Consolidated financial statements

2018

AQUAFIL
synthetic fibres and polymers

INDEX

5. Corporate Boards

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.

9. Directors' Report on the 2018 Separate and Consolidated Financial Statements of Aquafil S.p.A.

2018 Directors' Report

Dear Shareholders,
the *statutory financial statements*, which we submit for your review and approval, present in the Income Statement "Total revenues" of Euro 609.8 million and a net profit of Euro 10.2 million, after current and deferred taxes for a net total of Euro 4.1 million.

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 2018, which present "Total revenues" of Euro 555.2 million and a Group net profit of Euro 30.1 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.

1 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.

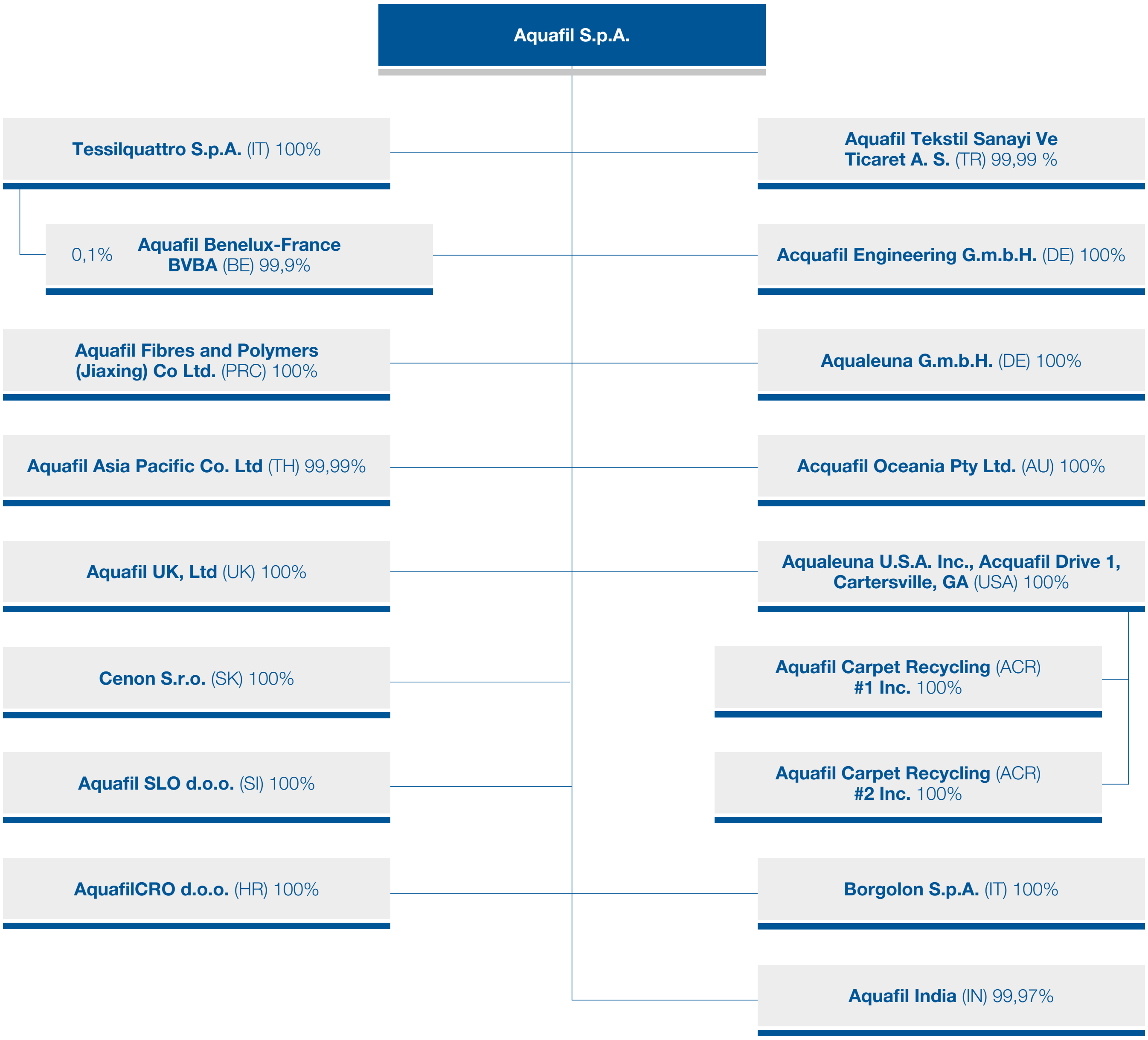
2 CORPORATE INFORMATION OF THE PARENT COMPANY AQUAFIL S.P.A.

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 approval date of the financial statements at 31.12.2018):

- Approved: 50,676,034.18
- Subscribed: 49,722,417.28
- Paid in: 49,722,417.28

Tax and VAT number: IT 09652170961
Trento Economic & Administrative Registration No. 228169

3 CONSOLIDATION SCOPE



The Group comprises 18 direct or indirect subsidiaries of Aquafil S.p.A., with headquarters in Europe, United States, Asia and Oceania.

4 AQUAFIL GROUP AND PARENT COMPANY FINANCIAL HIGHLIGHTS

4.1 DEFINITION OF ALTERNATIVE PERFORMANCE INDICATORS

Gross operating profit (EBITDA)
Il risultato dell’esercizio rettificato delle seguenti componenti:
(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/2013/319 Recommendations:

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

4.2 KEY GROUP FINANCIAL HIGHLIGHTS

thousands of Euro	2018	2017
Net profit for the year	**30,097**	**25,216**
Income taxes	6,986	2,796
Investment income and charges	0	(50)
Amortisation, depreciation and write-downs	26,361	24,229
Provisions & write-downs	285	1,103
Financial items (*)	7,793	14,670
Non-recurring items (**)	6,373	5,788
EBITDA	**77,896**	**73,751**
Revenues	**555,220**	**528,333**
EBITDA margin	**14.0%**	**14.0%**

thousands of Euro	2018	2017
EBITDA	**77,896**	**73,751**
Amortisation, depreciation and write-downs	(26,361)	(24,229)
Provisions & write-downs	(285)	(1,103)
Adjusted EBIT	**51,250**	**48,419**
Revenues	**555,220**	**528,333**
Adjusted EBIT margin	**9.2%**	**9.2%**

(*) These comprise: (i) financial income for Euro 44.6 thousand, (ii) interest expense on loans and other bank charges for Euro 5,815.8 thousand, (iii) customer cash discounts for Euro 3,689.3 thousand and (iv) exchange gains for Euro 1,667.9 thousand.

(**) These comprise (i) mobility and incentive charges for Euro 2.76 million (ii) non-recurring charges related to the expansion of the Aquafil Group and other corporate transactions for Euro 2.99 million and (iii) other non-recurring charges and income for Euro 623 thousand.
Comparative EBITDA changed compared to the approved financial statements at December 31, 2017 as taking account of income statement reclassifications, as outlined in paragraph 2.2 “Form and content of the financial statements”.

EBITDA, as defined by the alternative performance indicators outlined in the financial summary of this report, is up from Euro 73.8 million to Euro 77.9 million, increasing Euro 4.1 million (+5.6%). The revenue margin remains unchanged at 14%. The main factors contributing to the increase in operating profit were (i) higher sales volumes of BCF yarns in the United States, with the full potential profit margin however not reflected due to partial coverage by European suppliers, given the insufficient capacity of the US plant which resulted in additional transfer costs and customs tariffs; (ii) increased sales volumes of BCF yarns on the Asian, Australian and New Zealand markets, with these latter improving following the acquisition of the sales network by Invista; (iii) the reduction in sales volumes of principally BCF fibres and to a lesser extent NTF in EMEA, reflecting the general market in the final part of the year; (iv) Group energy costs increased in terms of tariffs, although this was offset by improved manufacturing plant efficiency which on the whole performed better than 2017.

The other net operating earnings indicators (EBIT and adjusted EBIT) follow the movements of EBITDA, while differing in terms of increased amortization and depreciation on 2017.

4.3 KEY GROUP BALANCE SHEET AND FINANCIAL INDICATORS

thousands of Euro	31/12/2018	31/12/2017
Shareholders' Equity	143,811	125,499
Net Financial Position	157,279	112,071
N.F.P./EBITDA	**2.02**	**1.52**

The comments on the movements in the Net Financial Position are reported in paragraph 8 "Group balance sheet and financial position" paragraph.

4.4 PARENT COMPANY KEY FINANCIAL HIGHLIGHTS

KEY FINANCIAL HIGHLIGHTS

thousands of Euro	31.12.2018
Net profit for the year	**10,187**
Income taxes	4,113
Investment income and charges	1,692
Amortisation, depreciation and write-downs	5,997
Provisions & write-downs	(310)
Financial items (*)	5,795
Non-recurring items (**)	1,415
EBITDA	**28,889**
Revenues	**609,818**
EBITDA margin	**4.7%**

thousands of Euro	31.12.2018
EBITDA	**28,889**
Amortisation, depreciation and write-downs	5,997
Provisions & write-downs	(310)
Adjusted EBIT	**34,576**
Revenues	**609,818**
Adjusted EBIT margin	**5.7%**

(*) These comprise: (i) financial income for Euro 1,779 thousand, (ii) interest expense on loans and other bank charges for Euro -5,293 thousand, (iii) customer cash discounts for Euro -3,117 thousand and (iv) exchange gains for Euro 836 thousand.

(**) These comprise (i) mobility and incentive charges for Euro 125 thousand, (ii) non-recurring charges related to the expansion of the Aquafil Group and other corporate transactions for Euro 1,290 thousand.

A comparison of the income statements indicators of the parent company with the previous year is not provided as not significant, as the 2017 period for Aquafil S.p.A. post-merger ran from December 4, 2017. The income statement figures report revenues and acquisition costs in excess of the consolidated financial statements as including significant inter-company purchase and sales activities with the investees. The net result does not incorporate the positive income statement results of the previous year of the subsidiaries, in view of the investments' valuation method adopted. For all other detailed information, reference should be made to the separate financial statements of the company

4.5 KEY PARENT COMPANY BALANCE SHEET AND FINANCIAL INDICATORS

thousands of Euro	31.12.2018
Shareholders' Equity	116,241
Net Financial Position	198,436
N.F.P./EBITDA	**6.87**

The debt of the parent company does not reflect the real debt of the company as not taking account of (a) liquidity available in the bank accounts of the subsidiaries at year-end and (b) long-term loan receivables from the subsidiaries, which at year-end amounted to Euro 45.6 million. Funding from the financial system in fact is mainly managed by the parent company, which undertakes a financial support role for the subsidiaries. For all other detailed information, reference should be made to the separate financial statements of the company.

5 ECONOMIC OVERVIEW

The past year featured globalized uncertainties which impacted economic growth. In the final months of 2018, signs of cyclical deterioration were apparent in many advanced and emerging economies, indicating a possible worsening of global trade. The series of measures restricting free trade, in the context of a new isolationist and protectionist climate championed by the United States, had unexceptional consequences for the real cycle in the very near term, but resulted in high volatility on the financial markets, reduced economic expectations and held back investment plans. These were in addition to other significant risks correlated to the monetary tightening undertaken by the Federal Reserve, which increased the pressure on debt in dollars and on exchange rates, the challenges inherent in managing the process of the separation of Great Britain from the European Union, the Italian crisis, which renewed the focus on the fragility of the institutional framework of the Monetary Union, and the signs of instability seen in various emerging areas. According to the OECD's most recent November 2018 report, the concern is not that the economic cycle will reverse course, but certainly that global growth will slow – most markedly in Europe.

The United States is the only major economy not to slow compared with the global cycle in 2018 and that finds itself at the tail end of a long period of growth and that could continue to see some signs of slowing in the coming years. For the time being, inflation remains under control in keeping with the gradual pace of the rate increase process implemented by the Federal Reserve. The Chinese economy continues to show signs of an orderly slowing of growth. The U.S. trade offensive accentuated an already active slowing phase, penalizing an economic system that remains highly dependent on foreign demand, despite government efforts to reorient it towards consumption. The Eurozone's economy was conditioned by the slowdown in domestic consumption and exports to the Far East: European industrial production featured a significant drop in Germany, France and Italy in the latter part of the year. Inflation - while largely on the rise - fell due to decelerating energy prices. Eurozone business and consumer confidence is down - partly due to a decline in industrial production. This follows a drop in particularly foreign demand and the outlook for 2019 is again weak. The weakening of Italian production activities accompanies a decline in domestic demand, particularly from investments, but also household spending to a lesser extent. This owing to political and economic uncertainty coupled with trade tensions. The ECB confirmed the end of its quantitative easing purchasing program, but added that it would continue to reinvest the redemption amounts of securities purchased during QE for an extended period of time.

The US Dollar/Euro exchange rate weakened to 1.25 in the first half of the year, while gradually stabilising at around 1.14/1.15 in the second half and remaining at these values for the initial months of the new year.

Energy price trends were significant: crude oil prices (over $60 a barrel in January 2018) were high on average for much of the year, climbing in November to exceed $75 a barrel, near their highest level since 2014, due in part to the pressure from persistent geopolitical tensions, in particular following the abandonment of the nuclear agreement with Iran by the United States. There was a vertical price collapse in October and November, when the price of WTI crude approached $40 a barrel (its lowest level since October 2017), falling by over 40% from its high. The trend – initially attributable to excessive supply conditions on the physical market – was supported by signs of cooling of the global cycle, resulting in overly modest price levels for Saudi Arabia, the top player in the OPEC cartel (10.7 million barrels produced a day), and Russia (11.8 million barrels), a member of the extended output control group. The OPEC summit in Vienna (in December) then yielded a sufficient consensus to cut global production by 1.2 million barrels a day, but the price reaction was rather tepid, perhaps in part because the cartel's ability to control the market is less pronounced than in the past due to reduced cohesiveness and the presence of the United States, certainly an aggressive producer (over 11 million barrels). However, the drive to cut supply is shared at the global level. Prices of the intermediary chemical derivative caprolactam, the monomer which makes up the raw material of the majority of products sold by the Group (polymers and polyamide 6 fibres), have shown little relation to oil prices during the year with gradual growth prompting an average annual price rise approx. 12% compared to the 2017 average. Polyamide 6.6 polymer prices rose significantly more. This material represents a small proportion of the raw materials acquired by the Group and is used for certain forms of NTF production. Should this increase - which is due to the rise in prices of polyamide 6.6 polymer components, which differ from the polyamide 6 polymer - persist, a substitution effect in the demand of polyamide-based synthetic fibres from the polyamide 6.6 polymer to the polyamide 6 polymer could take place.

6 GROUP OPERATING PERFORMANCE

The 2018 Income Statement compared with the previous year is reported below:

CONSOLIDATED INCOME STATEMENT

thousands of Euro	Note	**At 31.12.2018**	*of which non-current*	**At 31.12.2017**	*of which non-current*
Revenues	8.1	555,220	-	528,333	-
of which related parties:		*218*		*297*	
Other revenues and income	8.2	2,591	*856*	1,431	*260*
Total revenues and other revenues and income		**557,881**	***856***	**529,764**	***260***
Cost of raw materials and changes to inventories	8.3	(282,266)	*(118)*	(268,171)	*(1,131)*
Service costs and rents, leases and similar costs	8.4	(100,935)	*(2,918)*	(94,096)	*(2,840)*
of which related parties:		*(3,586)*		*(3,668)*	
Labour costs	8.5	(106,410)	*(3,983)*	(101,304)	*(1,975)*
of which related parties:		-		*(797)*	
Other costs and operating charges	8.6	(2,438)	*(211)*	(2,575)	*(102)*
of which related parties:		*(70)*		*(70)*	
Amortisation, depreciation & write-downs	8.7	(26,361)		(24,229)	
Doubtful debt provision	8.8	(93)		(1,103)	
Provisions for risks and charges	8.8	(192)			
Increase in internal work capitalised	8.9	2,071		533	
Operating Profit		**41,187**	***(6,373)***	**38,819**	***(5,788)***
Investment income/charges		-		50	
Financial income	8.10	45		219	
of which related parties:		-		*144*	
Financial charges	8.11	(5,816)		(6,276)	
Exchange gains/losses	8.12	1,668		(4,800)	
Profit before taxes		**37,084**	***(6,373)***	**28,012**	***(5,788)***
Income taxes	8.13	(6,986)		(2,796)	*2,721*
Profit for the year		**30,097**	***(6,373)***	**25,216**	***(3,067)***
Minority interest net profit		(0)		99	
Group Net Profit		**30,097**		**25,117**	

Consolidated turnover for 2018 increased Euro 26.9 million (+5.1%) on the previous year, from Euro 528.3 million to Euro 555.2 million (lower amounts due to the application of IFRS 15). Sales volumes for the three product lines as a whole increased on the previous year, reflecting (a) a significant increase in the BCF line on the US and Asia Pacific markets against a decrease in the EMEA area (b) largely stable NTF and polymer line volumes. The average price increase of the raw materials caprolactam and PA66 polymer were reflected by the sales prices of finished goods. This, together with the increase in sales volumes, contributed to growth in total turnover.

Raw materials, ancillaries and consumables also reported an increase to Euro 282.266 million, compared to Euro 268.171 million in 2017 (+5.2%) (lower amounts due to the application of IFRS 15). This is based on the higher average price of the main raw materials acquired by the Group (caprolactam and PA66 polymer) and greater production volumes.

Service costs and rent, lease and similar costs amounted to Euro 100.9 million, an increase of 7.3% on 2017 (Euro 94.1 million), due to the increase in the variable components of the services related to production increases, such as energy, transport and other logistical costs and maintenance, based on higher product volumes.

Personnel costs, excluding non-recurring items, which were impacted by the closure of a reprocessing unit at Aqualeuna GmbH, rose approx. Euro 3.1 million to Euro 102.4 million (+3.1%). The average Group workforce rose from 2,728 to 2,767 units (+1.4%). The Group workforce at the end of 2018 was 2,813, compared to 2,721 at the end of 2017. The main increases were in China, Slovenia (various plant) and the US (including ACR), in support of expanded production capacity, while some reductions were seen in Germany (Leuna) and the UK.

Amortisation and depreciation of Euro 26.4 million in 2018 increased Euro 2.2 million following the entry into use of prior and present year investments.

Net financial charges reduced from Euro 10.8 million to Euro 4.1 million, with the net decrease of Euro 6.7 million attributable to (i) the reduction in financial charges on loans, from Euro 6.3 million in 2017 to Euro 5.8 million in 2018 and the settlement, partly on maturity and partly in advance, of loans signed in the past at more unfavourable conditions than those currently available, (ii) net exchange gains and losses, improving from a loss of Euro 4.8 million in 2017 to a gain of Euro 1.7 million in 2018, mainly due to the conversion of items in US Dollars.

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 7 million, compared to Euro 2.8 million in the previous year, with Aquafil S.p.A. benefitting for the first time from the positive impact on IRES from the application of ACE Law 214/2011. Current taxes amounted to Euro 5.3 million, due to taxes on profits in foreign countries and IRES and IRAP taxes on Italian income.

Group consolidated net profit was Euro 30.1 million, compared to Euro 25.2 million in 2017.

7 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 whose results are reviewed periodically by the Board of Directors.

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.

7.1 REVENUE BREAKDOWN BY REGION

The breakdown of consolidated revenues by region illustrates a significant increase in the share from the US and Asia and Oceania markets, against a reduction in the EMEA share. Italian market sales substantially remained unchanged and principally derived from the polymers product and the NTF area, whose domestic clients in turn sell a significant part of their products overseas. The breakdown of revenues by region is outlined in the following table:

	2018		**2017**		**Change**	
	in Euro millions	%	in Euro millions	%	in Euro millions	%
Italy	113,3	20.4%	112,2	21.2%	1,2	1.0%
EMEA (no Italy)	239,5	43.1%	263,6	49.9%	(24,1)	(9.1%)
North America	103,7	18.7%	90,5	17.1%	13,2	14.6%
Asia & Oceania	98,3	17.7%	61,2	11.6%	37,1	60.6%
Rest of the World	0,4	0.1%	0,9	0.2%	(0,5)	(56.1%)
Total	**555,2**	**100%**	**528,3**	**100%**	**26,9**	**5.1%**

7.2 REVENUES BY PRODUCT LINE

The breakdown of revenues by product line, compared with 2017, indicates growth both in absolute and percentage terms for BCF yarn sales on the previous year. The two other areas reported results in line with the previous year. BCF line revenues include the engineering operations of Aquafil Engineering G.m.b.H., which totalled Euro 9.9 million, reducing on Euro 11.8 million in the previous year. Revenues by product line are broken down below.

	2018		**2017**		**Change**	
	in Euro millions	%	in Euro millions	%	in Euro millions	%
BCF	408,0	73.5%	381,9	72.3%	26,1	6.8%
NTF	94,8	17.1%	94,7	17.9%	0,1	0.1%
Polymers	52,4	9.4%	51,8	9.8%	0,6	1.2%
Total	**555,2**	**100%**	**528,3**	**100%**	**26,8**	**5.1%**

8 GROUP BALANCE SHEET AND FINANCIAL SITUATION

The following table reclassifies the consolidated equity and financial position of the Group at December 31, 2018 and December 31, 2017.

thousands of Euro	At December 31, 2018	At December 31, 2017	Change
Trade receivables	34,046	34,870	(825)
Inventories	189,678	153,499	36,179
Trade payable	(106,895)	(94,477)	(12,418)
Tax receivables	451	524	(74)
Other current assets	14,297	12,517	1,780
Other current liabilities	(22,017)	(18,919)	(3,098)
Net wording capital	**109,559**	**88,015**	**21,544**
Property, palnt & equipment	189,661	153,927	35,734
Intangible assets	15,992	7,782	8,210
Financial assets	404	408	(4)
Non-current assets held for sale	0	0	0
Net fixed assets	**206,057**	**162,117**	**43,941**
Employee benefits	(5,702)	(5,876)	174
Other net Assets/(Liabilities)	(8,824)	(6,685)	(2,139)
NET FIXED ASSETS	**301,091**	**237,570**	**63,520**
Cash and banks	103,277	99,024	4,254
ST bank payables and loans	(34,279)	(49,483)	15,203
M-LT bank payables and loans	(159,492)	(91,597)	(67,895)
M-LT bond loan	(53,578)	(53,820)	242
ST bond loan	(1,217)	(716)	(500)
Current financial receivables	2,878	988	1,890
Other financial payables	(14,869)	(16,468)	1,599
NET FINANCIAL POSITION	**(157,279)**	**(112,071)**	**(45,208)**
Group shareholders' equity	(143,810)	(125,014)	(18,796)
Minority interest shareholders' equity	(1)	(485)	484
TOTAL SHAREHOLDERS' EQUITY	**(143,811)**	**(125,499)**	**(18,312)**

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 2018 (currency translation effects) principally between the Euro the US and Chinese currencies: the changes in the balance sheet items compared to 2018 arose partly due to this factor.

Net working capital amounts to Euro 106.6 million, increasing Euro 21.5 million on Euro 88 million in 2017. The difference stems from the increased inventories (+Euro 36 million), rising both in quantity and value terms, mainly due to the production support provided by the European facilities to those in China and America in view of sales growth on the local markets and the rise in the average raw materials price. The shipping of additional quantities overseas lengthened the inter-company supply chain timelines and therefore held up "in transit" significant product quantities. These volumes will return to normal levels once overseas production capacity recalibrates with the respective local sales volumes. In addition, the increase in ex-Invista revenues from Australia and New Zealand clients permanently increased working capital needs due to the longer delivery times and consequent payment extensions. The commercial debt rose Euro 12.4 million, correspondingly mitigating the increase in net working capital, due to the higher value and quantity exposure in the final period of 2018 from the main raw material suppliers compared to the end of the previous year. The effect does not derive from changes in supplier payment conditions.

Fixed assets at December 31, 2018 amounted to Euro 206.1 million, an increase of Euro 44.6 million compared to the previous year. 2018 saw increased investment activities of Euro 70.5 million, mainly concerning (i) acquisition of business operations in Asia/Oceania from Invista, (ii) investments in the development of the ECONYL® regeneration process, including particularly the incorporation and start-up of the Aquafil Carpet Recycling (ACR) companies in the US, (iii) expanded production capacity of core BCF operations in the US and China, (iv) investments supporting the rapid return streamlining of core production and (v) ordinary annual investments to modernise and technologically develop existing plant. No significant divestments are reported.

Shareholders' Equity rose Euro 18.3 million, from Euro 125.5 million to Euro 143.8 million, substantially due to (i) the consolidated net profit of Euro 30.1 million, while reducing due to the distribution of reserves in the year of Euro 12.2 million.

The Net financial debt at December 31, 2018 amounted to Euro 157.3 million, compared to Euro 112.1 million in the previous year, increasing Euro 45.2 million. The NFP/EBITDA ratio consequently increased from 1.5 to 2. The movements are outlined in detail in the consolidated cash flow statement, indicating in particular the cash flows generated from operations of Euro 35.4 million, the impact on investment activities for Euro 70.5 million and the increase in net working capital of Euro 20.9 million. New medium-term unsecured loans were signed in the year by the parent company Aquafil S.p.A. for a total of Euro 120 million, against the repayment of outstanding loans on schedule and in advance in view of associated high financial charges for a total of Euro 68.2 million. The bond loan of Euro 50 million signed with the US Group Prudential was renegotiated, with the fixed interest rate reviewed down to 3.70% from 4.35% and with its instalment plan extended by over 3 years to final maturity in 2028. In addition to the revision of conditions, Aquafil S.p.A. obtained from Prudential a three-year shelf facility that can be drawn down up to a maximum of USD 150 million. The total Group bank credit lines at year-end amount to Euro 89.5 million, completely unutilised. Liquidity at year-end of Euro 103.3 million was distributed among the current accounts of the various Group operating companies in support of core operational requirements. The payables to other lenders relate to the contract for the equity stake in the subsidiary Aquafil CRO 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 and will expire in 2019. The leasing payables were classified to finance lease payables and principally concern the property lease upon the production facilities of Aquafil S.p.A. at Arco (TN).

9 INTERCOMPANY TRANSACTIONS AND TRANSACTIONS WITH RELATED COMPANIES

9.1 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 activities of the various group companies and principal events in 2018, broken down by each of the three product lines, were as follows.

BCF (Bulk Continuous Filament for textile floor covering) 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 at Aquafil Drive and Fiber Drive in Cartersville (U.S.A.), Aquafil Carpet Recycling (ACR) #1 in Phoenix (Arizona - USA), 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 (ACR) #2, Inc was incorporated in Woodland - California (USA) and shall engage in 2019, similarly to the Group company ACR #1, in the extraction of nylon 6 and other “end life” carpet sub-products to feed the ECONYL® industrial process. The commercial company Aquafil Oceania Pty Ltd was also incorporated, undertaking from the second half of 2018 commercial representation for the Group companies on the Oceania markets. 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 (Nylon Textile Filament for textile/apparel use) Line
The NTF product line 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. The polymers and polyamide 6 waste are principally produced/sold 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.).

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 owns 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.

9.2 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, 2018, 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 companies Tessilquattro S.p.A. and Borgolon S.p.A.. The transactions have been presented in the Explanatory Notes.

During the year, Aquafil S.p.A. approved and executed the distribution of dividends for a total of Euro 12.2 million, of which Euro 7.1 million to the majority shareholder Aquafin Holding 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, 2018, 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.

10 SIGNIFICANT EVENTS IN THE YEAR

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 assets acquired concern the BCF product line of the business developed by Invista in the Asia Pacific region, with annual business volumes of approx. USD 50 million and forecast margins following full integration in line with that of the Aquafil Group at consolidated level.

On February 23, 2018, the company Aquafil Carpet Recycling (ACR) #2, Inc. was incorporated in Woodland, California (USA), with share capital comprising 100,000 shares for a total nominal value of USD 250,000. The company is fully held by Aquafil USA, Inc. and will recover and re-process material from end-of-life carpeting, partly to feed the ECONYL® production process. Production is scheduled to start-up in the first half of 2019.

In October an addendum was signed to the commercial contract signed in 2017 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, now supplemented with the afore-mentioned addendum for a further USD 10.8 million (of which to-date USD 3.6 million paid) as contribution to the contractual commitments of Aquafil S.p.A. for a total period until 2026.

In view of the expansion of commercial operations in Australia and New Zealand, on June 27, 2018 the company Aquafil Oceania PTY LTD was incorporated, with registered office in Melbourne (Australia), share capital of a nominal U$A 50,000, entirely subscribed and paid-in by Aquafil S.p.A.. The company is the commercial representation on the Oceania market of the Group companies.

In the dispute between the Riva del Garda Tax Office and Domo Chemicals Italy S.p.A. in the matter of the registry tax levied on the sale of the equity interest in Domo Engineering Plastics S.p.A. on May 31, 2013, in respect of which Aquafil S.p.A is jointly and severally liable on a contractual basis, in view of the new developments introduced by the 2019 Budget Law, Article 1, paragraph 1084, which amended Article 20 of Presidential Decree No. 131/1986 ("TUR"), as a certified interpretation rule, assigning them explicit retrospective efficacy, it is confirmed that the risk of loss was assessed as low and for this reason a specific provision was not set aside in the consolidated financial statements at December 31, 2018.

There are no particular developments to be reported in the case of the supplier of the water treatment service for the Rovereto dyeing process of Tessilquattro S.p.A., as regards its impact on the Aquafil Group's business activities. The plant's biological treatment section is unaffected by restrictive measures and continues to function regularly, although possible economic difficulties affecting the supplier of the purification service as a result of the costs of the activity, which has been stopped, could result in an increase in the cost of the service for Tessilquattro S.p.A. that is currently difficult to quantify. However, there are believed to be alternative solutions to the management of BCF coloured fibre production capable of preventing significant impacts on the Group's profitability.

Finally, at the facility of the subsidiary AquafilCRO of Oroslavje (Croatia), on January 25, 2018, 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 damages were almost entirely covered by the insurance policy.

On August 7, 2018 the subsidiary Aqualeuna GmbH presented local trade union organisations with a plan to specialise the Leuna production facility in BCF spinning activities only, with the closure of the heat-set reprocessing unit and consequently greater saturation of the other specialized Group reprocessing plant, in order to optimise logistics and production, improve service and reduce process costs. This project resulted in a reduction in the company workforce with regard only to the affected unit's personnel, for a total of 42. The company provisioned the relative mobility and leaving incentive cost for the affected personnel for Euro 2.1 million.

On March 27, 2018, the company Aquafil S.p.A. increased the share capital of Aqualeuna G.m.b.H. by Euro 3.085 million in coverage of the latter's cumulated losses. On February 25, 2019, Aquafil paid-in an additional Euro 1.879 million to increase the share capital of Aqualeuna G.m.b.H. in coverage of the 2018 loss, which principally owed to charges for the closure of the BCF yarn reprocessing unit. These transactions did not have any impacts on the Group's consolidated income statement.

The company Aquafil S.p.A. on 31.12.2018 wrote-down the investment in the subsidiary Aquafil UK Ltd for Euro 1.69 million, following the reduction in sales volumes on the English market, partly impacted by "Brexit", in addition to the uncertainty regarding the recovery of the company's profitability in the near future given the weakness of the English BCF yarn market. This write-down did not impact the Group's consolidated financial statements.

11 RESEARCH AND DEVELOPMENT

R&D in 2018 concerned the product and process innovation applied to raw BCF yarns and dyed solutions, NTF yarns, PA6 polymers and the ECONYL® process and the continued development of the bio caprolactam production 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.

In certain cases, research extends to fibre and/or polymer final application sectors, such as for the automotive sector, and is carried out in collaboration with final application developers.

In 2018, research – particularly in terms of the ***BCF line*** – focused on continuing projects initiated in previous years, relating in particular to fire resistance, stain resistance (concluded), carpet emissions footprints, 3D printing, bio caprolactam, automotive-specific yarns, multi-colour technology, optimisation of the PA6 polymerisation process and PA6 dyeing improvement.

The research projects launched in previous years also continued with regard to ***NTF line*** products, with collaboration and support from external research organisations, for the creation of: a new anti-static NTF fibre, a special coloured multi-fibre on a Dryarn® base, special UV protection materials and the optimisation of technological parameters for FDY fibres and micro yarns.

ECONYL®, production research and development focused in particular on continuing activities relating to process technology for material recovery from end-of-life polyamide carpeting - undertaken both in Slovenia and in the new US plants in the start-up phase - waste copper recovery from process supply products, development of specific anti-fouling treatments for aquaculture nets, caprolactam purification technology and continuous de-polymerization process mathematical modelling.

As part of the bio caprolactam production project, research was pursued together with Genomatica Inc., San Diego, California (USA) to develop the first bio caprolactam and bio Nylon 6 production process from renewable raw materials. Related to this research, the "EFFECTIVE" project was launched, co-ordinated by Aquafil and funded by Bio-Based Industries Joint Undertaking (BBI JU) as part of the European Horizon 2020 research programme, with the entire chain (from raw material manufacturers to brands) involved in validating the use of bio Nylon 6 and other bio-polymer consumer market products.

In patent developments, in addition to the patents filed and registered in the name of Aquafil S.p.A. dated (a) 7.3.2013, PCT, on the recycling of polyamide fibres from elastomeric products and (b) 8.6.2017, PCT, on the composition of fishing net coatings, it should be noted that:

(i) patents were published on June 28, 2018, with validity in all 152 countries subscribing to the PCT, regarding a method to recover copper from discarded fishnets in support of the ECONYL® process, as requested by AquafilSLO d.o.o.;
(ii) on November 29, 2018 a patent valid in the USA was published, with AquafilSLO d.o.o as the applicant, on the process of recovering and separating scrap material from polyamide carpets at the end of their life cycle, and the international patent valid in PCT member countries was published on December 5, 2018
(iii) a PCT international patent application regarding the process of improvements and optimization of solvent-free caprolactam purification technology was filed by AquafilSLO d.o.o on December 15, 2018 and is currently in the process of being published.

In addition, Aquafil S.p.A. and Genomatica Inc., San Diego, California (USA), as part of the project for the development of Bio Caprolactam, on December 28, 2018 filed at the Italian patent office the common patent for the phase regarding the transformation of the interim initial linear obtained through the fermentation of the renewable raw materials into the cyclical ring final monomer utilised for the production of bio Nylon 6. By the 12-month expiry, it will be extended as a PCT international patent filing.

12 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.

13 OTHER INFORMATION

13.1 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.

13.2 TREASURY SHARES

At December 31, 2018, 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.

13.3 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. took part in the Group taxation procedure indicated above for the 2018-2020 three-year period as the consolidating company, following the interruption in 2017 due to the merger by incorporation into Space3 S.p.A..

13.4 MANAGEMENT AND CONTROL MODEL IN ACCORDANCE WITH LEGS. 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, 2001, 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.

13.5 IMPAIRMENT TEST PROCEDURE

The parent company has adopted an impairment test procedure, duly agreed with the Control Boards (Control and Risks Committee and Board of Statutory Auditors), latterly assessed by an independent expert. The procedure was introduced with BoD motion of February 15, 2019.

14 RECONCILIATION BETWEEN PARENT COMPANY SHAREHOLDERS' EQUITY AND NET RESULT AND GROUP SHAREHOLDERS' EQUITY AND NET RESULT AT DECEMBER 31, 2018

A breakdown of the composition and movement of net equity of the parent company and the Group consolidated financial statements at December 31, 2018 is presented in the following table.

in Euro thousands	Net Equity	Net Result
Parent company net equity and net result	**116,241**	**10,224**
Consol. Adjustments on parent company	(3,103)	930
Elimination of carrying amounts of consolidated investments		
Difference between carrying value & pro-quota shareholders' equity	18,296	
Pro-quota results of investees	15,545	15,497
Elimination of the effects of transactions between consolidated companies		
Reversal of write-downs net of revaluations of investments	1,692	1,692
Inter-company profits included in inventories & other minor	(5,824)	2,728
Translation reserve	964	48
Net equity and net result as per consolidated financial statementes	**143,811**	**31,119**
Minority interest net equity and net result	1	0
Group net equity and net result	**143,812**	**31,119**

15 SUBSEQUENT EVENTS

There are no significant events in the first few months of 2019 to report, whereas from a production and performance standpoint the trend seen in the final months of the previous year continues in terms of both product line and geographical area.

16 OUTLOOK

The factors of uncertainty that characterized global economic performance in 2018 continued into the early months of the new year, with signs of growth confirmed in the geographical area of North America and Asia/Oceania, in contrast to a general slowdown in EMEA. In January financial markets rebounded from the negative performance seen at the end of the previous year.
An improved Group budget performance in 2019 compared to the previous year is however forecast, both in terms of the Group's revenues and profitability and its ratio of net financial debt to EBITDA.

17 NON-FINANCIAL REPORT PURSUANT TO LEGISLATIVE DECREE NO. 254

Methodological note

This “Consolidated Non-Financial Report” (hereafter the “Report”) presents and summarises the Sustainable Operating Model adopted by Aquafil S.p.A. and the entire Group that it heads (hereafter “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 2018: the reporting scope includes all the fully consolidated companies of the Group with at least one production site, excluding the company Aquafil Carpet Recycling (ACR) # 2, as incorporated in 2018 and whose facility is in the start-up phase. The reporting scope (paragraph 17.4) thus differs from that of 2017, in that it includes the new ACR #1 facility and excludes the Borgolon trading company due to disposal.

The information and key indicators for 2018 are compared with those of the three preceding years (2015, 2016 and 2017), establishing therefore a trend for the last four years. Compared to previous years, new indicators are disclosed in this edition of the Report after being brought to light by the Group’s consensus approach, which resulted in the redefinition of material topics for Aquafil and its stakeholders.

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

- Group operational model
- The policies applied by the business for each of the scopes established by Legislative Decree 254/2016: environmental and social
- Business risks generated or incurred.

In particular, the content of this Report presents the Group’s sustainability performance according to the GRI Standard - published in 2016 and in 2018 (for those topics for which a new version of the standard was issued) by the Global Reporting Initiative (GRI), through selecting indicators which outline the development of the material topics and relations with stakeholders. The list of indicators of the GRI Standard, to which reference should be made, is presented in the annexed Content Index”.

The content of the 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)”.

17.1 OPERATIONAL MODEL

This chapter is dedicated to the presentation of the Corporate Governance Model adopted by the Group, and to its global presence in both geographical and product marketing terms.

17.2 THE GROUP

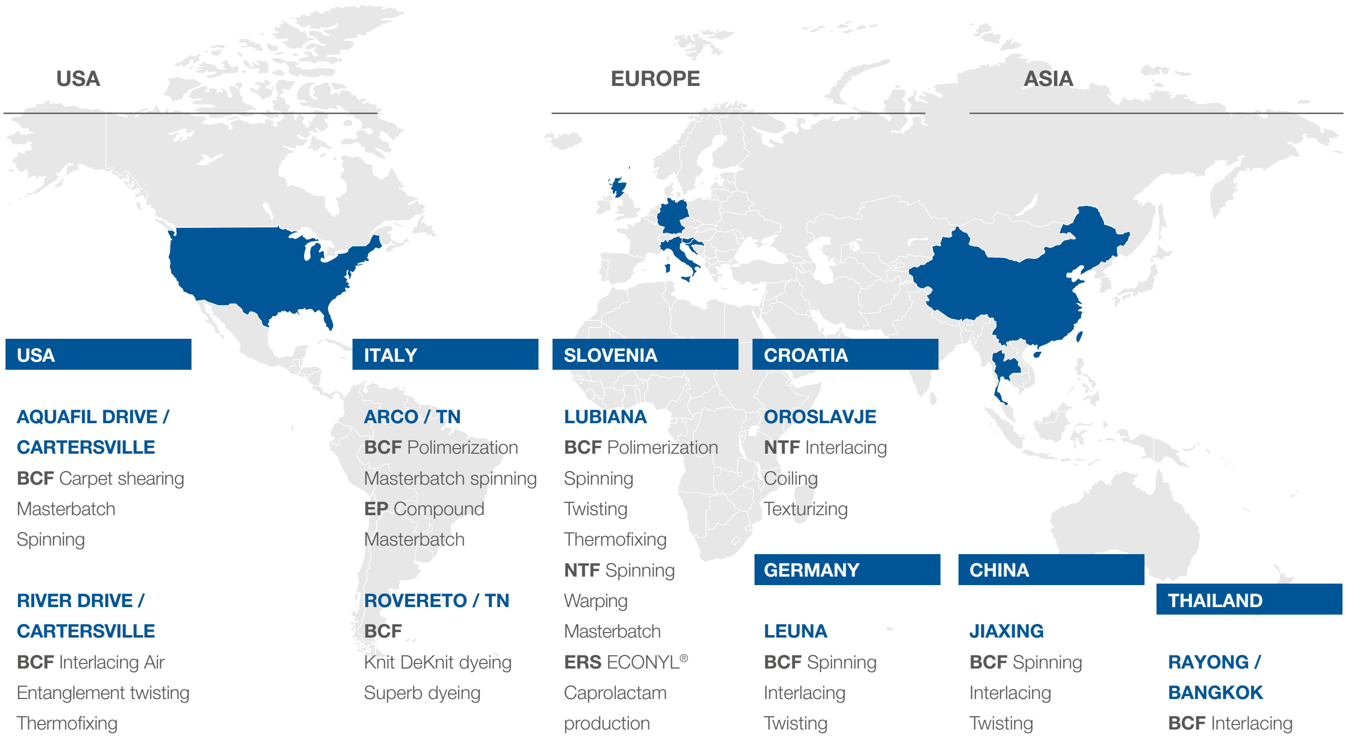
For nearly 50 years now, the Aquafil Group has generated and distributed value on the Nylon 6 market, developing cutting-edge and highly innovative industrial processes and products. Always committed to taking concrete measures to protect the environment, Aquafil works to maintain its leadership in the 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, founded in 1965 in Arco, Italy, where it still has its headquarters, boasts 16 plant at 31/12/2018 on 3 continents and in 8 countries (Italy, Germany, Slovenia, United Kingdom, Croatia, USA, China and Thailand). (Figure 1).

Group products target two main sectors - textile flooring (carpets and rugs) and clothing (underwear, hosiery and technical sports clothing).
The Group also operates in the plant engineering sector through the company Aquafil Engineering G.M.B.H., which specialises in the design of industrial chemical plant, and in the polymers sector for plastics moulding.

AQUAFIL WORLDWIDE

16 FACTORIES **3 CONTINENTS** **8 COUNTRIES**



USA

AQUAFIL DRIVE / CARTERSVILLE
BCF Carpet shearing
Masterbatch
Spinning

RIVER DRIVE / CARTERSVILLE
BCF Interlacing Air
Entanglement twisting
Thermofixing

PHOENIX
Aquafil Carpet Recycling
<ACR> #1 Recovery, separation and pelletizing of carpet fluff

WOODLAND
Aquafil Carpet Recycling
<ACR> #1 Recovery, separation and pelletizing of carpet fluff

ITALY

ARCO / TN
BCF Polimerization
Masterbatch spinning
EP Compound
Masterbatch

ROVERETO / TN
BCF
Knit DeKnit dyeing
Superb dyeing

CARES / TN
BCF Interlacing
Twisting

SLOVENIA

LUBIANA
BCF Polimerization
Spinning
Twisting
Thermofixing
NTF Spinning
Warping
Masterbatch
ERS ECONYL®
Caprolactam production

AJDOVSCINA
ERS PA6
Waste preparation

SENOZECE
NTF Warping

CELJE
BCF Twisting
Thermofixing

CROATIA

OROSLAVJE
NTF Interlacing
Coiling
Texturizing

GERMANY

LEUNA
BCF Spinning
Interlacing
Twisting
Thermofixing

SCOTLAND

KILBIRNIE
BCF Interlacing
Twisting
Thermofixing

CHINA

JIAXING
BCF Spinning
Interlacing
Twisting
Thermofixing
EP Compound

THAILAND

RAYONG / BANGKOK
BCF Interlacing
Twisting

BCF Synthetic yarns for textile flooring
EP Engineering Plastics
ERS ECONYL® Regeneration System
NTF Synthetic yarns for clothing

Figura 1 - Group's global presence (updated to 31/12/2018)

The Group's key success factors are:

- A clear corporate identity with a consistent focus on reducing the environmental impact of its products;
- An extremely broad and varied product portfolio offering a complete and diversified range of coloured yarns;
- A strong global presence;
- A high level of control over 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.);
- Partnerships with companies and laboratories using cutting-edge technologies for the production of innovative, low environmental impact and renewable materials.

17.2.1 Product lines

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 Product line

The production of textile flooring yarns is the Group's main business (over 70% of revenues) and has been undertaken since its foundation. The BCF line is engaged in the production, re-processing and marketing of textile flooring yarns - mainly polyamide 6 based - for three major applications: 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. A considerable share of BCF sales come from products that use ECONYL® fibre obtained from the regeneration of renewable materials.

NTF Product line

The NTF line is dedicated to the production of polyamide 6 and 6.6 synthetic fibres and dryarn® 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, utilising also the ECONYL® fibre for specific clothing sector uses. The Group also collaborates in research on the potential regeneration of products reaching end-of-life with mixed fabrics including Nylon 6 as one of the components.

Polyamide 6 polymer line

Thanks to the versatility of its polymerization plant, the Aquafil Group produces not only PA6 polymers optimized for use in 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 plastics 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 the properties demanded by specific sector applications

17.2.2 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 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 sale of solutions for textile flooring, clothing and polymers;
- North America, Asia and Oceania for the production and marketing of textile flooring yarns and polymers.

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

17.2.3 Certifications

The Group has established a certification process to guarantee consistent management in terms of quality, the environment, energy consumption and safety at its main facilities. In 2018, the group increased the number of certifications obtained and managed by obtaining two new certifications for quality and safety standards at the AquafilSLO plant in Ljubljana, Slovenia, and one for environmental standards at the AquafilCRO plant in Oroslavje, Croatia. The certifications obtained are summarised in Table 1

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	X	-	X
Aqualeuna	X	X	X	-
AquafilCRO	X	-	X	X
Aquafil Cina	X	X	-	X
Aquafil Asia Pacific	-	X	-	-
Aquafil Drive	-	X	-	-

Table 1 - List of certifications obtained by facility

The Group has also received a number of certifications (listed below) 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.

- OEKO TEX Certificate (www.oeko-tex.com), 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[1] recycled content (claim: Alto Chroma ECONYL® Solution Dyed Fibres contain a minimum of 96% recycled content, consisting of 100% recycled Polyamide 6 polymer);
- Environmental Product Declaration (EPD - www.environdec.com): 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 (AquafilSLO): voluntary global chemical industry programme declaring the achievement of excellence in the areas of safety, health and the environment;
- Full Authorized Economic Operator (AEO) Certification[2] (Aquafil S.p.A.), in relation to the European Union Customs Code, formally certifying and authorizing the company as an 'Authorized Economic Operator'.

17.2.4 Group facilities

The following paragraph presents the group's various facilities across the world.

Aquafil – Arco (TN)

Aquafil is based in Arco (TN), location of its production base and administrative headquarters, 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.

A specialist 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)

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

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

Tessilquattro – Rovereto (TN)

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).

It has developed extensive know-how 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.

[1] www.ul.com

[2] www.adm.gov.it/portale/dogane/operatore/operatore-economico-autorizzato-aeo

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 6.6 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.

AquafilSLO – Celje – Slovenia

The facility is located in Celje and produces BCF (twisted and set) yarns. Specifically, twist-combining filaments of different colours and characteristics and saturated-steam colour thermosetting is undertaken in order to produce high-performance filaments for contract and residential sector applications. The result is high-performance mechanical yarn ideal for contract and residential 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 specializes in NTF yarn warping. It is located 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 deliver 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. It is supported by full central ERP system integration and an on-site BCF stock as a guarantee of service standard conformity.

AquaLeuna – Leuna – Germany

The site, located in the Leuna industrial park, just outside Leipzig, produces bulk continuous filament (BCF). 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. Central ERP system integration guarantees monitoring and service standard conformity.

AquafilCRO – Oroslavje – Croatia

The facility, located in Oroslavje (Croatia), is the main site for nylon textile filament (NTF) rework processes and is therefore one of the most crucial for the development of the textile sector. Partially oriented yarn (POY) and fully drawn yarn (FDY) produced in Ljubljana are reworked here, facilitated by excellent totally 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.

In addition to environmental, energy, and health and safety certifications (respectively ISO 14001, ISO 50001, and OHSAS 18001), the Croatian plant has obtained certification for its Social Responsibility Management System (IQNet SR 10: 2015).

Aquafil China – Jiaxing – China

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.

Both raw and bulk dyed filament are produced. The polymers used are purchased from local suppliers, while the ECONYL® is sent directly from Europe. Masterbatches for mass-dyed BCF yarn production are, on the other hand, produced locally, using a database of colour recipes common to the entire group.

Aquafil Asia Pacific – Rayong - Thailand

Situated in Rayong Province (Thailand), this site was designed to deliver a fast, custom service to Thai and Australian customers. Its production focuses 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 - Aquafil Drive – Georgia – USA

The site, located in Cartersville (Georgia), produces bulk continuous filament (primarily bulk-dyed). The polymers are produced on-site, while the ECONYL® polymers are received from Europe. The masterbatches required for mass-dyed BCF yarn production are produced locally.

Aquafil USA – Fiber Drive – Georgia – USA

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 Carpet Recycling (ACR) # 1 – Arizona – USA

A new production company Aquafil Carpet Recycling (ACR) #1 Inc., based in Phoenix, Arizona, was established - fully owned by Aquafil USA Inc.. Officially opened in December 2018, the now functional plant, dedicated to the rug recycling, has reached start-up.

Its main activity is the breaking down into their principal components, using cutting-edge equipment, of end-of-life rugs and carpets in order to recover and re-process material to feed the ECONYL® production process. The other decomposition products, polypropylene and calcium carbonate, will be destined for the injection moulding industry and for road construction or cement production, respectively.

Aquafil Carpet Recycling (ACR) # 2 – California - USA

The opening of a further plant dedicated to end-of-life rug and carpet recycling has already been scheduled for 2019 in Woodland, California. The plant activities are in the start-up phase and will be organized following the model of the ACR #1 plant.

17.3 CORPORATE GOVERNANCE MODEL

Aquafil S.p.A. is a joint-stock company, listed on the STAR segment of the Italian Stock Exchange, whose majority shareholder is Aquafil Holding S.p.A..

The company has adopted a traditional administration and control system, with company management assigned to the Board of Directors and the control functions to the Board of Statutory Auditors, also in compliance with the Self-Governance Code issued by Borsa Italiana, voluntarily adopted by the company. The Appointments and Remuneration Committee and the Control and Risks Committee assist the Board of Directors through investigative, proposal and consultation duties, respectively concerning the assignment of roles and positions and their relative remuneration, and the internal control and risk management system. The Supervisory Board, with independent powers of initiative and control, also has the duty to oversee the compliance with and updating of the Organisation, Management and Control Model.

The audit of accounts has been awarded to an independent audit firm PricewaterhouseCoopers S.p.A

17.3.1 Shareholders' Meetings

The Shareholders' Meeting considers motions, in ordinary and extraordinary session, on the matters reserved to it in accordance with law and the By-Laws. The Shareholders' Meeting shall be chaired by the Chairperson of the Board of Directors, or in such absence or impediment or at the request of the Chairperson, by another person elected by the Shareholders' Meeting, including the Chief Executive Officer (if elected).

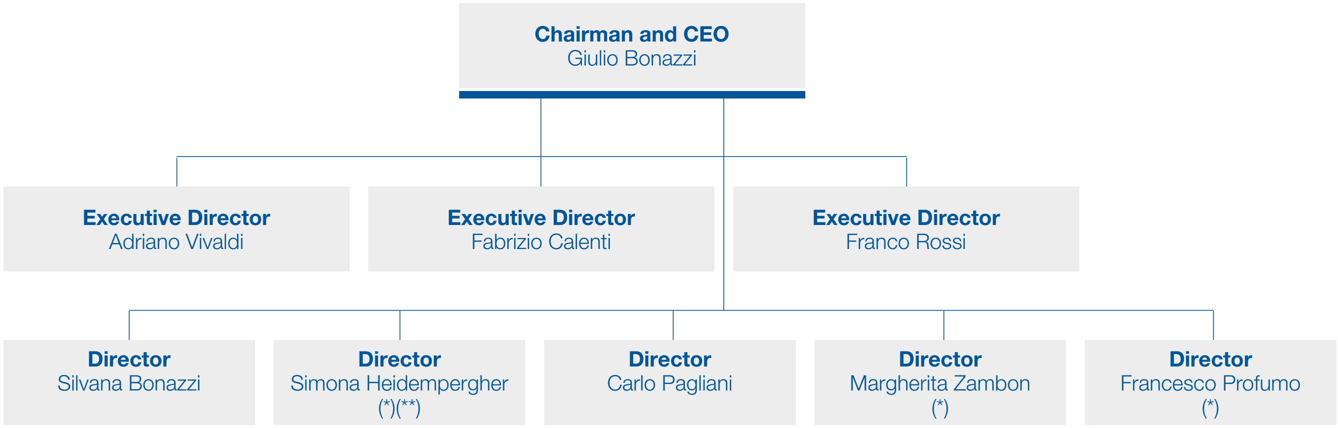
The By-Laws set out the Shareholders' Meetings functions and regulations: competencies and majorities, meeting call methods and timings and contribution and voting options.

17.3.2 Board of Directors

The Board of Directors (hereafter also the "BoD") of the company is appointed according to that set out in the By-Laws and is exclusively granted the responsibility for the ordinary and extraordinary management of the company, undertaking all acts, including disposals, deemed appropriate in order to achieve the company's scope, with the sole exception of those expressly reserved for the Shareholders' Meeting by law or the By-Laws.

The Shareholders' Meeting establishes the number of members on the Board of Directors, which remains in place until otherwise decided. The Board of Directors is appointed on the basis of slates presented by the shareholders, in accordance with the procedure set out in the By-Laws, except where otherwise established by obligatory laws or regulations. In addition, a number of directors identified according to the applicable statutory and regulatory provisions, also in view of the company's listing segment, should satisfy the applicable independence requirements, in addition to any other requirements under the Self-Governance Code issued by Borsa Italiana.

Figure 2 presents the BoD's current composition.



(*) Director who has declared that he satisfies the independence requirements pursuant to Articles 147-ter, paragraph 4 of the Consolidating Law on Finance, as well as Article 3 of the Code of Self-Governance
(**) Lead Independent Director

Figure 2 - Structure and current composition of the Board of Directors

The Chairperson is elected by the BoD from among its members and remains in office for the duration of mandate.

The Board of Directors may delegate part of its duties to an Executive Committee, determining the limits of such mandate, the number of members of the Committee and its operating procedures, in addition to setting up one or more committees with consultative, proposal or oversight powers in accordance with the applicable statutory and regulatory provisions.

Company signature and representation in front of third parties and in legal settings, in addition to topics regarding the method for appointing Directors, the standing, professionalism and independence requirements, those regarding the functioning (calling, motions, representation of the company), and finally regarding their remuneration, are governed by the company By-Laws.

17.3.3 Board of Statutory Auditors

The Board of Statutory Auditors of the company comprises 3 statutory auditors and 2 alternate auditors, as decided by the Shareholders' Meeting who also appoints the Chairperson. The Board of Statutory Auditors verifies compliance with law and the By-Laws, with the principles of correct administration and in particular the adequacy of the organisation, administration and accounting structure adopted by the company and its correct functioning, the efficacy of the internal control system, in addition to the financial disclosure process. The company By-Laws govern all aspects regarding their appointment, duration and functioning (calling, motions). Figure 3 presents the current composition of the Board of Statutory Auditors of the Group.

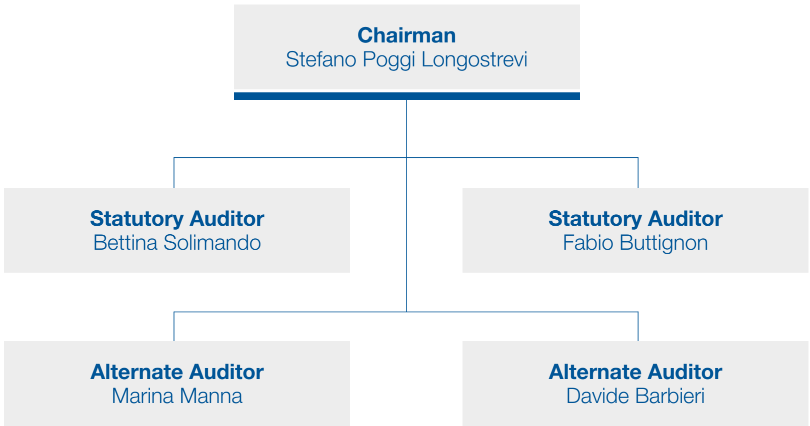


Figure 3 - Structure and current composition of the Board of Statutory Auditors

17.3.4 Appointments and Remuneration Committee

The Board of Directors appointed an Appointments and Remuneration Committee comprising three Directors considered independent as per Article 147-ter, paragraph 4 of Legislative Decree 58/98 (the CFA), in addition to the provisions of the Self-Governance Code.

The Appointments and Remuneration Committee has the duty to support the BoD with investigative, proposal and consultation duties, regarding the definition and preparation of the criteria for the assignment and roles and positions on the administration bodies, and to assess and define the applicable remuneration policies.

The specific areas of competence are listed in detail in the Regulation of the Appointments and Remuneration Committee of Aquafil S.p.A., which also governs its functioning (calling, execution of duties and minuting of meetings). Figure 4 presents the current composition of the Appointments and Remuneration Committee.

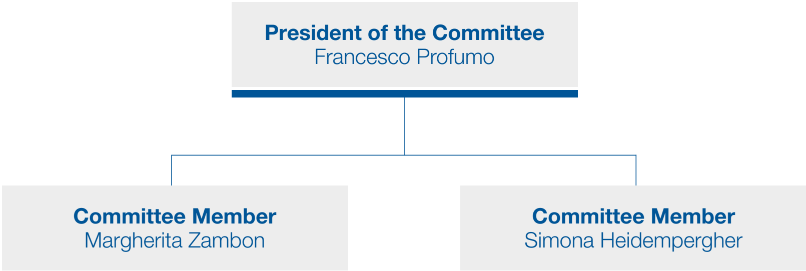


Figure 4 - Composition of the Appointments and Remuneration Committee

17.3.5 Control and Risks Committee

The Board of Directors appointed a Control and Risks Committee comprising three Directors considered independent as per Article 147-ter, paragraph 4 of Legislative Decree 58/98 (the CFA), in addition to the provisions of the Self-Governance Code.

The Control and Risks Committee shall assist the Board of Directors through investigative, proposal and consultation duties, assessments and decision-making concerning the internal control and risks management system and also in relation to the approval of the interim financial reports. The Committee also acts as the Related Party Transactions Committee. For Related Party Transactions, a specific policy was adopted by the BoD on December 7, 2017.

The duties and aspects concerning its functioning (calling, carrying out of duties and minuting of meetings) are governed by the Regulation of the Control and Risks Committee of Aquafil S.p.A.. Figure 5 presents the current composition of the Control and Risks Committee.

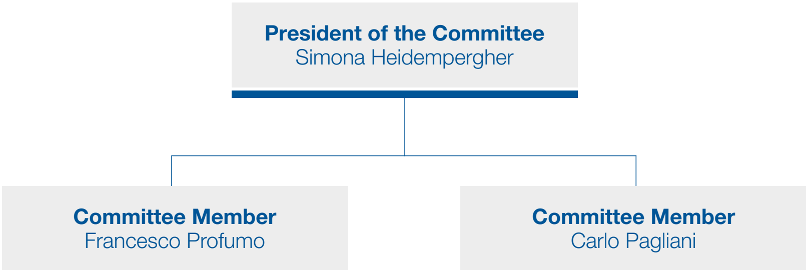


Figure 5 - Composition of the Control and Risks Committee

17.3.6 Supervisory Board as per Legislative Decree 231/01

The Board of Directors appointed a Supervisory Board (hereafter "SB") and its chairperson, in compliance with Legislative Decree 231/2001, with independent powers of initiative and control and whose duty is to oversee the functioning of and compliance with the Organisation, Management and Control Model and to verify its adequacy and ensure its updating. In line with the functions established by the regulation, the SB should be considered independent and professional and enure consistency of operation. In support of its duties, the SB has complete access to all company documentation and may draw upon - under its direct supervision and responsibility - all of the company's structures or external consultants. Figure 6 presents the current structure and composition of the Supervisory Board.

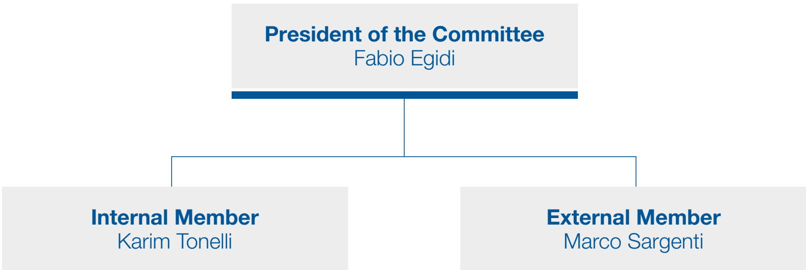


Figure 6 - Structure and composition of the Supervisory Board

17.4 REPORTING SCOPE

The Group comprises 18 direct or indirect subsidiaries of Aquafil S.p.A., with headquarters in Europe, United States and Asia (Figure 7). The Group's operating strategy is directly overseen by Aquafil S.p.A..

All the information presented in this Report concerns calendar year 2018, 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) # 2, as incorporated in 2018 and whose facility in Woodland (California) is in the start-up phase.

Compared to 2017, the 2018 scope includes the U.S. ACR#1 facility. The inclusion of this facility resulted in a change in the Aquafil Group's value chain, giving rise to a new operating process (recovery and recycling of carpets at the end of their life cycles) and involving new participants throughout the chain.

In line with the Report in 2017 all of the trading and services companies undertaking only administration and marketing 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 scope does not include:

- The company Borgolon S.p.A. carried out limited trading on the Italian market in the first part of 2018 and has ceased trading.
- The company Cenon S.r.o (SK), as not operative
- The company Aquafil India, as non-operative
- The company Aquafil Tekstil Sanayi Ve Ticaret A.S., which carries out trading activities on the Turkish market
- The German company Aquafil Engineering G.m.b.H., which independently carries out the design and construction of chemical plant
- The Belgian company Aquafil Benelux-France BVBA, the official agency for the Benelux and French market
- The Australian company Aquafil Oceania Pty Ltd, acquired in June 2018, the official agency for the Australian and New Zealand market.

The companies within the scope also employ a negligible portion of the Group's headcount (less than 50 employees overall) and therefore do not contribute significantly to the change in the trends in the indicators reported below.

Figure 7 indicates in blue the consolidated companies included in this Non-Financial Report.

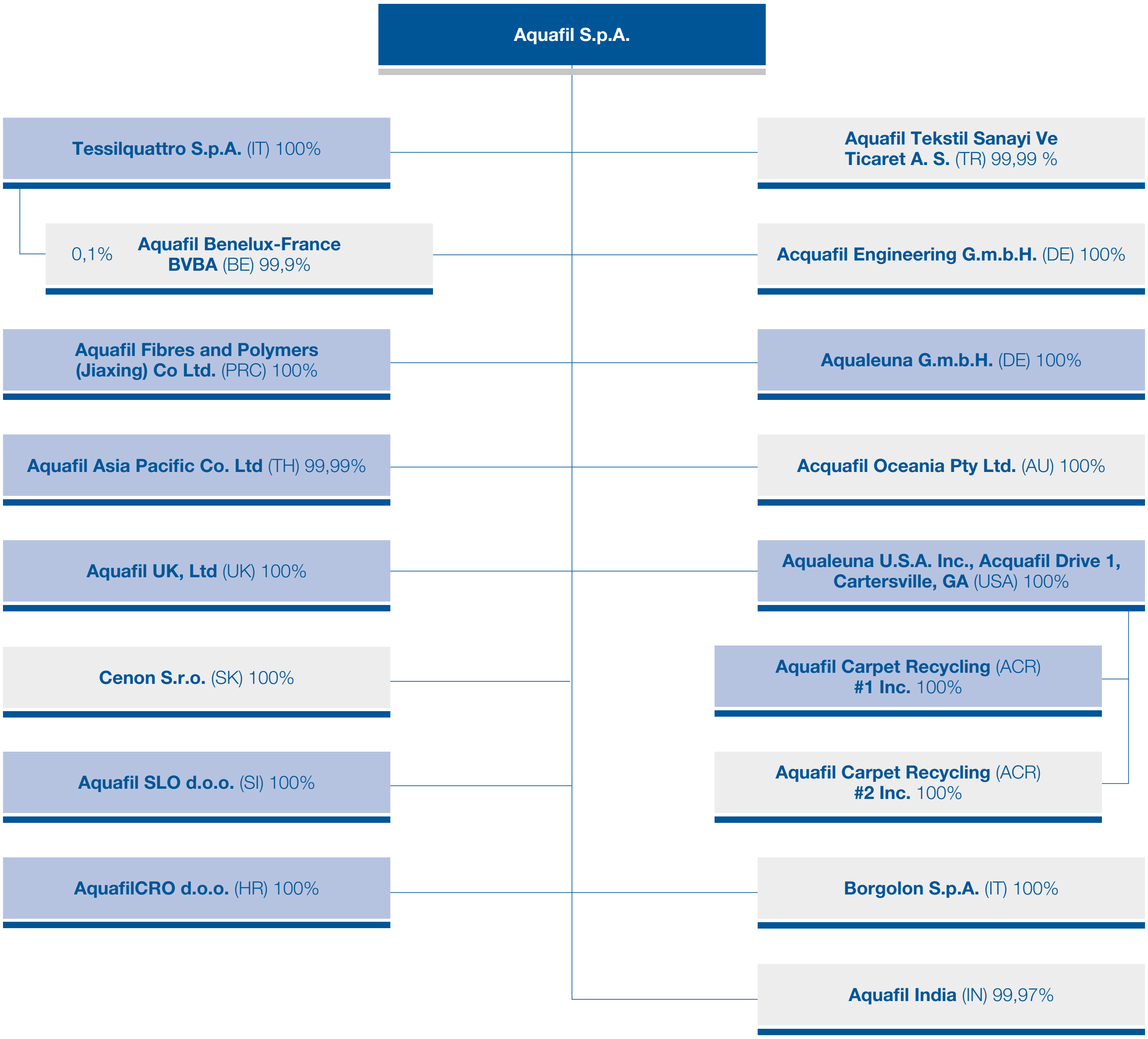


Figura 7 - Group structure diagram at 31/12/2018 with relative share capital percentages held by the parent company Aquafil S.p.A. (the consolidated companies included in the Reporting scope are indicated in blue).

17.5 SUSTAINABILITY POLICIES IMPLEMENTED BY THE COMPANY

17.5.1 Introduction

17.5.1.1 Doing business sustainably: THE ECO PLEDGE®

Aquafil has chosen to make sustainability a pillar of its business, integrating its principles in the most complete way possible. Indeed, sustainability is interpreted by the company in all its aspects: economic, social and environmental.

This choice was guided by the awareness that this was the only viable strategy for the Group to guarantee efficiency, prosperity and longevity. Sustainability makes it possible to minimize risks, and, at the same time, maximize benefits, not only for Aquafil, but also for the economy and social fabric of the local communities in which it operates.

For these reasons, it can be said that sustainability is not an optional choice for the Group, but rather a strategic step in adequately responding to the needs of stakeholders. The business model that Aquafil has therefore chosen to adopt is the only one capable of guaranteeing responsible, long-lasting development and market leadership.

To guarantee that the key principles of sustainability are properly put into practice and not merely a declaration of intent, Aquafil has developed a series of guidelines under the title of 'THE ECO PLEDGE® - Aquafil's path towards full sustainability' with the aim of providing a clear direction to the business model the Group has chosen to adopt and with which it constantly identifies:

- Product design according to the principle of the circular economy, with a constant commitment to reducing the environmental impact of production and to favouring the use of renewable sources
- Close collaboration with suppliers and customers for more virtuous supply chains, through their direct engagement in national and international sustainability initiatives and programmes
- Relationship building with the local communities of the countries in which the Group operates, in order to promote sustainable development together
- Constant attention to the well-being and professional and personal fulfilment of Group employees (for details of personnel management guidelines and related initiatives, refer to paragraphs 17.8.2.1 and 17.8.2.2);
- Promotion of a culture of sustainability, both inside and outside the Group, through opportune training, awareness-raising and the engagement of current and future Aquafil stakeholders (for details of personnel training and stakeholder engagement initiatives, refer to paragraphs 17.8.2 and 17.8.3, respectively).

In 2018, a Sustainability Steering Committee was established to verify and constantly monitor the consistency of choices and projects implemented by the Group with the principles of THE ECO PLEDGE®. The Committee aims to guide the development of corporate environmental, social and economic sustainability policies, identifying opportunities for improvement that make the Group's sustainability strategy ever more complete.

In this regard, one of the first initiatives of the Committee in 2018 was the decision to adopt the United Nations' Sustainable Development Goals as a guide for defining the company's line of action and goals regarding sustainability (for more information, see paragraph 17.5.1.2).

The Committee is composed of three working groups covering the three key areas of sustainability, i.e. environmental, economic and social. Each working group comprises management figures, representing all corporate departments, and external experts.

17.5.1.2 The sharing approach

For the last twelve years, the Group has published an annual report on the progress achieved through its sustainability policy. This document, an important tool facilitating dialogue between Aquafil and its stakeholders, 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 reported topics are chosen according to the materiality principle of the Global Reporting Initiative Standards, that is the selection of issues simultaneously relevant, or 'material', for the Group and its stakeholders. This therefore requires the engagement and active collaboration of the various stakeholders (both internal and external) in the selection process, which is conducted through questionnaires.

The process of selecting and revising material topics is based on a process consolidated over the years and structured in four phases, as described in detail below (Figure 8).

The Committee manages and supervises all activities, including the internal selection as described in the paragraph Phase 2: Prioritizing the sustainability issues.

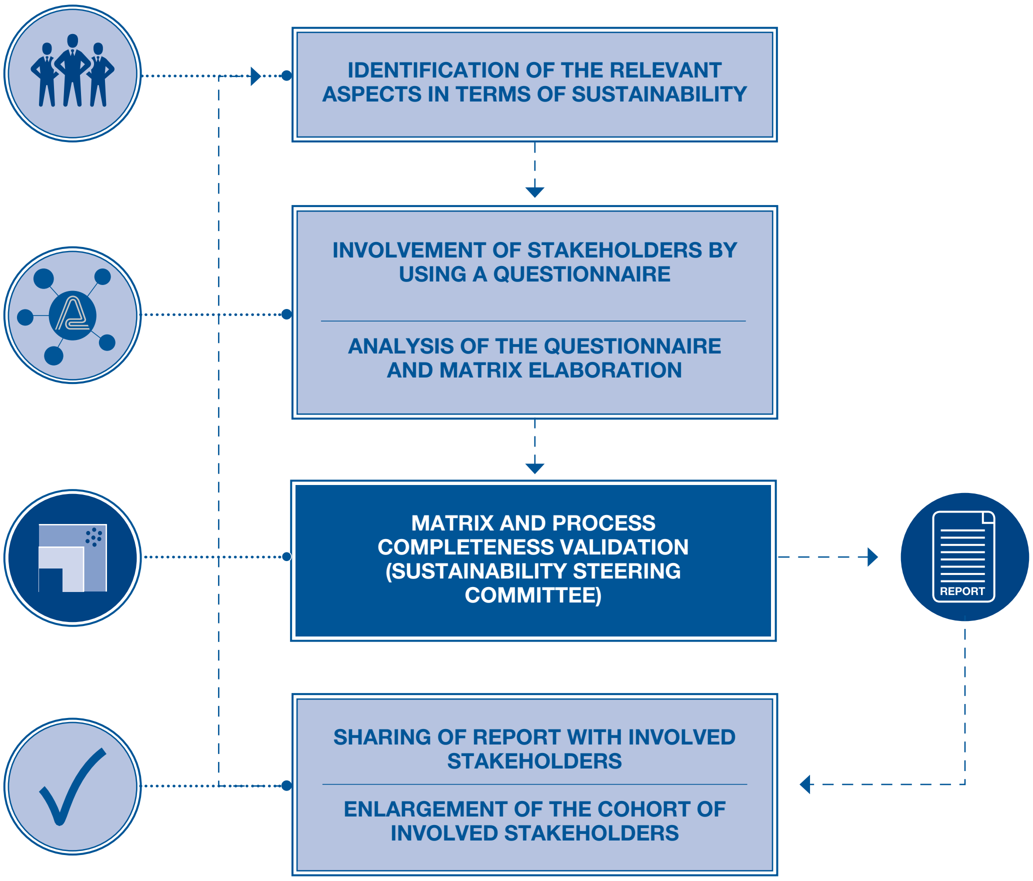


Figure 8 - Process used to define material topics

Phase 1: Identification of sustainability issues

Starting from the topics proposed by the GRI standards, the Committee identifies potentially relevant sustainability topics for Aquafil in terms of its business prospects. In 2018, for the first time, it was decided to connect the identified topics with the United Nations' Sustainable Development Goals (SDG's), based on the Millennium Goals. This was facilitated by following the series of guidelines entitled 'Business Reporting on the SDG's' published by the Global Reporting Initiative and UN Global Compact[3].

Phase 2: Prioritizing the sustainability issues

This phase evolves in three distinct steps:

1. Prioritization by the Committee

First, the Committee assigns a priority to the material topics identified in Phase 1 (Identification of Sustainability Topics) from the point of view of Aquafil. To do so:

- Every aspect of sustainability proposed in the GRI Standards is examined on the basis of **five assessment criteria**.
- For each assessment criterion, the Committee assigns the sustainability topic a score **ranging from 1 to 3**, where 1 indicates little relevance and 3 high relevance for Aquafil.
- The **topic's overall score** is obtained by averaging the scores across the assessment criteria.

Table 2 presents the measurement criteria adopted.

[3] For further information, refer to: *'Integrating the SDGs into Corporate Reporting: A Practical Guide' and 'Business Reporting on the SDGs: An Analysis of Goals and Targets'* Published by the Global Reporting Initiative, 2018.

CRITERION	DESCRIPTION
Strategic relevance for Aquafil	The topic may have a significant economic impact (positive or negative) on Aquafil activities in the medium term (2-5 years or more)
Reference to the topic in Aquafil policy	The topic is treated in the documentation relating to the Group's policies (e.g. Code of Conduct, The Eco Pledge, Use of Chemical Agents Policy)
Existence of certifications or voluntary initiatives relating to the topic	Certifications or activities have already been achieved or planned relating to the topic
Topic susceptible to generating risks	The topic, if not properly managed, may lead to tangible or intangible risks for the Group (e.g. waste management, environmental regulations compliance, social and labour rights)
Topic generates positive or negative impacts	Through Aquafil activities, the topic generates a positive or negative impact on the environment, the local area or local communities

Table 2 - Criteria adopted for assessing the relevance of material topics

2. Stakeholder engagement (Figure 9)

In a second step, the Committee selects a sample of internal stakeholders (from employees) and external stakeholders (from suppliers, customers, local communities, local authorities, non-governmental organizations, representatives of the latest generations, etc.), and invites them to participate in the review process.

This involvement continues whenever there is a significant change in the Group's structure and organization, with at most three-yearly frequency.

In 2018, the materiality analysis involved a larger sample of stakeholders than in previous years, as two new categories of stakeholders were included: Aquafil shareholders and representative of the latest generations (the so-called Millennials and Generation Z). In total, 133 stakeholders were contacted, among which 64, or 48%, responded.

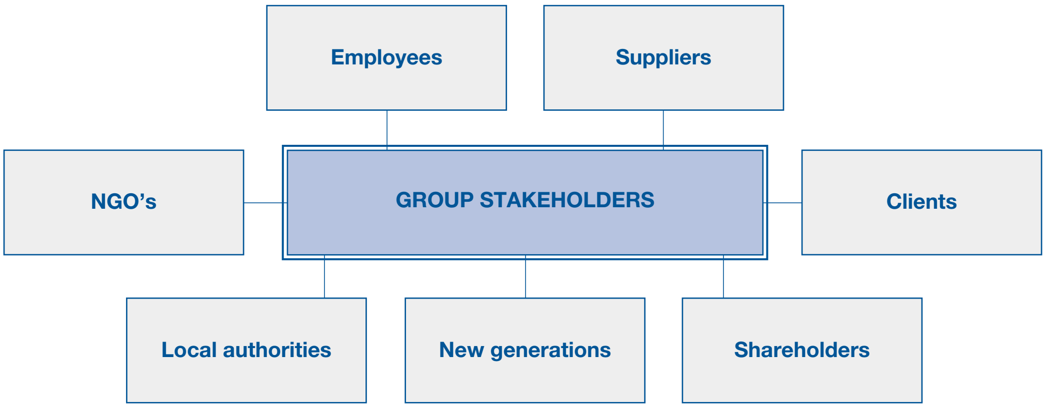


Figure 9 - Group stakeholders (2018 analysis)

A questionnaire was sent to the participants asking them to express a judgment on how much their stakeholder group would be interested in receiving more information on how Aquafil manages the sustainability aspects in phase 1 for the identification of the material aspects.

In order to facilitate its comprehension and completion across a large number of contacts, the questionnaire has been prepared in three languages: Italian, Slovenian and English

3. Preparation of the Materiality matrix

Priority assignment and stakeholder engagement have allowed for the construction of Aquafil's sustainability materiality matrix, which identifies the "material" topics of relevance for both Aquafil and its stakeholders (Figure 10 and Figure 11), in addition to the related SDG's (Table 3).
All topics with a score of relevance for both Aquafil and its stakeholders of more than 2 were considered material. In this way, the process made it possible to identify 23 relevant topics grouped as follows:

- 3 economic topics
- 8 environmental topics
- 13 social topics

AQUAFIL MATERIALITY MATRIX

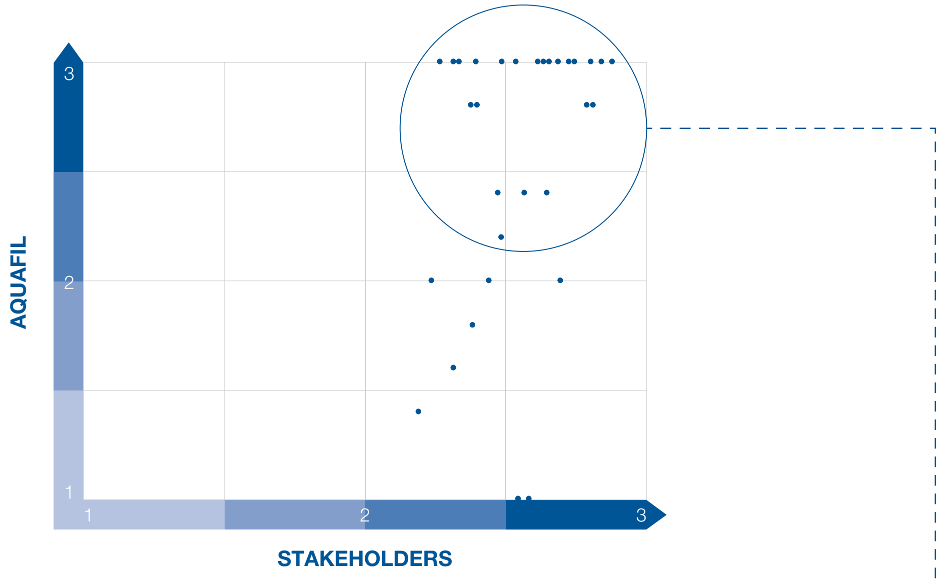


Figure 10 - Material topics matrix of the Aquafil Group

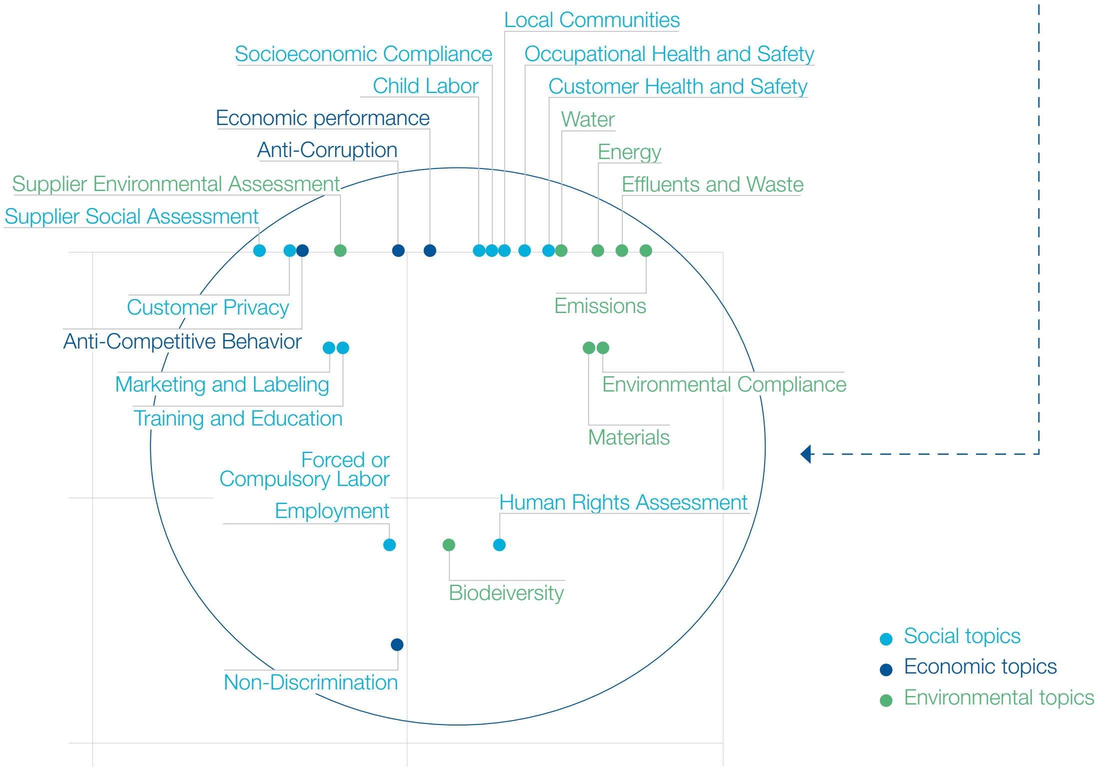


Figure 11 - Material topics of the Aquafil Group

Table 3 illustrates the connection between the material topics for Aquafil and the SDG's. The crosses in the table indicate a direct or indirect correlation of the topics identified as material with the United Nations goals.

SUSTAINABLE DEVELOPMENT GOALS

GRI STANDARD TOPIC		1 No poverty	2 Zero hunger	3 Good health and well-being	4 Quality education	5 Gender equality	6 Clean water and sanitation	7 Affordable and clean energy	8 Decent work and economic growth	9 Industry, innovation and infrastructure	10 Reduced inequalities	11 Sustainable cities and communities	12 Responsible consumption and production	13 Climate action	14 Life below water	15 Life on land	16 Peace, justice and strong institutions
Economic topics																	
GRI 201	Economic Performance								X								
GRI 205	Anti-Corruption															X	
GRI 206	Anti-Competitive Behavior															X	
Environmental topics																	
GRI 301	Materials								X			X					
GRI 302	Energy							X	X				X				
GRI 303	Water						X		X				X				
GRI 304	Biodiversity														X		
GRI 305	Emissions											X	X				
GRI 306	Effluents and Waste						X					X					
GRI 307	Environmental Compliance															X	
GRI 308	Supplier Environmental Assessment											X					
Social topics																	
GRI 401	Employment								X								
GRI 403	Occupational Health and Safety								X								
GRI 404	Training and Education				X												
GRI 406	Non-discrimination								X								
GRI 408	Child Labor								X								
GRI 409	Forced or Compulsory Labor								X								
GRI 412	Human Rights Assessment															X	
GRI 413	Local Communities															X	
GRI 414	Supplier Social Assessment															X	
GRI 416	Customer Health and Safety															X	
GRI 417	Marketing and Labelling											X					
GRI 418	Customer Privacy															X	
GRI 419	Socioeconomic Compliance															X	

Table 3 - Correlation of material topics of the Aquafil Group with Sustainable Development Goals (SDG's)

Phase 3: Evaluation of the completeness of the process

The results of the previous phase are examined by the work group established by the committee to determine whether the "material" environmental, economic and social topics could 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.

17.5.1.3 Circular economy commitment

Circularity is a pillar of Aquafil's corporate strategy, inspiring, over the years, decisions and projects as a central element in the definition of its identity.

The Group wanted to interpret **circularity in its widest sense** and most revolutionary application, and, over the years, it has become a point of reference for sector companies. This meant not limiting itself to the creation of new products through the recovery of waste materials, which are therefore given new value, but accepting the far more ambitious task of tracing the problem of waste disposal right back to the initial product design. Indeed, in order to fully attain circularity in production, products must be designed taking into account their end of life, so that all their components can be easily re-fed back into new production processes.

Aquafil has therefore launched a challenge to the entire economic system, clearly demonstrating the opportunity to create **high quality products from secondary raw materials**, and thus becoming a market leader in such processes.

The start of this journey was marked by the creation in 2011 of the **ECONYL® Regeneration System** : a production model that, starting from the recovery of both pre and post-consumption Polyamide 6 nylon waste, transforms it into regenerated caprolactam (the main raw material for the Group's activities), with the same characteristics of that obtained from virgin raw materials, which is then used to manufacture 100% regenerated ECONYL® yarn.

Thanks to the chemical properties of caprolactam, the regeneration process, undertaken at Aquafil's facility in Ljubljana, can be practically infinite and enables us to recover materials that would otherwise be destined for landfill, dumped in natural environments or incinerated. The main 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 Group was immediately aware of the impossibility of carrying out a real change without the **collaboration of upstream and downstream actors in its supply chain.** The circular economy, rising above the paradigms of the traditional economic system, indeed pushes companies to seek closer ties with other companies, to forge industrial symbioses inspired by the philosophy to create innovative products. One of fundamental areas in which Aquafil has particularly engaged its stakeholders through the launch of various initiatives is that of the **recovery of waste materials.**

A noteworthy initiative, in support of the ECONYL® Regeneration System, was the **ECONYL Reclaiming Program**, involving an international network of actors of various categories, from customers to institutions, in the collection of end-of-life nylon products. The program allows Aquafil to collect large quantities of material from different countries. In this way, the Group actively introduces even end-customers into its supply chain, involving them not only in post-consumer waste collection, but also in product creation through design for re-manufacturing and design for recycling, thus spreading the culture of circularity ever wider.

An excellent, recent example of collaboration with supply chain actors was seen in the opening, in December 2018, of the **Aquafil Carpet Recycling (ACR #1) facility** in the United States, which is dedicated to the collection and breaking down of used carpets and rugs for the recovery of their components. This significantly reduces the amount of waste destined for landfills and incinerators, and simultaneously increases the material available to Aquafil for the production of its regenerated nylon, making it gradually possible to reach the target of 50% of total production using this innovative material.

However, the engagement of external actors extends far beyond the sourcing of raw materials. For example, Aquafil recognizes that **supplier conduct** is fundamental in achieving maximum product sustainability, and has therefore implemented a qualification system aimed at promoting excellence among its supply chains. Since 2016, suppliers of various ECONYL® supply chain goods committed to upholding a certain set of sustainability standards have been recognized with an 'ECONYL® Qualified' qualification.

Participation and promotion of **research projects** at the national and international level, in collaboration with a range of research institutions and leading companies worldwide, is another area in which the Group stands out.

Among the most notable initiatives the Group contributes significantly to is the **EFFECTIVE Project**, having the support of the Horizon 2020 programme of the European Union[5]. Launched through collaboration with Genomatica[6], the internationally focused project aims to promote sustainable materials development and circularity by forging cooperation among textile supply chain operators, clothing brands and leading innovative technology development companies.

Circularity, in its broadest and most ambitious interpretation, goes far beyond aspects strictly linked to the product, the use of secondary raw materials and end-of-life management. It extends to all flows entering and exiting the production process, including energy flows. Aquafil has fully accepted this vision by investing in the **design of its own plant** in such a way that **the energy used and produced is recovered**, in order to minimize as far as possible all waste and emissions.

[5] http://www.effective-project.eu/ [6] https://www.genomatica.com/

In this regard, in 2015 close collaboration was launched between AquafilSLO and the Atlantis aquatic park of Ljubljana for the transfer of the excess thermal energy produced by the parks' facility. 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. In addition, Aquafil continues to invest in initiatives to recover water resources for re-use in further internal processes.

In the understanding that for circularity to become more widespread constant efforts need to be made to raise awareness of its benefits, the Group has always distinguished itself in this respect with initiatives to make it a more and more familiar and recognized concept among all categories of the public.

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. The project includes a series of meetings in schools to help raise the importance of this topic among young people

17.6 ENVIRONMENT

The Group pays constant attention to safeguarding the environment as a pillar of its business and economic development strategies. 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 sources 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 chapter contains the results of the materiality analysis described at paragraph 17.5.1.2, as well as meeting the requirements of Legislative Decree No. 254 of 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

The reporting on environmental performance is preceded by a section dedicated to the reference standards and methods used, and another to data collection and elaboration processes.

17.6.1 Standards and methodologies applied

The environmental impact of production is measured and analysed using appropriate tools and performance indicators in accordance with the standardized procedures of environmental management and safety systems. Material topics are reported by means of indicators based on the standards of the Global Reporting Initiative - Sustainability Reporting Standards defined in 2016[7] (GRI Standards).

The reliability of the data and reporting processing process platform is guaranteed by a specific team who collaborate with experienced external consultants.

The Group has established a procedure for collecting environmental data via a series of tools, in addition to those of SAP and Microsoft Access. In particular, since 2012, Aquafil has made use of a customized software platform called the 'Sustainability Web Tool', whose main purpose is to centralize and standardize data collection among the production plants of the entire Group. During 2018, the platform was audited by a third-party organization concerning both its back-end (e.g. calculation algorithms, structure, logic) and front-end (e.g. use, data collection management, reporting) processes, in order to further assure its data handling and processing reliability.

17.6.2. Collection and processing of data

The *Sustainability web tool*, designed and developed from 2012, is a web-based custom software platform for collecting environmental data and carrying out real-time environmental performance assessments of Aquafil's production processes.

Apart from the fact that it is an integral part of the company's management methods, the Platform 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.

[7] https://www.globalreporting.org/Pages/default.aspx

The reliability of the platform's results is guaranteed by various control levels both internally, at company level, and externally, through third-party audits.
Specifically:

- The data entering the platform on a monthly and half-yearly basis are subject to two successive controls carried out by persons with defined roles within the management system (Table 4).
- Results reliability and accuracy and correct processing of entered data is guaranteed by an independent third party (DNV GL[8]), which carried out an audit of the platform, issuing a certificate downloadable from the software login page (https://aquafilcsrtool.com/images/Aquafil_Verification.pdf).

LEVELS OF INPUT/CONTROL	COMPANY ROLE	PLATFORM ROLE
Platform data input	Environmental management officer/facility controller	PLANT user, responsible for data entry
First level of control	Plant manager	PLANT MANAGER user, responsible for input data control and validation
Second level of control	The Committee's Environmental Issues Working Group, based at the Ljubljana plant	ADMINISTRATOR user, responsible for the entire data collection system, data validation and verification and control of Group indicator trends

Table 4 - Levels of control of data input into the Sustainability Web Tool

The following paragraph outlines the environmental topics identified as material and reported through environmental performance indicators for the period between 2015 and 2018, thus highlighting performance trends over time.

17.6.3 Environmental performance of Aquafil's production processes

Property, plant & equipment

The Group's products are made from both virgin raw materials such as caprolactam and polymers, and recycled waste from the ECONYL® REGENERATION SYSTEM. In recent years, Aquafil has significantly increased its production of secondary raw materials through the opening of its new ACR #1 plant dedicated to the recovery of end-of-life carpets. Approximately 168,000 tons of materials were used in 2018, 9% of which came from renewable raw materials (paper and wood). Figure 12 shows the percentage breakdown into:

1. Basic raw materials, consisting of both virgin raw materials and waste;
2. Packaging materials, consisting of the packaging of raw materials and finished products;
3. Auxiliary materials, consisting of additives and other substances used in the production process.

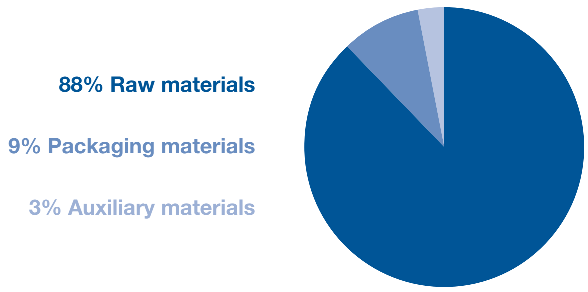


Figure 12 - Percentage breakdown of materials used by the group in 2018

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 2018 nearly 100% of the electricity used by the Group came from renewable sources and the electricity purchased from plant 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 and Slovenia, which although only providing a small percentage of the total energy requirements, can meet the energy needs of certain facilities such as administrative offices.

Table5 shows the total amount of energy managed and consumed by the Group from 2015 to 2018. Consumption is expressed in absolute terms and divided by energy carrier and destination (used internally or sold).

In 2018, there was a slight increase in overall energy needs compared to 2017 due to an increase in production at the Chinese and Slovenian plant and the commissioning of the new Aquafil Carpet Recycling plant in the United States.

[8] https://www.dnvgl.it/assurance/index.html

Energy carrier		Unit	2015	2016	2017	2018
Fuels purchased	Natural gas, diesel and technical gas	GJ	904,521	873,264	875,913	855,680
Energy purchased	Electricity	GJ	1,090,930	1,073,025	1,097,003	1,126,326
	Steam	GJ	461,467	458,816	501,691	545,675
Energy internally produced	Photovoltaic	GJ	2,327	2,705	2,647	2,742
Energy sold	Electricity	GJ	523	1,465	614	1,111
	Thermal energy	GJ	6,727	28,535	30,119	35,156
Energy managed by the Group		GJ	2,466,494	2,437,810	2,507,987	2,566,690
Total Group energy consumption[10]		GJ	2,451,995	2,377,810	2,446,522	2,494,156

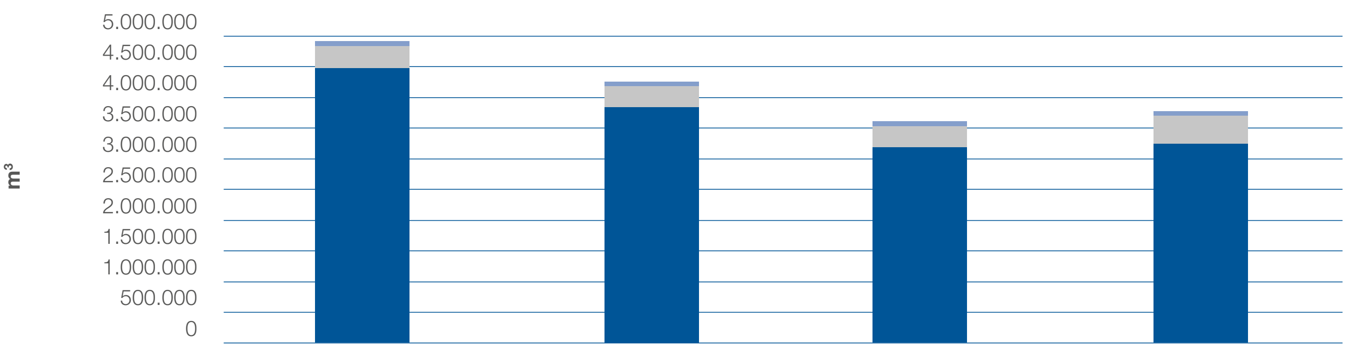
Table 5 - Energy produced and consumed by the Group in the 2015 - 2018 period

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.

Figure 13 presents the Group's water consumption trend over the three-year period 2015-2018, subdivided by type of water withdrawal (wells, aqueducts and surface water). In 2018, total water requirements slightly increased over 2017 due to the introduction of a new production facility, although overall the levels have remained consistent over time, as has been the case for the distribution of water withdrawal, with 90% from wells and the remaining 11% from aqueducts and surface waters (rivers).

WATER CONSUMPTION



	2015	2016	2017	2018
WELL	**4.474.380**	**3.803.816**	**3.172.200**	**3.256.376**
AQUEDUCT	**263.250**	**297.877**	**337.034**	**390.909**
RIVER	**22.407**	**19.292**	**21.943**	**23.042**

Figure 13 - Water consumption by source in the 2015 - 2018 period

Water discharge

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.

Wastewater is not reused in either the same process or in that of other organizations.

Table6 shows the total water discharge by destination and its quality in terms of COD.

[9] Consumption is measured using the tool in the unit of measure kWH and then converted into GJ by multiplying by a factor of 0.0036

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

In 2018, the Group's wastewater amounted to approximately 3.8 million cubic meters, 77% of which was discharged into surface waters while 23% was recycled and reused by the factories.

	Unit	2015	2016	2017	2018
Surface water	m^3	3,338,011	2,804,439	2,806,938	2,943,034
COD (surface water)	kg O_2	138,471	89,436	103,682	77,045
Treatment plants	m^3	773,836	756,948	864,448	880,092
COD (treatment plants)	kg O_2	428,980	475,713	601,370	432,833

Table 6 - Volume and quality of the water discharged over the 2015-2018 period

Waste

Waste is an important issue for the Group from two points of view:

1. Collection and management of waste from other supply chains (both pre- and post-consumption) for the production of new raw materials. Such initiatives include the production of ECONYL yarn® (https://www.econyl.com/it/) and the opening of a series of facilities in America (ACR #1 and ACR #2) devoted to the recovery of carpets at the end of their life cycles
2. Internal production related to production processes. Aquafil is committed to minimizing their production and optimizing all recovery and recycling operations.

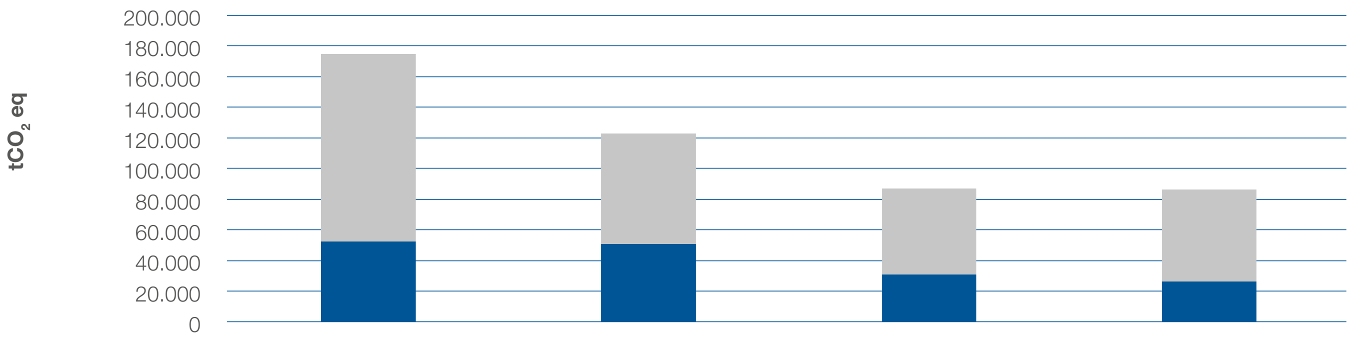
Greenhouse gas emissions

One of Aquafil's strategic objectives is to reduce the greenhouse gas emissions generated by production. Greenhouse gases emissions are closely linked to energy consumption, which is calculated monthly by converting the quantities of energy used by the plant 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 (Scope 1) and indirect emissions (Scope 2) (Figure 14) according to the GHG Protocol, a reference standard for calculating an organization's greenhouse gas emissions[11].

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.

GREENHOUSE GASES EMISSIONS



	2015	2016	2017	2018
Indirect (Scope 2)	121,469	73,648	57,855	60,203
Direct (Scope 1)	52,381	50,406	29,023	26,048

Figure 14 - Trends in total greenhouse gas emissions over the 2015-2018 period

The indicator continues to reduce after the drop of almost 31% in 2017, thanks to a series of investments, as summarised below:

1. Constant production line renewal and efficiency improvements, such as the installation of new compressors and heat recovery heating systems, and the replacement of traditional lighting with LED technology;
2. Special project assessments according to the needs of each production site, such as for the sharing of excess thermal energy with facilities close to the plant;
3. Aquafil's preference for renewable energy which has much less environmental impact than fossil fuels.

[11] http://www.ghgprotocol.org/

Other environmental topics

The following paragraphs describe environmental topics relating to the protection of biodiversity and land, chemical product management as preventive action for customer health and safety, and environmental law and regulatory non-compliance management.

Protection of the local area

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. However, it should also be taken into consideration that, in some cases, the plant locations are subject to certain environmental restrictions. An example is the Arco production plant, which is located near the Sarca river, and within its protected area. The plant was the Group's first production unit, and hosts its headquarters, as well as several industrial activities.

The Sarca River Park, recognized by national legislation and including a UNESCO Biosphere Reserve, extends for approximately 80 km and is characterized by a great variety of natural environments, from alpine valley woods to the olive groves of Lake Garda's shores. The area includes all the valleys crossed by the river stream, constituting an extremely important ecological corridor connecting the Adamello Brenta Nature Park with Lake Garda, and all the various protected areas in-between. The great diversity of habitats requires special attention to make sure it is not threatened.

Aqualfil's keen awareness of being located within a delicate ecosystem, and the consequent gravity that any negative environmental impacts might have, in consideration of chemical production processes, has always focused particular attention to the protection of the biodiversity and specific characteristics of this context. This has resulted in constant initiatives to reduce production activity impacts, including voluntary actions, in addition to compliance with local regulations. The plant has thus become an example for the development of the Group's environmental policies.

In order to make its integration with the territory as complete and harmonious as possible, the company has also taken steps to improve its visual impact. Among the initiatives in this regard, for example, are two projects to embellish the Arco plant's fencing, to the benefit of passers-by and users of the bike path connecting Arco to Lake Garda (Figure 15). The projects involved a group of young writers belonging to the Andromeda association, who were asked to outline the production process, and a group of local painters asked to show different connotations of the river Sarca along its path to the estuary (Figure 16).

A similar initiative was held at the JIAXING plant, which is undertaking extensive renovations and has much improved its visual impact on the environment (Figure 17).

Figure 15 - Murals of the Nylon 6 production process painted by young members of the Andromeda association on the external wall bordering the cycle path

[12] www.parcofluvialesarca.tn.it

Figure 16 - Different connotations of Sarca river represented by local painters

Figure 17 - Visual impact of the Chinese JIAXING plant

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 ensuring safety and 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, from the companies and brands that process Aquafil yarns to the end users of the resulting products. The 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[13];
- 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.

In 2018, considering the conformity of the Group's products with major health and safety standards, it was not necessary to implement assessment processes for the improvement of the impacts of any of its products.

Finally, as stated in the section on certifications, Aquafil has attained OEKO-TEX® certification to the standard 100 by OEKO-TEX® for its BCF yarn, thus certifying that it meets eco-toxicological requirements and does not pose any risk to human health due to the release of chemicals.

[13] http://www.aquafil.com/it/sostenibilita/il-nostro-impegno/#commitment-03

Compliance with environmental laws and regulations

Aquafil is constantly committed to preventing non-compliance with environmental laws and regulations through constant supervision and training on the topic. However, in 2018, the Group received three sanctions totalling Euro 16,000 in relation to one of the Group's Italian plant within the scope of the IPPC Community Directive on Pollution Prevention and Control and the related Integrated Environmental Authorization (AIA). The sanctions concerned the non-observance of several authorization maintenance provisions and an error within the authorization's report. In particular, a table indicating values relating to the regular operation of the plant were taken from start-up phase monitoring. The non-compliances did not cause any damage or real risk to environmental resources and the sanctions were reduced to a quarter of the maximum possible fine.

17.6.4 Product chain environmental performance

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 supported wiser investment decisions over the years, e.g. by carefully selecting raw materials and methods of transportation and recycling waste that would otherwise be sent to landfill and the development of innovative technologies for the recovery of waste etc.

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 (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.

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% (reduction in use of fossil origin caprolactam), while regenerating vast amounts of waste material that would otherwise be landfilled or would otherwise end up polluting the environment (Figure 18).

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® Reclaiming Program*" and "*ECONYL® Qualified*" - both outlined in detail in the circular economy commitment paragraph.

For the same purposes, the Group made substantial investments in 2018, including, in particular, in the two new US plant ACR #1 and ACR#2 (Aquafil Recycling Carpet), opened in March and December, and dedicated to the breaking down and recovery of end-of-life carpets and rugs.

The "Life Cycle Thinking" approach

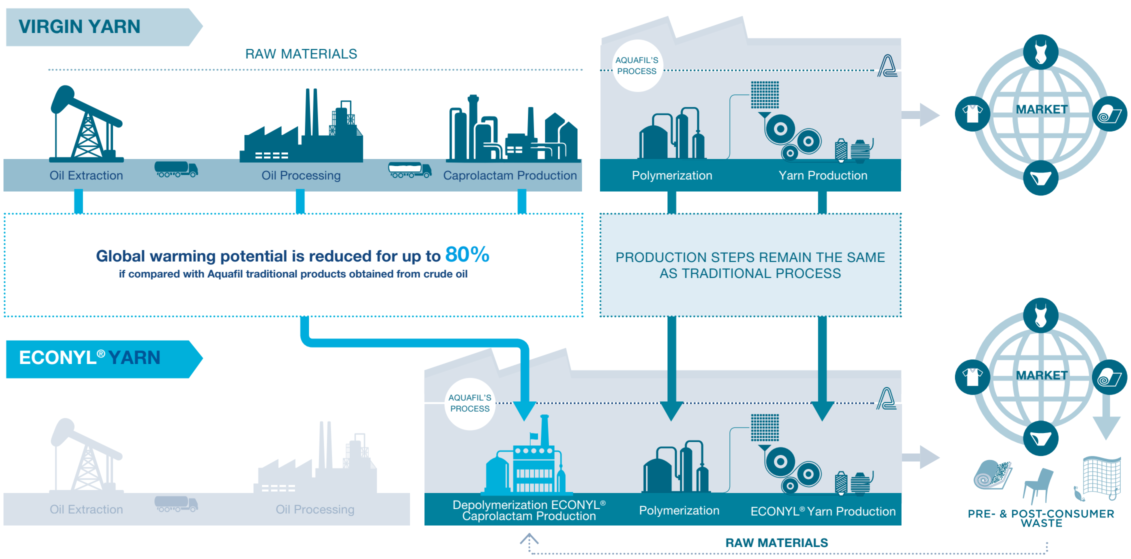


Figure 18 - The "Life Cycle Thinking" approach applied to the production of virgin yarn and ECONYL® yarn. The greenhouse gas emissions generated during raw material production are 80% less than those generated using traditional methods.

17.7 COMPLIANCE WITH REGULATIONS

The Group recognizes that compliance with applicable regulations in the various countries in which it operates is critical and is committed to preventing violations of any form and to the utmost transparency of relations with institutions, authorities and partners of various types. For this purpose, Aquafil has developed its own Code of Conduct and Organization, Management and Control Model. The Code of Conduct is an essential tool in preventing any non-compliances that may lead to sanctions against the Group.

17.7.1 Code of Conduct

The Code of Conduct ensures the Group maintains relations with customers, institutions and suppliers characterized by fairness, diligence and loyalty, by providing ethical and social guidelines for the conduct of all internal and external and temporary and permanent stakeholders. The Code of Conduct thus also applies not only to managers and employees, but also consultants, customers and suppliers. It should further be noted that the addressees also include all companies initially identified as excluded from the scope of this report (par. 1.3), which are required to accept and apply the principles of the Code. In particular, it represents one of the initiatives taken by the Group to avoid being affected by phenomena of corruption, above all in areas of which the world where they occur most frequently.

The Group undertakes to ensure that this Code of Conduct is distributed to all recipients, so that they are aware of it and can apply it in the most adequate way as an operative tool supporting the professional decisions of everyone.

The main directives of the Code of Conduct can be grouped into five areas, summarized below:
- *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.*

Thanks to the circulation and application of the Ethics Code, in 2018 none of the Group companies received fines or sanctions or other citations for violations or non-compliance with rules or regulations with regard to the topics outlined in the Code and in particular with regards to discrimination and the violation of privacy, unfair competition and violation of antitrust regulations.

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. The Group expressly forbids the promise or offer of any kind of benefit (except of negligible value) to parties holding a formal public role.

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.

During 2018, in relation to Aquafil Italia, as many as 236 hours of training were delivered (32% of which for executives, 66% for managers and 2% for workers) on the topic of anti-corruption, and the attention paid to this ensured that no kind of irregularity or incident emerged within the reporting period and therefore it was not necessary to undertake an audit of the group on corruption.

17.7.2 Organisation, Management and Control Model

The organization, management and control model adopted pursuant to Legislative Decree No. 231/2001 describes the set of rules and principles aimed at ensuring compliance with law and preventing illicit conduct.

The model, adopted by the Board of Directors' motion of March 31, 2014, applies to Aquafil Group's Italian companies, and has been updated to the decree's latest developments and emerging legal indications to date.

The model is introduced by means of a course broken down into a number of 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 risks identified;
3. Evaluation of the system of delegations and powers of attorney set out 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 control 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. 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.

In addition, the company has also launched a new online platform for the specific purpose of providing a tool for the reporting of violations of laws, regulations, the Code of Conduct, internal control principles, policies, company regulations and procedures or any acts that may directly or indirectly determine any damage to the company's economic balance or image. The 'Whistleblowing' platform is open and anonymous to all employees and represents an integration to the Operating Procedure for Reporting Violations of the Code of Conduct and the Organization, Management and Control Model. The platform is currently still in the start-up phase and therefore can only be used by the Aquafil and Tessilquattro plants, but it will gradually be extended to all the Group's facilities.

Thanks to this constant commitment, in 2018 none of the Group Companies received fines or sanctions for violations or non-compliance with regulations regarding these topics managed in the Model and in particular concerning unfair competition and the violation of anti-trust and monopoly laws.

17.8 SOCIAL TOPICS

17.8.1 Respect and protection of human rights

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. This commitment is made explicit in the Group's Code of Conduct and is fundamental to Aquafil's way of doing business. 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. To date, the group has not identified any supplier, within its value chain, at risk for use of the identified forms of exploitation.

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 and the protection of privacy.

Voluntary initiatives and certifications

In 2018, the group undertook an initiative aimed at SA8000 Social Accountability certification, as a way to demonstrate its commitment to the fair treatment of its workers and respect for their rights (e.g. through the assurance of adequate working conditions, professional and personal appraisal and development, non-discrimination, prevention of child labour etc.).

The application of the SA8000 standard allows the monitoring of social benefits, integrating them into a management system also involving the supply chain. The requirements of the standard go beyond those of binding legislation and are aimed at continuous improvement of working conditions within the organization and externally, through the auditing of suppliers.

In 2018, Aquafil initiated the process for SA8000 certification with a Gap Analysis of the requirements of the standard and those applied in various group companies (Aquafil SpA, AquafilSLO and AquafilCRO). On the basis of the results, focus areas were identified in order to assess methods and timings for the implementation and certification of the Social Responsibility Management System.

It should also be noted that, in 2018, AquafilCRO signed the 'Diversity Charter Croatia', a voluntary and internationally active initiative aimed at ensuring the protection of diversity. The charter's member organizations are committed to upholding principles of respect for diversity and non-discrimination in the workplace, to adopting specific policies and to regularly communicating relevant progress in this regard.

Management of Human Rights violation risks

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;
- Circulate the Group Code of Ethics as a part of corporate culture;
- 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;
- Certify the ethical nature of its activities and supply chains through the attainment of SA8000 certification.

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.

Thanks to the control activities during 2018 none of the Group Companies received fines or sanctions for violations or non-compliance with human rights regulations; in addition, it was not deemed necessary to carry out checks by means of specific audits on other Group activities regarding these topics.

17.8.2 Personnel management

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.

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.

17.8.2.1 Personnel management guidelines

The guidelines adopted by the Group companies for human resource management are outlined in this section, while reference should be made to the Code of Ethics for further details.

Personnel selection, training and 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 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 specific capabilities, experience acquired, demonstrated commitment and the 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 7 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 personal (neither male nor female).

Group company	Executive	Manager	White-collar	Blue-collar
AquafilCina	97.2%	-	69.5%	96.4%
AquafilCro	-	44.6%	115.6%	79.6%
Tessilquattro	-	Not applicable	69.5%	99.1%
AquafilUsa	Not applicable	75.7%	81.3%	83.4%
AquafilCarpet	-	70.6%	Not applicable	Not applicable
AquafilSLO	62.6%	111%	80.6%	95%
Aquafil	71.1%	92.6%	80.3%	96.6%
AquafilUK	Not applicable	Not applicable	65%	90.6%
AquaLeuna	Not applicable	95.6%	94.3%	69.7%
AquafilAsiaPacific	-	Not applicable	201.8%	113.2%

Table 7 - Ratio between women's wages and overall men's salary by company and professional category, 2018

Finally, Aquafil, aware of the importance of employee benefits to engender loyalty - and with no differences made according to employment contract type - manages such globally although in harmony with the specificities and local practices of each country. Before any specific adjustments are made, Aquafil carefully examines impacts on employees, also through opportune direct consultations.

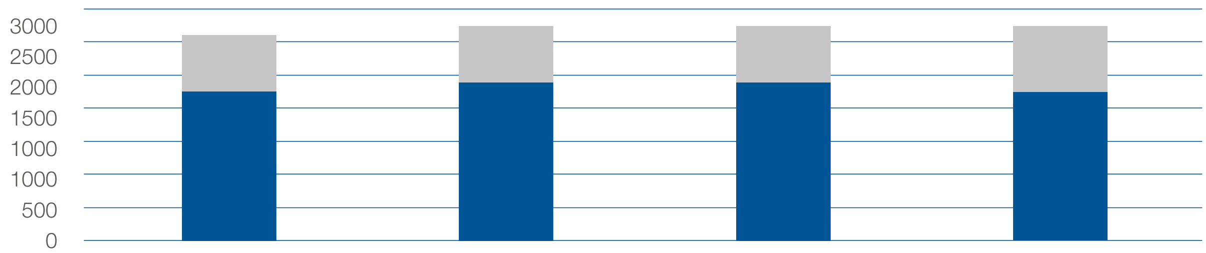
<u>**Modalities of dialogue**</u>

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.

17.8.2.2 Aquafil Personnel

During 2018, the number of Group personnel (2,773) increased by approximately 3% over 2017 (Figure 19), mainly due to the commissioning of the new Aquafil Carpet Recycling (ACR #1) plant and increased production capacity, such as at the plant in China.

STAFF EMPLOYED BY THE GROUP



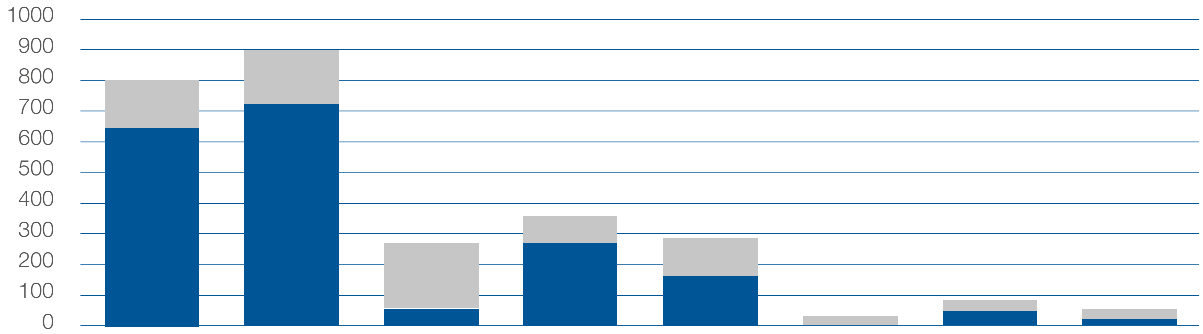
	2015	2016	2017	2018
WOMEN	888	889	860	864
MEN	1786	1833	1828	1909

Figure 19 - Group employees by gender for the three-year period 2015 - 2018

The number of female employees, approximately 31% of the Group's total number and their geographical distribution remains almost constant compared to 2016 and the previous two-year period (Figure 19).

Approximately 62% of the workforce is employed in Italy and Slovenia (Figure 20) where a large number of factories (three in Italy and four in Slovenia) are located.

AQUAFIL PEOPLE BY GEOGRAPHIC AREA (2018)



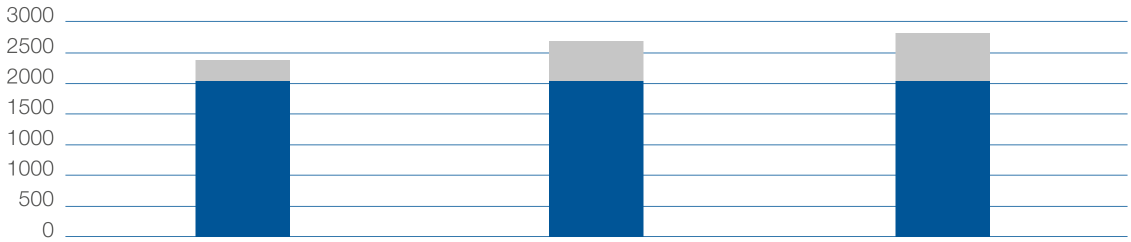
	Italy	Slovenia	Croatia	USA	China	Thailand	Germany	UK
WOMEN	172	182	215	74	136	18	33	34
MEN	644	718	56	279	147	8	43	14

Figure 20 - Geographical distribution of the workforce in 2018 by 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 or local labour regulations, such as at the Group's U.S. companies, where employment relationships are subject to "at-will" rules. At-will labour laws allow employers and employees to sever the employment relationship at any time and without notice. In a free, flourishing market such as that of the United States, the obvious consequence of this rule is that both job-seekers and potential employers favour this sort of employment relationship. Accordingly, in 2017 all personnel in the U.S. area have been classified as temporary.

Figure 21 shows groupings of personnel by contract type and Table 8 by geographical area.

AQUAFIL PEOPLE BY TYPE OF CONTRACT



	2016	2017	2018
FIXED-TERM CONTRACT	313	616	719
PERMANENT CONTRACT	2049	2072	2054

Figure 21 - Group employees by contract type and gender

CONTRACT TYPE	Italy	Slovenia	Croatia	USA	China	Thailand	Germany	UK
Permanent contract	816	247	786	-	55	26	76	48
Fixed-term contract	-	24	114	353	228	-	-	-

Table 8 - Contract type by geographical area (2018)

76% of the contracts are collective in nature; all contracts are collective with the exception of USA, China and Thailand; in addition, in Italy, Slovenia and Croatia, the Group has signed agreements with trade unions to distribute additional remuneration, depending on the Group's results, in addition to the wages established by most national contracts (in Italy and Croatia) or by law (in Slovenia).

Figure 22 shows groupings of personnel by contract type in 2018 and Table 9 groupings of full-time and part-time contracts by gender.

AQUAFIL PEOPLE BY TYPE OF CONTRACT AND GENDER (2018)

	PERMANENT CONTRACT	FIXED-TERM CONTRACT
WOMEN	659	205
MEN	1395	514

Figure 22 - Group employees in 2018 by contract type and gender

BREAKDOWN BY CONTRACT	Male	Female
Full-time	1863	789
Part-time	46	75

Table 9 - Groupings of full-time and part-time contracts by gender

The subdivision of employees by job categories (Figure 23) has remained almost constant over the years, as well as gender equality which is guaranteed for each corporate role. 2018 recorded a 13% and 9% growth of women in managerial and white-collar roles in comparison with 2017.

AQUAFIL PEOPLE BY ROLE AND GENDER (2018)

	Men	Women
FACTORY WORKER	1548	608
OFFICE WORKER	232	227
MANAGER	95	26
EXECUTIVE	34	3

Figure 23 - Subdivision of employees according to position held in 2018 and gender

Since 2014, the Group has held training courses on technical, health and safety, environment and linguistic topics. In addition to specific task and role training, technical training also focused on policies and procedures enshrined in the Code of Conduct (regarding human rights) and the Organizational Model (regarding corruption mitigation).

Table10 indicates total training hours delivered in the last 4 years (2014-2018), while Table11 details training hours delivered in 2018 by gender and company role.

Type of training	2014	2015	2016	2017	2018
	Training hours				
Technical	23,831	35,205	58,980	49,239	22,535
Safety	16,609	3,500	11,165	25,015	17,032
Linguistics	3,217	4,575	6,045	4,724	5,172
Environmental	614	691	227	418	4
Total	**44,271**	**43,969**	**76,417**	**79,395**	**44,743**

Table 10 - Hours of training subdivided according to topic from 2014 to 2018

	Executive		Manager		White-collar		Blue-collar	
Type of training	Male	Female	Male	Female	Male	Female	Male	Female
Technical	165	42	1,241	267	3,652	2,008	9,466	5,695
Safety	17	65	2,208	84	1,638	431	11,658	932
Linguistics	-	40	338	168	1,217	760	2,134	516
Environmental	-	-	-	1	-	3	-	-
Total hours/employee	182	147	3,786	520	6,508	3,201	23,258	7,143
Average hours/employee	5.3	48.8	39.9	20	28	14.1	15	11.7

Table 11 - Hours of training by role and gender (2018)

17.8.2.3. Workplace health and safety

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 accidents caused by human factors, which is the most common cause of injury at the Group's plants.

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 analyses the occupational accidents and injuries and occupational illnesses 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.

Table12 shows the frequency[14], severity[15] and risk[16] trends from 2012 to 2018.

Year	Hours worked	Injuries >3 gg	Working days lost	IF	IG	IR
2018	5,126,261	36	1144	7.02	0.22	1.57
2017	5,024,197	45	1330	8.96	0.26	2.37
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

Table 12 - Accidents and working days lost due to absence from 2012 to 2017, with relative Frequency (IF), Severity (IG) and Risk (IR) index values

[14] 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)

[15] 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)

[16] The risk index correlates the frequency and severity indices

17.8.3 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).

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. This approach offers Aquafil great opportunities to bring innovation to its industry.

Suppliers fulfil a particularly important role for Aquafil. For true progress in the direction of a circular economy, their engagement is absolutely critical, and demands a different attention to detail in comparison with the traditional economic model.

The commissioning of the Aquafil Carpet Recycling plant in Arizona, for example, required the Group to interface with a kind of supplier able to source materials traditionally considered as waste and destined for destructive disposal. These actors became new raw materials suppliers involved in a corporate production process that values the assets they have to contribute in an entirely different way. With this activity, Aquafil was also able to engage and benefit the entire community through a contribution to local employment and the development of innovative economic activities.

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 and select suppliers according to environmental and social criteria. These criteria are not currently being used to select new suppliers because they are in the validation phase.

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 initiative therefore led to the creation of the "ECONYL® Qualified" certification, which identifies the suppliers involved in the ECONYL® yarn production chain.

The goal of qualification is to stimulate excellence and continuous improvement in the ECONYL® supply 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 two ECONYL® Qualified protocol requirements were defined.

The two protocols were updated over 2018 to bring them ever more in line with mapped sectors and to engage an increasing number of partners.

The initiative guidelines, selection criteria and some possible applications are available on the Aquafil website[17].

The project's importance was highlighted by the Committee renewing its commitment to engaging, over the next few years, all suppliers in already analysed areas (thread spool transport and production), as well as the inclusion of additional pilot areas and suppliers, such as thread finishing and fishing net suppliers, planned for 2019. The protocol will include social as well as environmental parameters, adding to the criteria used to select and qualify new suppliers according to Aquafil's ISO 9001 certified quality management systems.

Customer Relations

Aquafil is cognizant that collaboration with its customers is key to advancing ambitious environmental protection and product innovation policies and projects and thereby adequately responding to the sustainability demands of consumers, public opinion and market.

Full and transparent communications are fundamental for the group in its relations with customers, without which the generation of benefits for all parties would be impossible.

[17] http://www.aquafil.com/sustainability/econyl/#econyl-04

In order to guarantee full transparency towards customers in every aspect of its business, Aquafil supplies each product sold with a detailed data sheet indicating its composition, main technical characteristics, associated packaging and various known characteristics.

Below are some examples of the projects and partnerships that the group carries out together with its customers.

Gucci: The ‘Take Back’ pre-consumption programme

Gucci, complementing the recent introduction of ECONYL® into its collections, launched a new programme, in September 2018, to recover waste from its production processes involving this new type of nylon, for transformation into new high-quality yarn.

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 consortiums across the world. Various materials are recovered such as abandoned fishing nets, carpets, special fabrics like tulle and nylon-based plastic components. 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.
Assuming a significant role in this initiative was Carpet America Recovery Effort (CARE), a US consortium that has recovered over 200 thousand tons of used carpet since 2002.

Speedo USA: take back of swim wear

In 2015, Aquafil and Speedo USA 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: REDCYCLE

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, whose innovative features saw Ternua obtaining the **Gold Industry Award 2017**. The fishing nets are collected in ports by Basque fishing communities.

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. For example, in addition to providing a festive Christmas dinner, AquafilSLO and AquafilCRO host a yearly summer picnic for their employees.

Initiatives to encourage employee health

Aquafil launched a global initiative across its branches promoting employee health in a strictly physical sense as well focusing on increasing its employees’ general quality of life.

One of these initiatives is “Health Week” which is held in Slovenia, Croatia and China. As part of promoting employee health, information offering suggestions on how to achieve a healthy day-to-day lifestyle is exhibited and fresh fruit is freely available at office canteens.

Further examples of efforts made by the Group are the steps taken by AquafilCRO in the prevention of some diseases. Through agreements with clinics, the employees of Aquafil can go for regular medical checks covered in full by the company. In addition, flu vaccines are available to employees in Croatia and Slovenia and supplementary health insurance -of which the majority of the premium is paid by the company - is provided to employees of AquafilSLO. Medical insurance is also provided to employees of the Chinese facility, in addition to the provisions under state contracts.

The Group also considered appropriate measures to balance the various aspects of employees’ lives. To achieve this in a way that considers the particular needs of each individual, Aquafil chose to adopt the Trentino welfare model. Contrary to traditional welfare measures, this model allocates a budget to each employee who can freely choose how to spend it on a range of benefits offered by the company. AquafilSLO also offers supplementary pension benefits, in which a large portion of the bonus is paid by the company.

Several initiatives support employees with families. Such an initiative is the yearly Christmas event at AquafilSLO and AquafilCro where the employees’ children are invited to a special show featuring Santa Claus and each child aged 0-7 is given a Christmas gift.

Local community projects

The Group is committed to developing solid relationships with the communities of the territories in which it operates, remaining cognisant of the different cultures, traditions and specific needs. Some of the activities undertaken by Aquafil to meet the needs of the local community and civil society are listed below.

These activities extended to the plants in the Italian, Croatian, Slovenian and American areas (constituting approx. 70% of Group facilities). The initiatives undertaken have been classified according to the needs identified for the various local communities:

1. 1. Education on environmental protection
2. Support of local cultural and sports centers
3. Contribution to youth development
4. Support of vulnerable groups

Education on environmental protection

Commitment to seas and oceans

In order to raise awareness of the origins and scale of plastic pollution in our oceans, Aquafil co-founded the project "The Healthy Seas, a Journey from Waste to Wear". 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, the project includes school encounters aimed at raising awareness of plastic pollution in our oceans. 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.

TimeShrine Foundation

To increase awareness, Aquafil supported the initiative "One planet, One future" by the French-American artist Anne de Carbuccia. The Foundation seeks to raise the general awareness of threats to our planet due to human activity with the goal of improving conservation of the environment, protected species and endangered cultures through changing consumption habits.

Support of local cultural and sports centers i

Aquafil recognizes the importance of sports clubs in local communities. These sport clubs provide young children with the opportunity to take part in physical activities suited to them and therefore contribute to the promotion of a healthy lifestyle.

Initiatives in the cultural field are of equal importance as they present a source of enrichment for the region in many respects.

Recognizing the importance of its contributions, Aquafil commits to sponsorships in the areas in which it operates.

In this regard the donations disbursed are:

- Approx. Euro 32 thousand in support of sports clubs in Italy
- Approx. Euro 76 thousand in support of cultural and sports clubs of various types in the Croatian and Slovenian territories. Clubs benefitting from donations in these territories number about 50
- Aquafil CRO donated about Euro 11,000 in support of schools, kindergartens, cultural and sports clubs, as well as local charities.
- In the United States, Aquafil provides financial support to the Boy Scouts of America in the Northwest Georgia Council.

Contribution to youth development

It is the firm belief of Aquafil that comprehensive development not only involves school education but also direct contact with the workplace and the earlier this experience takes place the more benefits are reaped. It is for this reason that Aquafil involved itself in initiatives that provide high school children with opportunities to get to know the reality of the production environment.

School-work alteration

The Group decided to make its Arco facility available for the Ministerial "School-work alternation" program. This gives children the chance to experience an internship which provides real world learning opportunities and the possibility to explore their career options. In this way, Aquafil meets the needs of local educational establishments who require the help of enterprises to implement ministerial directives. At the same time, mutual understanding of what the region can offer is being facilitated. For Aquafil this also means providing children with the chance to understand what sustainability is and how they can become an integral part of a company's business vision.

These initiatives include the collaboration established with a private school in the Trentino area which presents children with a specific course addressing the different factors that affect sustainability. The course includes several encounters, as well as a concluding visit to Slovenia.

The "Tu Sei" Project

Tessilquattro SpA was awarded first place in the tenth edition of the "Tu Sei" project supported within the context of the Pat - Confindustria Trento Memorandum of Understanding. The goal of the project is to improve mutual knowledge between the business world and schools by providing students with the opportunity to sustain direct experience with companies and industry organizations.

Aquafil STEM LAB

In 2018, Aquafil worked together with the Cartersville elementary school on the "Aquafil STEM LAB" project by acquiring a 3D printer, financially contributing to school supplies and organizing activities for students.

Support of vulnerable groups
A region is all the richer when it is able to support its most vulnerable groups. Identifying as an active community member, Aquafil supports entities furthering this purpose.

These include:
- Donations to Telethon, an association that engages in research to find treatments for rare diseases;
- Donations to ABIO, an association that supports hospitalized children with the aim of making their hospital stay less traumatic and also supporting parents during the hospitalization of their child;
- In the United States, Aquafil organizes the collection of food and used clothing on behalf of charity organisations and promotes blood donations for local needs;
- Investment in breast cancer research;
- Donations towards various initiatives concerning the safeguarding of health in the Slovenian and Croatian regions. Such contributions include donations to the blood cancer association and entities working with people with disabilities.

In order to actively promote local development and to respond to emerging needs, the Group also supports additional entities both financially and otherwise.

For example, these include donations to the voluntary fire brigade of Senozece on behalf of AquafilSLO, the purchase of technical and rescue equipment and the sponsorship of Tedx Trento. This yearly initiative promotes social development through sharing ideas and positive experiences that allow the region and main players in the ecosystem of innovation to be involved on both a public and private level.

17.9 UNCERTAINTY OR RISK FACTORS

The Group appointed the Control and Risks Committee in order to assist the Board of Directors. The Committee's duty is to assist the Board in the approval of the periodic financial reports, the management of risk, the oversight of internal control systems and the assessment of its findings, as well as supporting the decisions made by the Board in such matters.

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 offsets these issues through
- strategic policies targeting 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 connected with net cash requirements
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 Aquafil, 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 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, and not for speculative purposes, also carries out exchange rate 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 a part of its medium/long term loans at a fixed rate or by undertaking interest rate hedging instruments.

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 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.

Commercial credit risk

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 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.


AQUAFIL
direzione di produzione
SAT

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

GRI Standard	Disclosure	Reference paragraph	Note
GENERAL DISCLOSURES			
	102-1 Name of the organization	Par 1.1: Group Presentation	-
	102-2 Activities, brands, products, and services	Par 1.1.1: Product Lines	-
	102-3 Location of headquarters	Par 1.1: Group Presentation	-
	102-4 Location of operations	Par 1.1: Group Presentation Par.1.1.4: Group facilities	-
	102-5 Ownership and legal form	Par 1.2: Corporate Governance Model	-
	102-6 Markets served	Par 1.1.2: Key markets	-
	102-7 Scale of the organization	Par 1.1.1: Product Lines Par.1.1.4: Group facilities Par 2.4.2.2: Aquafil personnel	-
	102-8 Information on employees and other workers	Par 2.4.2.2: Aquafil personnel	-
	102-9 Supply chain	Par.2.1.3: Circular economy commitment Par. 2.2.4: Product chain environmental performance Par. 2.4.3: Relationships with stakeholders	-
	102-10 Significant changes to the organization and its supply chain	Par 1.3: Reporting scope	-
	102-11 Precautionary Principle approach	Chapter 3: Risks and uncertainties	-
	102-12 External initiatives	Par. 2.4.3: Relationships with stakeholders	-
	102-13 Membership of associations	Par. 2.4.3: Relationships with stakeholders	-
	102-14 Statement from senior decision-maker	-	See the first section of the document
GRI 102	102-16 Values, principles, standards, and norms of behaviour	Par 2.3.1: Code of Conduct	-
	102-18 Governance structure	Par 1.2: Corporate Governance Model	-
	102-40 List of stakeholder groups	Par 2.1.2: The sharing approach Par 2.4.3: Relationships with stakeholders	-
	102-41 Collective bargaining agree-ments	Par 2.4.2.2: Aquafil personnel, pag.61	-
	102-42 Identifying and selecting sta-keholders	Par 2.1.2: The sharing approach, pag. 37	-
	102-43 Approach to stakeholder engagement	Par 2.1.2: The sharing approach, pag. 37	-
	102-44 Key topics and concerns raised	Par 2.1.2: The sharing approach, pag. 37	-
	102-45 Entities included in the consoli-dated financial statements	Par 1.3: Reporting scope, pag. 35	-
	102-46 Defining report content and topic Boundaries	Par 2.1.2: The sharing approach, pag. 37	-
	102-47 List of material topics	Par 2.1.2: The sharing approach, pag. 37	-
	102-48 Restatements of information	Methodological note	-
	102-49 Changes in reporting	Methodological note	-
	102-50 Reporting period	Methodological note	-
	102-51 Date of most recent report	Methodological note	-
	102-52 Reporting cycle	Methodological note	-
	102-53 Contact point for questions regarding the report	-	Reference should be made to the Directors' Report, of which the NFR is an integral part
	102-54 Claims of reporting in accor-dance with the GRI Standards	Methodological note	
	102-55 GRI content index	Pag. 58	
	102-56 External assurance	Methodological note	

GRI Standard	Disclosure	Reference paragraph	Note
MATERIAL TOPICS			
Economic Performance			
For complete information regarding the financial performance, see chapters 1 to 17 of this report regarding the 2018 financial statements			
Anti-corruption			
GRI 103: Management Approach	103-1, 103-2, 103-3	Par 2.3 Compliance with regulations Par 2.3.1 Code of conduct	-
GRI 205	205-2 Operation assessed for risk related to corruption	Par 2.3.1 Code of conduct	-
Anti-competitive behavior			
GRI 103: Management Approach	103-1, 103-2, 103-3	Par 2.3.2 Organization, Management and Control Model	-
GRI 206	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Par 2.3.2 Organization, Management and Control Model	-
Material			
GRI 103: Management Approach	103-1, 103-2, 103-3	Par 2.2: Environment Par 2.2.1: Standards and methodologies applied Par 2.2.2: Collection and processing of data	-
GRI 301	301-1 Materials used by weight or volume	Par Materiali	-
Energy			
GRI 103: Management Approach	103-1, 103-2, 103-3	Par 2.2: Environment Par 2.2.1: Standards and methodologies applied Par 2.2.2: Collection and processing of data	-
GRI 302	302-1 Energy consumption within the organization	Par. Management of energy consumption	-
Water and Effluents			
GRI 103: Management Approach	103-1, 103-2, 103-3	Par 2.2: Environment Par 2.2.1: Standards and methodologies applied Par 2.2.2: Collection and processing of data	-
GRI 303	303-3 Water withdrawal	Par. Water consumption management	
Biodiversity			
GRI 103: Management Approach	103-1, 103-2, 103-3	Par. Protection of the local area	-
GRI 304	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Par. Protection of the local area	-
Emissions			
GRI 103: Management Approach	103-1, 103-2, 103-3	Par 2.2: Environment Par 2.2.1: Standards and methodologies applied Par 2.2.2: Collection and processing of data	-
GRI 305	305 – 1 Direct (Scope 1) GHG emissions	Par. Greenhouse gas emissions	-
	305 – 2 Energy indirect (Scope 2) GHG emissions	Par. Greenhouse gas emissions	-
Effluents and waste			
GRI 103: Management Approach	103-1, 103-2, 103-3	Par 2.2: Environment Par 2.2.1: Standards and methodologies applied Par 2.2.2: Collection and processing of data	-
GRI 306	306 -1 Water discharged by quality and destination	Par. Water discharge	-

GRI Standard	Disclosure	Reference paragraph	Note
MATERIAL TOPICS			
Environmental Compliance			
GRI 103: Management Approach	103-1, 103-2, 103-3	Par. Compliance with environmental laws and regulations	-
GRI 307	307-1 Non-compliance with environmental laws and regulations	Par. Compliance with environmental laws and regulations	-
Supplier Environmental Assessment			
GRI 103: Management Approach	103-1, 103-2, 103-3	Par. 2.4.3: Relationships with stakeholders Par. Supplier selection and engagement Par. ECONYL® Qualified	-
GRI 308	308-1 New suppliers that were screened using environmental criteria	Par. Supplier selection and engagement Par. ECONYL® Qualified	-
Occupational Health and Safety			
GRI 103: Management Approach	103-1, 103-2, 103-3	Par. 2.4.2.3: Workplace health and safety	-
GRI 403	403-9 Work related injuries	Par. 2.4.2.3: Workplace health and safety	-
Training and Education			
GRI 103: Management Approach	103-1, 103-2, 103-3	Par. 2.4.2.2: Aquafil personnel	-
GRI 404	404-1 - Average hours of training per year per employee	Par. 2.4.2.2: Aquafil personnel	-
Non-discrimination			
GRI 103: Management Approach	103-1, 103-2, 103-3	Par. 2.4.1 Respect and protection of human rights	-
GRI 406	406-1 Incidents of discrimination and corrective actions taken	Par. 2.4.1 Respect and protection of human rights	-
Child labor			
GRI 103: Management Approach	103-1, 103-2, 103-3	Par. 2.4.1 Respect and protection of human rights	-
GRI 408	408-1 Operations and suppliers at significant risk for incidents of child labor	Par. 2.4.1 Respect and protection of human rights	-
Forced or Compulsory Labor			
GRI 103: Management Approach	103-1, 103-2, 103-3	Par. 2.4.1 Respect and protection of human rights	-
GRI 409	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Par. 2.4.1 Respect and protection of human rights	-
Human Rights Assessment			
GRI 103: Management Approach	103-1, 103-2, 103-3	Par. 2.4.1 Respect and protection of human rights	-
GRI 412	412-1 Operation that have been subject to human rights reviews or impact assessments	Par. 2.4.1 Respect and protection of human rights Par. 2.4.2.2: Aquafil personnel	-

GRI Standard	Disclosure	Reference paragraph	Note
MATERIAL TOPICS			
Local Communities			
GRI 103: Management Approach	103-1, 103-2, 103-3	Par. 2.4.3: Relationships with stakeholders	-
GRI 413	413-1 Operations with local community engagement, impact assessments, and development programs	Par. 2.4.3: Stakeholder relationships (Local community projects)	-
Supplier Social Assessment			
GRI 103: Management Approach	103-1, 103-2, 103-3	Par. 2.4.3: Relationships with stakeholders Par. Supplier selection and engagement	-
GRI 414	414-1 New suppliers that were screened using social criteria	Par. 2.4.3: Relationships with stakeholders Par. Supplier selection and engagement Par. ECONYL® Qualified	-
Customer Health and Safety			
GRI 103: Management Approach	103-1, 103-2, 103-3	Par. Management of chemical products	-
GRI 416	416-1 - Assessment of the health and safety impacts of product and service categories	Par. Management of chemical products	-
Marketing and Labeling			
GRI 103: Management Approach	103-1, 103-2, 103-3	Par. 2.4.3: Relationships with stakeholders	-
GRI 417	417-1 Requirements for product and service information and labeling	Par. 2.4.3: Relationships with stakeholders (customer relationships)	-
Customer Privacy			
GRI 103: Management Approach	103-1, 103-2, 103-3	Par 2.3 Compliance with regulations	-
GRI 418	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Par 2.3 Compliance with regulations Par 2.3.1 Code of conduct	-
Socioeconomic Compliance			
GRI 103: Management Approach	103-1, 103-2, 103-3	Par 2.3 Compliance with regulations	-
GRI 419	419-1 Non-compliance with laws and regulations in the social and economic area	Par 2.3 Compliance with regulations Par 2.3.1 Code of conduct	-

Arco, March 14, 2019

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

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.

CONSOLIDATED BALANCE SHEET

in thousands of Euro	*Note*	**At December 31, 2018**	**At December 31, 2017**
Intangible assets	7.1	15,992	7,782
Property, plant & equipment	7.2	189,661	153,927
Financial assets	7.3	404	408
of which parent companies, related parties		*79*	*79*
Other assets	7.4	2,189	-
Deferred tax assets	7.5	7,841	11,356
Total non-current assets		**216,087**	**173,472**
Inventories	7.6	189,678	153,499
Trade receivables	7.7	34,046	34,870
of which parent companies, related parties		*66*	*116*
Financial assets	7.3	2,878	988
Tax receivables	7.8	451	524
Other assets	7.9	14,297	12,517
of which parent companies, related parties		*1,859*	*1,688*
Cash and cash equivalents	7.10	103,277	99,024
Total current assets		**344,627**	**301,422**
Total assets		**560,714**	**474,895**
Share capital	7.11	49,722	49,673
Reserves	7.11	62,969	54,772
Group net result	7.11	31,119	20,569
Total parent company shareholders net equity		**143,810**	**125,014**
Minority interest net equity	7.11	1	386
Minority interest net profit	7.11	0	99
Total consolidated net equity		**143,811**	**125,499**
Employee benefits	7.12	5,702	5,876
Financial liabilities	7.13	224,345	159,973
Provisions for risks and charges	7.14	1,169	1,516
Deferred tax liabilities	7.5	3,582	3,533
Other liabilities	7.15	11,833	7,858
Total non-current liabilities		**246,631**	**178,755**
Financial liabilities	7.13	39,090	52,111
Current tax payables	7.17	2,270	5,134
Trade payables	7.16	106,895	94,477
of which parent companies, related parties		*762*	*716*
Other liabilities	7.15	22,017	18,919
of which parent companies, related parties		*230*	*457*
Total current liabilities		**170,272**	**170,641**
Total equity & liabilities		**560,714**	**474,895**

CONSOLIDATED INCOME STATEMENTS

(Euro thousands)	Note	2018	*of which non-current*	2017	*of which non-current*
Revenues	8.1	555,220	-	528,333	-
of which related parties:		*218*		*297*	
Other revenues and income	8.2	2,591	*856*	1,431	*260*
Total revenues and other revenues and income		**557,811**	**856**	**529,764**	**260**
Cost of raw materials and changes to inventories	8.3	(282,266)	(118)	(268,171)	(1,131)
Service costs and rents, leases and similar costs	8.4	(100,935)	*(2,918)*	(94,096)	*(2,840)*
of which related parties:		*(3,586)*		*(3,668)*	
Labour costs	8.5	(106,410)	(3,983)	(101,304)	(1,975)
of which related parties:		-		*(797)*	
Other costs and operating charges	8.6	(2,438)	(211)	(2,575)	(102)
of which related parties:		*(70)*		*(70)*	
Amortisation, depreciation & write-downs	8.7	(26,361)		(24,229)	
Doubtful debt provision	8.8	(93)		(543)	
Provisions for risks and charges	*8.8*	*(192)*		*(560)*	
Increase in internal work capitalised	8.9	2,071		533	
Operating Profit		**41,187**	**(6,373)**	**38,819**	**(5,788)**
Investment income/charges		-		50	
Financial income	8.10	45		219	
of which related parties:		-		*144*	
Financial charges	8.11	(5,816)		(6,276)	
Exchange gains/losses	8.12	1,668		(4,800)	
Profit before taxes		**37.084**	**(6,373)**	**28,012**	**(5,788)**
Income taxes	8.13	(6,986)		(2,796)	2,721
Profit for the year		**30,097**	**(6,373)**	**25,216**	**(3,067)**
Minority interest net profit		(0)		99	
Group Net Profit		**30.,097**		**25,117**	
Basic earnings per share	*8.14*	*0.59*		*0.55*	
Diluted earnings per share	*8.14*	*0.59*		*0.55*	

COMPREHENSIVE CONSOLIDATED INCOME

(in Euro thousands)	*Note*	2018	2017
Profit for the year		**30,097**	**25,216**
Actuarial gains/(losses)		77	22
Tax effect from actuarial gains and losses		(18)	(5)
Other income items not to be reversed in income statement in subsequent periods		**58**	**17**
Currency difference from conversion of financial statements in currencies other than the Euro		964	(4,565)
Other income items to be reversed in income statement in subsequent periods		**964**	**(4,565)**
Total comprehensive income	**7.11**	**31,119**	**20,668**
Minority interest comprehensive income		(0)	99
Group comprehensive income	**7.11**	**31,119**	**20,569**

CONSOLIDATED CASH FLOW STATEMENT

(Euro thousands)	*Note*	**Dec. 31, 2018**	**Dec. 31, 2017**
Operating activities			
Profit for the year		30,097	25,216
of which related parties:		*(3,438)*	*(4,094)*
Income taxes	8.13	6,986	2,796
Investment income and charges			(50)
Financial income	8.10	(45)	(219)
of which related parties:			*(144)*
Financial charges	8.11	5,816	6,276
Exchange gains/(losses)	8.12	(1,668)	4,800
Asset disposal (gains)/losses		(303)	86
Provisions & write-downs	8.8	285	1,103
Amortisation, depreciation & write-downs	8.7	26,361	24,229
Cash flow from operating activities before working capital changes		**67,531**	**64,235**
Increase/(Decrease) in inventories	7.6	(36,179)	(1,500)
Increase/(Decrease) in trade payables	7.16	12,418	9,483
of which related parties:		*46*	*(166)*
Increase/(Decrease) in trade receivables	7.7	633	(695)
of which related parties:		*50*	*(113)*
Changes to assets and liabilities		3,617	(9,138)
of which related parties:		*(398)*	*(4,135)*
Net paid financial charges		(5,025)	(5,886)
Income taxes paid		(6,335)	(5,212)
Utilisation of provisions		(1,271)	(1,547)
Net cash flow generated by operating activities (A)		**35,389**	**49,740**
Investing activities			
Investments in tangible assets	7.2	(60,881)	(34,356)
Disposal of intangible assets	7.2	2,708	1,839
Investments in intangible assets	7.1	(10,834)	(4,720)
Disposal of intangible assets	7.1	13	198
Disposal of financial assets			2,710
Cash flow generated by investing activities (B)		**(68,994)**	**(34,329)**
Financing activities	9		
New non-current bank loans		120,000	65,000
Repayment non-current bank loans		(67,833)	(88,119)
Net changes in current financial assets and liabilities		(1,516)	(1,864)
Distribution dividends	7.11	(12,241)	(13,819)
of which related parties:		*(7,369)*	*(13,819)*
Acquisition of minority interests		(600)	
Share capital increase		50	
Merger contribution			41,869
Cash flow from generated/(absorbed) by financing activities (C)		**37,860**	**3,067**
Net cash flow in the year (A)+(B)+(C)		**4,255**	**18,479**
Opening cash and cash equivalents	7.10	99,024	80,545
Closing cash and cash equivalents	7.10	103,277	99,024

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(Euro thousands)	**Share capital**	Legal reserve	Translation reserve	Share premium reserve	Listing cost reserve
At December 31, 2016	**50**	**3,937**	**(7,814)**	**19,636**	**0**
Allocation of prior year result	-	-	-	-	-
Distribution dividends	-	-	-	-	-
Aqufil - Space 3 merger effects	49,623	(3,929)	-	394	(2,089)
Total operations with shareholders	**49,623**	**(3,929)**	**-**	**394**	**(2,089)**
Listing charges relating to capital increase	-	-	-		(1,198)
Termination employment service Borgolon SpA	-	-	-	-	-
Other minor changes					
Other net equity changes	**-**	**-**	**-**	**-**	**(1,198)**
Result for the year	-	-	-		
Actuarial gains/(losses) employee benefits	-	-	-		
Translation difference	-	-	(4,565)		
Comprehensive income	**-**	**-**	**(4,565)**	**-**	**-**
At December 31, 2017	**49,673**	**8**	**(12,379)**	**20,030**	**(3,287)**
Sale minority interest					
Other changes					
Allocation of prior year result					
Distribution dividends					
Share capital increase	50			(55)	
Result for the year	**-**	**-**	**-**		
Actuarial gains/(losses) employee benefits	-	-	-		
Translation difference	-	-	964		
Comprehensive income	**-**	**-**	**964**	**-**	**-**
At December 31, 2018	**49,723**	**8**	**(11,415)**	**19,975**	**(3,287)**

FTA Reserve	IAS 19 Reserve	Retained ear- nings	Net result	**Total parent company shareholders share. equity**	**Min. interest share eq.**	**Total consol. share equity**
(2,389)	**(677)**	**82,849**	**20,023**	**115,615**	**386**	**116,001**
-	-	20,023	(20,023)	-	-	-
-	-	(51,312)	-	(51,312)	-	(51,312)
-	-	(2,700)	-	41,299	-	41,299
-	**-**	**(33,989)**	**(20,023)**	**(10,013)**	**-**	**(10,013)**
-	-	-	-	(1,198)	-	(1,198)
-	60	-	-	60	-	60
		(19)		(19)	-	(19)
-	**60**	**(19)**	**-**	**(1,157)**	**-**	**(1,157)**
-	-	-	25,117	25,117	99	25,216
-	17	-	-	17	-	17
-	-	-	-	(4,565)	-	(4,565)
-	**17**	**-**	**25,117**	**20,569**	**99**	**20,668**
(2,389)	**(600)**	**48,841**	**25,117**	**125,014**	**485**	**125,499**
				-	(484)	(484)
		(131)		(131)		(131)
		25,117	(25,117)	-		-
		(12,241)		(12,241)		(12,241)
		55		50		50
-	**-**	**-**	**30,097**	**30,097**	**-**	**30,097**
-	58	-	-	58	-	58
-	-	-	-	964	-	964
-	**58**	**-**	**30,097**	**31,119**	**-**	**31,119**
(2,389)	**(542)**	**61,641**	**30,097**	**143,810**	**1**	**143,811**

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®

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

1.1. Introduction

Aquafil S.p.A. ("**Aquafil**", "**Company**" or "**Parent company**" and, together with its subsidiaries, "**Group**" or "**Aquafil Group**") is a company listed on the Italian Stock Exchange, STAR Segment since December 4, 2017, resulting from the business combination through merger by incorporation of Aquafil S.p.A. (pre-merger), founded in 1969 in Arco (TN) and renowned for the production and distribution of fibres and polymers, principally polyamide, into Space3 S.p.A., as an Italian registered Special Purpose Acquisition Company (SPAC), with efficacy from December 4, 2017.
The majority shareholder of Aquafil S.p.A. is Aquafin Holding S.p.A., with registered office in Via Leone XIII No. 14, 20145 Milan, Italy, which however does not exercise management and co-ordination activities. 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 Aquafil Group 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 filaments), 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 Group's products obtained by regenerating industrial waste and end-of-life products.
The Group enjoys a consolidated presence in Europe, the United States and Asia, both directly and indirectly through its subsidiaries and/or associate companies

1.2. Consolidated Financial Statement Presentation

These consolidated financial statements were prepared for the year ended December 31, 2018 ("**Consolidated Financial statements**") 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 Consolidated Financial Statements were approved by the Board of Directors of the company on March 14, 2019 and audited by PricewaterhouseCoopers S.p.A., statutory auditors of the company

1.3. Form and content of the financial statements

In accordance with IAS 1, paragraph 41, the following reclassifications were made which required, in order to ensure comparability, also the amendment of the comparative figures at December 31, 2017.
(i) the revenue matured from the allocation of the research and development tax credit was reclassified from "Income taxes" to "Other revenues and income" in reflection of the nature of the contribution. The amounts follow:

	at 31 December 2018	at 31 December 2017
Other revenues and income	1,225	1,171
Income taxes	(1,225)	(1,171)

(ii) income statement reclassification reducing costs and revenues in application of the new IFRS 15. For the relative effects, reference should be made to chapter 2.5.1 IFRS 15 - Revenue from contracts with customers.

2. ACCOUNTING POLICIES

The main accounting policies adopted in the preparation of the Consolidated Financial Statements are reported below. These accounting policies were applied in line with the year 2017 presented for comparative purposes and those applied at December 31, 2018.

2.1. Basis of preparation

As previously indicated, these consolidated 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 Consolidated 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 consolidated 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 Group, as the directors verified the absence of financial, operating or other indicators which may suggest difficulties with regards to the Group'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.

2.2. Form and content of the financial statements

The Consolidated Financial Statements were prepared in Euro, which corresponds to the principal currency of the economic activities of the entities within the Group. All the amounts included in the present document are presented in thousands of Euro, unless otherwise specified.
The financial statements and the relative classification criteria adopted by the Group, within the options permitted by IAS 1 "Presentation of financial statements" ("**IAS 1**") are illustrated below:

- the *consolidated balance sheet* is presented with separation between "current and non-current" assets and liabilities;
- the *consolidated 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* was prepared in accordance with the "indirect method".

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

2.3. Consolidation scope and basis of consolidation

The Consolidated Financial Statements includes the equity and financial position and results of the subsidiaries and/or associated companies, approved by the respective boards and prepared on the basis of the relative accounting entries and, where applicable, appropriately adjusted in line with international accounting standards IAS/IFRS.
The following table summarises, with reference to the subsidiaries and associated companies, details on company name, registered office, share capital, result from draft financial statements prepared for approval, direct and indirect holding, of the company and the consolidation method applied at December 31, 2018:

Name of the Company	Registered office	Share capital	Net profit/ (loss)	Currency	Group holding	Direct voting rights	Consol. method
Parent company:							
Aquafil S.p.A.	Arco (TN)	49,722,417	10,223,619	Euro	-	-	
Subsidiary companies:							
AquafilSLO d.o.o.	Ljubjiana (Slovenia)	50,135,728	8,019,552	Euro	100.00%	100.00%	Line-by-line
Aquafil USA Inc	Cartersville (USA)	32,100,000	2,609,262	US Dollar	100.00%	100.00%	Line-by-line
Tessilquattro S.p.A.	Arco (TN)	3,380,000	43,624	Euro	100.00%	100.00%	Line-by-line
Aquafil Jiaxing Co. Ltd	Jiaxing (China)	355,093,402	52,983,415	Chinese Yuan	100.00%	100.00%	Line-by-line
Aquafil UK Ltd	Ayrshire (UK)	1,750,000	(386,928)	UK Sterling	100.00%	100.00%	Line-by-line
AquafilCRO doo	Oroslavje (Croatia)	71,100,000	12,182,290	Croatian Kuna	100.00%	100.00%	Line-by-line
Aquafil Asia Pacific Co. Ltd	Rayoung (Thailand)	53,965,000	21,316,494	Baht	99,99%	99,99%	Line-by-line
Aqualeuna Gmbh	Leuna (Germany)	2,325,000	(1,128,785)	Euro	100.00%	100.00%	Line-by-line
Aquafil Engineering GmBH	Berlin (Germany)	255,646	257,353	Euro	100.00%	100.00%	Line-by-line
Aquafil Tekstil Sanayi Ve Ticaret A.S.	Istanbul (Turkey)	1,512,000	782,378	Turkish Lira	99.99%	99.99%	Line-by-line
Borgolon S.p.A.	Varallo Pombio (NO)	7,590,000	(89,506)	Euro	100.00%	100.00%	Line-by-line
Aquafil Benelux France BVBA	Harelbake (Belgium)	20,000	91,499	Euro	100.00%	100.00%	Line-by-line
Cenon S.r.o.	Zilina (Slovakia)	26,472,682	(228,008)	Euro	100.00%	100.00%	Line-by-line
Aquafil Carpet Recycling #1, Inc.	Phoenix (USA)	250,000	(2,602,933)	US Dollar	100.00%	100.00%	Line-by-line
Aquafil Carpet Recycling #2, Inc.	Woodland California (USA)	250,000	(360,958)	US Dollar	100.00%	100.00%	Line-by-line
Aquafil Oceania Pty Ltd	Melbourne (Australia)	49,990	18,812	Australian Dollar	100.00%	100.00%	Line-by-line
Aquafil India Private Limited	New Delhi (India)	85,320	0	Indian Rupee	99.97%	99.97%	Line-by-line

At December 31, 2018 there are no associated companies included in the consolidation scope.

The principal changes in the composition of the Group during the year are briefly described below.

- Aquafil Oceania Pty Ltd was incorporated with registered office in Melbourne – Australia, share capital of AUD 50,000 held by the Parent Company Aquafil S.p.A..;
- Aquafil Carpet Recycling (ACR) # 2 Inc. was incorporated with registered office in Sacramento - California, share capital of USD 250,000 entirely held by the subsidiary Aquafil Usa Inc..;
- a 10% holding in Aquafil Engineering G.m.b.H. was acquired with registered office in Berlin - Germany, increasing its stake therefore from 90% to 100% and without any change in the company's governance.

The main criteria adopted by the Group for the definition of the consolidation scope and the relative consolidation principles are illustrated below.

Subsidiaries

A party 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. Subsidiaries are consolidated under the line-by-line method from the date control is acquired and ceases to be consolidated from the date in which control is transferred to third parties. The year-end of the subsidiary companies coincides with that of the Parent Company. The criteria adopted for line-by-line consolidation were as follows:

- the assets and liabilities, and the charges and income of the companies are recorded line-by-line, attributing to the minority shareholders, where applicable, the share of net equity and net result for the period pertaining to them; this share is recorded separately in the net equity and in the income statement;
- the gains and losses, with the relative fiscal effect, deriving from operations between fully consolidated companies and not yet realised with third parties, are eliminated, except for losses which are not eliminated where the transaction indicates a reduction in the value of the asset transferred. The effects deriving from reciprocal payables and receivables, costs and revenues, as well as financial income and charges are also eliminated.
- with regard to equity investments acquired subsequent to the acquisition of control (non-controlling interest acquisitions), any difference between the acquisition cost and the corresponding portion of equity acquired is recognised to Group equity; similarly, the effects from the sale of the non-controlling share without loss of control are recognised to equity. Conversely, the sale of a share in investments which results in the loss of control are recognised in the comprehensive income statement:
  (i) of any gains/losses calculated as the difference between the payment received and the corresponding share of consolidated net equity sold;
  (ii) of the effect of the remeasurement of any residual investment maintained in line with the relative fair value;

  (iii) of any values recorded under other items of the comprehensive income statement relating to the investee which is no longer controlled and which must be reversed through the comprehensive income statement, or where the amount should not be reversed through the comprehensive income statement, to the net equity account "Retained earnings".

The value of any investment maintained, aligned to the relative fair value at the date of loss of control, represents the new initial recognition value of the investment, which also constitutes the value for subsequent measurement in accordance with the measurement criteria applicable.

Associated Companies

Associated companies are companies in which the Group has a significant influence, which is presumed to exist when the percentage held is between 20% and 50% of the voting rights. Associated companies are measured under the equity method and are initially recorded at cost. The equity method is as described below:

- the book value of these investments is aligned to the net equity of the company adjusted, where necessary, to reflect the application of IFRS and includes the recognition of the higher value attributed to the assets and liabilities and to any goodwill, identified on acquisition; in line with a similar process to that previously described for business combinations;
- the profits and losses pertaining to the Group are recognised when the significant influence begins and until the significant influence ceases to exist. In the case where, due to losses, the company valued under this method indicates a negative net equity, the carrying value of the investment is written down and any excess pertaining to the Group, where this latter is committed to comply with legal or implicit obligations of the investee, or in any case to cover the losses, is recorded in a specific provision; the equity changes of the companies valued under the equity method, not recorded through the income statement, are recorded directly in the comprehensive income statement;
- the gains and losses not realised, generated on transactions between the Company/Subsidiaries and investments measured under the equity method are eliminated based on the share pertaining to the Group in the investee, except for losses, when they represent a reduction in value of the underlying asset, and dividends which are fully eliminated.

When there is objective evidence of an impairment, the recovery is verified comparing the carrying value with the relative recoverable value adopting the criteria indicated in the paragraph "Impairments of tangible and intangible assets". When the reasons for the impairment no longer exist, the investments are revalued within the limits of the write-downs, with effects recognised to the income statement.

The transfer of shareholdings resulting in the loss of joint control or significant influence over the investee company determines the recognition in the comprehensive income statement:

- of any gain/loss calculated as the difference between the amount received and the corresponding fraction of the carrying amount transferred;
- of the effect of the remeasurement of any residual investment in line with the relative fair value;
- of any values recorded under other comprehensive items related to the investee for which reclassification to the comprehensive income statement is envisaged.

The value of any equity investment aligned to its fair value at the date of the loss of joint control or significant influence, represents the new carrying amount and, therefore, the reference value for the subsequent valuation according to the applicable valuation criteria.
Once an equity investment, or a share of this equity, measured under the equity method is classified as held for sale in so far as it meets the criteria for such classification, the equity investment or share of equity, is no longer measured under the equity method.

Business combinations

The company did not undertake in the year any business combinations as defined by IFRS 3.

Translation of foreign companies' financial statements

The financial statements of subsidiaries are prepared in the primary currency in which they operate. The rules for the translation of financial statements of companies in currencies other than the functional currency of the Euro are as follows:

- the assets and the liabilities were translated using the exchange rate at the balance sheet date;
- the costs and revenues are translated at the average exchange rate for the period;
- the "translation reserve" recorded within the Comprehensive Income Statement, includes both the currency differences generated from the translation of foreign currency transactions at a different rate from that at the reporting date and those generated from the translation of the opening shareholders' equity at a different rate from that at the reporting date;
- the goodwill, where existing, and the fair value adjustments related to the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate at the reporting date.

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

	December 2018		December 2017	
	Year-end rate	**Average rate**	**Year-end rate**	**Average rate**
US Dollar	1.1450	1.18095	1.1993	1.12989
Croatian Kuna	7.4125	7.41816	7.44	7.46351
Chinese Yuan	7.8751	7.80808	7.8044	7.62969
Turkish Lira	6.0588	5.70767	4.5464	4.12057
Baht	37,052	38.16436	39,121	38.2995
UK Sterling	0.89453	0.88471	0.88723	0.87684

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".

2.4 Accounting standardse

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

CLASSIFICATIONS OF CURRENT AND NON-CURRENT ASSETS AND LIABILITIES:

The Group 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 Group 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, controlled by the Group 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.

The following main intangible assets can be identified within the Group:

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 for the Group 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 - 40 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 Group, 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, 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.

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

The financial assets are measured based on the new accounting standard IFRS 9 described in paragraph 2.5.2.
The Group assesses at each reporting date whether a financial asset or a group of financial assets have incurred a loss in value

IMPAIRMENT OF FINANCIAL ASSETS

At each reporting date, all financial assets are analysed in order to verify whether they 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.
In the valuation account is also taken of future economic conditions.
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 Group 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 Group 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 was recorded net of any impairment provisions.

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 consolidated 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 Group 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 Group 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 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 this case, when the company has more than 50 employees, those matured from 2007 are paid into INPS. 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 Group 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 Group has transferred its right to receive the 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 the Aquafil Group for the hedging of financial risks related to exchange rate fluctuations on commercial transactions in foreign currency and interest rate fluctuations on bank debt. Please refer to details in paragraph 2.5.2.

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 Group's financial derivative 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 Group 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 Group 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. The warrants issued are of two types: "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 as: (i) 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, or as (ii) 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 the paragraph 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. Revenues are recognised according to IFRS 15, as subsequently set out in paragraph 2.5.1.

FINANCIAL INCOME AND CHARGES

Financial income and charges are recognized in the income statement in the period in which they are earned or incurred according to IFRS 9, as subsequently outlined in paragraph 2.5.2.
The distribution of dividends to Aquafil S.p.A.'s shareholders is represented as a movement of shareholders' equity and recorded as a liability in the financial year in which this distribution is approved by the Shareholders' Meeting.

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.

INCOME TAXES

Current taxes are determined on the basis of estimated taxable income, in compliance with tax regulations applicable to Group companies and are recorded in the consolidated 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 consolidated comprehensive 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 consolidated 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 parent company exited the Group taxation procedure under the option exercised by Aquafin Holding S.p.A. pursuant to Article 117, while this was renewed for the companies Tessilquattro S.p.A. and Borgolon S.p.A., for the three-year period 2016-2018.
Therefore, the consolidated financial statements take account of the effects of the transfer of tax positions arising from the "tax consolidation" and specifically recognise the consequent credit/debit relationships towards the tax consolidating company.

EARNINGS PER SHARE

a) Basic earnings per share

The basic earnings per share is calculated by dividing the result of the Group by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares.

b) Diluted earnings per share

The diluted earnings per share is calculated by dividing the result of the Group by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares. In order to calculate the diluted earnings per share, the average weighted number of shares outstanding is adjusted assuming the exercise of all the rights which have potential dilution effect, while the result of the Group is adjusted to take into account the effects, net of income taxes, of the exercise of these rights.

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 Group 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 Group 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 Group 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 assessment is required of the directors to determine the amount of deferred tax assets that can be accounted for, which depends on the estimate of probable timing and the amount of future taxable profits.

2.5 Recently issued accounting standards

2.5.1 IFRS 15 - Revenue from contracts with customers

The new standard, enacted by the European Union on September 22, 2016 and subsequently amended by EU Regulation No. 1987/2017 of October 31, 2017, is applied to all contracts with customers, with the exception of leasing contracts, insurance contracts and financial instruments.
IFRS 15 defines a revenue recognition model based on 5 steps:

1. Identification of the contract with the customer. The standard contains specific provisions to assess whether two or more contracts should be combined and to identify the accounting implications of any contractual amendments;
2. Identification of the contractual obligations contained in the contract;
3. Calculation of the transaction price, which should be made taking into consideration, among others, the following elements: any amounts paid on behalf of third parties, which must be excluded from the consideration, variable price components (such as performance bonuses, penalties, discounts, reimbursements, incentives, etc...) and any financial component, present where the payment terms granted to the customer contain a significant extension period;
4. Allocation of the transaction price to the contractual obligations, on the basis of the stand-alone sales price of each good or service; separately;
5. Recognition of the revenue, when (or if) each contractual obligation is satisfied through the transfer of the goods or service, which occurs when the customer obtains the control and therefore has the capacity to decide upon and/or control its use and substantially obtain all the benefits. Control may be transferred at a specific point in time or over time.

IFRS 15 obligatorily provides for retroactive application, but the transition to the new standard may be applied through two approaches:

- retroactively to each previous year presented in accordance with IAS 8 (full retrospective approach) or
- retroactively recognising the cumulative effect at the initial application date (modified retrospective approach) to the opening shareholders' equity at January 1, 2018 (paragraph C3 b) of IFRS 15). In this case, IFRS 15 is applied retroactively only to the contracts which were not concluded at the initial application date, i.e. January 1, 2018.

The Aquafil Group opted for the application of IFRS 15 adopting the first approach permitted as this approach favours the comparability of the income statement. However we highlight that, as illustrated below, the application of IFRS 15 in the consolidation of the Aquafil Group resulted only in a different presentation of the operating costs and revenues which therefore did not generate any change in the balance sheet, net financial position and shareholders' equity, nor any change in the net profit, EBITDA and EBIT. Therefore, we underline that the application of either approach is substantially neutral on the present and future economic results.
The Group has analysed its revenue streams, verifying the commercial contracts 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 undertaken indicated that the obligations arising for the Group companies to its clients mainly concern the production and supply of finished products according to the terms and conditions requested, and in particular:

a) payment deadlines are on average between 45 and 60 days, in line with generally applied market averages. "Cash discounts" are contractually granted in the case of early settlement and were recognised as a direct reduction in revenues even pre IFRS 15 application (in 2018 amounting to Euro 3,689 thousand). No payment deferments are granted which could be considered as qualifying as a loan;
b) the finished product is sold without the granting of warranty periods and/or without return and/or suspension of ownership clauses. Any returns and reimbursements are agreed among the parties on a case by case basis following critical analysis of the reasons which may have resulted in any non-compliance issues.

It is therefore considered that

(i) the moment of transfer of control to clients of their products coincides with the transfer of the associated risks and benefits, as contractually defined by the delivery terms applied and which are in line with those generally accepted within the sector;
(ii) the consideration does not include any financial component, with the exception of the cash discounts which are recognised as a reduction in revenues, while the component of the transport service and insurance (applicable only with specific delivery terms) is however completed in the same period as the transfer of control of the goods and therefore accrues to the same period;
(iii) no contractual obligations are in place which suspend the transfer of control of the goods and therefore only the returns/reimbursements that may be agreed (concerning the goods sold in the year) may be recognised as a reduction of the relative revenues.

In view of all that considered and analysed, the application of IFRS 15 for the consolidated financial statements of the Aquafil Group resulted only in a differing presentation among operating costs and revenues.

Specifically, the application of the new accounting standard IFRS 15 resulted in a different presentation of the purchases and sales of polymers between the companies of the Aquafil Group and those of the Domo Chemicals Group, based on reciprocal supply contracts.
In particular, the costs for purchases and the sales revenues of polymers which, in order to optimise logistical costs, the two groups decided, from time to time (and only when permitted by the type of polymers), not to transfer physically, are now offset in the income statement of the Aquafil Group which therefore now only reports the margin under revenues.
This accounting treatment is applied in accordance with paragraph 47 of the new IFRS 15 which specifies that in order to determine the transaction price the entity must take into account the terms of the contract and its normal commercial practices and that this price is the amount of the consideration which the entity considers to have the right in exchange for the transfer to the customer of the goods or services provided.
As indicated above, it was decided to apply the effects of the new standard IFRS 15 retrospectively also for the consolidated financial statements at December 31, 2017 presented for comparative purposes.

The table below summarises the effects in thousands of Euro:

IMPACT OF IFRS 15 APPLICATION	at 31 December 2018	at 31 December 2017
Revenues	(24,541)	(20,998)
Raw materials, ancillaries, consumables and goods	24,541	20,998
Impact on EBIT	**0**	**0**

In accordance with that required by paragraph 116 of IFRS 15, in 2018 revenues were recognised for Euro 1,860 thousand, which at December 31, 2017 were included in "Other current liabilities" and relating 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 supplemented in 2018 (with an addendum to the principal contract) for a further USD 10.8 million (of which to-date USD 3.6 million paid) as contribution to the contractual commitments of the Parent Company Aquafil S.p.A. for a total period until 2026. At the time the contract became operational (2017), this amount was reclassified among "Other liabilities" for the share of this contribution for future years.
At December 31, 2018, this deferred revenue, including also the effects of the above-stated addendum, amounted to Euro 12,060, as subsequently indicated in note 7.15.

2.5.2 IFRS 9 – Financial instruments

The new standard was endorsed on November 22, 2016 with EU regulation No. 2067/2016; the principal changes related to:

a) *The criteria for the classification and measurement of financial assets and liabilities*.
In relation to the financial assets, IFRS 9 utilises, for the valuation method, a single approach based on the management method of the financial instruments and on the contractual cash flows of the financial assets.
In particular the standard introduces three categories for the classification of financial assets: i) financial assets measured at amortised cost; ii) financial assets measured at fair value through the comprehensive income statement and iii) financial assets measured at fair value through the income statement.
The classification to the three categories is based on the business model of the entity and in relation to the characteristics of the cash flows generated by the activities. In particular:

i) a financial asset is measured at amortised cost if the business model of the entity provides that the asset is held to obtain the relative cash flows and therefore, not for profit, including from its sale and the characteristics of the cash flows of the asset correspond only to the payment of capital and interest;
ii) a financial asset is measured at fair value through the comprehensive income statement if it is held with the objective to receive the contractual cash flows, or to be sold; and
iii) a financial asset held for trading purposes which does not fall within the other cases indicated in the previous points i) and ii) must be measured at fair value through the income statement.

The rules for the recognition of embedded derivatives were simplified: the separate recognition of the embedded derivative and the financial asset which "hosts" it is no longer required. All equity instruments within the scope of the standard (excluding therefore investments in subsidiaries, associates or joint ventures which are recognised according to IFRS 10 Consolidated Financial Statements) - both listed and non-listed - must be measured at fair value through the income statement. The entity has the option to record under shareholders' equity the fair value changes of the equity instruments which are not held-for-trading, for which this option is prohibited. This allocation is made on initial recognition, may be made by individual security and is irrevocable. When the option is applied, the changes in the fair value of these instruments are never recorded through the income statement, where the relative dividends are however recorded.
IFRS 9 does not permit reclassifications between categories of financial assets except in the rare case of a change of the entity's business model. In this case, the effects of the reclassification are applied prospectively. For financial liabilities, the main amendment introduced by IFRS 9 relates to the accounting treatment of the fair value changes of a financial liability allocated as measured at fair value through the income statement, in the case in which these relate to changes in the credit position of the liability. According to this new standard, these changes should be recorded to other items of the statement of comprehensive income.

b) The impairment of financial assets (excluding therefore capital instruments).
The standard replaces the previous model based on the so-called "Incurred loss", introducing a new model which takes into account the expected losses, where "Loss" regards the present value of all future amounts not collected, appropriately supplemented to take into account future expectations (so-called "forward looking information"). The estimate, initially made on the expected losses in the next twelve months, in consideration of any progressive deterioration of the receivable must be adjusted to cover the expected losses over the life of the receivable.

c) Hedge accounting.
IFRS 9 introduces some changes principally relating to the effectiveness test, in relation to which the 80% - 125% threshold is abolished and replaced with an objectiveness test which verifies the economic relationship between the instrument hedged and the hedging instrument, the accounting treatment of the cost of the hedge, the scope of the items hedged and the disclosures required.
In relation to the effects of the application of the new standard IFRS 9 on the consolidated financial statements of the Aquafil Group, following specific verification activities, we conclude that:

- in relation to the classification and measurement criteria of the financial assets and liabilities, no significant impacts arose on the financial statements from the application of the classification and measurement requirements of financial assets required by IFRS 9. In particular, following the analysis of its business model and the contractual cash flows of the loans and receivables held, the Group concluded that these assets and liabilities comply with the amortised cost measurement criteria, also adopted prior to the entry into force of the new standard.

- relating to the impairment of the financial assets, the Group estimated the doubtful debt provision in accordance with the simplified method under IFRS 9, through the construction of a "provision matrix" based on the estimate of the loss rate calculated on an historical basis and broken down by amounts overdue by period, applied over the expected life of the receivable and any additional amounts with reference to significant information on future scenarios (economic changes, changes in technological developments, etc). The doubtful debt provision calculated in this manner was lower than that quantified based on the previous accounting standard IAS 39 which in any case is not significant given the quality of the receivables of the Aquafil Group;
- finally, with reference to the hedge accounting transactions, the new standard IFRS 9 did not result in any significant impact as the derivative instruments in place (IRS - Interest Rate Swap), although underwritten for hedging purposes relating to changes in interest rates, were treated, for accounting purposes and in line with the past, as non-hedging instruments (and therefore recognised through the income statement) given that it would be very complex to prepare the obligatory hedging relationship and considering that the total fair value of these derivatives is not significant (loss of Euro 470 thousand) within the overall consolidated financial statements.

2.5.3 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 19 "Plan Amendment, Curtailment or Settlement"

These amendments, published by the IASB in February 2018, (i) establish that if there is a change, reduction or redefinition of the plan, it is now obligatory that the current service cost and net interest for the subsequent period to the remeasurement is calculated using the substance used for the remeasurement (ii) clarifies the effects of the change to the plan on the requirements relating to the asset ceiling.
The provisions are effective from years beginning on, or subsequent to, January 1, 2019.

Amendment to IFRS 10 and IAS 28 "inconsistency in dealing with the loss of control of a subsidiary"

In September 2014, the IASB issued an amendment to IAS2 28 and IFRS 10 in order to resolve the recognised inconsistency between the requirements of IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and joint ventures, with regards to the loss of control of the subsidiary which is conferred to an associate or joint venture.
The efficacy of the Amendment to IAS 28 was deferred until the completion of the IASB project on the equity method.

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 14 "Regulatory Deferral Accounts"

IFRS 14 permits only those adopting IFRS for the first time to continue to recognise amounts concerning "Rate Regulation" Activities according to the previous accounting standards adopted. In order to improve comparability with entities which already apply IFRS and who do not recognise these amounts, the standard requires that the effect of the rate regulation be presented separately from the other accounts.
IFRS 14 is applicable from January 1, 2016, but the European Commission has decided to suspend the approval process while awaiting the new accounting standard on "rate-regulation activities".

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.

Amendments to References to the Conceptual Framework in IFRS Standards

The IASB decided to review the document as some important issues were not considered and some of the guidelines were not clear or had not been updated.
The revised conceptual framework, published by the IASB in March 2018, includes: a new chapter on measurement; guidelines for the reporting of financial results; improved definitions and guidelines for their usage; clarifications in important sectors, such as the roles of stewardship, prudency and uncertainty in the measurement of financial disclosure.
The provisions are effective from years beginning on, or subsequent to, January 1, 2020.

Amendments to IFRS 3 "Definition of Business"	These amendments were issued by the IASB in October 2018 in order to resolve the difficulties arising when an entity needs to establish whether it has acquired a business or a group of assets. The provisions are effective from years beginning on, or subsequent to, January 1, 2020.
Amendments to IAS 1 e IAS 8 "Definition of material"	These amendments were issued by the IASB in October 2018 to clarify the concept of "material". The provisions are effective from years beginning on, or subsequent to, January 1, 2020.

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

Regulation (EC) 2018/498 of the Commission of March 22, 2018, published in Official Gazette Law 82 of March 26, 2018, introduced amendments to IFRS 9 financial instruments. The amendments clarify the classification of certain financial assets reimbursable in advance in the case of applying IFRS 9. The new standard was endorsed by the European Commission on March 22, 2018 and companies are required to apply it, at the latest, from periods beginning on, or subsequent to, January 1, 2019. Earlier application is however permitted, although the Aquafil Group has not opted to do so.

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 were endorsed on October 23. 2018 and are effective from years beginning on, or subsequent to, January 1, 2019. Earlier application is however permitted, although the Aquafil Group has not opted to do so.

IFRS 16 Leases

On October 31, 2017, EU Regulation No. 2017/1986 was issued, enacting at European level the new (Leasing).
IFRS 16 replaces IAS 17 (Leasing) and the relative interpretations (IFRIC 4 - Determining whether an arrangement contains a lease), SIC 15 (Operating leases - Incentives) SIC 27 (Evaluating the substance of transactions in the legal form of a lease).
IFRS 16 is applied from January 1, 2019 ("transition date") and, therefore, the relative effects shall be reflected from the first quarter 2019 report prepared by the Group.
In accordance with IFRS 16, the accounting representation of passive lease contracts (non-constituting the provision of services) is undertaken by recognising:

- in the balance sheet: i) a financial liability, representing the present value of future fees which the company is committed to pay under the lease contract, and ii) an asset which represents the "usage right" of the leased asset
- in the income statement: i) financial charges related to the above-mentioned financial liability and ii) amortisation related to the above-mentioned "usage right". These income statement items replace rent, leasing and similar costs/operating lease charges under IAS 17.

On initial application (January 1, 2019), for the contracts previously classified as "operating leases", the Aquafil Group intends to apply the "simplified method" which provides for the calculation of the financial liability and the corresponding value of the usage right on the basis of the residual contractual fees at the transition date.

For the Aquafil Group, the contracts falling within the scope of IFRS 16 mainly concern:
- office and industrial buildings;
- production related plant and machinery;
- industrial vehicles (principally forklifts);
- company vehicles.

With regards to the options and exemptions under IFRS 16, the Aquafil Group is considering the following:
- IFRS 16 shall not be applied to contracts concerning intangible assets, short-term contracts (i.e. of less than 12 months) or contracts which at the transition date had a duration of less than 12 months and contracts of a contained unitary value (indicatively approx. Euro 5,000);
- usage rights are classified to a specific balance sheet account, while the financial liabilities are classified together with other financial liabilities and in the notes to the financial statements shall be separately identified and commented upon;
- any significant component concerning the provision of services included in the lease shall be excluded from IFRS 16;
- the accounting treatment of lease contracts effective at the transition date which according to IAS 17 are not considered "finance leases" are not amended.

According to the results of a preliminary analysis, still in progress, the principal expected impacts from the application of IFRS 16 may be summarised as follows:
- Balance sheet: at the transition date, the value of the usage right and of the corresponding financial liability are estimated at approx. Euro 29 million and therefore of without significant impacts on net equity at the transition date;
- Separate income statement: as mentioned previously, IFRS 16 requires the recognition of amortisation and financial charges instead of rent, lease and similar costs/operating lease charges, with a subsequent positive impact on EBITDA estimated at approx. Euro 6 million and with an insignificant effect on the net result for the year, all estimated on an annual basis and taking as reference the contracts in effect at January 1, 2019.

Typically, the recognition of a lease contract according to IAS 17 has a linear impact on the results of the company over the life of the contract. Similarly, IFRS 16 has a decreasing impact due to the financial charges which progressively reduce over the life of the contract.
The stated impacts are based on the results of analyses carried out at the preparation date of these financial statements and may change as the introduction process is still in progress. The impacts on transition are not indicative of future developments, as the capital allocation decisions may change with consequent economic-equity impacts when recognised to the financial statements.

3. FINANCIAL RISK MANAGEMENT

The principal business risks identified, monitored and, as illustrated below, actively managed by the Group are as follows:
- market risk, deriving from fluctuations in exchange rates between the Euro and the other currencies in which the Group 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 Group'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 Group to adequately meet its operational requirements, the financing of operating working capital and investment capital, and to meet its financial obligations.
The Group'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 Group.

3.1. Market risk

Currency risk
Exposure to the risk of exchange rate variations arises from the Group'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). Finally, exchange rate fluctuations also reflect on the consolidated results and shareholders' equity since the financial statements of certain Group companies are drawn up in currencies other than the Euro and are subsequently converted (translation risk).
The principal exchange rates the Group is exposed to are:
- Euro/USD, in relation to transactions carried out in US Dollars;
- Euro/CNY, in relation to transactions carried out in renminbi mainly on the Asian market.

The Group does not adopt specific policies to hedge exchange rate fluctuations. Many Group companies are however exposed to a contained level of exchange rate risk stemming from operations as, in the individual countries, a portion of cash flows, sales and also costs are denominated in the same accounting currency of the country (natural hedging).

Sensitivity analysis related to exchange rate risk
For the purposes of an exchange rate sensitivity analysis, balance sheet items as at December 31, 2018 (financial assets and liabilities) denominated in a currency other than the functional currency of each Group 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:

(Euro thousands)	Consolidated financial statements	Exposition to currency risk (aggregated)	+10% (Gains)/ Losses	-10% (Gains)/ Losses
Financial assets				
Cash and cash equivalents	103,277	19,318	(1,932)	1,932
Trade receivables	34,046	22,363	(2,236)	2,236
Tax effect			1,088	(1,088)
			(3,080)	3,080
Financial liabilities				
Trade payables	(106,895)	(3,910)	(371)	371
Tax effect			97	(97)
			(274)	274
Total			**(3,354)**	**3,354**

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 Group uses external debt funding and places available liquidity in 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 consolidated financial charges. The Group 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 Group, 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 consolidated income statement.

The following tables summarise the main information concerning hedging derivatives on interest rates as at December 31, 2018:

(in Euro thousands)	**Contract opening date**	**Contract maturity date**	**Notional value at signing date in foreign currency**	**Notional currency**	**Fair value at December 31, 2018**
IRS Cassa Centrale	03/09/15	03/09/19	10,000	Euro	(10)
IRS Veneto Banca	24/04/15	30/04/19	4,000	Euro	(0)
IRS Mediobanca	31/12/15	30/09/19	15,000	Euro	11
IRS Friuladria	26/04/16	26/04/21	4,200	Euro	(11)
IRS Banca Intesa	27/06/16	30/06/21	10,000	Euro	(17)
IRS Friuladria	29/05/17	28/06/24	10,000	Euro	(91)
IRS Banca Popolare di Milano	20/06/18	30/06/25	25,000	Euro	(241)
IRS Intesa San Paolo	19/06/18	31/01/24	15,000	Euro	(111)
Total			**93,200**		**(470)**

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 consolidated income statement and consolidated 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:

		Impact on Net Profit		**Effect on Net Equity**
(in Euro thousands)	+ 100 bps	- 100 bps	+ 100 bps	- 100 bps
FY 2018	282	(282)	282	(282)

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 Group'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 Group and difficult to predict.

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

3.2. CREDIT RISK

The Group'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 Group 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 the total Group trade receivables at December 31, 2018 was 62% (37% at December 31, 2017).
The following table provides a breakdown of trade receivables at December 31, 2018, grouped by due date and net of the doubtful debt provision:

(Euro thousands)	At December 31, 2018	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)	30,390	22,759	6,236	833	331	231
Non-guaranteed trade receivables (b)	6,175	3,550	2,034	373	4	214
Non-guaranteed trade receivables impaired (c)	138	0	0	(190)	0	328
Trade receivables before doubtful debt provision [(a)+(b)+(c)]	**36,702**	**26,309**	**8,270**	**1,015**	**335**	**772**
Doubtful debt provision	(2,656)	(2,656)	0	0	0	0
Trade receivables	**34,046**	**23,653**	**8,270**	**1,015**	**335**	**772**

3.3. LIQUIDITY RISK

Liquidity risk relates to the risk of the Group 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 Group 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 of the Group 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 Group 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 directors consider 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 total Group bank credit lines at year-end amount to Euro 89 million, completely unutilised.
The table below shows an analysis of amounts due, based on contractual repayment obligations relating to the convertible bond, leasing contracts, trade payables and other liabilities as at December 31, 2018:

(Euro thousands)	Balance at December 31, 2018	Within 1 year	Between 1 and 5 years	Beyond 5 years
Bond loan	54,795	1,217	16,864	36,714
Other current and non-current financial liabilities	208,640	37,873	153,065	17,702
Trade payables	106,895	106,895	0	0
Other current and non-current liabilities	33,850	22,017	9,077	2,756

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 Group expects to meet these commitments by liquidating financial assets and through cash flows that will be generated by operations.

4. MANAGEMENT OF CAPITAL

The Group'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 Group 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 Group 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 Group required by IFRS 7, as per the categories identified by IAS 39, at December 31, 2018:

(Euro thousands)	**Financial assets and liabilities measured at fair value through profit or loss**	**Loans and receivables**	**AFS financial assets**	**Financial liabilities at amortised cost**	**Total**
Current and non-current financial assets	11	3,271	0	0	3,282
Trade receivables	0	34,046	0	0	34,046
Tax receivables	0	451	0	0	451
Other current & non-current assets	0	16,486	0	0	16,486
Cash and cash equivalents	0	103,277	0	0	103,277
Total	**11**	**157,532**	**0**	**0**	**157,542**
Current and non-current fin. liabilities	481	0	0	262,954	263,435
Trade payables	0	0	0	106,895	106,895
Other current and non-current liabilities	0	0	0	33,850	33,850
Total	**481**	**0**	**0**	**403,699**	**404,180**

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, 2018, on the basis of the level which reflects the inputs utilised in the determination of the fair value.

thousands of Euro	**2018**	**2017**
Derivative financial instruments - Assets	11	44
Derivative financial instruments – Liabilities	(481)	(171)
Total	**(470)**	**(127)**

6. DISCLOSURE BY OPERATING SEGMENT

For the purposes of IFRS 8 – Operating Segments, Group activity is identifiable in a single operating segment.
In fact, the Group 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. Dividing the business into separate divisions is therefore currently viewed as detrimental to its economic interests.

7. NOTES TO THE CONSOLIDATED BALANCE SHEET

7.1. Intangible assets

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

(Euro thousands)	Patents & property rights	Trademarks, concessions and licenses	Intangible assets in progress	Other intangible assets	Non contractual Customers relationships	Total
At 31/12/2016	1,655	327	1,119	2,538	0	5,639
Increases	0	489	2,657	1,574	0	4,720
Decreases	0	0	(1)	(197)	0	(198)
Amortisation	(450)	(254)	0	(1,742)	0	(2,446)
Reclassifications	0	33	(1,083)	1,050	0	0
Write-downs	0	0	0	0	0	0
Change in consolidation scope	0	0	0	0	0	0
Exchange differences	0	0	0	65	0	66
Balance at 31/12/2017	1,204	596	2,692	3,289	0	7,782
Of which:						
- Historical cost	*4,703*	*5,132*	*2,692*	*12,706*	*0*	*25,234*
- Accumulated amortisation	*(3,499)*	*(4,536)*	*0*	*(9,417)*	*0*	*(17,452)*
Increases	*0*	*345*	*2,972*	*1,738*	*5,779*	*10,834*
Decreases	*0*	*(12)*	*0*	*0*	*0*	*(12)*
Amortisation	*(450)*	*(226)*	*0*	*(1,404)*	*(482)*	*(2,561)*
Reclassifications	*52*	*24*	*0*	*37*	*0*	*(9)*
Write-downs	*0*	*0*	*0*	*0*	*0*	*0*
Change in consolidation scope	*0*	*0*	*0*	*0*	*0*	*0*
Exchange differences	*0*	*0*	*0*	*5*	*(45)*	*(40)*
Balance at 31/12/2018	806	679	5,663	3,591	5,253	15,992
Of which:						
- Historical cost	*5,220*	*4,710*	*5,663*	*13,646*	*5,730*	*34,969*
- Accumulated amortisation	*(4,416)*	*(4,030)*	*0*	*(10,054)*	*(477)*	*(18,977)*

The investments in 2018, totalling Euro 10,834 thousand, mainly refer to:
- the acquisition from Invista of assets relating to customer contract lists with production formulas in the BCF area totalling Euro 5,779 thousand, for which reference should be made to the Directors' Report.
- the portion of a multi-year collaboration agreement with the US company Genomatica Inc. for the development of caprolactam production biotechnology that uses renewable raw materials; the amount of Euro 2,725 thousand was recorded under "Intangible assets in progress" which represents part of the costs incurred within the project (whose total investment is estimated at approximately USD 9.5 million) and is expected to start generating significant revenues between 2019 and 2021;
- Information and Communication Technology assets for an amount of Euro 1,720 thousand.

In relation to the acquisition of the assets from Invista this amount was recorded within the account "Non-contractual customer relationships" in accordance with IFRS 3 paragraph IE 31 as not concerning a business combination and the relationships with the customers acquired are not governed by long-term contracts but on specific orders based on the relative production programmes. In this regard, considering: (a) the high entry barriers into the nylon 6 BCF business, (b) the future production projections of the Group in this business; and (c) the future production projections of the Group in this business, it was considered appropriate to capitalise the purchase cost of the customer contract list with production formulas in the account identified by the standards and amortise the amount over a useful life of 8 years, based on specific projections of economic returns of the investment.

7.2. 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	Investment property	Total
Balance at 31/31/12/2016	53,095	69,560	1,010	3,796	19,863	0	147,324
Increases	247	4,643	29	643	28,709	0	*34,270*
Decreases	(288)	(292)	(27)	(67)	(1,164)	0	*(1,839)*
Depreciation	(3,084)	(17,299)	(780)	(619)	0	0	*(21,782)*
Reclassified	2,339	20,386	444	(1,759)	(21,411)	0	0
Write-downs	0	0	0	0	0	0	0
Change in consolidation scope	0	0	0	0	0	0	0
Exchange differences	(181)	(3,271)	(2)	(124)	(466)	0	(4.045)
Balance at 31/12/2017	52,128	73,726	673	1,869	25,530	0	153,927
Of which:							
- Historical cost	*98,891*	*361,172*	*10,330*	*6,234*	*25,530*	*0*	*502,156*
- Accumulated depreciation	*(46,763)*	*(287,445)*	*(9,656)*	*(4,365)*		*0*	*(348,230)*
Increases	*2,457*	*15,685*	*259*	*986*	*41,493*	*0*	*60,881*
Decreases	*(501)*	*(1,.549)*	*(29)*	*(86)*	*(1,484)*	*0*	*(3,649)*
Depreciation	*(3,246)*	*(19,581)*	*(321)*	*(642)*	*0*	*(11)*	*(23,800)*
Reclassifications	*2,824*	*22,539*	*39*	*20*	*(25,763)*	*350*	*9*
Write-downs	*0*	*1,244*	*0*	*0*	*0*	*0*	*1,244*
Change in consolidation scope	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Exchange differences	*3*	(475)	*2*	*46*	*(523)*	*0*	*(1,049)*
Balance at 31/12/2018	53,665	92,540	624	2,194	40,299	339	189,661
Of which:							
- Historical cost	*103,143*	*393,391*	*10,876*	*6,301*	*40,299*	*755*	*554,765*
- Accumulated depreciation	*(49,479)*	*(300,850)*	*(10,252)*	*(4,107)*	*0*	*(417)*	*(365,105)*

The investments in 2018, amounting to Euro 60,881 thousand, mainly relate to the completion of the project, in addition to new projects to expand production capacity of the BCF product, both in Asia-Pacific and in the United States for Euro 21.1 million, the increase in the production capacity of ECONYL®, also through the completion of the first Carpet Recycling plant at Phoenix (USA) and the commencement of the second Carpet Recycling plant at Woodland, California, totalling Euro 23.5 million, as well as interventions for the technological improvement and upgrading of existing plant for Euro 15.6 million.

It should be noted that property, plant and equipment include assets under finance leases for a total amount of Euro 13,829 thousand at December 31, 2018.

At December 31, 2018 the Group did not identify any impairment indicators relating to property, plant and equipment.

7.3. Current and non-current financial assets

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

(Euro thousands)	2018	2017
Investments in other companies	18	18
Escrow bank deposits and non-restricted deposits	3,173	1,254
Receivables from related parties	78	79
Derivative financial instruments	11	44
Securities	0	0
Total	**3,282**	**1,395**
of which current	*2,878*	*988*
of which non-current	*404*	*408*

Investments in other companies relates to minor holdings.
In relation to "Escrow bank deposits and non-restricted deposits" we note that:

- the "Escrow bank deposits", amounting to Euro 2,918 thousand, were taken out almost exclusively by Aquafil Engineering GMBH, to guarantee the delivery of specific orders. The increase on the previous year reflects normal operating developments and the delivery timings of the individual orders.
- "Deposits" amounting to Euro 333 thousand are related to guarantee deposits paid by companies to suppliers.

"Receivables from other related parties" refer to guarantee deposits paid by Tessilquattro S.p.A. and Aquafil S.p.A. to Aquaspace S.p.A. over a multi-year lease contract for the property located in Via del Garda 40 - Rovereto.

7.4. Other non-current assets

The account mainly refers to the receivable of the parent company Aquafil S.p.A. and AquafilSLO d.o.o. from the "Effective" grants project recognised by the European Union, for which reference should be made to the Directors' Report. In particular, with the signing of the agreement an overall contribution of Euro 3.3 million was stipulated, with deferred income recognised under Other liabilities (Note 7.15). The receivable is reduced by the payments received from the European Union, which have been substantially recognised according to the projects state of advancement. At December 31, 2018, the residual receivable amounted to Euro 2.1 million.

7.5. Deferred tax assets and liabilities

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

(Euro thousands)	2018	2017
Deferred tax assets	7,841	11,356
Deferred tax liabilities	(3,582)	(3,533)
Total	**4,259**	**7,823**

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

(Euro thousands)	At January 1, 2018	Provisions / releases to net equity	Provisions / releases to income statement	Provisions / releases to comprehensive income statement	At Dec. 31, 2018
Deferred tax assets					
Provision for risks and charges	153		(22)		130
Doubtful debt provision	241	(0)	(50)		190
Measurement of employee benefits as per IAS 19	264	(6)	68		326
Intangible and tangible fixed assets	4,464	(0)	(530)		3,934
Tax losses	743	13	409		1,165
Inventories	634	3	(306)		331
Other provisions	131	(0)	6		137
Derivative financial instruments	30		83		113
Ace	3,104		(2,201)		903
Other	1,592	7	(988)		612
Total deferred tax assets	**11,356**	**16**	**(3,532)**	**-**	**7,841**
Deferred tax liabilities					
Intangible and tangible fixed assets	1,863	72	304		2,238
Other	1,670	(5)	(322)		1,343
Total deferred tax liabilities	**3,533**	**67**	**(18)**	**-**	**3,582**
Total net deferred tax assets	**7,823**	**(51)**	**(3,514)**	**-**	**4,259**
Tax losses vs Parent company			184		184
Total deferred tax assets recognised to the income statement			**(3,330)**		

With regard to deferred tax assets:

- the tangible and intangible assets which amount to Euro 3,934 thousand refer for Euro 2,317 thousand to the reversal of the gains realised among Group companies, for Euro 217 thousand the reversal of intangible assets due to the adoption of IAS, for Euro 1,049 thousand to the reversal of amortisation on revaluations and depreciation carried out on the financial statements of the individual companies but not reported in the consolidated financial statements and for Euro 351 thousand the reversal of amortisation on brands;
- on tax losses, which amount to Euro 1,165 thousand, referring to the German company and the US companies;
- on inventories, which amounts to Euro 331 thousand, referring mainly to the reversal of the effects relating to inter-company profits;
- pursuant to the provisions of Article 1 of Decree Law 201/11, also called ACE or Aid for Economic Growth, in previous years deferred tax assets were calculated on exempt income. There is a reasonable assumption that this benefit can be exploited to sufficiently reduce taxable income in future years and also given that the ACE notional return can be carried forward with no time limits as established by paragraph 4, Article 1 of Decree Law 201/2011; the decrease of Euro 2,201 thousand concerns the utilisation of the benefit reducing the assessable income tax amount for 2018 of Aquafil S.p.A.. We highlight that in support of the recognition of deferred tax assets on the amount of tax elements indicated above, on 23/4/2018 a disapplication appeal was presented to the Tax Agency as per Article 172, paragraph 7 and Article 173, paragraph 10 of the Income Tax Law, as valid economic reasons underlying the corporate transactions executed in 2017 (spin-off Space2-Space3 and merger Aquafil-Space3).

On 5/10/2018, the Tax Agency released a favourable opinion.

With regards however to Deferred Tax Liabilities, the account Tangible and Intangible Assets concerns for Euro 2,120 thousand the tax effect calculated on the differing amortisation and depreciation of assets of the company Aquafil U.S.A. Inc., while the other account concerns for Euro 1,172 thousand the effects of the adoption of IAS/IFRS.

For improved comparability with the previous year, some minor reclassifications were made within the individual 2017 accounts.

7.6. Inventories

The changes in the account were as follows:

(Euro thousands)	2018	2017
Finished products and goods	107,962	79,315
Raw material, ancillary and consumables	81,813	73,407
Advances to suppliers	4	778
Total	**189,678**	**153,499**

Inventories are recorded net of the obsolescence provision amounting to Euro 625 thousand and relates to slow moving prior year stock.

The increase relates to ordinary operations which reported increased revenues in the year.

7.7. Trade receivables

The changes in the account were as follows:

(Euro thousands)	2018	2017
Receivables:		
Customers	36,636	37,454
Parent, associates and other related parties	66	116
Doubtful debt provision	(2,656)	(2,700)
Total	**34,046**	**34,870**

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

(Euro thousands)	2018	2017
Balance at January 1, 2018	(2,700)	(2,174)
Provisions	(1,020)	(560)
Release	828	0
Utilisations	263	22
Other changes	(27)	11
Balance at December 31, 2018	**(2,656)**	**(2,700)**

During the year, the provision of the subsidiary Tessilquattro S.p.A. was released for Euro 471 thousand and of Aquafil S.p.A. for Euro 362 thousand. The provision mainly concerns the accrual of the subsidiary Aquafil Usa Inc. on doubtful debts.

7.8. Current tax receivables

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

7.9. Other current assets

The changes in the account were as follows:

(Euro thousands)	2018	2017
Tax receivables	6,301	4,540
Supplier advances	702	3,105
Pension and social security institutions	133	119
Employee receivables	290	298
Tax receivables from parent	1,859	1,688
Other receivables	2,522	657
Prepayments and accrued income	2,489	2,109
Total	**14,297**	**12,517**

The following is specified in relation to the above items:

- Tax receivables: refer mainly to an amount of Euro 4,540 thousand receivables for Value Added Tax (VAT), Euro 1,225 thousand in tax credits determined pursuant to Article 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 2018 compared to the same average for the years 2012-2013-2014.
- Tax receivables from parent: refer to tax receivables for Corporate Income Tax (IRES) transferred by the Parent Company to Aquafin Holding S.p.A. as part of the tax consolidation between the companies Aquafil S.p.A., Tessilquattro S.p.A. and Borgolon S.p.A. and according to the option exercised by Aquafin Holding S.p.A. as per Article 228 and subsequent of the Income Tax Law.
- Other receivables: these mainly concern, for Euro 1,470 thousand receivables for the reimbursement of the export duty of November and December 2018 of the Chinese company Aquafil Synthetic Fiber and Polymers (Jiaxing) Co. Ltd, for Euro 781 thousand the receivable from Domo Chemicals Italy S.p.A., originating from the financial support provided by Aquafil S.p.A. to Domo Chemicals Italy S.p.A. within the fiscal dispute relating to the sale of shares of Domo Engineering Plastics S.p.A. on May 31, 2013, in relation to which reference should be made to the Directors' Report.
- Prepayments and accrued income: mainly refer to Euro 808 thousand in amounts arising from procedures for the recovery of duties paid and recorded in the Income Statement but not yet collected, Euro 280 thousand in prepayments on the purchase of maintenance materials of the Chinese company Aquafil Synthetic Fiber and Polymers (Jiaxing) Co. Ltd. and Euro 333 thousand in consultancy expenses for Information and Communication Technology invoiced in advance of the completion of the service.

7.10. Cash and cash equivalents

The account is comprised of:

(Euro thousands)	2018	2017
Bank and postal deposits	103,254	98,051
Cheques	0	956
Cash and equivalents	24	17
Total	**103,277**	**99,024**

The item mainly relates to the balance at year-end of the Group companies current accounts.
The breakdown of cash and cash equivalents in Euro of foreign currencies is illustrated in the table below:

(Euro thousands)	At December 31, 2018
EUR	84,798
HRK	144
TRL	58
USD	12,472
THB	541
CNY	4,956
GBP	307
Totale	**103,277**

7.11. Shareholders' Equity

Share capital

At December 31, 2018, 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 49,722 thousand, while the unsubscribed and unpaid portion relates to: (i) an amount of Euro 149 thousand as the residual capital increase in service of Aquafil Market Warrants and (iii) an amount of Euro 800 thousand for the capital increase in service of Aquafil Sponsor Warrants.

The subscribed and paid-up share capital is divided into 51,218,794 shares without nominal value divided into:

- 42,822,774 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, 2018 is shown below:

Type of shares	no. of shares	% of Share Capital	Listing
Ordinary	42,822,774	83.61%	MTA, STAR Segment
Class B	8,316,020	16.24%	Non-listed
Class C	80,000	0.15%	Non-listed
TOTAL	**51,218,794**	**100.00%**	

The movement in the share capital indicated in the Statement of changes in shareholders' equity of Euro 50 thousand relates to the conversion of the Market Warrants in the year.

On the basis of communications sent to the National Commission for Companies and the Stock Exchange "CONSOB", and received by the Company pursuant to Article 120 of Legislative Decree No. 58 of February 24, 1998, as well as the effect of the conversion of Market Warrants in the year, holders of a significant shareholding as at December 31, 2018 - 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 rights
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	***57.99%***	***68.37%***

Warrants

The following were initially issued on listing:

(i) 7,499,984 Aquafil Market Warrant, listed identified by the ISIN Code IT0005241200, which incorporate the right to the allocation of Aquafil S.p.A. shares of Conversion Market Warrants 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 within ten years from the date of 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 exercised.

On December 31, 2018, 2,014,322 Aquafil Market Warrants were converted (with the assignment of 498,716 Conversion Shares) and therefore the number of Market Warrants still in circulation totalled 5,485,662.
At December 31, 2018, no Aquafil Sponsor Warrants have been converted

Legal reserve

The legal reserve at December 31, 2018 is Euro 8 thousand

Translation reserve

The translation reserve includes all the differences arising from the translation into Euro of the subsidiaries' financial statements included in the consolidation scope expressed in foreign currency.

Share premium reserve

The item amounted to Euro 19,975 thousand at December 31, 2018 and is derived from the merger transaction between Aquafil S.p.A. and Space 3 S.p.A. in 2017.

Listing costs / Share capital increase reserve

The item amounted to Euro 3,287 thousand at December 31, 2018 as a decrease in shareholders' equity and relates to the costs incurred in the previous year for the listing and thereafter the share capital increase.

First Time Adoption Reserve (FTA

The item amounts to Euro 2,389 thousand and represents the conversion effects from Italian GAAP to IFRS.

IAS 19 Reserve

At December 31, 2018, it was equal to a Euro 542 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.

Retained earnings

At December 31, 2018 the account amounts to Euro 61,641 thousand and represents the results generated by the Aquafil Group in previous years (including pre-merger with Spac3 in 2017) net of the distribution of dividends as illustrated in the paragraph below.

Dividends

The Ordinary Shareholders' Meeting on April 27, 2018 approved the distribution of a gross dividend of Euro 0.24 for each ordinary share and for class B shares, while the class C shares by their nature do not receive the dividend. This dividend per share amounts to a total dividend of Euro 12.241 million, equal to a pay-out ratio of 48.6% of the 2017 net profit.

Minority interest equity

As stated in paragraph 2.3 Consolidation scope and consolidation criteria above, with the acquisition of the minority holdings in Aquafil Engineering G.m.b.H., the minority interests shareholders' equity substantially reduced to zero.

7.12. Employee benefits

La voce in oggetto è dettagliabile come segue:

(Euro thousands)	
Balance at December 31, 2017	5,876
Interest expense	58
Advances and settlements	(155)
Actuarial gains/(losses)	(77)
Change in consolidation scope	0
Balance at December 31, 2018	**5,702**

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	**31/12/2018**
Discount rate	1.13%
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, 2018 is approximately 8 years.

7.13. Current and non-current financial liabilities

The account is comprised of:

(Euro thousands)	**2018**	**current portion**	**2017**	**current portion**
Medium/long term bank loans	194,192	34,422	141,385	49,533
Accrued interest on Medium/long term bank loans	114	114	174	174
Accessory charges on medium/long-term bank loans	(536)	(256)	(479)	(225)
Total medium/long-term loans	**193,771**	**34,279**	**141,080**	**49,482**
Bonds	54,844	719	55,000	667
Deferred income - Bonds	587	587	126	126
Accessory charges on bonds	(637)	(89)	(590)	(77)
Total bond loan	**54.795**	**1,217**	**54,536**	**716**
Leasing financial payables	12,577	1,782	14,510	1,840
Financing payables to Finest S.p.A.	1,716	1,716	1,716	0
Liabilities for derivative financial instruments	481	0	170	0
Other loans	96	96	72	72
Total	**263,435**	**39,090**	**212,084**	**52,111**

Medium/long term bank loans

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

(Euro thousands)	Original amount	Granted	Maturity	Rate applied	At December 31 2018	*current portion*
Mediobanca (*)	15,000	2015	2019	2.41% fixed (**)	5,000	*5,000*
Banca Intesa (*)	10,000	2016	2021	1.15% fixed (**)	6,250	*2,500*
Banca Intesa (*)	15,000	2018	2024	until 19/6/18 eu+0.95% - from 20/06 1.15% fixed (**)	15,000	*1,500*
Mediocredito Trentino Alto Adige	3,000	2017	2021	0.901% fixed	2,505	*995*
Banca nazionale del lavoro (*)	7,500	2018	2024	1.4% fixed	7,500	*682*
Banca nazionale del lavoro (*)	12,500	2018	2024	1.25% fixed	12,500	*1,136*
Credito Valtellinese (*)	15,000	2018	2023	1 fixed %	15,000	
Deutsche Bank (*)	5,000	2016	2020	IRS 4 years + 0.60% fixed	2,203	*1,256*
Credit Agricole Friuladria (ex Banca Popolare Friuladria)	4,200	2016	2021	1.27% fixed	2,644	*1,050*
Medium/long term bank loans - fixed rate					**68,602**	**14,119**
Banca Popolare di Milano	5,000	2016	2019	Euribor 3 months + 0.60%	1,842	*1,842*
Banca Popolare di Milano (*)	25,000	2018	2025	Euribor 3 months + 0.90%	25,000	*0*
Cassa Risparmio di Bolzano (*)	20,000	2018	2024	Euribor 3 months + 0.85%	20,000	
Regions Bank (*)	13,140	2014	2020	Libor+ variable margin	5,448	*1,923*
Regions Bank (*)	6,638	2013	2020	Libor + 1.70%	1,817	*948*
Wells Fargo Bank	750	2014	2019	Libor + 1.75%	159	*156*
Cassa Centrale Banca – Credito Cooperativo del Nord Est (ex Casse rurali trentine)	5,000	2017	2021	Euribor 6 months + 1.50%	3.,155	*1,250*
Banca di Verona	3,500	2016	2022	Euribor 3 months + 1.80%	2,423	*630*
Banca di Verona	15,000	2017	2024	Euribor 3 months + 2%	13,222	*2,413*
Banca Popolare Emilia Romagna	5,000	2016	2020	Euribor 3 months + 0.95%	2,315	*1,258*
Banca Popolare Emilia Romagna	5,000	2017	2022	Euribor 6 months + 1%	4,590	*1,237*
Deutsche Bank (*)	5,000	2018	2023	Euribor 3 months + 1.20%	5,000	*0*
Credit Agricole Friuladria (ex Banca Popolare Friuladria) (*)	10,000	2017	2024	Euribor 3 months + 1.30%	10,000	*1,779*
Credito Valtellinese	3,000	2017	2022	Euribor 3 months + 0.90%	2,263	*596*
Banca Intesa (ex Veneto Banca)	3,000	2017	2021	Euribor 6 months + 0.90%	1,701	*752*
Monte dei paschi (*)	15,000	2018	2023	Euribor 6 months + 0.80%	15,000	*1,875*
Crediti Emiliano	5,000	2018	2021	Euribor 1 month + 0.65%	4,724	*1,662*
Cassa Rurale Raiffeisen Alto Adige	3,000	2017	2022	Euribor 3 months + 0.90%	2,446	*745*
Banca Popolare di Sondrio	5,000	2017	2022	Average Euribor 1 month + 0.80%	4,486	*1,239*
Medium/long term bank loans - variable rate					**125,591**	**20,305**
Accrued interest on medium/long term bank loans					114	114
Accessory charges on medium/long-term bank loans					(536)	(256)
Total medium/long-term loans					**193,771**	**34,282**

(*) 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

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	annually	Net Debt / Net Equity	Group	≤ 2.50
di Bolzano	annually	Net Debt / EBITDA		≤ 3.75
Banca Nazionale	half-yearly	Net Debt / Net Equity	Group	≤ 2.50
del Lavoro	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
Banca Popolare	annually	Net Debt / EBITDA	Group	≤ 3.75
di Milano	annually	Net Debt / Net Equity		≤ 2.50
Credito Valtellinese	annually	Net Debt / EBITDA	Group	< 3.75
	annually	Net Debt / Net Equity		< 2.50
Deutsche Bank	annually	Net Debt / EBITDA	Group	≤ 3.75
	annually	Net Debt / Net Equity		≤ 2.50
	annually	EBITDA / Financial charges		> 3.50
Monte dei paschi	annually	Net Debt / EBITDA	Group	≤ 3.75
	annually	Net Debt / Net Equity		≤ 2.50
Regions Bank	half-yearly	EBITDA net of lease costs / financial charges+lease costs	Aquafil USA	≥ 1.15
	half-yearly	Net Debt / EBITDA net of lease costs		≤ 3.50

At December 31, 2018 all financial covenants have been complied with.
There are no mortgages recorded on corporate assets for loans and financing granted, while the only secured guarantee granted by Group companies is represented by a pledge issued by Aquafil USA Inc. on the company's plants for two loans granted in 2013 and 2014 by Regions Bank, whose total residual debt in euro equivalent amounted to € 7.3 million as at 31/12/2018.

Bond loans
The company had issued two fixed-rate bond loans for an original total value of Euro 55 million.
An initial bond, of Euro 5 million ("**Bond Loan A**") was issued on November 23, 2015. The main elements are reported in the table and subscribed by La Finanziaria Internazionale Investments S.G.R. on behalf of the Trentino-Alto Adige Strategic Fund.
The second bond loan was initially issued on June 23, 2015 and subsequently renegotiated for improved conditions with transaction completed on September 20, 2018. This bond loan is of a total value of Euro 50 million (hereafter the "**Bond Loan**") and, within the above-stated renegotiation on the basis of the improved rating of Aquafil S.p.A. post-listing, the fixed interest rate was reduced from 4.35% to 3.70%, with the repayment plan extended from an original maturity of June 23, 2025 to September 20, 2028, with the first of 7 equal annual instalments of Euro 7.1 million due on September 20, 2022. In addition to the improved conditions, Aquafil was granted an additional "Shelf Facility" committed line, utilisable up to a maximum approx. USD 90 million.
The changes to the bond loan, following the renegotiation above outlined, did not result in a change to cash flows where it would require the instrument as per IFRS 9 to be considered as a new financial asset.

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	5,000,000	23/11/2015	31/01/2025	15 half-yearly instalments from 31/01/2018	3.75%
Bond loan B	50,000,000	20/09/2018	20/09/2028	7 annual instalments from 20/9/2022	3.70%

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	Parameter	Covenant limit
Leverage Ratio	Net Debt / EBITDA	< 3.75
Net Debt Ratio	Net Debt / Net Equity	< 2.50

Bond loan B

Financial parameters	Parameter	Covenant limit
Interest Coverage Ratio (*)	EBITDA / Net financial charges	> 4.00
Leverage Ratio (*)	Net Debt / EBITDA	< 3.75
Net debt Ratio	Net debt /Net Equity (**)	Minimum Net Equity threshold levels

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

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, 2018, 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 companies Aquafil Usa Inc. and AquafilSlo D.o.o. have issued joint corporate guarantees in favour of underwriters, while the guarantees originally issued by Tessilquattro S.p.A. and AquafilCro D.o.o. were cancelled.

Leasing financial payables
Payables for financial leasing contracts mainly refer to the contract with the financial company Trentino Sviluppo S.p.A. involving the building in Arco (TN). The contract in question was entered into in December 2007 and expires in November 2022. At December 31, 2018, the residual capital relating to financial leasing contracts totalled Euro 12,577 thousand. The contract is regulated at the 6-month Euribor rate plus a spread of 0.50%.

7.14. PROVISIONS FOR RISKS AND CHARGES

The account is comprised of:

(Euro thousands)	2018	2017
Agents' supplementary indemnity provision and others	903	924
Guarantee fund on client engineering orders	266	593
Total	**1,169**	**1,516**

The changes in the account were as follows:

Provision for agents leaving indemnity and others

(Euro thousands)	
Balance at January 1	924
Increases	245
Decreases	(266)
Balance at December 31, 2018	**903**

Guarantee fund on client engineering orders

(Euro thousands)	
Balance at January 1	593
Increases	134
Decreases	(461)
Balance at December 31, 2018	**266**

7.15. Other current and non-current liabilities

The account is comprised of:

	December 2018	*current portion*	**December 2017**	*current portion*
Employee payables	12,913	12,913	9,282	9,282
Social security payables	3,014	3,014	2,865	2,865
Payables to parent for income taxes	230	230	457	457
Tax payables	1,980	1,980	2,124	2,124
Other payables	541	541	1,052	1,051
Accrued liabilities and deferred income	15,172	3,339	10,998	3,139
	33,850	**22,017**	**26,777**	**18,919**

“Employee payables” include payables to employees, payables deriving from the incentive plan for executive directors and senior executives and the payables of the subsidiary Aqualeuna GmbH regarding the restructuring completed in December 2018 and commented upon in the Directors’ Report.

“Payables to social security institutions” include the amount owed by the Group companies and their employees at year-end for social security dues from wages for the month of December and for the “13th-month” pay.

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

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

“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 supplemented in 2018 (with an addendum to the principal contract) for a further USD 10.8 million (of which to-date USD 3.6 million paid) as contribution to the contractual commitments of Aquafil S.p.A. for a total period until 2026. At the time the contract became operational (2017), this amount was reclassified among “Other liabilities” for the share of this contribution for future years. At December 31, 2018 this deferred income, including also the effects of the afore-mentioned addendum, amounted to Euro 12,060.
- deriving from the deferral of grants on the Project Effective EU research project as described in the Directors` Report; relating to future years. In particular, the original deferred income recognised for Euro 3.3. million concerned the overall contribution recorded at the signing date of the agreement (with counter-entry to receivables), reducing to Euro 2.9 million at December 31, 2018 according to the advancement of the project development activities.

7.16. Trade payables

The account is comprised of:

(Euro thousands)	**2018**	**2017**
Trade payables	95,927	84,067
Payments on account	10,206	9,694
Payables to parent, associates and other related parties	761	716
Total	**106,895**	**94,477**

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

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

It should also be noted that at the above date, there were no debts falling due over five years in the balance sheet.

7.17. Current tax payables

Current taxes mainly relate to Euro 1,025 thousand for IRAP tax payables and Euro 1,245 thousand for payables related to current taxes of non-Italian companies in the Aquafil Group.

8. NOTES TO THE CONSOLIDATED INCOME STATEMENT

8.1. Revenues

The breakdown of revenues is shown below:

(Euro thousands)	2018	2017
Italy	113,344	112,180
EMEA (*)	239,498	254,672
North America	103,704	90,521
Asia and Oceania	98,283	70,070
Rest of the World	391	890
Total	**555,220**	**528,333**

(*) Excluding Italy

Aquafil's production and marketing activities are organized into three product areas, textile flooring yarns (Bulk Continuous Filaments, or BCF), clothing and sports yarns (Nylon Textile Filament, or NTF) and nylon 6 polymers, mainly targeting the engineering plastics sector.
The breakdown of revenues by product line are described in the Directors' Report:
For a better comparison with the previous year, for the 2017 figures a reclassification was made of Euro 8,883 thousand from the EMEA region to the Asia and Oceania region.

8.2. Other revenues and income

"Other revenues and income" of Euro 2,591 thousand mainly concern the contribution recognised by the EU for the Effective project previously commented upon, contributions granted by the State of California for the recovery of end life carpets, in addition to the tax credit, for Euro 1,225 thousand, on the research and development expenses incurred by the parent company in 2018 and determined as per Article 1, paragraph 35 of Law No. 190 of 23/12/2014.
As stated previously, the positive effect of the tax credit was recognised to other revenues and for comparability also the 2017 figure of Euro 1,171 thousand was reclassified from current income taxes to other revenues.

8.3. Raw material costs

The account includes raw materials and consumables costs, in addition to changes in inventories. The increase is closely linked to the improved revenues for the year.

8.4. Service costs

The account is comprised of:

(Euro thousands)	2018	2017
Transport, shipping & customs	17,888	15,726
Electricity, propulsive energy, water and gas	35,570	35,117
Maintenance	8,517	8,527
Services for personnel	4,310	3,640
Consulting	7,721	7,956
Insurance	2,090	1,846
Marketing and advertising	4,188	3,701
Cleaning, security and waste disposal	3,058	2,637
Warehousing, management of external storage	2,738	2,936
External processing	2,342	1,199
Other service costs	4,427	3,058
Rent, hire and leases	7,591	7,301
Other sales expenses	332	321
Emoluments of statutory auditors	164	132
Total	**100,935**	**94,096**

For improved comparability with the previous year, some minor reclassifications were made within the individual 2017 accounts. The largest increase concerned transport, shipment and customs costs related to the improved revenues.

8.5. Personnel costs

These costs are broken down as follows:

(Euro thousands)	2018	2017
Wages and salaries	79,372	78,424
Social security charges	16,682	16,588
Post-employment benefit	2,332	2,030
Long-term incentive plans	1,569	0
Director fees	2,472	2,286
Other personnel costs	3,983	1,975
Total	**106,410**	**101,303**

The item "Other personnel costs" refers mainly to:
- Euro 1,309 thousand the start-up of the companies Aquafil Carpet Recycling #1 and Aquafil Carpet Recycling #2;
- Euro 2,134 thousand concerning the restructuring completed in December 2018 of Aqualeuna GmbH previously commented upon;
- Euro 318 thousand recognised by AquafilSLO d.o.o. as a severance indemnity provided for by local legislation on fixed-term employment contracts that are not renewed on expiry;

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

	2018	2017	Average
Managers	41	40	40
Middle managers	123	117	120
White-collar	485	464	475
Blue-collar	2,164	2,100	2,132
Total	**2,813**	**2,721**	**2,767**

8.6. Other operating costs and income

These costs are broken down as follows:

(Euro thousands)	2018	2017
Taxes, duties & sanctions	1,559	1,080
Losses on asset sales	149	506
Penalties on supply contracts	221	20
Other operating charges	509	969
Total	**2,438**	**2,575**

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

8.7. Amortisation, depreciation and write-downs of tangible and intangible assets

The account is comprised of:

(Euro thousands)	2018	2017
Amortisation of intangible assets	2,561	2,446
Depreciation of property, plant & equipment	23,800	21,782
Total	**26,361**	**24,229**

8.8. Provisions and write-downs

The account is comprised of:

(Euro thousands)	2018	2017
Doubtful debt provision	192	560
Provisions for risks and charges	93	543
Total	**285**	**1,103**

Provisions are reported net of the relative release of funds.

8.9. Costs for internal work capitalised

For the year ended December 31, 2018, this item amounting to Euro 2.071 thousand mainly refers to costs incurred internally for the construction of machinery and plants.

8.10. Financial income

The account is comprised of:

(Euro thousands)	2018	2017
Derivative financial instruments	0	43
Financial income regarding long-term receivables from Group companies	0	144
Other interest	7	10
Interest income on current accounts	38	22
Discounts on purchases	0	0
Total	**45**	**219**

8.11. Financial charges

The account is comprised of:

(Euro thousands)	2018	2017
Interest on bank loans and borrowing Bank loans	2,090	2,594
Interest on bonds	2,320	2,439
Interest exp. on current accounts	876	991
Write-down of derivative financial instruments	344	23
Financial charges and interest expense	186	229
Total	**5,816**	**6,276**

8.12. Exchange gains and losses

This item, equal to a profit of Euro 1,668 thousand for the year ended December 31, 2018, refers to the net balance between exchange rate gains (realised and unrealised) and exchange rate losses (realised and unrealised).

(Euro thousands)	2018	2017
Unrealised exchange gains	408	24
Realised exchange gains	7,497	3,344
Exchange gains	**7,905**	**3,369**
Unrealised exchange losses	(22)	(1,430)
Realised exchange losses	(6,215)	(6,738)
Exchange losses	**(6,237)**	**(8,169)**
Total exchange differences	**1,668**	**(4,800)**

8.13. Income taxes

The breakdown of the account is as follows:

(Euro thousands)	2018	2017
Current taxes	3,656	6,520
Deferred taxes	3,330	(3,724)
Total	**6,986**	**2,796**

The companies Aquafil S.p.A, Tessilquattro S.p.A. and Borgolon S.p.A., opted for the group taxation procedure as chosen by Aquafin Holding S.p.A. in accordance with Article 117 and subsequent of the Income Tax Code. Therefore, the consolidated financial statements take account of the effects of the transfer of tax positions arising from the "tax consolidation" and specifically recognise the consequent credit/debit relationships towards the consolidating company.
As previously commented upon, with regards to 2017 current income taxes, the R&D tax credit of Euro 1,171 thousand was reclassified to the other revenues account.
The table below shows the reconciliation of the theoretical rate of income tax with the actual impact on the result:

	Year ended December 31			
(Euro thousands)	**2018**	**%**	**2017**	**%**
Pre-tax profit	37,084		28,012	
Tax calculated on applicable rate	8,900	24.00%	6,723	24.00%
Effect difference between local and actual rates	(1,298)	(3.50%)	(885)	(3.20%)
Prior year taxes	147	0.40%	31	0.10%
Tax losses carried forward and other tax benefits	(2,371)	(6.40%)	(22)	(0.10%)
Tax effect other changes	(698)	(1.90%)	1,621	5.80%
Other income taxes (IRAP) and other minor effects	(1.025)	(2.80%)	(948)	(3.40%)
TOTAL CURRENT INCOME TAXES	**3,656**	**9.90%**	**6,520**	**23.30%**
Deferred tax income	3,330	9.00%	(3,724)	(13.30%)
TOTAL INCOME TAXES	**6,986**	**18.90%**	**2,796**	**10.00%**

NON-RECURRING ITEMS

The account is comprised of:

(Euro thousands)	2018	2017
Other extraordinary income	856	260
Other charges - extraordinary	(151)	(97)
Penalties and fines	(60)	(5)
Raw material purchases - extraordinary	(118)	(1,131)
Fiscal & administration consultancy – extraordinary	(188)	-
Technical consultancy – extraordinary	(5)	(259)
Commissions - extraordinary	(203)	-
Other services - extraordinary	(1,677)	(125)
Utilities – extraordinary	(125)	(77)
Listing expenses	-	(2,274)
Remuneration - extraordinary	-	(105)
Personnel costs - extraordinary	(1,348)	(347)
Bonuses and incentives	(2,634)	(1,628)
Expansion costs of the Aquafil Group	(720)	-
Ace previous year	-	2,721
Total	**(6,373)**	**(3,067)**

Other services and personnel costs mainly concern the costs incurred in the year by the subsidiaries Aquafil Carpet Recycling # 1, Inc and Aquafil Carpet Recycling # 2, Inc for the start-up of production.

Mobility and incentive costs mainly concern the restructuring costs involving the subsidiary Aqualeuna GmbH.

For further information reference should be made to the Directors' Report.

The percentage of the non-recurring items of the result, of cash flows, of the equity position, and of the net debt, are reported below.

(Euro thousands)		of which non-recurring	percentage
Net result	30,097	(6,373)	(21%)
Net cash flow in the period	4,255	(3,991)	(94%) (*)
Total Assets	560,714	(2,382)	0% (**)
Net financial debt	(157,269)	(3,991)	3% (*)

*) amount paid in the year of non-recurring income statement items
(**) amount of non-recurring income statement items yet to be paid at year-end

8.14. Earnings per share

	Year ended December 31	
(Euro thousands)	**2018**	**2017**
Profit attributable to the owners of the Parent (Euro thousands)	30,097	25,117
Weighted average number of shares (Euro thousands)	50,991	45,433
Earnings per share (in Euro)	**0.59**	**0.55**

9. NET FINANCIAL DEBT

Below is the breakdown of the net financial debt as at December 31, 2018 and 2017, determined in accordance with ESMA/2013/319 Recommendations:

	At December 31, 2018	At December 31, 2017
A. Cash	103,277	99,024
B. Other liquid assets	0	0
C. Securities held-for-trading	0	0
D. Liquidity (A) + (B) + (C)	**103,277**	**99,024**
E. Current financial receivables	**2,878**	**988**
F. Current bank payables	(96)	(72)
G. Current portion of non-current debt	(35,496)	(50,199)
H. Other current financial payables	(3,498)	(1,840)
I. Current financial debt (F) + (G) + (H)	**(39,090)**	**(52,111)**
J. Net current financial debt (I + E+ D)	**67,066**	**47,901**
K. Non-current bank payables	(159,492)	(91,597)
L. Bonds	(53,578)	(53,820)
M. Other non-current financial payables	(11,274)	(14,556)
N. Non-current financial debt (K) + (L) + (M)	**(224,344)**	**(159,973)**
O. Net financial debt (J)+(N)	**(157,279)**	**(112,071)**

No related party transactions took place in the year included in the above indicated net debt.

The net financial reconciliation between the beginning and end of the year are presented below. The effects indicated include the currency effects.

(Euro thousands)		current portion	non-current portion
Net Debt 31/12/2017	**(112,071)**	**46,913**	**(158,985)**
Net cash flow in the year	4,254	4,254	
Changes due to acquisition / loss of control investees			
Increase current financial receivables	1,890		1,890
New bank loans	(120,000)		(120,000)
Repayments / reclassifications of bank loans	67,833	15,728	52,105
Repayment / reclassification of loans for leasing	1,933	58	1,875
Change in Fair Value Derivatives	(345)		(345)
Other changesi	(762)	(2,858)	2,096
Net debt 31/12/2018	**(157,269)**	**64,188**	**(221,364)**

10. TRANSACTIONS WITH RELATED PARTIES

Transactions and balances with related parties are illustrated in the tables below. The companies indicated are considered related parties as directly or indirectly related to the majority shareholder of the Aquafil Group. Transactions with related parties were undertaken in line with market conditions. Payables and receivables of the Group with related parties are illustrated in the table below:

(in Euro thousands)	Parent companies	Other related parties	Total	Total book value	% on total account items
Non-current financial assets					
At December 31, 2018	0	79	79	404	19,55%
At December 31, 2017	0	79	79	408	19,36%
Trade receivables					
At December 31, 2018	0	66	66	34,046	0,19%
At December 31, 2017	0	116	116	34,870	0,33%
Current financial assets					
At December 31, 2018	1,859	0	1,859	14,297	13,00%
At December 31, 2017	1,688	0	1,688	12,517	13,49%
Trade payables					
At December 31, 2018	0	(762)	(762)	(106,895)	0,71%
At December 31, 2017	0	(716)	(716)	(94,477)	0,76%
Other current liabilities					
At December 31, 2018	(230)	0	(230)	(22,017)	1,04%
At December 31, 2017	(457)	0	(457)	(18,919)	2,41%

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

(in Euro thousands)	Parent companies	Other related parties	Total	Book value	% on total account items
Revenues					
Year 2018	0	218	218	555,220	0,04%
Year 2017	0	297	297	528,333	0,06%
Service costs and rent, lease and similar costs					
Year 2018	0	(3,586)	(3,586)	(100,935)	3,55%
Year 2017	0	(3,668)	(3,668)	(94,096)	3,90%
Other operating costs and income					
Year 2018	0	(70)	(70)	(2,438)	2,87%
Year 2017	0	(70)	(70)	(2,575)	2,72%
Labour costs					
Year 2018	0	0	0	(106,410)	0,00%
Year 2017	(797)	0	(797)	(101,304)	0,79%
Financial income					
Year 2018		0	0	45	0,00%
Year 2017	144	0	144	219	65,83%

The following table summarises cash flows with related parties of the Group and their percentage out of the cash flow indicated in the cash flow statement:

(in Euro thousands)	total cash flow statement account	of which related parties	% on total account items
Profit for the year	30,097	(3,438)	(11%)
Increase/(Decrease) in trade payables	12,418	46	0%
Increase/(Decrease) in trade receivables	633	50	8%
Changes to assets and liabilities	3,617	(398)	(11%)
Share capital increase	(12,241)	(7,369)	60%

11. OTHER INFORMATION

11.1. Commitments and risks

Lease commitments

The breakdown of the minimum payments on non-annullable operating lease contracts of the Group at December 31, 2018 is as follows:

(Euro thousands)	**at December 31, 2018**
Commitments for operating lease contracts	
Within 1 year	6,837
Between 1 and 5 years	18,249
Over 5 years	6,243
Total	**31,329**

Other commitments

At December 31, 2018, the parent company provided sureties in favour of credit institutions in the interest of subsidiaries for a total of Euro 20,580 thousand. Sureties for Euro 124 thousand were also issued by other subsidiaries in favour of credit institutions and public authorities in the interest of Group companies.

At December 31, 2018, the subsidiary Aquafil USA Inc. registered mortgages on company assets for a total amount of Euro 7,265 thousand in connection with loans granted.

Contingent liabilities

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

11.2. Remuneration senior management

The remuneration and benefits in favour of members of the Board of Directors and other Senior Executives are presented below:

Name	Office	State	Emoluments for Office (1)	Emoluments for Committees	Bonuses & Other Incentives	Remuneration for Employment (2)	Remuneration From subsidiaries (3)	TOTAL
Giulio Bonazzi	*Chairman BoD & Chief Executive Officer*	*In office*	1,210,000	0	562,000	0	143,000	1,915,000
Adriano Vivaldi	*Executive Director & CFO*	*In office*	90,000	0	174,000	288,696	43,000	595,696
Fabrizio Calenti	*Executive Director & Chairman NTF & ECONYL®*	*In office*	90,000	0	173,000	311,232	20,000	594,232
Franco Rossi	*Executive Director & Chairman BCF USA*	*In office*	45,000	0	120,000	0	264,010	429,010
Simona Heidempergher	*Lead Indipendent Director & Member Risk Control Committee & Appointments and Remuneration Committee*	*In office*	40,000	25,000	0	0	0	65,000
Francesco Profumo	*Independent Director Member Risk Control Committee & Appointments and Remuneration Committee*	*In office*	40,000	25,000	0	0	0	65,000
Margherita Elena Maria Zambon	*Independent Director Member Appointments and Remuneration Committee*	*In office*	40,000	10,000	0	0	0	50,000
Carlo Pagliani	*Director & Member Risks Control Committee*	*In office*	40,000	10,000	0	0	0	50,000
Silvana Bonazzi	*Director*	*In office*	40,000	0	0	0	0	40,000
Stefano Giovanni Loro	*Chairman BCF EMEA*	*In office*	0	0	124,000	256,776	50,000	430,776
Giuseppe Crippa	*Vice Chairman BFC industrial activities*	*In office*	0	0	86,000	196,716	18,000	300,716
Sergio Calliari	*Vice Chairperson Finance Dept. Executive Officer ex 262/2005*	*In office*	0	0	47,000	155,928	18,000	220,928

Name	Office	State	Emoluments for Office [1]	Emoluments for Committees	Bonuses & Other Incentives	Remuneration for Employment [2]	Remuneration From subsidiaries [3]	TOTAL
Karim Tonelli	*Investor Relator & Performance Management Director*	*In office*	0	0	45,000	169,164	0	214,164
Denis Jahic	*Chief Executive Officer AquafilSLO & NTF Industrial Operations Manager*	*In office*	0	0	45,000	0	178,041	223,041
Gregor Kranjc	*Executive Director & Chief Financial Officer AquafilSLO*	*In office*	0	0	34,000	0	137,616	171,616
Sasa Muminovic	*Executive Director & Human Resources Manager AquafilSLO*	*In office*	0	0	34,000	0	133,197	167,197
Poggi Longostrevi Stefano	*Chair - Board of Stat. Auditors*	*In office*	50,000	0	0	0	0	50,000
Buttignon Fabio	*Statutory Auditor*	*In office*	35,000	0	0	0	0	35,000
Solimando Bettina	*Statutory Auditor*	*In office*	35,000	0	0	0	0	35,000
Pierluca Mazza	*Chair - Board of Stat. Auditors*	*Departed on January 30, 2018*	2,762	0	0	0	0	2,762
Marco Giuliani	*Statutory Auditor*	*Departed on January 30, 2018*	1,872	0	0	0	0	1,872
Virginia Marini	*Statutory Auditor*	*Departed on January 30, 2018*	1,894	0	0	0	0	1,894
TOTALE			**1.761.527**	**70.000**	**1.444.000**	**1.378.512**	**1.004.865**	**5.658.904**

(1) The bonus amount to be recognised for the financial year 2018 is indicated, also specifying that this amount is currently accrued 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.

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

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

The Bonus indicated above is calculated on the basis of the Incentive Plan for Executive directors and Senior executives of the company, according to that approved by the Board of Directors motion of March 23, 2018, having consulted with the Appointments and Remunerations Committee, and validated by Shareholders' Meeting motion of April 27, 2018 and for the most part indexed to the performance of the Aquafil S.p.A. share during the second half of 2020 (the effect of this indexing was not recognised to the 2018 financial statements as this may only be determined once the share performance for the reference period is known).

11.3. Significant events after December 31, 2018

There are no significant events in the first few months of 2019 to report, whereas from a production and performance standpoint the trend seen in the final months of the previous year continues in terms of both product line and geographical area.

11.4 Disclosure as per Article 1, paragraph 125 of Law No. 124 of August 4, 2017

With regards to that required by Article 1, paragraph 125 of Law 124/17, the companies of the Group recorded in 2018 the following:

i) Euro 80,902 of Aquafil S.p.A. relating to the sale of the external electricity distribution network produced by the photovoltaic plant;
ii) Euro 112,624 relating to training grants for Aquafil S.p.A. of Euro 103,414 and Tessilquattro S.p.A. of Euro 9,210;
iii) Euro 12,222 of Aquafil S.p.A. relating to De Minimis grants on rentals.

With regards to any subventions, contributions or other financial benefits received by the parent company in 2018 from the Tax Agency, reference should be made to the preceding paragraphs covering the tax items.
We also report that during the year the Group also recorded EU grants as described in the Directors` Report.

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 2018 for auditing and non-auditing services rendered by this appointed independent audit firm and by the companies in its network.
It is specified that on January 30, 2018, the Shareholders' Meeting appointed PricewaterhouseCoopers S.p.A. as Aquafil S.p.A's (previously Space 3 S.p.A.) audit firm, replacing the previous audit firm KPMG S.p.A.

Company providing service	Recipient of service	Type of services	Fees 2018
PwC SpA	Aquafil SpA	Audit separate financial statements	126,556
		Audit consolidated financial statements	39,848
PwC SpA			33,456
PwC [1]	Italian subsidiary companies	Audit separate financial statements and Group Reporting Package	138,000
PwC SpA	Overseas subsidiaries	Audit separate financial statements and Group Reporting Package	27,800
PwC SpA			12,000
PwC [1]	Aquafil SpA	Limited Audit of the 2018 consolidated half-year report	58,390
Total Audit services provided in 2018 to the Aquafil Group by Worldwide Audit firm			**436,049**
PwC SpA	Aquafil SpA	Limited Audit of Consolidated Non-Financial Report	24,000
PwC SpA	Aquafil SpA	Analysis impacts IFRS 15 and analysis phase IFRS 16 impacts	45,000
PwC [1]	Overseas subsidiaries	Other minor services	13,520
Total other audit services provided in 2018 to Aquafil Group by Audit Firm			**82,520**
PwC Advisory SpA	Aquafil SpA	Support application method Law 262/2005 (Art. 154-bis CFA)	19,000
PwC Advisory SpA	Overseas subsidiaries	Support application method Law 262/2005 (Art. 154-bis CFA)	81,000
Total services provided in 2018 to companies of the Aquafil Group by entities belonging to PwC network			**100,000**

[1] Other companies belonging to the same PwC SpA network.

Aquafil S.p.A.
2018 Corporate Governance and Ownership Structure Report

as per Article 123-bis of Legislative Decree No. 58/1998

(traditional administration and control model)
Website: www.aquafil.com
Year: 2018
Report approval date: March 14th, 2019

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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	refers to Legislative Decree 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, 2018
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.
SME's	small and medium-sized issuers of listed shares pursuant to Article 1, paragraph 1, letter w-quater1), 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.

1. COMPANY PROFILE AND GOVERNANCE SYSTEM

For more than 50 years, Aquafil has been a leading Italian and global producer of synthetic fibres, and particularly of polyamide 6 fibres.
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 Organisation, Management and Control Model as per Article 6 of Legislative Decree No. 231/2001 and subsequent, applying the relative structure of powers and duties.
This Report, approved by the Board of Directors on March [14], 2019, provides a comprehensive overview on the Issuer's corporate governance and ownership structure at December 31, 2018, 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 government and ownership structure*" document (VII Edition, January 2019) prepared by Borsa Italiana.
This Report, which forms an integral part of the Directors' Report, and the By-Laws, are available on the company website (www.aquafil.com – 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 49,722,417.28, comprising 51,218,794 shares divided into 42,822,774 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 ISIN Code IT0005241192	42,822,774		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**) ISIN Code IT0005285330	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**) ISIN Code IT0005241747	80,000		*Non-listed*	Assign the rights as per Article 5 of the By-Laws .
Other				

Considering the value of the shares at December 31st, 2018 and the number of shares available, the market capitalization was equal to Euro 459,944,770.12.
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:

a. 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;
b. 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 losses 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;
c. 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 conversion is ratified by the Board of Directors 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:

i. they are without voting rights at the ordinary and extraordinary shareholders' meetings of the company;
ii. they are excluded from the right to receive the profits which the company resolves to distribute by way of ordinary dividend;
iii. 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;
iv. 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;
v. 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 plan 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/**
"Aquafil S.p.A. Market Warrants." ISIN Code IT0005241200	MTA, STAR Segment	5,485,662	Ordinary shares	1,488,358
"Aquafil S.p.A. Sponsor Warrants" ISIN Code IT0005241754	Non-listed	800,000	Ordinary shares	800,000

On December 23, 2016, the Extraordinary Shareholders' Meeting of Space 3 pre-merger - among other matters - approved:

- 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, 2,014,322 Market Warrants have been exercised, against the subscription of 498,716 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, the promotor of Space2, 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. At the Reporting date, only the agreement referred to in the preceding point (iii) remains effective.
In accordance with the shareholder agreement signed on June 15, 2017 between Aquafin 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. Aquafin Holding committed with Space 3 not to transfer securities until conclusion of 18 months from the Effective Merger Date;
ii. 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.

SIGNIFICANT SHAREHOLDINGS

Shareholder	Direct shareholder	% of ordinary share capital	% of voting share capital
GB&P S.r.l.	Aquafin Holding S.p.A.	57.99%	68.37%

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, there were no share ownership systems for Directors and employees as 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 Relations 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 CLAUSES (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

Aquafil loans in place at the Reporting date are shown in the table below:

Bank	Currency	Original amount	Starting date	Expiration date
DEUTSCHE BANK	EUR	5,000,000	08.09.2016	08.09.2020
DEUTSCHE BANK	EUR	5,000,000	15.10.2018	15.10.2023
CASSA RISPARMIO DI BOLZANO	EUR	20,000,000	27.09.2018	31.12.2024
BANCA INTESA	EUR	15,000,000	30.01.2018	31.04.2024
BANCA INTESA	EUR	10,000,000	22.06.2016	30.06.2021
BANCA INTESA (ex Veneto Banca)	EUR	3,000,000	13.02.2017	28.02.2021
CASSA CENTRALE C.RURALI TRENTINE	EUR	5,000,000	23.06.2016	30.06.2021
BANCA DI VERONA	EUR	3,500,000	23.09.2016	30.09.2022
BANCA DI VERONA	EUR	15,000,000	05.05.2017	31.03.2024
CREDITO VALTELLINESE	EUR	3,000,000	18.04.2017	05.07.2022
CREDITO VALTELLINESE	EUR	15,000,000	10.07.2018	05.07.2023
RAIFFEISEN	EUR	3,000,000	28.06.2017	31.03.2022
BANCO BPM	EUR	25,000,000	20.06.2018	30.06.2025
BANCO BPM	EUR	5,000,000	01.12.2016	30.11.2019
BANCA POPOLARE EMILIA ROMAGNA	EUR	5,000,000	17.10.2016	17.10.2020
BANCA POPOLARE EMILIA ROMAGNA	EUR	5,000,000	02.08.2017	02.08.2022
MEDIOBANCA	EUR	15,000,000	26.10.2015	26.10.2019
MEDIOCREDITO T.A.A.	EUR	3,000,000	28.06.2017	28.06.2021
BANCA NAZIONALE DEL LAVORO	EUR	7,500,000	20.12.2018	31.12.2024
BANCA NAZIONALE DEL LAVORO	EUR	12,500,000	20.12.2018	31.12.2024
BANCA POPOLARE DI SONDRIO	EUR	5,000,000	21.07.2017	31.07.2022
BANCA POP. FRIULADRIA	EUR	4,200,000	26.04.2016	26.04.2021
BANCA POP. FRIULADRIA	EUR	10,000,000	29.05.2017	30.06.2024
MONTE DEI PASCHI DI SIENA	EUR	15,000,000	26.01.2018	30.06.2023
CREDITO EMILIANO	EUR	5,000,000	26.10.2018	26.10.2021

In addition, the company has issued two bonds:
- for Euro 50 million with maturity on March 20, 2029;
- for Euro 5 million with maturity on January 31, 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 M), 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.

The Board of Directors has not been granted the power by the Shareholders' Meeting to increase the share capital in accordance with Article 2443 of the Civil Code, nor to issue equity financial instruments.

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 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. In addition, we report 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.

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The information required by Article 123-bis, paragraph 1, letter i) of the CFA ("the agreements between the company and directors ... which 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, drawn up 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 website of the Company 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 (rounded upwards where resulting in a fraction).

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 policies were adopted in terms of diversity, although it points out that the appointments of the members of administrative and control boards were driven by also taking account - in addition to applicable legal provisions - of: candidates' age (having therefore considered their possible experience and professional contribution) and individuals' training.
Taking into consideration the company's successful experience in the first full year of listing, the Board of Directors expects to be able to continue on this track in the year 2019.

Board of Directors

Office	Members	Year of birth	Date first appointment *	In office from	In office until	Slate **	Exec.	Non 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**			X
Director	Heidempergher Simona	1968	27/07/2017	**4/12/17**	**App. Accounts 31/12/19**			X
Director	Pagliani Carlo	1962	27/07/2017	**4/12/17**	**App. Accounts 31/12/19**			X
Director	Zambon Margherita	1960	27/07/2017	**4/12/17**	**App. Accounts 31/12/19**			X
Director	Profumo Francesco	1953	27/07/2017	**4/12/17**	**App. Accounts 31/12/19**			X
Number of meetings held in the Reference Year: 7						Control, Risks Committee & RPT Committee: 7		

					Control and Risks Committee		Appointments and Remun. Committee	
	Ind. Code	**Ind. CFA**	**No. other offices *****	**(*)**	**(*)**	**(**)**	**(*)**	**(**)**
		X			X		X	
					X			
		X					X	
		X			X		X	
		Appointments and Remun. Committee: 2						

For further information on the slates filed for the appointment of the Board of Directors on December 27, 2017, reference should be made to the website of the Company www.aquafil.com, where the professional curricula 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 offices held by Directors of the Issuer in companies listed on regulated markets (including abroad) in financial, banking and insurance companies or companies of significant size, other than those belonging to the Group, reference should be made to the Prospectus (p.379-384), which is still current and which may be viewed 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. Notwithstanding this process, in 2018, the Board of Directors had the opportunity to meet in Phoenix (Arizona) and visit one of the Group plants, so as to have a more practical understanding of one of the specific sectors in which the Issuer undertakes its activities and to better understand the underlying business operations and relative developments.

In the meeting of February 15, 2019, the Board of Directors also positively assessed the opportunity to organise additional visits to Group facilities in 2019, and to hold a specific session dedicated to the more current issues on corporate governance and risk management profiles.

4.2.4. Board Evaluation

The Board of Directors carried out a self-assessment process pursuant to the Code.

Resolved on November 14th, 2018, the process was conducted internally – without the support of external entities – with the support of the company departments with the formulation of a draft questionnaire, also taking into account the recommendations set forth in the Letter of the Chairman of the Corporate Governance Committee of December 21st, 2018, which would investigate in seven areas of interest, finally validated by the President of the Appointment and Remuneration Committee prof. Profumo.

The answers provided were elaborated through: (i) integration into a single document of the individual answers provided by the Directors, both in terms of numerical evaluation and formulation of discursive comments; (ii) calculation of valuation averages, both for individual demand and area of analysis; and, finally, (iii) collection and summary of comments on individual profiles.

The results were therefore subject to analysis by the Appointments and Remuneration Committee, and subsequently presented to the Chairman of the Board of Directors.

The Board Evaluation process was last during the meeting of March 14th, 2019, giving the Board of Directors an acknowledgment that all the analysis areas have returned more than satisfactory feedback, as well as suggestions for improvement.

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.
In compliance with Article 2381 of the Civil Code and application criterion 1.C.1., letter c) of the Code, the Board periodically assessed 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 date of this Report, the Shareholders' Meeting has not authorized any general and pre-emptive departure from the competition restrictions envisaged by Article 2390 of the Italian 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 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.
In 2018, the Board of Directors met 7 times, with an average meeting duration of approx. 2.5 hours.
For 2019, the Board of Directors has already met twice (including the meeting held today) and are expected to meet at least 3 more times (according to that stated in the approved financial calendar).
The meetings were appropriately minuted.
The duration of board meetings was of approximately 2 hours and 30 minutes on average, with the 100% attendance of all Directors.
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 timeframe was always respected, in line with the Issuer's firm commitment to make pre-meeting information flows increasingly efficient.
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) 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 view of the composition of the Board of Directors in office from the Effective Merger Date and the conferment of the above offices and powers, the conditions at Application Criterion 2.C.3 of the Self-Governance Code have been satisfied; in particular, the Director Giulio Bonazzi is the Chairman of the Board of Directors post-Merger and is principally responsible for company management.

In accordance with the Self-Governance Code, it was found necessary for the Board of Directors to designate Independent Director Simona Heidempergher as Lead Independent Director.

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 Auditors are kept informed, inter alia by the persons with delegated powers, about the performance of the Company, its prospects and the transactions of greatest significance for its profitability, financial position or assets and liabilities effected by the Company or its subsidiaries; in particular, such persons report any transactions in which they have an interest, for their own account or on behalf of third parties, or that are influenced by the person, if any, who performs management and coordination activities. 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 February 15, 2019 the Board carried out the necessary checks on the fulfilment of the independence requirements of the afore-mentioned directors. The outcome of these assessments was announced to the market in the press release of the same date, 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 March 7th, 2019.
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 co-ordinating 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 Reference Year, 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 2019, 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.
A copy of the Inside Information Policy is available on the website of the company www.aquafil.com - Procedures and Regulations Section.

5.2. INTERNAL DEALING POLICY

In compliance with the provisions of the MAR Regulation, the company adopted an Internal Dealing Policy which is available on the company website www.aquafil.com - Procedures and Regulations Section.
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 the Issuer confirmed the appointment of Ivan Roccasalva as Disclosure Officer on December 4, 2017.

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 at the next Board of Directors' meeting.
In 2018, the Appointments and Remuneration Committee met twice, on March 2nd and March 23rd, 2018; the meetings lasted 60 minutes on average and all members were present (i.e. 100% attendance).
The Chairman of the Board of Statutory Auditors and at least one other member 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 2019, at the Reporting Date, the Appointments and Remuneration Committee met on February 12, 2019 and on March 14, 2019. All members attended the meetings, with each meeting lasting 1 hour on average.

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 senior directors and executives. In particular:
(i) (i)it draws up for the Board of Directors proposals upon the remuneration policy of senior directors and 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 utilising outside consultants within the budget approved by the Board of Directors. In this latter regard, where wishing to utilise 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 the fixed emolument among the members of the Board of Directors 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 also decided, on December 7, 2017, to allocate additional remuneration for the powers conferred to the Chairman and 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 Issuer's Regulation available on the company website atwww.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 Internal Audit 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).

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.
The Chairman of the Board of Statutory Auditors and at least one other member attended the Control and Risks Committee meeting.
In 2018, the Control and Risks Committee met six times (one of which as Related Parties Committee); the average duration of meetings was of approximately 85 minutes and all Committee members were in attendance.
The Control and Risks Committee has already held three meetings in 2019: on January 11, 2019 (with RPT functions), February 12, 2019 and March 7, 2019. Other meetings 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 utilise, 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.
Other duties assigned to the Control and Risks Committee are set out in paragraph 12 below, including the assigned duties of the Related Parties Committee under the Related Party Transactions Policy.
On March 7, 2019, 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 completion of the 2018 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 2018 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.
In 2018 the Board of Directors, among other issues:
- approved the work plan drawn up by the internal audit manager, after review by the Board of Statutory Auditors and the Director in charge of the internal control and risk management system (Director in charge);
- assessed, 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 shall be supported by the Supervisory Director 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 had completed the drafting and formulisation of the 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 (quafilSLO 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);

- confirmed the adoption of the Ethics Code and ensures the continual update of its Organisational and Management Model, with reference to the prevention of offences as per Legislative Decree No. 231/01 and subsequent amendments, under the constant guidance of the supervisory board in office;

- 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).
Moreover, the strengthening of the Internal Control and Risks Management System was concluded in 2018. 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 the management, assessment of the effective implementation of the same, preparation of reports to the Executive Officer for financial reporting and for the supervisory and control bodies;
- updating of Model 262 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 analyses 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.
The Board of Directors periodically monitors the adequacy of the internal control and risks management system in relation to the requirements of the business, as well as its efficiency, based on the periodic report received from the Director in charge of the Internal Control and Risks Management System, of the Control and Risks Committee, of the internal audit manager, of the Supervisory Board and of 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, carried out a 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;
- based on the results of risk assessment activities, the procedural framework was updated and appropriate changes made to the internal control system, ensuring overall compliance with legislative and regulatory requirements and an efficient and effective system in line with operating conditions.

11.2. INTERNAL AUDIT MANAGER

Following the appointment of Mr. Karim Tonelli on September 12, 2017, in view of the admission of company shares to trading on the MTA, STAR segment, the Board of Directors, on November 14, 2018, after receiving the opinion of the Control and Risks Committee and the Board of Statutory Auditors, appointed Ms. Barbara Dalla Piazza as the new Internal Audit Manager to pursue and execute the functions indicated in Application Criterion 7.C.5 of the Code which were initiated by Mr. Karim Tonelli in 2018.
At the Reporting date, the internal audit manager:

- fully implemented the activities set out in the 2018 Audit Plan, as approved by the Board of Directors in the meeting of March 23, 2018, with prior review by the Control and Risks Committee and the Director in charge and, among others, carried out direct and specific control activities within the Issuer and the most significant Group companies, in order to uncover any deficiencies in the Internal Control and Risk Management System in the various risk areas; the internal audit manager also audited and assessed the suitability, efficiency and the effective functioning of the internal control and risk management system on an ongoing basis in relation to specific needs and in compliance with international standards;
- prepared periodic reports containing sufficient information on activities, on the manner in which risk management is carried out, as well as compliance with defined plans for their containment, for the purposes of the appropriateness of the internal control and risk management system; these reports were sent to the Director in charge, the Chairman of the Board of Statutory Auditors, the Chairman of the Control and Risks Committee and, where required in relation to events under examination, to the Chairman of the Board and the Supervisory Board;
- prepared the audit plan which was presented to the Board of Directors meeting of March 14, 2019, with prior review by the Control and Risks Committee and the Director Appointed;

In particular, the internal audit manager, 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 analysed, 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 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 March 14th, 2019, the Issuer's Board of Directors approved the Audit Plan for 2019.

11.3. ORGANISATION MODEL AS PER LEGS. DECREE 231 OF 2001

The Issuer's Board of Directors, at its meeting of August 29, 2018, approved amendments to the Organizational, Management and Control Model comprising the Ethics Code, the General Part, the Special Parts 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, internal member.
On March 14th, 2019, the Supervisory Board presented its report to the Board of Directors on the controls and checks performed in the reference Year and their outcome.
The Supervisory Board, during 2018, met 6 times, in addition to holding meetings for training purposes.
The offenses covered by the Issuer's model are in line with current law, and in particular the Model was updated during the Board of Director's Meeting held on March 14th, 2019.
The Model introduces an adequate system and sanctioning mechanisms for conduct in violation.
The Ethics Code and Model may be consulted 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 9 years of which the last for the year ended December 31, 2024; and (ii) simultaneous 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 Ms. Barbara Dalla Piazza 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 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;
- the members of the Supervisory Board 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

12.1. COMPOSITION AND APPOINTMENT

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.

In 2018, the Control and Risks Committee met twice under its remit of Related Party Transactions Committee, respectively on March 23, 2018 and on November 14, 2018, with 100% attendance of Directors at the meetings.

In 2019, two meetings were held on January 11, 2019 and March 7, 2019.

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 its duties, reviewed the relationships and transactions with related parties which existed prior to the Merger and took note of these.

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.
On January 30, 2018, the Shareholders' Meeting also approved an amendment to the By-Laws which is functional to incorporate Consob indications regulating Related Party Transactions.
The Related Party Transactions Policy and the relative annexes applied by the Issuer are available on 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 statutory 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 Statutory Auditors are elected as follows: (i) from the slate that obtained the largest number of votes (Majority Slate) taken in the progressive order in which they appear in the slate, 2 (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)

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.

TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Board of Statutory Auditors

Office	Members	Year of birth	Date first appointment *	In office from	In office until	Slate **	Ind. Code	Attendance at Board meetings ***	No. of other offices ****
Chairman	Poggi Longostrevi Stefano	1965	January 30, 2018	January 30, 2018	Approv. Accounts 31/12/2020	2	x	100%	18
Statutory	Solimando Bettina	1974	January 30, 2018	January 30, 2018	Approv. Accounts 31/12/2020	1	x	100%	17
Auditor	Buttignon Fabio	1959	January 30, 2018	January 30, 2018	Approv. Accounts 31/12/2020	1	x	100%	10
Standing	Manna Marina	1960	January 30, 2018	January 30, 2018	Approv. Accounts 31/12/2020	1	x	N/A	5
Auditor	Barbieri Davide	1984	January 30, 2018	January 30, 2018	Approv. Accounts 31/12/2020	2	x	N/A	8
STATUTORY AUDITORS RESIGNING DURING THE YEAR									
See Annex A									
Number of meetings held in the year: see Annex A									
Quorum required for the presentation of slates by minority shareholders for the election of one or more members (as per Art. 148 CFA): 2.5%									

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.
In 2018, the Board of Statutory Auditors, appointed by the Shareholders' Meeting of January 30, 2018, held 10 meetings on January 30, February 5, February 19, March 2, March 23, March 27, May 14, July 20, August 29 and November 5, 2018. The average duration of meetings was approximately 2.5 hours, with the 100% attendance of all members.
In the meeting of March 7th, 2019, the Board of Statutory Auditors assessed the independence of its members, already assessed on appointment, and also in accordance with the requirements for independence of Directors by the Code, as well as completed its own activities of self-evaluation. The result of these assessments was sent to the Board of Directors and announced to the market through the publishing of this Report, available on the company website 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 constantly maintained normal coordination activities with the Control and Risks Committee, the Internal Audit Department and the Supervisory Body. 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 new members of the Board of Statutory Auditors to the company's headquarters, 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: investor.relations@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.
Pursuant to Article 9 of the by Laws, the Shareholders' Meeting for the approval of the financial statements must be called by the Board of Directors at least once a year, within one hundred and twenty days from the end of the year or, in the cases provided for by Article 2364, paragraph 2, of the Civil Code, within one hundred and eighty days from the end of the year, pursuant to the provision of Article 154-*ter* of the CFA.
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.
Pursuant to 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 the valid constitution of the Shareholders' Meeting, both ordinary and extraordinary, and resolutions thereof, the legal and statutory provisions are applied. For the purposes of calculating the quorum required by law and the By-Laws for the holding - in a single notice - 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.

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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.

In 2018, two shareholders' meetings were held on January 30 and April 27, 2018.
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

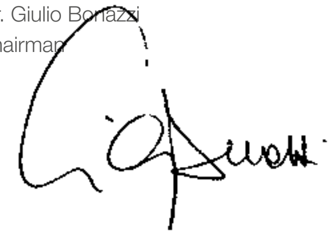
No changes were made to the corporate governance structure since the end of the Reference Year, with the exception of the appointment of the newly-composed Board of Statutory Auditors, which took place on January 30, 2018.

19. CONSIDERATIONS ON THE LETTER OF DECEMBER 21, 2018 OF THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE

The considerations formulated in the letter of December 21, 2018 of the Chairman of the Corporate Governance Committee were brought to the attention of the Board of Directors and of the Committees.
These were of particular interest to the Chairman of the Board of Directors and the Appointments and Remuneration Committee who, respectively, took account of these recommendations during the preparation of the self-assessment questionnaire and in the meeting of February 12, 2019.
During this meeting, the Appointments and Remuneration Committee had the opportunity to dwell on these recommendations which are important in the Board's self-assessment process.

Arco (Trento), March 14th, 2019
Aquafil S.p.A.
For the Board of Directors

Mr. Giulio Bonazzi
Chairman



ANNEX A

STATUTORY AUDITORS RESIGNING DURING THE YEAR OF REFERENCE

In the period between January 1, 2018 and January 30, 2018, the Board of Statutory Auditors in office was composed of the following members:

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 mandate duration of the statutory auditors was until the Shareholders' Meeting date called for the approval of the 2018 Annual Accounts.
No meetings were held between the period January 1, 2018 and January 30, 2018, given that the Merger became effective on December 4, 2017 and that the above members of the Board of Statutory Auditors had handed in their resignations.

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 CONSOLIDATED YEAR END FINANCIAL STATEMENTS OF AQUAFIL GROUP CLOSED ON 2018.12.31 IN ACCORDANCE WITH ART 81-TER OF CONSOB REGULATION N. 11971 OF 14 MAY 1999 AND ANY SUBSEQUENT AMENDEMENTS AND ADDITION

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 aimed at preparing the consolidated financial statements as of 2018/12/31.
2. No relevant issues arose.
3. It is also certified that the consolidated financial statements as of 2018/12/31:
   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 and of the group of companies included in the consolidation process.

Arco, March 14, 2019

Managing Director
Adriano Vivaldi

Principal Financial Officer
Sergio Calliari

Board of Statutory Auditor's Report

Aquafil S.p.A.
Via Linfano, 9 - Arco (TN) - 38062 - Italy
Fiscal Code and Trento Company's Registration Office 09652170961

BOARD OF STATUTORY AUDITORS' REPORT
IN ACCORDANCE WITH ARTICLE 153 OF LEGISLATIVE DECREE 58/1998
AND ARTICLE 2429 OF THE CIVIL CODE
TO THE SHAREHOLDERS' MEETING OF AQUAFIL S.p.A. OF APRIL 23, 2019

Dear Shareholders,

This Report was prepared by the Board of Statutory Auditors of **Aquafil S.p.A.** (hereinafter, also the "**Company**"), appointed on January 30, 2018 and will conclude its mandate with the shareholders' meeting for the approval of the financial statements as at December 31, 2020.

It should preliminarily be noted that on December 4, 2017 the merger by incorporation of Aquafil into Space3 SpA became effective - a company incorporated on October 6, 2016 as a Special Purpose Acquisition Company (SPAC) under Italian law and established in the form of an SIV (Special Investment Vehicle) - 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 admitted Aquafil's ordinary shares to listing on the Italian Stock Exchange (MTA), STAR segment with effect from December 4, 2017.

The Board of Statutory Auditors in office during the year 2017 and up to January 30, 2018 for Space3 SpA (incorporating company) was composed of Pier Luca Mazza, Marco Giuliani and Virginia Marini.

Pursuant to Article 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. Instructions contained in the CONSOB communications concerning corporate controls and the activity of the Board of Statutory Auditors, indications contained in the Self-Governance Code of listed companies, as well as the principles of conduct recommended by the National Council of Accountants and Accounting Professionals are also taken into consideration.

For supervisory activities carried out until January 30, 2018, the Board examined the minutes of the meetings of the Boards of Statutory Auditors of Aquafil SpA, in which supervisory activities performed are summarised. No citable events, 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 the shareholders of Aquafil S.p.A. in view of the Shareholders' Meeting convened in a single call for April 23, 2019 to approve the Annual Financial Statements and the Consolidated Financial Statements as at December 31, 2018.

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Activities carried out by the Board of Statutory Auditors in 2018 and 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 economic, financial and equity transactions and events that occurred in financial year 2018.

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 assets acquired concern the BCF product line of the business developed by Invista in the Asia Pacific region, with annual business volumes of approx. USD 50 million and forecast margins following full integration in line with that of the Aquafil Group at consolidated level. The acquisition was completed on April 27, 2018.

On February 23, 2018, the company Aquafil Carpet Recycling (ACR) #2, Inc. was incorporated in Woodland, California (USA), with share capital comprising 100,000 shares for a total nominal value of USD 250,000. The company is fully held by Aquafil USA, Inc. and will recover and re-process material from end-of-life carpeting, partly to feed the ECONYL® production process.

In September 2018 the non-convertible bond of Euro 50 million signed with the US Group Prudential was renegotiated, with the fixed interest rate reviewed down to 3.70% from 4.35% and with its instalment plan extended by over 3 years to final maturity in 2028.

For the other significant events in the year, reference should be made to the Directors' Report.

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. The 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 has 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 information from the Board of Directors, the Independent Audit Firm or the *pro tempore* 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. on March 22, 2019 issued its reports as per Article 14 of Legislative Decree 39/2010 and Article 10 of Regulation EC 537/2014, in which the independent audit firm declared in its judgment that:

- *the separate and consolidated financial statements as at December 31, 2018 provide a true and fair view of the equity and financial situation of the company and of the Group, of the result for the year and of the cash flows for the year ending at that date, in compliance with International Financial Reporting Standards, adopted by the European Union, in addition to the implementation provisions of Article 9 of Legislative Decree 38/2005;*
- *the directors' report and certain specific information contained in the corporate governance and ownership structure report indicated in Article 123-bis, paragraph 4 of Legislative Decree 58/1998, are consistent with the separate and consolidated financial statements of the Company and of the Group and are drawn up in accordance with law;*
- *with regards to the statement as per Article 14, paragraph 2, letter e) of Legislative Decree No. 39 of January 27, 2010, issued on the basis of its knowledge and understanding of the company and the relative overview acquired during the audit activities, we do not have any matters to report.*

The independent auditors' report of PricewaterhouseCoopers S.p.A. on the separate financial statements at December 31, 2018 indicates an "Attention to Information" concerning the "Comparability of the figures of the previous year" due to the above-mentioned merger - as stated also by the Directors in the Notes to the separate financial statements - the 2017 income statement relates only to one month of operations and is therefore not comparable with 2018. The opinion of the independent audit firm does not raise this aspect.

In this regard, the Board of Statutory Auditors notes the attention to information of the comparability of the figures with the previous year only for the separate financial statements, noting also that the Group consolidated financial statements are comparable with the previous year.

The independent audit firm PricewaterhouseCoopers S.p.A. on March 22, 2019 in addition issued its additional report on the Internal Control and Audit Committee, as per Article 11 of Regulation EC 537/2014.

4. Statements pursuant to Article 2408 of the Civil Code and submission of petitions. Initiatives taken by the Board of Statutory Auditors and related outcomes.

No statements or matters reported were received from shareholders during the year 2018. No petitions were submitted to the Board of Statutory Auditors during the year 2018.

In this regard, we highlight that the company has adopted a "whistleblowing" procedure, providing for the setting up of appropriate disclosure channels to ensure the receipt, analysis and handling of reports, regarding internal control, corporate disclosure, administrative responsibility of the company, fraud or other matters, sent by employees, members of the corporate boards or third parties and also confidentially or anonymously.

5. Conferment of appointments to the independent audit firm and associated costs.

The Board of Statutory Auditors was provided with evidence of the following fees accruing to the independent audit firm PricewaterhouseCoopers S.p.A. and the companies belonging to its network for services in 2018 (amounts in Euro):

Company providing service	Recipient of service	Type of services	Fees 2018
PwC SpA	Aquafil SpA	Audit separate financial statements	126,556
		Audit consolidated financial statements	39,848
PwC SpA	Italian subsidiary companies	Audit separate financial statements and Group Reporting Package	33,456
PwC (1)	Foreign subsidiaries	Audit separate financial statements and Group Reporting Package	138,000
PwC SpA	Aquafil SpA	Limited Audit of the 2018 consolidated half-year report	27,800
PwC SpA	Italian subsidiary companies	Limited Audit 2018 half-year Group Reporting Package	12,000
PwC (1)	Foreign subsidiaries	Limited Audit 2018 half-year Group Reporting Package	58,390
Total Audit services provided in 2018 to the Aquafil Group by Worldwide Audit firm			**436,049**
PwC SpA	Aquafil SpA	Limited Audit of Consolidated Non-Financial Report	24,000
PwC SpA	Aquafil SpA	Supplement to the audit due to the introduction of IFRS 15 and the first analysis of the impacts of IFRS 16	45,000
PwC (1)	Foreign subsidiaries	Other minor services	13,520
Total other audit services provided in 2018 to Aquafil Group by Audit Firm			**82,520**
PwC Advisory SpA	Aquafil SpA	Support application method Law 262/2005 (Art. 154-*bis CFA*)	19,000
PwC Advisory SpA	Foreign subsidiaries	Support application method Law 262/2005 (Art. 154-*bis CFA*)	81,000
Total other services in 2018 to the Aquafil Group companies by PwC network entities			**100,000**

(1) Other companies belonging to the same PwC SpA network

Pursuant to the provisions of Article 6, paragraph 2; letter 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, it is has taken account of the activities performed, has maintained its position of independence and objectivity in respect of the Company and of the Aquafil Group, and has provided timely communication of non-audit services to the company by PricewaterhouseCoopers. S.p.A. and entities in its network.

The conferment of the above-mentioned appointments for non-audit services was approved by the Board of Statutory Auditors in advance, taking account of the declarations of independence issued by PwC on these appointments and the fact that they concern a roll-out of an appointment already assigned to Pwc Advisory before the stock market listing and the appointment of the current Board of Statutory Auditors.

6. Main opinions issued by the Board of Statutory Auditors in accordance with applicable legislation.

In 2018, the Board of Statutory Auditors of Aquafil issued the following opinion:

- favourable opinion concerning the long-term Monetary incentive plan for executive directors and senior executives of the Aquafil Group (called the "Cash Long Term Incentive 2018-2020"), together with the text of the relative Regulation, prepared by the Appointments and Remuneration Committee of the company, approved by the Board of Directors on March 2, 2018 and by the Shareholders' Meeting on April 27, 2018 as per Article 114-*bis* of the CFA.

In 2018, the Board of Statutory Auditors also:

- 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;
- examined and positively assessed, together with the Control and Risks Committee which expressed its favourable opinion, the proposal to appoint the new Internal Audit Manager, drawn up by the Director in charge of the internal control and risk management system appointed by the Board of Directors in the meeting of November 14, 2018;
- examined and positively assessed the Remuneration Policy for the year 2018 as per the proposal approved by the Appointments and Remuneration Committee, 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 Article 123-*ter* of the CFA and Article 84-*quater* of Consob Regulation 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 Article 123-*bis* of the CFA.

7. Attendance at the meetings of the corporate bodies

In 2018, since the date of its appointment, the Board attended all 6 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.

The Board of Statutory Auditors in 2018, since the date of its appointment, has held 10 meetings during which exchanges of information with the independent audit firm 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.

In addition, the Board of Statutory Auditors attended in 2018, since the date of its appointment, through its Chairperson and at least one other member, 6 Control and Risks Committee meetings (acting also as the Related Party Transactions Committee) and 2 Appointments and Remuneration Committee meetings, acquiring knowledge on the work carried out by these Committees during the year.

The Board of Statutory Auditors also attended the Shareholders' Meeting of April 27, 2018.

The previous Board of Statutory Auditors, during the period between January 1 and January 30, 2018, attended one meeting of the Board of Directors, one meeting of the Control and Risks Committee and the Shareholders' Meeting of January 30, 2018.

In 2019 and until today's date, the Board of Statutory Auditors has held 5 meetings, attended 2 Board of Directors meetings and, through its Chairperson and at least one other member, 4 Control and Risks Committee meetings (acting also as the Related Parties Transactions Committee) and 2 meetings of the Appointments and Remuneration Committee.

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.

In particular, the Board of Statutory Auditors verified that the operating choices were adopted in the interest of the company, compatible with the resources and capital available and adequately supported by disclosure, analysis and verification processes, also making recourse, where considered necessary, to consultation with the Committees and outside consultants.

9. Observations on the suitability of the organisational structure.

The Board of Statutory Auditors constantly gathered information on the company's organisational structure and changes made to it, including by holding meetings with the relevant company managers.

With regards to the Internal Audit function structure, given that the 2018 Audit Plan was carried out and completed according to schedule, the Board of Statutory Auditors notes that the company in November 2018 appointed a new Internal Audit Manager, also to permit the preceding Manager to undertake other functions and roles within the company, and strengthened the internal structure with the hiring of a new staff member to support the Manager, maintaining also the assistance of outside consultants, who mainly provide operating support.

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 Annual Report of the Control and Risks Committee issued on March 14, 2019;

d. the review of the Internal Audit Manager reports, concerning the checks on the various company areas established by the Audit plan;

e. 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;

f. In particular, the 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:

- verified 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, updated and approved by the Board of Directors on August 29, 2018 and in 2019 further updated and approved by the Board of Directors on March 14, 2019;
- reviewed the periodic reports at June 30, 2018 and December 31, 2018 of the Supervisory Board as per Legislative Decree 231/2001, which summarised the activities carried out during the year, and periodically met with its members;
- met the representatives of the Board of Statutory Auditors of the Aquafil Group Italian subsidiaries;
- obtained information from the corporate boards (without Board of Statutory Auditors) of the main overseas subsidiaries, as per Article 151, paragraphs 1 and 2 of Legislative Decree 58/1998.

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 of the above-mentioned reports concluding that there were no reprehensible facts or violations of the Model in the year 2018;

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 2018.

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 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's Annual Financial Report as at 31/12/2018;

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) the meetings with the Independent Audit Firm and the results of the work it performed.

The Board of Statutory Auditors also noted that, following the favourable opinion issued by the Control and Risks Committee, the Board of Directors on February 15, 2019, independently and prior to the approval of the statutory financial statements, approved the impairment test procedure to be applied by the company in preparing the financial statements at December 31, 2018.

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 2018 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 audit firm to:

a) exchange information on the audits performed by the latter, pursuant to Legislative Decree 39/2010 and Article 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 at 31/12/2018, 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 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) noted the statement concerning the independence of PricewaterhouseCoopers S.p.A., as per Article 6 of Regulation (EC) No. 537/2014, annexed to the additional report, which does not indicate any situations which may compromise its independence;

c) discussed with the independent 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.

In particular, the Board of Statutory Auditors, with regards to the activities of the independent audit firm, noted that the methodologies and planning for the audit work, the audit approach utilised for the various significant areas of the financial statements and regarding corporate risks and the planned response by the auditor with the profiles, structures and risk, of the company and of the Group.

14. Adherence to the Self-Governance Code of the Governance Committee for listed companies.

The Board of Statutory Auditors has verified 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 manner by which the self-assessment activities of the Board of Directors and its Internal Committee were undertaken;

- the company's corporate governance structure.

The Board of Statutory Auditors oversaw the activities carried out by the Control and Risks Committee (also acting as the Related Party Transactions Committee) and the Appointments and Remuneration Committee, through the attendance of the Chairperson of the Board of Statutory Auditors and at least one other member at all meetings of these Committees.

The Board of Statutory Auditors also noted that the recommendations of the Corporate Governance Code contained in the letter of December 21, 2018 addressed to the Chairperson of the Committee, Patrizia Grieco, to the Chairpersons of the Boards of Directors of listed Italian companies and, on their behalf, to the relative Chief Executive Officers and Chairpersons of the Control bodies, were brought to the attention of the Board of Directors and the Appointments and Remuneration Committee, for the undertaking of the necessary decisions in this regard.

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In addition to the above, the Board of Statutory Auditors:

- on March 7, 2019 concluded the self-assessment of the Board, confirming the consistency of its composition with the applicable legal provisions, in addition to its adequacy in terms of diversity of age and training and professional experience of its members and compliance with the regulatory provisions regarding the accumulation of statutory auditor positions. The self-assessment of the Board of Statutory Auditors was disclosed to the Board of Directors on March 14, 2019, which communicated such to the Market in the press release issued on the same date and in the Annual Corporate Governance and Ownership Structure Report for 2018;
- within the self-assessment process of the Board, it positively verified the compliance of independence criteria for each of its members, as required by the Self-Governance Code. The results of the self-assessment checks of the Board are reported in the Corporate Governance and Ownership Structure Annual Report drawn up for the year 2018.

Final evaluations on the supervisory activity performed and proposed 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 2018, including by means of direct audits and information gathered by the independent audit firm;
- 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, 2018 and the Group consolidated financial statement 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 above-mentioned decree and, therefore, its preparation in accordance with these regulations. The Board of Statutory Auditors has, inter alia, confirmed the approval of the above-mentioned Statement by the Board of Directors on March 14, 2019 and the independent audit firm's issuing of the Statutory Declaration on March 22, 2019, concerning the compliance of information provided in this document as envisaged by Arts. 3 and 4 of Legislative Decree 254/2016.

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 of Aquafil S.p.A requests you to approve the financial statements at December 31, 2018, as presented by the Board of Directors together with the Directors' Report and the allocation proposal for the year's result.

Arco, March 25, 2019

The Board of Statutory Auditors

Mr. Stefano Poggi Longostrevi – Chairman

Stefano Poggi Longostrevi

Mr. Fabio Buttignon - Statutory Auditor

Ms. Bettina Solimando – Statutory Auditor

Bettina Solimando

11

Report on the Audit of the Consolidated 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

Aquafil SpA

Consolidated Financial Statements as of 31 dicembre 2018

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 Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Aquafil Group (the Group), which comprise the statement of financial position as of 31 December 2018, 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 consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2018, 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 Consolidated Financial Statements* section of this report. We are independent of Aquafil SpA (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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in

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forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Revenue recognition *Paragraph 2.4 "Accounting standards and valuation methods" item "Revenues and costs"* At 31 December 2018, revenues of the Aquafil Group amounted to Euro 555.220 thousand, mainly due to the sale of finished products. These revenues are recognised in the financial statements when control of the goods produced is transferred to the customer and only if all criteria under IFRS 15 are met. As part of our audit procedures on the consolidated financial statements, the correct recognition of revenues was considered as a key area, since it represents the most significant P&L item and an incorrect recognition of them would cause a considerable alteration of the result for the year.	The audit approach preliminarily consisted in understanding and assessing the internal control system and the procedures set by the Parent Company for the recognition of revenues from sale. The audit approach then provided to perform compliance testing on key controls, which might have been put in place by the Group companies as part of the above-mentioned procedures, in order to verify the operating efficacy of such controls in the context of the revenue recognition process, with particular reference to the existence of such revenues and their recognition in the correct accrual period. Taking into account the understanding, assessment and validation of the internal controls mentioned above, validity tests were planned and performed on the relevant financial statement item. In particular, in relation to a sample of transactions deemed representative in the context of each individual consolidated entity, procedures were carried out on the existence and accuracy of revenues recognised in the financial statements, by examining the information included in the available documentation as supporting evidence. In addition, we verified the reconciliation of the intercompany balances and their being correctly written off in the consolidated financial statements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, management uses the going concern basis of accounting unless management either intends to liquidate Aquafil SpA 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 Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the consolidated 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

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 consolidated 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 2018, the shareholders of Aquafil SpA in general meeting engaged us to perform the statutory audit of the Company's and the 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 consolidated 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 Aquafil Group as of 31 December 2018, including their consistency with the relevant consolidated 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 consolidated financial statements of the Group as of 31 December 2018 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 consolidated financial statements of Aquafil Group as of 31 December 2018 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.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree n° 254 of 30 December 2016

Management of Aquafil SpA is responsible for the preparation of the non-financial statement pursuant to Legislative Decree n° 254 of 30 December 2016.
We have verified that management approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree n° 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Trento, 22 March 2019

PricewaterhouseCoopers SpA

Signed by

Alberto Michelotti
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.

Indipendent Auditor's report on the non Financial Report

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AQUAFIL SPA

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT TO ARTICLE 3, PARAGRAPH 10, OF LEGISLATIVE DECREE NO. 254/2016 AND ART. 5 OF CONSOB REGULATION NO. 20267 OF JANUARY 2018

YEAR ENDED 31 DECEMBER 2018

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Independent Auditor's report on the consolidated non-financial statement

pursuant to article 3, paragraph 10, of Legislative Decree No. 254/2016 and article 5 of CONSOB Regulation No. 20267 of January 2018

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 consolidated non-financial statement of Aquafil SpA and its subsidiaries (hereafter the "Group" or "Aquafil Group") for the year ended 31 December 2018, in accordance with article 4 of the Decree and approved by the Board of Directors on 15 March , 2019 (hereafter the "NFS").

Responsibility of Management and those charged with Governance 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 Standards", defined in 2016 by the GRI-Global Reporting Initiative (hereafter "GRI Standards"), as laid down in paragraph "Methodological Note" of the NFS, identified by them as the reporting standard, with reference to a selection of GRI Standards therein contained.

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.

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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 and with the GRI Standards. 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 Group, 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. understanding of the following matters:
   - business and organisational model of the Group, with reference to the management of the matters specified by article 3 of the Decree;
   - 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 4 a) below;
4. 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 the personnel of Aqualeuna

G.m.b.H., 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 Aqualeuna G.m.b.H.'s registered office at Aqualeuna (Germany), 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 Group as of 31 December 2018 has not been prepared, in all material respects, in compliance with articles 3 and 4 of the Decree and with the GRI Standards, with reference to a selection of GRI Standards therein contained.

Trento, 22 March 2019

PricewaterhouseCoopers SpA

Signed by	*Signed by*
Alberto Michelotti (Partner)	Paolo Bersani (Authorised signatory)

This report has been translated from the original, which was issued in Italian, solely for the convenience of international readers. We have not performed any verification procedures on the English translation of the NFS of Aquafil Group as of 31 December 2018.

Note

synthetic fibres and polymers

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