the NFS with the information reported in the group's consolidated financial statements;
4. Understanding of the following matters:
 - o Business and organisational model of the group, with reference to the management of the matters specified by article 3 of the Decree;
 - o Policies adopted by the group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;



- Main risks, generated and/or faced by the group, with reference to the matters specified in article 3 of the Decree.

With reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 5 a) below.

5. Understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS.

In particular, we held meetings and interviews with the management of Aquafil SpA and AquafilSLO d.o.o., and we performed limited analyses of documentary evidence, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.

Moreover, for material information, considering the activities and characteristics of the group:

- at a group level,
 - a) with reference to the qualitative information included in the NFS, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify their consistency with available evidence;
 - b) with reference to quantitative information, we performed analytical procedures as well as limited tests, in order to assess, on a sample basis, the accuracy of consolidation of the information;
- at a site/ plant level: Aquafil SpA's head office at Arco (TN, Italy) and AquafilSLO d.o.o.'s registered office at Ljubljana (Slovenia), which were selected on the basis of their activities, their contribution to the performance indicators at a consolidated level and their location, we carried out site visits and walk through procedures during which we met local management and gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

Conclusions

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of Aquafil SpA as of 31 December 2017 has not been prepared, in all material respects, in compliance with articles 3 and 4 of the Decree and with GRI G4 Guidelines, as laid down in paragraph "Methodological Note" of the NFS.



Other aspects

The comparative information presented in the NFS in relation to the financial year ended 31 December 2016 has not been subjected to any procedures.

Milan, 27 March 2018

PricewaterhouseCoopers SpA

Signed by

Alberto Michelotti
(Partner)

Paolo Bersani
(Authorised signatory)

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