



# **SPACE2 S.p.A.**

**(Company incorporating Avio S.p.A. effective from April 10, 2017 and subsequently changing name to Avio S.p.A.)**

## **2016 Annual Financial Report**

Via Leonida Bissolati, 76  
00187 Rome, Italy  
Share capital Euro 91,761,670.  
Tax and VAT No.: 09105940960

## CORPORATE BOARDS

### BOARD OF DIRECTORS

Chairman	Roberto Italia
Directors	Giulio Ranzo
	Stefano Ratti
	Luigi Pasquali
	Monica Auteri
	Vittorio Rabajoli
	Giovanni Gorno Tempini
	Donatella Sciuto
	Maria Rosaria Bonifacio

### CONTROL AND RISKS COMMITTEE

Chairman	Monica Auteri
Independent directors	Donatella Sciuto
	Vittorio Rabajoli

### BOARD OF STATUTORY AUDITORS

Chairman	Riccardo Raul Bauer
Statutory Auditors	Claudia Mezzabotta
	Maurizio Salom
Alternate Auditors	Virginia Marina
	Maurizio De Magistris

### INDEPENDENT AUDIT FIRM

KPMG S.p.A.

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## DIRECTORS' REPORT

### Operations and strategy

The Annual Financial Report at December 31, 2016 was approved by the Board of Directors on April 28, 2017 and provides a general outline of the financial position and operating performance of SPACE2 S.p.A. (hereafter “Space2” or the “Company”) for the year.

Space2 S.p.A. was incorporated on May 28, 2015 in Milan and was enrolled in the Milan Companies Registration Office on June 3, 2015. In 2017, following the completion of the Significant Transaction, the company changed to its current registered office of Rome, via Leonida Bissolati, 76. The Company is an Italian registered Special Purpose Acquisition Company (SPAC), established as an SIV (Special Investment Company) in accordance with the Borsa Italiana regulation, whose shares were listed on the Professional Segment of the Investment Vehicles Market (M.I.V.) organised and managed by Borsa Italiana S.p.A..

The listing of Space2 was concluded on July 28, 2015, with trading from July 31 following the placement with qualified Italian investors and international institutional investors of 30 million ordinary shares at a set price of Euro 10 per share, for a total of Euro 300 million (the “Offer”).

The ordinary shares placed were granted free market warrants in the ratio of 2 market warrants for every 4 ordinary shares subscribed. Against the subscription of 30 million ordinary shares, 15 million market warrants were therefore granted, of which 7.5 million issued contemporaneously with the ordinary shares, while 7.5 million were issued and began trading on completion of the “Significant Transaction”. This transaction concerns the acquisition of a company, entity, business or business unit (the “Target”) by any means - including business combinations on the basis of contribution or merger, also combined with the subscription of equity investments.

In addition, Space Holding S.r.l., the sponsor company of Space2, subscribed 795,000 special shares, not to be listed, at a set price of Euro 10 per share for a total of Euro 7.95 million, increasing the total number of special shares to 800,000 (subsequent to the conversion into special shares of the 5,000 ordinary shares subscribed on incorporation), which were granted sponsor warrants in the ratio of 2 sponsor warrants for every special share, for a total of 1,600,000 sponsor warrants held by Space Holding S.r.l.

The capital raised by Space2 was to be deployed within twenty-four months from the initial trading of the ordinary shares on the M.I.V. for the completion of the Significant Transaction.

In accordance with the investment policy, approved by the Shareholders' Meeting of June 17, 2015, Space2 had the objective of identifying a non-listed Target company with high

growth potential, representative of Italian industrial excellence and interested in opening up its ownership to institutional investors through listing on a regulated market.

As described in greater detail in the Prospectus, the company opened several escrow accounts with leading domestic banks (principally held by the escrow agent SPAFID S.p.A.) and in which 98.5% of the total proceeds from the Offer were deposited, which comprised the “Restricted Amounts”, available, on authorisation by the Shareholders’ Meeting, essentially for the execution of the Significant Transaction or, where such is not completed within the established duration of the company, for the liquidation of shareholders.

The amount equal to: (i) the Initial Resources, (ii) 1.5% of the total income of the Offer; and (iii) the amount of interest matured and maturing on the Restricted Amounts, net of taxes, expenses and charges relating to the escrow accounts, after the deduction of expenses and commissions relating to the Offer, represented the so-called “Unrestricted Sums”.

The “Unrestricted sums” were the amounts available to management to finance - in addition to the listing and operating expenses of the company (i.e. general and administrative expenses) - the pursuit of the company mission, such as research, selection and due diligence expenses for potential Targets and in execution of the Significant Transaction.

Pursuant to Article 20 of the By-Laws the financial year-end of the Company is December 31.

The company in the past year has explored a range of investment opportunities in pursuit of its corporate scope i.e. the execution of the Significant Transaction on the basis of the criteria set out in the investment policy, and has closely considered, with the support also of legal and financial consultants, potential target companies analysed through the scouting operations undertaken by the board. On conclusion of the research undertaken, Avio - a joint-stock company and an aerospace sector leader involved in the launchers and space propulsion segment - was identified as an investment opportunity which meets management’s guidelines, as communicated to the shareholders in the investment policy. Avio and its shareholders, in turn, expressed interest in a business combination with Space2.

On October 19, 2016, the Board of Directors of Space2 approved the Significant Transaction.

The Shareholders’ Meeting of Space2 on December 1 and 23, 2016 thereafter approved the “Significant Transaction” consisting of a Business Combination with Avio S.p.A., broken down into the following steps:

- the partial and proportional spin-off of Space2 in favour of Space3;
- the acquisition by Space2, together with Leonardo Finmeccanica S.p.A. and the vehicle company of the Avio managers In Orbit S.p.A., of the entirety of Avio's share capital not held by Leonardo Finmeccanica, comprising 85.68% of the share capital;
- the merger by incorporation of Avio S.p.A. into Space2.

The deadline for exercise of the right to withdrawal by Space2 shareholders was January 12, 2017. No communications requesting the exercise of this option were received. The Board of Directors of Space2 and Space3 therefore agreed the definitive terms for the partial and proportional spin-off as follows:

- § definitive share swap ratio under the spin-off applicable to both ordinary shares and the special shares issued by Space2 of: 1 ordinary Space2 share cancelled and 1 ordinary Space3 share assigned for every 2 ordinary Space2 shares held and 1 special Space2 share cancelled and 1 special Space3 share assigned for every 2 special Space2 shares held. The same share swap ratio is also applied to the market warrants and sponsor warrants issued by Space2;
- § the Spun-off assets, i.e. the cash and cash equivalents spun-off to be assigned to Space3 under the Spin-off, amount to Euro 152,847,144 on the basis of the 2016 Half-Year Report of Space2;
- § the share capital increase of Space3 in service of the share swap under the Spin-off is established as Euro 15,372,500, to be executed through issue of 15,395,000 shares, of which: 14,995,000 ordinary Space3 shares and 400,000 special Space3 shares.

On March 17, 2017, the partial and proportional spin-off deed was filed at the Milan Companies Registration Office, while on April 5, 2017 the partial and proportional spin-off by the company in favour of Space3 became effective.

On March 31, 2017, CONSOB approved publication of the prospectus for listing on the Mercato Telematico Azionario (MTA), STAR Segment, of ordinary Space2 shares and market warrants (which, from the effective merger date, assumed the name "Avio market warrants"); on April 4, 2017, the merger deed signed on March 31, 2017 was filed.

On April 10, 2017, the Avio ordinary shares and market warrants began trading on the MTA, STAR Segment.

The Space2 S.p.A. share, listed on the Professional Segment of the Investment Vehicles Market (MIV) of the Italian Stock Exchange, closed December 31, 2016 at Euro 10.62 per share, compared to Euro 9.90 at December 31, 2015.

At December 31, 2016, the market warrants were listed at a price of Euro 1.13, compared to Euro 0.90 at December 31, 2015.

The company's 2016 Annual Financial Report was approved by the Board of Directors on April 28, 2017, reporting a net loss of Euro 331,964.

## Operating performance

### Operational overview

Space2's operations in the year focused on execution of the significant transaction, as outlined above.

As a SPAC, the company did not generate operating revenue in the period, reporting therefore an operating loss of Euro 2,413,579. The comprehensive net loss of Euro 331,964 is substantially mitigated by financial items (income generated by deposit accounts and Savings Bonds).

The equity of the Company at December 31, 2016 was Euro 305,060,804. A net cash position of Euro 304,610,533 was reported, including liquidity of Euro 444,788.

As the company was incorporated on May 28, 2015, the income statement reported is compared with the May 28, 2015 - December 31, 2015 period, while the balance sheet is compared with December 31, 2015.

### Key Financial Highlights

The reclassified income statement is reported below:

<i>in Euro</i>	January 1, 2016 - December 31, 2016	May 28, 2015 – December 31, 2015
Net revenue	-	-
External costs	(2,413,579)	(626,051)
<b>Value added</b>	<b>(2,413,579)</b>	<b>(626,051)</b>
Personnel costs	-	(9,216)
<b>EBITDA</b>	<b>(2,413,579)</b>	<b>(635,267)</b>
Amortisation, depreciation & write-downs	-	-
<b>EBIT</b>	<b>(2,413,579)</b>	<b>(635,267)</b>
Other income	-	-
Financial income and charges	2,081,615	940,195
<b>Ordinary profit/(loss)</b>	<b>(331,964)</b>	<b>304,928</b>
<b>Pre-tax profit/(loss)</b>	<b>(331,964)</b>	<b>304,928</b>
Income taxes	-	-
<b>Net Profit/(Loss)</b>	<b>(331,964)</b>	<b>304,928</b>

EBIT essentially comprises costs incurred in the normal operating activities of the company, against income from the sums invested in Savings Bonds and escrow accounts, in addition to interest income on company liquidity. We highlight for completeness that these income components were lower in the comparative period as the Space2 listing concluded at the end of July 2015.

## Balance sheet

The reclassified balance sheet is reported below:

<i>(in Euro)</i>	December 31, 2016	December 31, 2015
<i>Other receivables</i>	1,121,407	472,304
<i>Trade and other payables</i>	(731,135)	(87,816)
<i>Other current assets/ (liabilities)</i>	-	-
Total net current assets/(liabilities) (A)	390,272	384,488
Fixed assets and other long-term assets (B)	60,000	10,000
Long-term liabilities (C)	-	-
<b>Total net assets / (liabilities) (A+B+C)</b>	<b>450,272</b>	<b>394,488</b>
<i>Cash and cash equivalents</i>	444,788	140,206
<i>Other current liabilities</i>	-	-
<i>Other current financial assets</i>	304,165,745	304,858,075
Net cash position (D)	304,610,533	304,998,281
Equity (E)	(305,060,804)	(305,392,769)
<b>Equity &amp; net cash position (D+E)</b>	<b>(450,272)</b>	<b>(394,488)</b>

“Other receivables” increased Euro 649,103 on December 31, 2015. The account mainly includes the VAT receivable matured in the year of Euro 790,978, the receivable for withholdings on interest income and for IRES offset for Euro 222,576, in addition to prepaid expenses relating mainly to consultancy services provided to the company by Space Holding S.r.l.

“Other current financial assets”, including the “Restricted Amounts” and the “Unrestricted Sums”, as described in greater detail in Note 2 of the Explanatory Notes, comprise:

- for Euro 183,590,322 the investment in Savings Bonds, managed both under trust by SPAFID S.p.A and directly by the company;
- for Euro 120,575,423 sums deposited in accounts administered under trust by SPAFID S.p.A..

Compared to December 31, 2015, “Other current financial assets” decreased following the repayment on maturity and the advance redemption of Saving Bonds of a total nominal value of approx. Euro two million; this decrease is however offset by the increase due to the maturation of interest on these investments. Such liquidity ensures the operating functionality of the company.



## Other information

### Net Financial Position

The net financial position, as outlined in the following table, was a cash position of Euro 304,610,533, comprising the cash and cash equivalents at the bank accounts for Euro 444,788, Savings Bonds of Euro 183,590,322 and deposits at Banca Akros S.p.A. of Euro 45,575,423 and at Banca Nazionale del Lavoro S.p.A. of Euro 75,000,000.

<i>in Euro</i>		December 31, 2016	December 31, 2015
A	Cash	-	-
B	Other cash equivalents	444,788	140,206
C	Other current financial assets	304,165,745	304,858,075
<b>D</b>	<b>Liquidity (A+B+C)</b>	<b>304,610,533</b>	<b>304,998,281</b>
<b>E</b>	<b>Current financial receivables</b>	-	-
F	Current bank payables	-	-
G	Current portion of non-current debt	-	-
H	Other current financial payables	-	-
<b>I</b>	<b>Current debt</b>	-	-
<b>J</b>	<b>Net current cash position</b>	<b>304,610,533</b>	<b>304,998,281</b>
K	Non-current bank payables	-	-
L	Bonds issued	-	-
M	Other non-current payables	-	-
<b>N</b>	<b>Non-current debt</b>	-	-
<b>O</b>	<b>Net cash position</b>	<b>304,610,533</b>	<b>304,998,281</b>

The overall net cash position decreased Euro 387,748 on December 31, 2015; this is due to the joint effect of increased liquidity for Euro 304,582, as described in greater detail at Note 1 of the Explanatory Notes, and the reduction of other current financial assets, of Euro 692,330, as reported in Note 2.

### Significant events

During the period, the company focused on the research and selection of the Target company, in accordance with the company mission and investment policy guidelines approved by the Shareholders' Meeting of June 17, 2015. These activities concluded at year-end with the identification of Avio S.p.A. as the target company with which to execute the significant transaction in the initial months of 2017, as described in the "Operations and strategy" paragraph above.

## Subsequent events to December 31, 2016

As previously illustrated, on January 12, 2017 the period for the exercise of the right to withdrawal by ordinary Space2 S.p.A. shareholders not in agreement with the merger by incorporation proposal of Avio S.p.A. into Space2 S.p.A. concluded. The company did not receive any communications expressing the wish to withdraw.

On January 24, 2017, in relation to the business combination between Avio S.p.A. and Space2 S.p.A., Space2 presented an application for listing on the Mercato Telematico Azionario (“MTA”).

In addition, on March 17, 2017, the company and Space3 S.p.A. filed at the Milan Companies Registration Office the deed for the partial and proportional spin-off of Space 2 in favour of Space3 signed on March 15, 2017.

On April 5, 2017, the partial and proportional spin-off from Space2 in favour of Space3 became effective and on April 10, 2017 the merger of Space2 and the target company Avio S.p.A. was concluded.

With regards to the Significant Transaction with the target company Avio S.p.A., the following is particularly noted.

### *a) Acquisition and consequent listing of Avio S.p.A. on an Italian regulated market*

On January 19, 2017, the Board of Directors of Avio S.p.A. approved the draft prospectus of Space2 S.p.A. to be formally filed at Consob and Borsa Italiana S.p.A., limited to the information reported upon the Avio Group, the memorandum on the operating control system established by the company and the 2017-2019 industrial plan, in accordance with the Instructions for the Regulation concerning markets organised and managed by Borsa Italiana S.p.A.. In light of the Space2-Avio transaction, within the plan, ahead of the allocation of the amounts concerning the acquisition of the assets, liabilities and contingent liabilities of the Avio Group, as per IFRS 3 the difference between the consideration for the Avio shares paid by the purchasers, increased by the value of the new Space2 shares to be issued in service of the Merger, and the consolidated equity of the Avio Group net of the goodwill already recognised, was recognised to “Goodwill”. Under the above plan, this difference was therefore not allocated to assets, liabilities and contingent liabilities of the Avio Group, to the extent that they may be allocated. The completion of the valuation process required by IFRS 3, which will take place once the merger becomes legally effective, may result in a valuation of assets and liabilities of Avio acquired by the purchasers at the business combination date which differs than the assumptions adopted in preparation of the Plan. This may impact future results (e.g. higher amortisation to which part of the acquisition payments must be allocated), without effects on the expected generation of cash flows.

On March 31, 2017, the acquisition was completed by Space2, Leonardo S.p.A. (company listed on the Mercato Telematico Azionario (MTA) of Borsa Italiana S.p.A.) and In Orbit S.p.A. (newly incorporated company by a number of senior executives of Avio S.p.A.), with a holding of 85.86% in the share capital of Avio S.p.A..

On April 10, 2017, the merger by incorporation of Avio S.p.A. into Space2 S.p.A. was completed, with the latter undertaking the name Avio S.p.A. and with admission to trading on the MTA, STAR Segment, of the Milan Stock Exchange of Avio S.p.A. post-merger shares.

*b) Post-merger and listing shareholder structure*

As reported previously, in 2017 the acquisition by Space2, Leonardo and In Orbit S.p.A. of an 85.86% holding in Avio S.p.A. was completed, with the subsequent merger of Avio S.p.A. into Space2 and the consequent listing (business combination) on April 10, 2017 of Avio S.p.A. on the STAR segment of the MTA Market of the Italian Stock Exchange. In particular, Leonardo, an Avio S.p.A. shareholder since 2003, invested in the transaction increasing its stake to approx. 28% in Avio S.p.A.. Avio's management, through the company In Orbit S.p.A., together with Space2 and Leonardo invested, while Cinven Limited, the other institutional investors and Viasimo entirely divested from Avio S.p.A..

The shareholder structure of Space2-Avio following the above transaction and at the effective merger date is indicated in the following table, which highlights that approx. 65% of shares (excluding Leonardo, In Orbit and a part of Space Holding) were floated on listing and opened to trading:

<b>Shareholder structure following conclusion of the Merger</b>		
<b>At the Effective Merger Date</b>		
	<b>% of voting rights</b>	<b>% of share capital</b>
Leonardo	[28.61]	[28.29]
In Orbit	[3.91]	[3.87]
Space Holding	[2.72]	[3.80]
Del Vecchio Leonardo	[3.89]	[3.84]
MULTILABEL SICAV	[4.54]	[4.49]
PIONEER INVESTMENT MANAGEMENT SGRpa	[3.24]	[3.20]
Other Space2 investors	[53.10]	[52.51]
<b>Total</b>	<b>100%</b>	<b>100%</b>

With the exception of that reported above, no events subsequent to year-end were noted which could have impacted the amounts reported or require further disclosure.

## **Governance**

The Corporate Governance system of Space2 S.p.A. complies with the principles of the Self-Governance Code for listed companies. For more exhaustive disclosure on the Corporate Governance system and shareholder structure of Space2 S.p.A., reference should be made to the “Corporate Governance and Shareholder Structure Report” prepared, in accordance with Article 123-*bis* of Legislative Decree No. 58 of February 24, 1998, and published jointly with the 2016 Directors’ Report on the company website [www.avio.it](http://www.avio.it) in the Corporate Governance section.

## **Proposal for the approval of the financial statements and allocation of 2016 result**

Dear Shareholders,  
the financial statements for the year ended December 31, 2016 report a net loss of Euro 331,964.

Reference should be made to the documentation published in accordance with the provisions of law, while the Board of Directors presents for your approval the following proposal:

*“The Shareholders’ Meeting of Space2 S.p.A.*

- *having reviewed the financial statements for the year ended December 31, 2016, which report a net loss of Euro 331,964;*
- *having noted the Board of Statutory Auditors’ Report and the Independent Auditors’ Report;*

*resolves*

*(1) to approve the financial statements for the year ended December 31, 2016;*

(2) *to carry forward the entire net loss for the year.”*

Rome, April 28, 2017

For the Board of Directors,

The Chief Executive Officer and General Manager  
The Executive Officer for Financial Reporting

Giulio Ranzo  
Alessandro Agosti

## ANNUAL FINANCIAL STATEMENTS

## FINANCIAL STATEMENTS

## Balance sheet

<i>in Euro</i>	Note	December 31, 2016	of which related parties	December 31, 2015	of which related parties
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	1	444,788	-	140,206	-
Other current financial assets	2	304,165,745	-	304,858,075	-
Trade receivables		-	-	-	-
Other receivables	3	1,121,407	88,571	472,304	87,608
<b>Total current assets</b>		<b>305,731,940</b>	<b>88,571</b>	<b>305,470,585</b>	<b>87,608</b>
<b>Non-current assets</b>					
Other non-current financial assets	4	10,000	-	10,000	-
Investments	5	50,000	-	-	-
<b>Total non-current assets</b>		<b>60,000</b>	<b>-</b>	<b>10,000</b>	<b>-</b>
<b>TOTAL ASSETS</b>		<b>305,791,940</b>	<b>-</b>	<b>305,480,585</b>	<b>-</b>
<b>LIABILITIES AND EQUITY</b>					
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade payables	6	580,780	-	78,827	-
Other payables	7	150,356	-	8,989	-
<b>Total current liabilities</b>		<b>731,135</b>	<b>-</b>	<b>87,816</b>	<b>-</b>
Share capital		30,845,000	-	30,845,000	-
Legal reserve		15,246	-	-	-
Share premium reserve		277,155,000	-	277,155,000	-
Other reserves		(2,912,159)	-	(2,912,159)	-
Retained earnings		289,682	-	-	-
Net profit/(loss)		(331,964)	-	304,928	-
<b>Equity</b>	8	<b>305,060,804</b>	<b>-</b>	<b>305,392,769</b>	<b>-</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>305,791,940</b>	<b>-</b>	<b>305,480,585</b>	<b>-</b>

## Income statement

<i>in Euro</i>	Note	January 1, 2016 - December 31, 2016	of which related parties	May 28, 2015 – December 31, 2015	of which related parties
Revenue	9	-	-	-	-
Other revenue	9	-	-	-	-
Consumable materials	10	(50)	-	(1,770)	-
Personnel costs	11	-	-	(9,216)	-
Other net operating costs	12	(2,413,529)	(1,039,037)	(624,281)	(432,391)
<b>EBIT</b>		<b>(2,413,579)</b>	<b>(1,039,037)</b>	<b>(635,267)</b>	<b>(432,391)</b>
Financial income	13	2,081,615	-	940,195	-
<b>Pre-tax profit/(loss)</b>		<b>(331,964)</b>	<b>-</b>	<b>304,928</b>	<b>-</b>
Income taxes	14	-	-	-	-
<b>Net profit/(loss)</b>		<b>(331,964)</b>	<b>-</b>	<b>304,928</b>	<b>-</b>
<b>Basic earnings/(loss) per share</b>	<b>15</b>	<b>(0.012)</b>		<b>0.014</b>	
<b>Diluted earnings/(loss) per share</b>	<b>15</b>	<b>(0.011)</b>		<b>0.013</b>	

## Statement of Comprehensive Income

<i>in Euro</i>	January 1, 2016 - December 31, 2016	May 28, 2015 – December 31, 2015
<b>Net profit/(loss)</b>	<b>(331,964)</b>	<b>304,928</b>
Other comprehensive income statement items not subsequently reclassified to profit and loss	-	-
Other comprehensive income statement items subsequently reclassified to profit and loss	-	-
<b>Total Comprehensive Income/(loss)</b>	<b>(331,964)</b>	<b>304,928</b>

## Statement of Changes in Equity

	Share capital	Legal reserve	Share premium reserve	Other Reserves	Retained earnings	Net profit/(loss)	Total Equity
<b>Balance at May 28, 2015</b>	-	-	-	-	-	-	-
Share capital increase by Space Holding Srl of May 28, 2015 (on incorporation), against ordinary shares	50,000	-	-	-	-	-	<b>50,000</b>
Share capital increase from placement of ordinary shares on July 31, 2015	30,000,000	-	270,000,000	-	-	-	<b>300,000,000</b>
Share capital increase by Space Holding Srl of July 31, 2015, against special shares	795,000	-	7,155,000	-	-	-	<b>7,950,000</b>
Share capital increase costs	-	-	-	(2,912,159)	-	-	<b>(2,912,159)</b>
Net profit	-	-	-	-	-	304,928	<b>304,928</b>
Other comprehensive income statement items							-
<i>Total comprehensive profit, net of taxes</i>	-	-	-	-	-	304,928	<i>304,928</i>
<b>Balance at December 31, 2015</b>	<b>30,845,000</b>	-	<b>277,155,000</b>	<b>(2,912,159)</b>	-	<b>304,928</b>	<b>305,392,769</b>
Allocation of 2015 result							
- to legal reserve	-	15,246	-	-	-	(15,246)	-
- retained earnings					289,682	(289,682)	-
Net loss for the year	-	-	-	-	-	(331,964)	<b>(331,964)</b>
Other comprehensive income statement items							-
<i>Total comprehensive loss, net of taxes</i>	-	-	-	-	-	(331,964)	<i>(331,964)</i>
<b>Balance at December 31, 2016</b>	<b>30,845,000</b>	<b>15,246</b>	<b>277,155,000</b>	<b>(2,912,159)</b>	<b>289,682</b>	<b>(331,964)</b>	<b>305,060,804</b>

## Statement of Cash Flow



<i>in Euro</i>	Year ended December 31, 2016	Period ended December 31, 2015
<b><u>Operating activities</u></b>		
Pre-tax profit/(loss)	(331,964)	304,928
<i>Changes due to:</i>		
- investment income (interest and dividends received)	1,903,073	-
<i>Adjustments reconciling pre-tax profit/ (loss) with net cash flows:</i>		
- Share capital increase costs	-	(2,912,159)
<i>Changes in working capital:</i>		
- Increase in current trade and other payables	621,286	87,816
- Increase in current trade and other receivables	(649,103)	(472,304)
<b>Net cash flow from operating activities</b>	<b>1,386,784</b>	<b>(2,991,719)</b>
<b><u>Investing activities</u></b>		
Savings Bonds	649,668	(184,061,448)
Escrow Bank Deposits	221,203	(120,796,627)
Interest income	(1,903,073)	-
<b>Net cash flow from investing activities</b>	<b>(1,032,202)</b>	<b>(304,858,075)</b>
<b><u>Financing activities</u></b>		
Share capital increase	-	30,845,000
Share premium reserve	-	277,155,000
Settlement current financial assets	-	-
Other non-current financial assets	(50,000)	(10,000)
<b>Net cash flow from financing activities</b>	<b>(50,000)</b>	<b>307,990,000</b>
-		
<b><i>(Decrease)/increase in current cash and cash equivalents and deposits</i></b>	<b>304,581</b>	<b>140,206</b>
Cash and cash equivalents & deposits at beginning of year	140,206	-
<b>Cash and cash equivalents and deposits at end of year</b>	<b>444,788</b>	<b>140,206</b>

## **EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**

SPACE2 S.p.A. (“Space2” or the “Company”) is a company which is subject to the laws of the Italian Republic, with registered office in Rome, via Leonida Bissolati, 76.

The company since incorporation on May 28, 2015 and until the present reporting date has initially focused on building the organisational structure and on the process for listing on the MIV of the ordinary shares and warrants, and subsequently on the research and selection of the Target company. The Target company was identified as Avio S.p.A.; as described in the paragraph “Subsequent events to December 31, 2016” in the Directors’ Report, in 2017 the company Avio S.p.A. was acquired and subsequently merged by incorporation on April 10, 2017, with simultaneous listing on the STAR segment of the Italian Stock Exchange.

The 2016 Annual Financial Report presents, for the income statement, comparison with the period May 28, 2015 - December 31, 2015, while the balance sheet is compared with December 31, 2015. The 2016 Annual Financial Report was approved by the Board of Directors on April 28, 2017, reporting a net loss of Euro 331,964.

### **Accounting principles**

#### **General principles**

These financial statements were prepared in accordance with IAS/IFRS issued by the International Accounting Standard Board (IASB) and the relative interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and endorsed by the European Commission and should be read jointly with the last annual financial statements at December 31, 2015 (“last annual financial statements”). For complete financial statement disclosure, Specific Explanatory Notes are included outlining the events and transactions central to understanding the changes to the balance sheet and the company’s performance since the last financial statements. The publication of the annual financial statements was authorised by the Board of Directors on July 28, 2017.

The financial statements were prepared in accordance with the historical cost convention, with the exception of the accounts which in accordance with IFRS are recognised at fair value, and were prepared in units of Euro, without decimals, while the amounts indicated in the Explanatory Notes, except where otherwise indicated, are reported in units of Euro. These financial statements were prepared in accordance with the provisions of CONSOB in relation to financial statement lay-out pursuant to Article 9 of Legislative Decree No. 38/2015 and other CONSOB regulations and provisions concerning financial reporting. The financial statements were prepared with clarity and represent in a true and fair manner the financial position, the result and the cash flow of the Company.

On April 10, 2017, the Significant Transaction was completed and therefore the directors have drawn up the financial statements based on the going concern principle.

### **Structure, form and content of the financial statements**

In relation to the presentation of the financial statements, the Company has chosen the following options:

- the current and non-current assets and current and non-current liabilities are presented as separate classifications in the Condensed Balance Sheet;
- the condensed income statement classifies costs and revenues by nature;
- the condensed cash flow statement is presented based on the indirect method.

The financial statement presentations utilised, as outlined above, are those which best represent the equity and financial position of the company.

The Company also chose to present separately from the income statement the condensed statement of comprehensive income which includes, in addition to the result for the period, also the changes to equity relating to income items which, in accordance with IFRS, are recognised to the statement of comprehensive income. For the period under consideration, there were no movements and therefore the comprehensive result coincides with the net result for the period.

### **Estimates and assumptions**

The preparation of the financial statements requires the directors of the Company to undertake discretionary valuations, estimates and assumptions which impact upon the amount of revenue, costs, assets and liabilities and related disclosures, as well as potential liabilities. The uncertainty concerning these assumptions and estimates could result in significant changes in the book value of these assets and/or liabilities in the future.

The Company based its estimates and assumptions on information available at the preparation date of the financial statements at December 31, 2016. However, the current circumstances and assumptions on future developments may alter due to changes in the market and events outside of the Company's control.

## Accounting policies

The most significant accounting policies adopted in the preparation of the financial statements are reported below.

### *Current/non-current classification*

Assets and liabilities in the Company's financial statements are classified as current or non-current. An asset is considered current where:

- it is expected to be realised, or is intended for sale or consumption, in the normal operating cycle;
- it is held principally for trading;
- it is expected to be realised within twelve months from the balance sheet date;
- it comprises cash or cash equivalents, upon which no prohibition exists on their exchange or utilisation to settle a liability for at least 12 months from the balance sheet date.

All other assets are classified as non-current.

The financial instruments and financial assets identified as Loans and Receivables, in accordance with IAS 39, are initially recognised at fair value and subsequently measured at amortised cost, utilising the effective interest rate method.

A liability is considered current where:

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

Liabilities which do not fulfil these conditions must be classified as non-current.

### *Fair value measurement*

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 a transaction settled between market operators at the measurement date.

A fair value measurement requires that the sale of the asset or transfer of the liability has taken place:

- in the principal market of the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal market or the most advantageous market must be accessible for the Company.

The fair value of an asset or liability is measured adopting the assumptions which market operators would utilise in the determination of the price of the asset or liability, assuming they act to best satisfy their economic interests.

The fair value measurement of a non-financial asset considers 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 Company utilises measurement techniques which are appropriate to the circumstances and for which there is sufficient available data to measure the fair value, maximising the utilisation of relevant observable inputs and minimising the use of non-observable inputs.

All the assets and liabilities for which the fair value is measured or stated in the financial statements are categorised based on the fair value hierarchy, as described below:

- Level 1 - prices listed (not adjusted) on active markets for identical assets or liabilities which the entity can access at the measurement date;
- Level 2 - inputs other than listed prices included in Level 1, directly or indirectly observable for the asset or the liability;
- Level 3 - measurement techniques for which the input data are not observable for the asset or for the liability.

The fair value measurement is classified entirely in the same fair value hierarchical level in which the lowest hierarchical input level utilised for the measurement is classified.

### *Other receivables*

“Other receivables” are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest rate method. These receivables are reduced by a doubtful debt provision to reflect the estimate of losses.

### *Cash and cash equivalents*

The account relating to “Cash and cash equivalents” includes cash, bank and postal current accounts and deposits repayable on demand and other highly liquid short-term financial investments readily convertible into cash, valued at nominal value as not subject to significant risks of changes in value.

The definition of cash and cash equivalents for the purposes of the statement of cash flow corresponds to that for the balance sheet.

## ***Equity***

### ***Share capital***

The share capital comprises ordinary and special shares which are classified under equity.

### ***Capital operation costs***

The costs directly attributable to share capital operations are recorded as a reduction of equity.

### ***Trade and other payables***

“Trade payables” and “Other payables” are initially recognised at fair value, normally equal to the nominal value, net of discounts, returns or invoice adjustments, and are subsequently measured at amortised cost where the financial effect of extended payment terms is significant.

### ***Recognition of revenues and costs***

Service revenues and costs are recognised based on the state of advancement of the service at the reporting date. The state of advancement is established according to assessments on the work carried out. Where the service is derived from a single contract provided over a number of years, the amount is divided between the individual services based on the relative fair value in each accounting period.

The recharge to third parties of costs incurred on their behalf are recorded as a reduction of the cost to which it relates.

### ***Recognition of financial income and charges***

Financial income includes interest income on liquidity invested (including available-for-sale financial assets), dividends received, income from the sale of available-for-sale financial assets, changes in the fair value of financial assets recorded through P&L, profits on hedging instruments recorded through P&L and the reclassification of net profits previously recognised under other comprehensive items of the Statement of Comprehensive Income. Interest income is recorded in the income statement utilising the effective interest method. Dividends are recognised when shareholders have the right to receive them.

Financial charges include interest on loans, discounting of provisions and deferred payments, losses on the sale of available-for-sale financial assets, changes in the fair value of financial assets recorded through P&L and potential payments, losses for impairment of financial assets (other than trade receivables), losses on hedging instruments recorded through the P&L and the reclassification of net losses previously recognised under other comprehensive items of the Statement of Comprehensive Income.

Financial asset and liability exchange gains and losses are offset and recorded under financial income or charges based on the net gain or loss position deriving from currency operations.

### *Income taxes*

The tax charge for the year includes current and deferred taxes on the net profit or loss, with the exception of the accounts directly recognised to Equity or to other items of the Statement of Comprehensive Income.

Current taxes are based on the assessable results of the period. The assessable result differs from the result recorded in the income statement as it excludes positive and negative components that will be assessable or deductible in other periods and also includes accounts that are never assessable or deductible. The liability for current income taxes is calculated using the current rates at the reporting date.

Deferred tax liabilities are generally recorded on all temporary assessable differences, while deferred tax assets are recorded based on the probability that the future assessable results will permit the use of the temporary deductible differences. In particular, the book value of the deferred tax assets is reviewed at each year-end based on updated expected assessable income.

Deferred tax assets and liabilities are calculated based on the fiscal rates that are expected to be in force at the moment of the realisation of the asset or the extinction of the liability, taking into consideration the current tax rates at the year-end.

The deferred tax assets and liabilities are offset when there is a direct right to compensate the tax assets and liabilities and when they refer to income taxes due to the same fiscal authority and there is the intention to pay the amount on a net basis.

For the purposes of the preparation of the financial statements at December 31, 2016, the Company prudently has not recorded any deferred tax assets, while awaiting:

- the outcome of the ordinary ruling pursuant to Article 11, paragraph 1, letter a) of Law No. 212/2000, presented to the Tax Administration Office on March 23, 2017. This ruling concerns the non-applicability of the investment in Escrow current accounts and Saving Bonds undertaken by Space2 within the regulation which provides for the neutralisation of the ACE base for the amount invested in securities and investments other than equity investments;
- the outcome of the non-applicability ruling pursuant to Article 11, paragraph 2 of Law No. 212/2000, which will be presented to the Tax Administration Office by Avio. This ruling concerns the non-applicability of the regulation on the non-carry forward of losses in the event of merger where not in accordance with the operational and equity requirements of the tax regulations (Article 172, paragraph 7 of the CFA).

### *Earnings/ (loss) per share*

The basic earnings/(loss) per share is calculated by dividing the result of the Company by the weighted average shares outstanding during the period.

The diluted earnings/(loss) per share is calculated by dividing the result of the company by the weighted average number of ordinary shares in circulation during the year (as the special shares do not distribute dividends) and those potentially arising from the conversion of all potential ordinary shares with dilutive effect.

The net result is also adjusted to account for the effects of conversion, net of taxes.

### **Operating segments**

In accordance with IFRS 8 Operating segments, no specific operating segments were identified as the Company, during the period since incorporation until December 31, 2016, did not undertake any operating activities.

### **New standards and interpretations not yet applicable**

The following tables respectively indicate the recent changes to IFRS applicable from the current period, coinciding with the calendar year beginning January 1, 2016 and future amendments applicable in advance but not obligatory.



New provisions currently in force:

<b>Date of entry into force</b>	<b>New standards or amendments</b>
January 1, 2016	IFRS 14 Regulatory Deferral Accounts
	Measurement of acquisitions in joint arrangements (Amendments to IFRS 11)
	Clarification of acceptable depreciation methods (Amendments to IAS 16 and IAS 38)
	Agriculture: fruit-bearing plants (Amendments to IAS 16 and IAS 41)
	Equity method in the separate financial statements (Amendments to IAS 27)
	Improvements to IFRS (2012-2014 cycle)
	Investment Entities: Applying the Consolidated Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)
	Disclosure initiative (Amendments to IAS 1)

Future provisions:

<b>Date of entry into force</b>	<b>New standards or amendments</b>
January 1, 2017	Disclosure Initiative (Amendments to IAS 7)
	Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)
January 1, 2018	IFRS 15 Revenue from Contracts with Customers
	IFRS 9 Financial Instruments
January 1, 2019	IFRS 16 Leases
To be defined	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

The standards and amendments applicable from January 1, 2016 have not impacted the financial statements of the company.

Finally, we report during 2016 the European Commission approved the new accounting standards IFRS 15 - Revenues and IFRS 9 - Financial Instruments. It is not considered necessary to provide disclosure of the impact on the company from the future introduction of these standards, as they are immaterial for the company. The assessment of the potential

impacts deriving from the introduction of the new standards will be undertaken by the company, taking into consideration the merger of Avio into Space2, as previously described.

## Notes to the balance sheet

### Current assets

#### 1- Cash and cash equivalents

“Cash and cash equivalents” at December 31, 2016 amount to Euro 444,788.

<i>in Euro</i>	December 31, 2016	December 31, 2015	Change
Bank and postal deposits	444,788	140,206	304,582
Cash in hand and similar	-	-	-
Total cash and cash equivalents	444,788	140,206	304,582

The account comprises unrestricted and escrow bank deposits at the reporting date.

This account increased Euro 304,582 compared to December 31, 2015, following:

- increase of Euro 7,757 in the current account held at Intesa Sanpaolo S.p.A., deriving from net interest credited, amounting to Euro 7,878, generated from the early redemption and on maturity of the Savings Bonds, for a total value of Euro 2,000,000, payment of bank expenses of Euro 110 and interest credited of Euro 17. The nominal amount received from the above-mentioned investments was utilised for the normal operating activities of the company. In addition, we report that the interest rate applied on early redemption was the annual interest rate on maturity, more favourable compared to that contracted in the event of early redemption, as reported in Note 2;
- decrease of Euro 58,991 in the current account held at Monte dei Paschi di Siena S.p.A., deriving from the receipt of the interest matured of Euro 141,833 on the escrow account of a nominal Euro 75,000,000, against the early redemption on January 22, 2016, payment of operating expenses and stamp duty of Euro 12,313 and the transfer of the residual liquidity on the account, amounting to Euro 188,511, for Euro 88,511 to the current account held at Banca Nazionale del Lavoro S.p.A. and for Euro 100,000 to the operating account held at Unicredit for the operating activities of the company. The capital portion of the above-mentioned deposit equal to Euro 75,000,000, at the redemption date was held in an escrow deposit account at Banca Nazionale del Lavoro S.p.A.;
- increase of Euro 239,715 in the current account held at Banca Nazionale del Lavoro S.p.A., deriving from the receipt of interest matured on the Time Deposit subscribed on February 2, 2016 for a nominal Euro 75,000,000, which for the period under consideration amounted to Euro 151,391, the transfer of the residual liquidity held at Monte dei Paschi di Siena for Euro 88,511 and bank expenses of Euro 187. The interest maturing on the deposit is credited on a quarterly basis

and not on the maturity of the investment, as for the other Restricted Amounts of the Company.

- increase of Euro 723 in the current account held at Intesa Sanpaolo S.p.A., managed under trust by SPAFID S.P.A., deriving from the credit of interest matured in the year, amounting to Euro 827 and expenses and withholding taxes amounting to Euro 104;
- increase of Euro 276 in the current account held at Banca Akros S.p.A., managed under trust by SPAFID S.p.A., deriving from the credit of the escrow deposit account maturing on August 3, 2016, for Euro 45,492,246 capital (net of stamp duty charges for the year 2015 of Euro 5,753) and for Euro 263,310 from net income generated from the investment (comprising Euro 272,160 for net interest matured at the maturity date reduced by Euro 8,850 for stamp duty charges for the year 2016). We report that this amount credited, totalling Euro 45,755,556, was allocated as follows: Euro 45,500,000 new escrow deposit account until February 3, 2017; Euro 250,000 for normal operating expenses of the company and therefore credited to the operating current account held at Unicredit S.p.A.; and the remaining Euro 5,551 deposited, as liquidity available, on the current account held at Banca Akros S.p.A.. Expenses and stamp duty charges were charged to the account in the period for Euro 5,279;
- increase of Euro 115,100 in the operating current account held at Unicredit S.p.A., deriving from the transfer of liquidity from the other accounts of the company, amounting to Euro 2,350,000, as described in the points outlined above, net of payments made to meet obligations from the normal operating activities of the company.

## 2- Other current financial assets

“Other current financial assets” at December 31, 2016 amounted to Euro 304,165,745.

<i>in Euro</i>	December 31, 2016	December 31, 2015	Change
Savings Bonds	183,590,322	184,061,448	(471,126)
Escrow Bank Deposits	120,575,422	120,796,627	(221,204)
Total other current financial assets	304,165,745	304,858,075	(692,330)

Other current financial assets relate to part of the Offer proceeds.

“Savings Bonds” relates to the liquidity deposited on two accounts held at Intesa Sanpaolo S.p.A and invested in Savings Bonds, redeemable in advance subject to an interest rate reduction. The table below reports the breakdown of the investment. The general terms of the investments at December 31, 2016 are reported below:

No. securities	Total Nominal Value	Interest Rate annual maturity	Annual interest rate for early release	Maturity of the investment	Type of management
70	175,000,000	0.83%	0.75%	04/08/2017	Through trustee SPAFID S.P.A.
5	5,000,000	0.83%	0.75%	03/08/2017	Direct
5	1,500,000	0.78%	0.70%	07/08/2017	Direct

These amounts were utilised in part for the payment of the Assets Spun-off to Space3 S.p.A. and in part utilised for the Significant Transaction.

As described in Note 1, during 2016 the Savings Bonds were redeemed on maturity for a value of Euro 2,000,000, together with gross interest matured, which however resulted in a reduction in the value of the account for the relative Fair value matured at the redemption date, amounting to Euro 9,956. This decrease was in part offset by interest matured in the year of Euro 1,538,429, as described in detail at Note 13 of this Report.

“Escrow Bank Deposits”, as illustrated in the table below, comprise amounts deposited at two other escrow accounts managed by the company SPAFID S.p.A. and specifically:

- the deposit account at Banca Akros S.p.A., of Euro 45,575,423 which, compared to December 31, 2015, decreased by Euro 64,537. This change is due to the joint effect deriving from the decrease of Euro 139,960 of the value of the deposit following the receipt of the interest matured until the maturity date of the investment (August 3, 2016) and following the simultaneous reinvestment on two lines for a nominal total value of Euro 45,500,000, the increase of Euro 75,423 relating to the interest matured on these sums at the reporting date;
- the Time Deposit of a nominal Euro 75,000,000, invested at Banca Nazionale del Lavoro S.p.A. simultaneous to the early redemption, on January 22, 2016, of the deposit account, for the same nominal value, held at Banca Monte dei Paschi di Siena S.p.A.. The value of this deposit at December 31, 2015 was Euro 75,156,667 and the decrease of Euro 156,667 is due to the fact that in the previous year the Time Deposit matured interest receivable at the maturity date or on early redemption, while currently however the receipt of the interest is on a quarterly basis and therefore such interest increased the amount of liquidity available during the year, as illustrated in Note 1.

Total Nominal Value	Interest Rate annual maturity	Annual interest rate for early release	Maturity of the investment	Type of management
75,000,000	0.30%	0.27%	02/02/2018	Through trustee SPAFID S.P.A.
30,000,000	0.40%	0.20%	03/08/2017	Through trustee SPAFID S.P.A.
15,500,000	0.40%	0.20%	03/08/2017	Through trustee SPAFID S.P.A.

In order to obtain the liquidity necessary to complete the significant transaction, the Company fully redeemed the Escrow Bank Deposits and partially redeemed the Savings Bonds for a nominal value of Euro 153,000,000. We highlight that although these refer to early redemptions, the respective banks recognised the annual interest rates applied on maturity.

The fair value is assumed as equal to the book value as concerning short-term receivables.

### 3- Other receivables

“Other receivables” at December 31, 2016 amount to Euro 1,121,407.

<i>in Euro</i>	December 31, 2016	December 31, 2015	Change
Tax agency and public administration	1,013,555	375,829	637,726
Supplier advances for services	0	0	-
Deferred tax assets	0	0	-
Other	107,852	96,475	11,377
<b>Total other receivables</b>	<b>1,121,407</b>	<b>472,304</b>	<b>649,103</b>

As highlighted above, the account principally concerns the “Tax agency and public administration” receivable, comprising the VAT receivable matured at December 31, 2016 of Euro 790,978 and the receivable for withholding taxes on bank interest and IRES corporate tax offset of Euro 222,576.

The “Others” account includes prepaid expenses, specifically:

- for Euro 88,571 concerning consultancy services provided by Space Holding S.r.l., as described in greater detail at Note 18 “Transactions with related parties”, to which reference should be made;
- for Euro 7,034 relating to the insurance policy in favour of the Board of Directors under the remuneration policy;
- for Euro 4,443 concerning financial communication activities.

### Non-current assets

#### 4- Other non-current financial assets

The account at December 31, 2016 amounts to Euro 60,000 and comprises non-interest-bearing deposits relating to administration assistance services of Euro 10,000, and the investment in Space3 S.p.A. of Euro 50,000. The company incorporated, as sole shareholder, Space3 S.p.A. on October 6, 2016, holding 5,000 shares at the reporting date.

**Current liabilities****5- Trade payables**

The account at December 31, 2016 amounts to Euro 580,780.

<i>in Euro</i>	December 31, 2016	December 31, 2015	Change
Trade payables	580,780	78,827	501,952
Total trade payables	580,780	78,827	501,952

Trade payables refer to expenses incurred for the undertaking of the business activities of the Company and costs relating to professional consultancy services for the Significant Transaction, prudently estimated based on the services rendered to date. The account includes provisions for invoices to be received relating to services received amounting to Euro 321,159.

**6- Other payables**

“Other payables” at December 31, 2016 amount to Euro 150,355.

<i>in Euro</i>	December 31, 2016	December 31, 2015	Change
Tax agency and public administration	88,450	2,702	85,747
Social security institutions	4,537	1,224	3,314
Other payables	57,368	5,063	52,305
Total other payables	150,355	8,989	141,366

“Social security institutions” relates to the INPS contributions of the Independent Directors due by the company.

“Other payables” refers for Euro 24,000 to emoluments matured by two Independent Directors for the activities undertaken in the year, for Euro 12,955 AON insurance for the year and for Euro 20,413 thousand part of the penalty accrued in the period applied by Banca Nazionale del Lavoro S.p.A. on the early redemption of the Bank Deposits in 2017.

## Non-current liabilities

### 7- Equity

The account at December 31, 2016 amounts to Euro 305,060,804

<i>in Euro</i>	December 31, 2016	December 31, 2015	Change
Share Capital - Ordinary Shares	30,000,000	30,000,000	-
Share Capital - Special Shares	845,000	845,000	-
<b>Share Capital – Total</b>	<b>30,845,000</b>	<b>30,845,000</b>	-
Legal reserve	15,246	-	15,246
Share premium reserve	277,155,000	277,155,000	-
Other reserves	(2,912,159)	(2,912,159)	-
Retained earnings	289,682	-	289,682
Net profit/(loss)	(331,964)	304,928	(636,893)
<b>Total Equity</b>	<b>305,060,804</b>	<b>305,392,769</b>	<b>(331,964)</b>

The movement in the year is reported in the present financial statements.

The company at the incorporation date (May 28, 2015) reported a share capital of Euro 50,000, comprising 5,000 ordinary shares, without nominal value, issued at an implied par value of Euro 10. On June 17, 2015, the Extraordinary Shareholders' Meeting, with the commencement of trading of the ordinary shares of the Company on the MIV, approved the conversion of all 5,000 ordinary shares into the same number of special shares.

In addition, the above-mentioned Shareholders' Meeting approved the paid-in share capital increase for a maximum amount, including share premium, of Euro 300,000,000, through the issue of a maximum of 30,000,000 ordinary shares. The subscription price of each ordinary share was Euro 10, recognised as Euro 1 as the implied par value and Euro 9 as share premium. Also on June 17, 2015, the Extraordinary Shareholders' Meeting, approved the paid-in share capital increase allocated to Space Holding S.r.l. (promoter of Space2), for a total amount including a maximum share premium of Euro 6,950,000, through the issue of a maximum 695,000 special shares. The subscription price of each special share paid-in of Euro 10 was allocated as Euro 1 as the implied par value and Euro 9 as the share premium.

Finally, the Shareholders' Meeting approved the divisible paid-in share capital increase for a maximum amount, including the share premium, of Euro 18,200,000, to be reserved for the exercise of 1,400,000 SPACE2 S.p.A. Sponsor Warrants, through the issue of a maximum 1,400,000 ordinary shares, without nominal value, at a price of Euro 13, through the allocation of Euro 1 as the implied par value and Euro 12 as the share premium.

On July 7, 2015, the Shareholders' Meeting approved, supplementing that approved at the Shareholders' Meeting of June 17, 2015, an additional share capital increase for Space Holding of Euro 1,000,000 (of which Euro 100,000 as the implied par value and Euro 900,000 as the share premium). The above-mentioned Shareholders' Meeting also

approved the increase in the sponsor warrant share capital of Euro 2,600,000 (of which Euro 200,000 as the implied par value and Euro 2,400,000 as the share premium).

At December 31, 2016 the share capital, unchanged on December 31, 2015, amounted to Euro 30,845,000, fully subscribed and paid-in, represented by 30,800,000 shares, of which 30,000,000 ordinary shares and 800,000 special shares.

In addition, the equity was reduced by incorporation costs and Borsa Italiana listing service charges, recognised to a specific reserve for a negative Euro 2,912,159.

On April 19, 2016, the Shareholders' Meeting allocated to the legal reserve Euro 15,246, equal to one-twentieth of the 2015 net profit and carried forward the remaining portion of Euro 289,682. The equity at December 31, 2016, not considering the result for the year, totalled Euro 305,392,769.

The possibility of use of the principal equity accounts are outlined in the following table:

<i>in Euro</i>	<b>December 31, 2016</b>	<b>Possibility of use</b>
Share Capital	30,845,000	
Legal reserve	15,246	B
Share premium reserve	277,155,000	A;B
Retained earnings	289,682	A;B;C
Key:		
A: for share capital increase		
B: to cover losses		
C: for distribution to shareholders		

## 8- Net Financial Position

The net financial position, as outlined in the following table, was a cash position of Euro 304,610,533, comprising the cash and cash equivalents at the bank accounts for Euro 444,788, Savings Bonds of Euro 183,590,322 and deposits at Banca Akros S.p.A. of Euro 45,575,423 and at Banca Nazionale del Lavoro S.p.A. of Euro 75,000,000.



<i>in Euro</i>	At December 31, 2016	December 31, 2015
A Cash	-	-
B Other cash equivalents	444,788	140,206
C Other current financial assets	304,165,745	304,858,075
<b>D Liquidity (A+B+C)</b>	<b>304,610,533</b>	<b>304,998,281</b>
<b>E Current financial receivables</b>	-	-
F Current bank payables	-	-
G Current portion of non-current debt	-	-
H Other current financial payables	-	-
<b>I Current debt</b>	-	-
<b>J Net current cash position</b>	<b>304,610,533</b>	<b>304,998,281</b>
K Non-current bank payables	-	-
L Bonds issued	-	-
M Other non-current payables	-	-
<b>N Non-current debt</b>	-	-
<b>O Net cash position</b>	<b>304,610,533</b>	<b>304,998,281</b>

The overall net cash position decreased Euro 387,748 on December 31, 2015; this is due to the joint effect of increased liquidity for Euro 304,582 (as described in greater detail at Note 1 of this Report), and the reduction of other current financial assets of Euro 692,330 (as reported in Note 2).

## Notes to the income statement

### 9- Revenues

As a SPAC, the company did not generate revenue in the year, as was the case in 2015.

### 10- Consumable materials

“Consumable materials” amounted to Euro 50, increasing on the comparative period and comprising expenses incurred for the operating offices.

### 11- Personnel expense

In 2016, as for the preceding period, the company did not have employees.

### 12- Other net operating costs

These amounted to Euro 2,413,529 in the year.

<i>in Euro</i>	January 1, 2016 - December 31, 2016	May 28, 2015 – December 31, 2015	Change
Consultancy expense from Space Holding Srl	1,039,037	432,391	606,646
Other costs	93,796	46,623	47,174
Administrative services	41,369	10,108	31,262
Professional consultancy for significant transaction	1,013,139	-	1,013,139
Professional charges	43,373	38,381	4,993
Board of Statutory Auditors	40,940	24,411	16,529
Independent directors	39,413	14,938	24,475
Financial communication	50,971	7,429	43,542
Trusteeship services	30,590	10,700	19,890
Audit	20,900	16,800	4,100
Market warrant issue costs	-	22,500	-22,500
Total other net operating costs	2,413,529	624,281	1,789,248

“Other net operating costs” includes costs incurred by the Company during the year to support the business activities of the Company and professional consultancy services for the Significant Transaction. This account mainly concerns consultancy provided by Space Holding S.r.l., as per the prospectus and the contract of July 7, 2015.

“Other costs” mainly refer to insurance policies, stamp duties on current and escrow accounts and trustee administration services on current accounts.

“Administrative services” essentially concern accounting services.

“Professional consultancy for significant transaction” costs were estimated prudently based on the services rendered at the reporting date and refer to the completion of the Significant Transaction.

“Professional charges” relate to legal consultancy and notary services and the remuneration of the Supervisory Board.

“Financial communication” refers to services for the dissemination and disclosure of Company information to the financial markets, through actions and instruments in support of relations with the media and institutional investors in Italy and abroad.

The remuneration of the Independent Directors, the Board of Statutory Auditors and of the Independent Audit Firm will respectively be considered at Notes 22, 23 and 24 of this Report.

### 13- Financial income

Financial income in the year totalled Euro 2,081,615.

<i>in Euro</i>	January 1, 2016 - December 31, 2016	May 28, 2015 – December 31, 2015	Change
Interest income from bank deposits	542,132	298,930	243,201
Financial income on Savings Bonds	1,539,483	641,265	898,218
<b>Total financial income</b>	<b>2,081,615</b>	<b>940,195</b>	<b>1,141,419</b>

“Financial income on Savings Bonds” principally related to interest matured in 2016 on the investments reported at Note 2 “Other current financial assets”.

#### 14- Income taxes

For the purposes of the preparation of the financial statements at December 31, 2016, the Company has not recorded current income taxes, given the fiscal loss recorded. For IRAP regional tax purposes, the company also reports a fiscal loss for the year. In the preparation of the financial statements at December 31, 2016, the Company prudently has not recorded any deferred tax assets, while awaiting:

- the outcome of the ordinary ruling pursuant to Article 11, paragraph 1, letter a) of Law No. 212/2000, presented to the Tax Administration Office on March 23, 2017. This ruling concerns the non-applicability of the investment in Escrow current accounts and Saving Bonds undertaken by Space2 within the regulation which provides for the neutralisation of the ACE base for the amount invested in securities and investments other than equity investments;
- the outcome of the non-applicability ruling pursuant to Article 11, paragraph 2 of Law No. 212/2000, which will be presented to the Tax Administration Office by Avio. This ruling concerns the non-applicability of the regulation on the non-carry forward of losses in the event of merger where not in accordance with the operational and equity requirements of the tax regulations (Article 172, paragraph 7 of the CFA).

We highlight that where the rulings above should be favourable the Company, following the partial and proportional spin-off in favour of Space3, would benefit from a deferred tax effect generated (i) from the availability of a tax loss, of Euro 124,782, equal to 50% of the tax loss resulting from the 2016 Tax Return, not yet offset and fully utilisable as arising in the company’s first tax period (ii) from 50% of the listing charges recognised under equity still deductible in future tax periods, equal to Euro 873,648. The Company will in addition benefit from the surplus relating to the Economic growth assistance (ACE) deductible from future company income. The amount of surplus ACE available at December 31, 2016 of Euro 4,093,723, is equal to 50% of the value from the 2016 Tax Return.

For complete disclosure, we report that following the enactment of the 2017 finance bill, the tax rate to be applied to the equity increase realised in the 2017 tax year will be 2.3%,

therefore reduced by half compared to the rate of 4.75% defined for the equity increase in 2016.

### 15- Basic and diluted earnings/(loss) per share

The basic earnings/(loss) per share is calculated by dividing the result by the number of ordinary shares in circulation and amounts to Euro 0.012.

The following table outlines the calculation of the basic and diluted earnings per share:

<i>(in Euro)</i>	January 1, 2016 - December 31, 2016	May 28, 2015 – December 31, 2015
Net profit/(loss)	(331,964)	304,928
Number of ordinary shares at end of year	30,000,000	30,000,000
Basic earnings per share	(0.012)	0.014
Diluted earnings per share	(0.011)	0.013

At December 31, 2016, the basic loss per share, calculated considering - in addition to ordinary shares - also special shares and the market warrants, corresponds to 0.011. The dilutive effect deriving from the exercise at December 31, 2016 of the market warrants and from the conversion of the special shares would be minimal, therefore the diluted loss per share is approximately the same as the basic loss per share (Euro 0.011 per share). Compared to the preceding period, this account reduced: the company reported in the period to December 31, 2015 a net profit of Euro 304,928, consequently the basic earnings per share calculated by dividing the net result by the number of ordinary shares in circulation was Euro 0.014.

### 16- Risk Management

The management of financial risks is undertaken according to the guidelines drawn up by the Board of Directors. The objective is the management of the financial resources collated and necessary to undertake the Significant Transaction in accordance with the investment policy approved.

98.5% of the total proceeds from the Offer were deposited in escrow accounts which may be utilised by the Company exclusively through Shareholders' Meeting authorisation in accordance with Article 8.2 of the By-Laws, except for the settlement of the liquidation value of the ordinary shares in exercise of the Withdrawal Right.

At December 31, 2016, no positions were assumed or operations undertaken which exposed the company to credit risk or significant liquidity risk.

The Company implemented the Organisational, Management and Control Model pursuant to Legislative Decree. No. 231/2001.

## **17- Guarantees, commitments and contingent liabilities**

At December 31, 2016 there were no guarantees, commitments and contingent liabilities.

## **18- Transactions with related parties**

In line with that described in the listing prospectus, the company signed a services agreement on July 7, 2015 with Space Holding Srl concerning consultancy, both for the research and selection of the Target company with whom the Significant Transaction will be undertaken and, once such a Target has been identified, the analysis, assessment of the structure and negotiations with the counterparty. The agreement also covers investor relations and media management consultancy and other operating support activities for Space2. The annual fees, recognised to Space Holding S.r.l., amount to 0.33% of the total institutional placement income from the listing, increased by the expenses incurred for the undertaking of the service and established in the amount of Euro 50,000 annually. During the year the Company utilised this service for a total amount of Euro 1,039,037.

## **19- Operating segments**

In accordance with IFRS 8 Operating segments, no specific operating segments were identified as the company during 2016 did not undertake any operating activities.

## **20- Positions or transactions arising from atypical and/or unusual operations**

In accordance with Consob Communication No. DEM/6064293 of July 28, 2006, in 2016 the company did not undertake any atypical or unusual transactions as set out in the Communication.

## **21- Significant non-recurring events and transactions**

Although within the period covered by the present Report there were no non-recurring events or transactions, as defined by Consob Motion No. 15519 and Communication DEM/6064293, we highlight that the company Avio - a joint-stock company and an aerospace sector leader involved in the launchers and space propulsion segment - was identified as an investment opportunity which meets management's guidelines, as communicated to the shareholders in the investment policy. Avio and its shareholders, in turn, expressed interest in a business combination with Space2.

The Shareholders' Meeting of December 1, 2016 approved the Significant Transaction, as already approved by the Board of Directors on October 19, 2016, and authorised the utilisation of the so-called "Restricted Amounts" for its completion.

In addition, the spin-off proposal of Space2 into Space3 and the merger proposal of Avio into Space2 were approved by the Shareholders' Meeting on December 23, 2016.

On April 5, 2017, the spin-off was effective and on April 10, 2017 the merger was completed.

## **22- Remuneration of the Board of Directors and key management personnel**

The company fixed, for Independent Directors only, a total gross annual remuneration of Euro 12,000 each.

For the members of the Board of Directors in office, supplementary benefits are not applicable prior to the natural conclusion of the mandate. Non-monetary benefits are also not provided, except for the corporate boards' third-party liability coverage and the reimbursement of expenses incurred in discharge of office.

Therefore, the remuneration matured in 2016 for the members of the Board of Directors was Euro 39,413 (including the relative contributions).

## **23- Remuneration of the Board of Statutory Auditors**

The Company agreed with the Board of Statutory Auditors an annual emolument of Euro 40,940.

For the Board of Statutory Auditors, no supplementary benefits in the case of conclusion of service before the expiry of mandate, nor non-monetary benefits, are provided for.

Therefore, the remuneration of the Board of Statutory Auditors matured in the year was Euro 40,940 (including the relative contributions).

## **24- Independent audit firm fees**

The independent audit firm fees for audit services in the period, including expenses, totalled Euro 20,900, while the fees relating to other "audit related" services amounted to Euro 10,500 and the fees relating to other services amounted to Euro 55,000.

## **25- Authorisation for publication of the Annual Financial Report**

This document was authorised for publication by the Board of Directors at the meeting of April 28, 2017.

Rome, April 28, 2017

For the Board of Directors,

The Chief Executive Officer and General Manager

Giulio Ranzo

***Statement on the financial statements as per Article 81-ter of Consob Regulation No. 11971 of May 14, 1999 and subsequent amendments and supplements***

1. The undersigned Giulio Ranzo and Alessandro Agosti, respectively CEO and Executive Officer for Financial Reporting of Avio S.p.A. (formerly Space2 S.p.A. which incorporated Avio S.p.A. effective as of April 10, 2017 and subsequently changing the company name to Avio S.p.A.) declare, also in consideration of Article 154-*bis*, paragraphs 3 and 4, of Legislative Decree No. 58 of February 24, 1998:

- the adequacy in terms of the activities of the enterprise, also taking into account the nature and effects of the corporate transaction undertaken on April 10, 2017 with the merger by incorporation of Avio S.p.A. into Space2 S.p.A. and the simultaneous listing on the Italian Stock Exchange, STAR segment, of the company resulting from the merger which changed name to Avio S.p.A. and
- the effective application of the administrative and accounting procedures for the compilation of the financial statements in the period 01/01/2016-31/12/2016.

2. The following significant aspects arose.

- an assessment was undertaken of the internal control system;
- this assessment utilised the criteria established in the “Internal Controls - Integrated Framework” model;
- no significant issues were identified in the assessment of the internal control system.

3. We also declare that:

3.1 the financial statements:

- a) were prepared in accordance with international accounting standards, endorsed by the European Union pursuant to EU regulation No. 1606/2002 of the European Parliament and Council, of July 19, 2002;
- b) correspond to the underlying accounting documents and records;
- c) provide a true and fair view of the balance sheet, financial situation and result for the year of the Issuer.

3.2 The Directors’ Report includes a reliable analysis on the performance and operating result, as well as the situation of the issuer, together with a description of the principal risks and uncertainties to which it is exposed.

Date: April 28, 2017

Avio S.p.A.

Giulio Ranzo  
Chief Executive Officer  
(Signed)

Alessandro Agosti  
Executive Officer for  
Financial Reporting  
(Signed)





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## **Relazione della società di revisione indipendente ai sensi degli artt. 14 e 16 del D.Lgs. 27 gennaio 2010, n. 39**

Agli Azionisti di  
Avio S.p.A. (già Space2 S.p.A.)

### **Relazione sul bilancio d'esercizio**

Abbiamo svolto la revisione contabile dell'allegato bilancio d'esercizio di Space2 S.p.A., costituito dai prospetti della situazione patrimoniale-finanziaria al 31 dicembre 2016, dell'utile/(perdita) e delle altre componenti del conto economico complessivo, delle variazioni di patrimonio netto e dei flussi finanziari per l'esercizio chiuso a tale data, da una sintesi dei principi contabili significativi e dalle altre note illustrative.

### **Responsabilità degli amministratori per il bilancio d'esercizio**

Gli amministratori di Space2 S.p.A. sono responsabili per la redazione del bilancio d'esercizio che fornisca una rappresentazione veritiera e corretta in conformità agli International Financial Reporting Standards adottati dall'Unione Europea nonché ai provvedimenti emanati in attuazione dell'art. 9 del D.Lgs. n. 38/05.

### **Responsabilità della società di revisione**

E' nostra la responsabilità di esprimere un giudizio sul bilancio d'esercizio sulla base della revisione contabile. Abbiamo svolto la revisione contabile in conformità ai principi di revisione internazionali (ISA Italia) elaborati ai sensi dell'art. 11 del D.Lgs. n. 39/10. Tali principi richiedono il rispetto di principi etici, nonché la pianificazione e lo svolgimento della revisione contabile al fine di acquisire una ragionevole sicurezza che il bilancio d'esercizio non contenga errori significativi.

La revisione contabile comporta lo svolgimento di procedure volte ad acquisire elementi probativi a supporto degli importi e delle informazioni contenuti nel bilancio d'esercizio. Le procedure scelte dipendono dal giudizio professionale del revisore, inclusa la valutazione dei rischi di errori significativi nel bilancio d'esercizio dovuti a frodi o a comportamenti o eventi non intenzionali. Nell'effettuare tali valutazioni del rischio, il revisore considera il controllo interno relativo alla redazione del bilancio d'esercizio dell'impresa che fornisca una rappresentazione veritiera e corretta al fine di definire procedure di revisione appropriate alle circostanze e non per esprimere un giudizio sull'efficacia del controllo interno dell'impresa. La revisione contabile comprende altresì la valutazione dell'appropriatezza dei principi contabili adottati,



della ragionevolezza delle stime contabili effettuate dagli amministratori, nonché la valutazione della presentazione del bilancio d'esercizio nel suo complesso.

Riteniamo di aver acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio.

### **Giudizio**

A nostro giudizio, il bilancio d'esercizio fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria di Space2 S.p.A. al 31 dicembre 2016, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data in conformità agli International Financial Reporting Standards adottati dall'Unione Europea nonché ai provvedimenti emanati in attuazione dell'art. 9 del D.Lgs. n. 38/05.

### **Relazione su altre disposizioni di legge e regolamentari**

#### ***Giudizio sulla coerenza della relazione sulla gestione e di alcune informazioni contenute nella relazione sul governo societario e gli assetti proprietari con il bilancio d'esercizio***

Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) n. 720B al fine di esprimere, come richiesto dalle norme di legge, un giudizio sulla coerenza della relazione sulla gestione e delle informazioni della relazione sul governo societario e gli assetti proprietari indicate nell'art. 123-bis, comma 4, del D.Lgs. n. 58/98, la cui responsabilità compete agli amministratori di Space2 S.p.A., con il bilancio d'esercizio di Space2 S.p.A. al 31 dicembre 2016. A nostro giudizio la relazione sulla gestione e le informazioni della relazione sul governo societario e gli assetti proprietari sopra richiamate sono coerenti con il bilancio d'esercizio di Space2 S.p.A. al 31 dicembre 2016.

Milano, 29 aprile 2017

KPMG S.p.A.

Paola Maiorana  
Socio

**Auditors' Report in accordance with Articles 14 and 16 of Legislative Decree No. 39 of January 27, 2010**

To the Shareholders of Avio S.p.A. (formerly Space2 S.p.A.)

**Report on the statutory financial statements**

We have audited the attached statutory financial statements of Space2 S.p.A., comprising the balance sheet at December 31, 2016, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flow for the year ending at that date, a summary of the main accounting policies and the other notes.

***Directors' responsibility for the statutory financial statements***

The directors of Space2 S.p.A. are responsible for the preparation of the statutory financial statements which provide a true and fair view in accordance with International Financial Reporting Standards adopted by the European Union, in addition to the enacting provisions of Article 9 of Legislative Decree No. 38/05.

***External Audit Firm's responsibility***

It is our responsibility to express an opinion on the statutory financial statements on the basis of the audit. We have completed the audit in compliance with international audit standards (ISA Italy) drawn up as per Article 11 of Legislative Decree No. 39/10. These standards require compliance with ethical principles, in addition to planning and audit activities in order to acquire the reasonable certainty that the statutory financial statements do not contain significant errors.

The audit involves procedures to acquire evidence in support of the amounts and information contained in the statutory financial statements. The procedures chosen depend on the professional opinion of the auditor, including the assessment of the risks of significant errors in the statutory financial statements due to fraud or to unintentional conduct or events. In carrying out these risks assessments, the auditor considers the internal control upon the preparation of the statutory financial statements for the provision of a true and fair view, in order to draw up appropriate audit procedures to the circumstances and not for an expression of an opinion on the efficacy of the company's internal control. The audit includes in addition an assessment on the appropriateness of the accounting policies adopted, upon the reasonableness of the accounting estimates made by the directors, in addition to an assessment of the presentation of the statutory financial statements as a whole.

”

We acquired sufficient and appropriate evidence for the expression of our opinion.

**Opinion**

In our opinion, the statutory financial statements provide a true and fair view of the balance sheet of Space2 S.p.A. at December 31, 2016, of the result for the year and of the cash flows, in accordance with International Financial Reporting Standards adopted by the European Union, in addition to the enacting provisions of Article 9 of Legislative Decree No. 38/05.

**Report on other statutory and regulatory provisions**

***Opinion on the consistency of the Directors' Report and the disclosure provided in the Corporate Governance and Ownership Structure Report with the statutory financial statements***

We have executed the procedures indicated at audit standard (SA Italy) No. 7208 in order to express, as required by Law, an opinion on the consistency on the Directors' Report and the disclosure in the corporate governance and ownership structure report, as indicated at Article 123-*bis*, paragraph 4 of Legislative Decree No. 58/98 - whose responsibility lies with the directors of Space2 S.p.A. - with the statutory financial statements of Space2 S.p.A. at December 31, 2016. In our opinion, the Directors' Report and the disclosure in the corporate governance and ownership structure report cited above are consistent with the statutory financial statements of Space2 S.p.A. at December 31, 2016.

Milan, April 29, 2017

**SPACE2 S.P.A.**

(Company incorporating Avio S.p.A. effective from April 10, 2017 and subsequently changing name to Avio S.p.A.)

**2016 CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE REPORT**

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

(traditional administration and control model)

Issuer: Space2 S.p.A.

Website: [www.space2spa.com](http://www.space2spa.com)

Financial year: 2016

Date of approval: April 28, 2017

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## GLOSSARY

The main terms used in the Report are presented below. These terms, except where otherwise specified, are defined as follows:

<b>Shareholders' Meeting</b>	the Shareholders' Meeting of the Issuer
<b>Borsa Italiana</b>	Borsa Italiana S.p.A., with registered office at Milan, Piazza degli Affari No. 6.
<b>Civil Code</b>	Legislative Decree No. 262 of March 16, 1942 and subsequent amendments and supplements.
<b>Code or Self-Governance Code</b>	the Self-Governance Code prepared by the Corporate Governance Committee for listed companies, set up by Borsa Italiana.
<b>Board of Statutory Auditors</b>	the Board of Statutory Auditors of the Issuer.
<b>Control and Risks Committee</b>	internal committee to the Board of Directors set up in accordance with Article 7 of the Self-Governance Code.
<b>Board or Board of Directors</b>	the Board of Directors of the Issuer.
<b>Consob</b>	the National Commission for Companies and the Stock Exchange, with registered office in Rome, Via G.B. Martini No. 3.
<b>Listing Date</b>	the initial date of trading of ordinary shares of the Issuer and of Space2 S.p.A. market warrants, respectively identified by ISIN code IT0005119810 and ISIN code IT0005119802 on the MIV - Professional Segment, i.e. July 31, 2015.
<b>Issuer, Space2 or company</b>	Space2 S.p.A., with registered office in Milan, Mauro Macchi, No. 27, Milan Companies Registration Office and Tax No. 09105940960.
<b>Stock Exchange Regulation Instructions</b>	the Instructions to the Regulation for Markets organised and managed by Borsa Italiana, in force at the reporting date.
<b>MIV</b>	the Investment Vehicles Market organised and managed by Borsa Italiana.
<b>Significant Transaction</b>	the acquisition of a company, business, enterprise or business unit, by any means (including conferment or, preferentially, merger), also combined with the acquisition or subscription of

	equity investments, subsequent to the Listing Date, with the company permitted for such purposes to acquire majority or minority holdings, in addition to equity financial instruments.
<b>Listing</b>	listing on the MIV/Professional Segment of ordinary shares of the Issuer and of “ <i>Space2 S.p.A. Market Warrants</i> ”.
<b>Stock Exchange Regulation</b>	the Regulation of Markets organised and managed by Borsa Italiana, approved by the Borsa Italiana Shareholders’ Meeting, in force at the reporting date.
<b>Issuers’ Regulation</b>	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.
<b>Report</b>	the present Corporate Governance and Ownership Structure Report, prepared in accordance with Article 123- <i>bis</i> of the CFA.
<b>Professional Segment</b>	the professional segment of the MIV, on which, among others, financial instruments issued by SIV’s are traded (the company is defined as such), reserved exclusively for qualifying investors.
<b>Subsidiaries</b>	the direct or indirect subsidiaries of Space2 as per Article 94 of the CFA. “ <b>Control</b> ” and “ <b>to control</b> ” have corresponding meanings.
<b>External Audit Firm</b>	the external audit firm enrolled in the special register as per Article 161 of the CFA, appointed to audit the accounts of the Issuer.
<b>By-Laws</b>	the By-Laws of the company in force at the reporting date.
<b>Target</b>	the company, enterprise, entity, business or business unit selected by Space2 for execution of the Significant Transaction.
<b>CFA</b>	the “Consolidated Finance Act”, adopted under Legislative Decree No. 58 of February 24, 1998, as subsequently amended and supplemented.

## 1. COMPANY PROFILE

Space2 is a Special Purpose Acquisition Company (SPAC), established as a SIV (Special Investment Vehicle) in accordance with the Stock Exchange Regulation, whose shares are listed on the MIV/Professional Segment. The listing was completed on July 14, 2015, with trading from July 31, 2015.

Space2's corporate scope is therefore exclusively to search and select a Target with whom to execute the Significant Transaction.

The company's corporate governance system is based on, as far as considered appropriate by company management, recognised international best practice to ensure a strong corporate governance system: the central role of the Board of Directors, the correct management of conflicts of interest, the efficiency of the internal control system and market transparency, with particular regard to the communication of company operating decisions.

Space2's governance, as set out in the By-Laws, is based on a traditional administration and control model and is supported by the following bodies:

- the Shareholders' Meeting;
- the Board of Directors;
- the Board of Statutory Auditors.

Space2's governance is also facilitated through the Control and Risks Committee.

The **Shareholders' Meeting** represents all shareholders and through the consideration of motions expresses their wishes.

The **Board of Directors**, as per the By-Laws, has the widest powers of ordinary and extraordinary administration over 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 By-Laws provide that the members of the Board of Directors are appointed by the Shareholders' Meeting for a period, established by the meeting, of not greater than (3) years from acceptance of office, by means of slate voting which guarantees the appointment of a Director elected from the minority slate, in addition to compliance with the gender balance (male and female) regulations.

The Board of Directors elects a **Chairman** from among its members, who undertakes the role for the entire mandate.

The Board finally may appoint a **Secretary**, who may also be a non-member.

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

The Board of Directors may also appoint General Managers, defining their powers and granting power of attorney to third parties for certain acts or categories of acts.

At the reporting date, the Board of Directors had not set up an Executive Committee, while appointing on June 5, 2015 Roberto Italia as Chief Executive Officer of the Issuer, granting the powers indicated at Annex A of this Report.

The **Control and Risks Committee** is an internal Board of Directors' committee, with (among others) consultative and proposal functions and the duty to support the assessments and decisions of the Board of Directors concerning the internal control and risk management system, in addition to those concerning the approval of the periodic financial reports. As per the recommendations of the Self-Governance Code on its composition, the Control and Risks Committee Regulation establishes that the Control and Risks Committee comprises 3 (three) independent directors, while at least one member of the Committee should possess appropriate accounting and financial or risk management experience, as assessed by the Board of Directors on appointment.

In accordance with the **By-Laws**, the Board of Statutory Auditors comprises (3) three statutory auditors and two alternate auditors. The statutory auditors are appointed by the Shareholders' Meeting through slate voting which ensures the presence of 1 (one) statutory auditor and 1 (one) alternate auditor from the minority slate, in addition to compliance with the gender balance (male and female) provisions.

They are appointed for a period of (3) three years (and may be re-elected), which concludes on the date of the Shareholders' Meeting called for the approval of the financial statements relating to the final year in office. The Board of Statutory Auditors executes the duties assigned by law and other applicable regulations. 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 Board of Statutory Auditors, in addition, as an "*internal control and audit committee*" in accordance with Legislative Decree 39/2010, carries out all other required activities under the decree.

The By-Laws establish that the external audit is carried out, in accordance with the applicable legal provisions, by a party who meets the applicable regulatory requirements.

The External Audit Firm is the outside body appointed to audit the accounts. In particular, the External Audit Firm verifies that the accounting records are properly kept and that the operating events in the year are correctly reported in the accounts, while also expressing an opinion on the statutory and consolidated financial statements in their auditors' report.

The responsibilities and functioning of the company bodies are governed by statutory law, the company By-Laws and the motions taken by the bodies.

For a detailed description of each body and/or party involved in the company's governance, reference should be made to the dedicated sections of this Report.

## 2. INFORMATION ON THE OWNERSHIP STRUCTURE (AS PER ARTICLE 123 *BIS*, PARAGRAPH 1, CFA)

### 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*

The subscribed and paid-in share capital of Space2 amounts to Euro 30,845,000, comprising 30,000,000 ordinary shares and 800,000 special shares, without nominal value.

The share capital of Space2 comprises the following share classes:

Class	No. of shares	% of share capital	Listed / Non-listed	Rights and obligations
Ordinary shares	30,000,000	97.40%	MIV - Professional Segment organised and managed by Borsa Italiana.	As per statutory law and By-Laws
Shares without voting rights	800,000	2.6%	Non-listed	As per statutory law and By-Laws

The ordinary and special 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.

The special shares attribute the same rights as ordinary shares, with the exception of:

- (a) they are without voting rights at the ordinary and extraordinary shareholders' meetings of the company;
- (b) they are excluded from the right to receive the profits which the company resolves to distribute by way of ordinary dividend;
- (c) they are non-transferable for the maximum duration of the company established by Article 4 of the By-Laws, and in any case for a maximum period of 5 years, except for (i) the transfer of the special shares to withdrawing shareholders of Space Holding S.r.l., on the completion of the liquidation of their holding in kind; and (ii) the assignment of the special shares to the beneficiary company of a proportional spin-off of Space Holding S.r.l. for, among other matters, the investment of Space Holding in Space2;
- (d) in the case of the winding up of the company, they attribute the right to holders to liquidate their share of assets subsequent to holders of ordinary shares;
- (e) on issuance, in any form, they give the right to receive 2 "Space2 S.p.A. Sponsor Warrants" for each special share;

- (f) they are automatically converted into ordinary shares, in the ratio of 4.5 ordinary shares for every special 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:
- (i) for a maximum 800,000 special shares (in any case 100% of the total number of special shares) where before the effective date of the Significant Transaction at least one of the directors in office at the date of entry into force of these By-Laws is removed by the Shareholders' Meeting of the company in the absence of just cause or, on lapsing of the entire Board of Directors, at least one of the Directors in office at the date of entry into force of these By-Laws is not re-elected in the absence of serious non-fulfilment of duties and/or applicable causes of ineligibility or lapse established by law;
  - (ii) in any case, for 35% of the total number of special shares at the effective date of the Significant Transaction; and
  - (iii) within 60 (sixty) days from the effective date of the Significant Transaction in the further measure of (a) 25% of the total number of special shares in the event that the official price of the ordinary shares, for at least 20 (twenty) days, even non-consecutive, from 30 (thirty) consecutive trading days, is greater than or equal to Euro 11 (eleven) per ordinary share; (b) 20% of the total number of special shares in the event that the official price of the ordinary shares, for at least 20 (twenty) days, even non-consecutive, from 30 (thirty) consecutive trading days, is greater than or equal to Euro 12 (twelve) per ordinary share; (c) 20% of the total number of special shares in the event that the official price of the ordinary shares, for at least 20 (twenty) days, even non-consecutive, from 30 (thirty) consecutive trading days, is greater than or equal to Euro 13 (thirteen) per ordinary share, with the understanding that (i) the period for calculating the official price of the ordinary shares for the events at letters (a), (b) and (c) above shall be between the date of the Shareholders' Meeting motion approving the Significant Transaction and the conclusion of 60 (sixty) months from the effective date of the Significant Transaction (subject to the circumstance that, in the case of the occurrence of the events at letters (a) and/or (b) and/or (c) above before the effective date of the Significant Transaction, the relative conversion shall however be made at the effective date of the Significant Transaction); and (ii) the events at letters (a), (b) and (c) above may also occur cumulatively.

In any case, 60 (sixty) months from the effective date of the Significant Transaction, all residual special shares, not yet converted according to the parameters at point (iii) above, will automatically convert into 1 ordinary share, without any change to the share capital amount.

In the case of the winding up of the company, the liquidators in distributing the liquidation assets, remaining following the payment of company creditors (**Liquidation Assets**), should:

- (i) as priority allocate to ordinary shareholders an amount equal to the equity payment made to release the relative ordinary shares both for the nominal amounts and any share premium up to a maximum amount equal to the Restricted Amounts (the ratio between that devolving under this provision and the initial payment made, the **Applicable Percentage**);
- (ii) subsequently, allocate any residual after the allocation at point (i) to holders of special shares up to a maximum amount equal to the Applicable Percentage of the initial payment made by holders of special shares;
- (iii) where, following the allocations at points (i) and (ii) above, residual Liquidation Assets exist, such should be divided among the holders of ordinary shares and the holders of special shares proportionally to their respective holdings in the company.

### **2.1.2 Warrants**

The Extraordinary Shareholders' Meeting of June 17, 2015, as supplemented by the Extraordinary Shareholders' Meeting of July 7, 2015, among other issues, approved the issue of a maximum 4,069,770 ordinary shares, without nominal value - as a reduction of the implied par value of all shares in circulation - and a simultaneous paid-in divisible share capital increase for a total amount of Euro 406,977.00 in service of the exercise of Space2 S.p.A. Market Warrants, at the conditions set out by the relative regulation.

The Space2 S.p.A. Market Warrants are assigned to Space2 shareholders who have subscribed to Space2 ordinary shares in the ratio of 2 Space2 S.p.A. Market Warrants for every 4 ordinary shares. In particular: (i) a Space2 S.p.A. Market Warrant was issued for every 4 ordinary shares subscribed as part of the institutional placement of ordinary Space2 shares completed on July 31, 2015, with trading beginning on the MIV separately from ordinary shares at the Listing Date; while (ii) the right to receive the second Space2 S.p.A. Market Warrant to be assigned for every 4 ordinary shares which will circulate with the ordinary shares until the effective date of the Significant Transaction will be established in view of Borsa Italiana's timetable; at this date, the second Space2 S.p.A. Market Warrant will be issued and begin trading separately from the ordinary shares. The Space2 S.p.A. Market Warrants assigned will be identified by the same ISIN code IT0005119802 and will be entirely fungible.

Therefore, at the reporting date, as per the Shareholders' Meeting motion, 15,000,000 Space2 S.p.A. Market Warrants were assigned, of which 7,500,000 Space2 S.p.A. Market Warrants previously issued and traded on the MIV and 7,500,000 Space2 S.p.A. Market Warrants which shall be issued and begin trading on completion of the Significant Transaction.

The Space2 S.p.A. Market Warrants have features complying with the regulation adopted with Extraordinary Shareholders' Meeting motions of the company of June 17, 2015 and July 7, 2015. In particular, against the exercise of the Space2 S.p.A. Market Warrants, holders shall be freely assigned ordinary shares according to a ratio calculated as per the relative regulation and the conditions therein.

On June 17, 2015, the Extraordinary Shareholders' Meeting of Space2 also approved (i) issue of 10,000 Sponsor Warrants at the Listing Date on conversion into special shares of the 5,000 ordinary Space Holding S.r.l. shares and (ii) a divisible paid-in share capital increase, for a maximum amount, including the share premium, of Euro 18,200,000, to be reserved for the exercise of 1,400,000 Sponsor Warrants, through the issue of a maximum 1,400,000 ordinary



shares, without nominal value, at a price of Euro 13, through the allocation of Euro 1 as the implied par value and Euro 12 as the share premium.

On July 7, 2015, the Shareholders' Meeting approved, supplementing that approved at the Shareholders' Meeting of June 17, 2015, the Sponsor Warrant share capital increase for Euro 2,600,000 (of which Euro 200,000 as the implied par value and Euro 2,400,000 as the share premium).

In particular, at the reporting date, in execution of the above motions, Space Holding S.r.l., the promoter of Space2, holds 800,000 special shares and 1,600,000 Space2 S.p.A. Sponsor Warrants. The Space2 S.p.A. Sponsor Warrants have features complying with the regulation adopted with Extraordinary Shareholders' Meeting motions of the company of June 17, 2015 and July 7, 2015.

The warrants issued by Space 2 are subject to dematerialisation in accordance with Article 83-*bis* and subsequent of the CFA.

## **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.

It is recalled that Space Holding S.r.l., the promoter of Space2, undertook a lock-up commitment with the company on the ordinary shares from the conversion of special shares, as described at Article 5 of the By-Laws, as per the following terms: (i) with reference to the ordinary shares from the conversion of the special shares at the effective date of the Significant Transaction, the lock-up commitment will be for a duration of 12 months from the effective date of the Significant Transaction and (ii) with reference to the ordinary shares from the conversion of the special shares on the occurrence of the events indicated in Article 5 of the By-Laws, the lock-up commitment will be for a duration of 6 months from the relative conversion, subject to the fact that where the conversion occurs in the 12 months subsequent to the effective date of the Significant Transaction, the lock-up commitment will last until the later date between (a) 12 months from the effective date of the Significant Transaction and (b) 6 months from the conversion.

There are no limits on the free transferability of Space2 Market Warrants, subject to the circumstance that for every 2 Space2 S.p.A. Market Warrants assigned, one should be traded separately from the ordinary shares from the Listing Date, while the other shall be traded separately only from the effective date of the Significant Transaction, as shall be outlined in greater detail by the company.

The special shares of the company are non-transferable for the maximum duration of the company which, in accordance with Article 4 of the By-Laws, is established as until the first of the following dates: (i) December 31, 2017; and (ii) the twenty-fourth month subsequent to listing, although where at that date an agreement has been signed for the realisation of the Significant Transaction, and the subject of a market communication pursuant to Article 114 of the CFA, the duration of the company will be automatically extended until June 30, 2018. In any case, the special shares of the company are non-transferable for a maximum period of 5

years, except for the transfer of the special shares to withdrawing shareholders of Space Holding S.r.l., on the completion of the liquidation of their holding in kind.

The Space2 S.p.A. Sponsor Warrants shall be transferable to third parties from the third anniversary of the effective date of the Significant Transaction. The transfer of the Space2 S.p.A. Sponsor Warrants before that date shall require approval by statutory majority by the Ordinary Shareholders' Meeting of Space2.

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.

The company categorises itself as an SME in accordance with the Consolidated Finance Act. Therefore, the threshold for significant transactions is defined at 5% as per Article 120, paragraph 2 of the TUD.

Based on the information available, the shareholders which, at the date of this Report, have holdings of above 5% of the voting share capital, directly or indirectly, including through nominees, trusts and subsidiaries, are reported in the table below:

Shareholder	Direct shareholder	% of ordinary share capital	% of voting share capital
Julius Baer Multilaber SICAV	Julius Baer Multilaber SICAV	7.007%	7.007%
Leonardo Del Vecchio	Delfin S.à r.l.	6.00%	6.00%
Pioneer Investment Management Sgrpa	Pioneer Investment Management Sgrpa	5.00%	5.00%

The 800,000 special shares of the company with the features indicated at paragraph 2.2 above are entirely held by Space Holding S.r.l.

### **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 norms.

The special shares of the company confer the rights and obligations indicated at paragraph 2.2 above.

### **2.5 EMPLOYEE SHARE-PARTICIPATION RIGHTS: METHOD FOR THE EXERCISE OF VOTING RIGHTS (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER E), CFA)**

At the reporting date, the company did not have employees, nor has it adopted any employee share-participation rights in favour of directors and/or future employees.

## **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, except for the terms and conditions for the right to participate and vote at the Shareholders' Meeting, as per paragraph 16 below of this Report.

Holders of special shares do not have the right to vote at company Ordinary and Extraordinary Shareholders' Meetings.

## **2.7 SHAREHOLDER AGREEMENTS (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER G), CFA)**

At the reporting date, there are no shareholder agreements pursuant to Article 122 of the CFA.

## **2.8 CHANGE OF CONTROL CLAUSE (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER H), OF THE CFA) AND STATUTORY PROVISIONS ON PUBLIC PURCHASE OFFERS (AS PER ARTICLE 104, PARAGRAPH 1-TER AND 104-BIS, PARAGRAPH 1, CFA).**

At the reporting date, the company has not stipulated significant agreements that are effective or would be modified or discharged in the case of a change of control.

With reference to the current provisions in relation to purchase public offers, it should be noted that the company By-Laws do not provide for exceptions to the passivity rule pursuant to Article 104, paragraphs 1 and 1-*bis* of the CFA, nor expressly provide for the application of the neutralization 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***

At the reporting date, the Board of Directors do not have the power to increase the share capital as per Article 2443 of the civil code or 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 ACTIVITIES (AS PER ARTICLE 2497 OF THE CIVIL CODE)**

The company is not subject to management and co-ordination.

Space Holding S.r.l., the promoter of Space2, held until the Listing Date, the entire share capital of the company. Following the listing, Space Holding S.r.l. has only held special shares without voting rights.

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The information required by Article 123-*bis*, paragraph 1, letter l) 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.

The information required by Article 123 *bis*, first paragraph, letter i) (“*the agreements between the company and directors which provide indemnity in the case of resignation or dismissal of office without just cause or termination of employment following a public purchase offer*”) is illustrated in the remuneration report published as per Article 123-*ter* of the CFA.

### **3. COMPLIANCE (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER A), CFA)**

The company has not adopted a corporate governance conduct code. The company however shall comply, as far as considered appropriate by company management, with the recommendations of the Self-Governance Code.

For these purposes, the company has adopted, or will adopt, measures and controls to ensure compliance, as far as considered appropriate, of the corporate governance system with the above-stated recommendations.

The company is not subject to laws in force outside of Italy which may influence the corporate governance structure of Space2 and at the reporting date no strategically important subsidiaries exist.

### **4. BOARD OF DIRECTORS**

In accordance with current regulations for companies with listed shares on regulated markets and as per the recommendations of the Self-Governance Code, 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)**

As per Article 11 of the By-Laws, the company is governed by a Board of Directors made up by between 6 (six) and 9 (nine) members. The directors are elected for a period, established by the Shareholders Meeting, of not greater than three (3) 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.

All directors must satisfy the eligibility, professionalism and good standing requirements established by applicable law and other provisions. In accordance with Article 147-*ter*, paragraph 4 of the CFA and the Stock Exchange Regulation, at least 2 (two) directors should, in addition, be considered independent as per the applicable rules (the **Independent Directors**). In addition, in accordance with the Stock Exchange Regulation, at least 3 (three) members of the Board of Directors and the executives, in addition to all those with investment duties, should have at least three years strategic investment management experience matching the extent and type of that undertaken by the company.

As per applicable legislative and regulatory provisions for listed companies, Article 11 of the By-Laws establishes that the Shareholders’ Meeting appoints the Board of Directors on the basis of slates presented by the shareholders, in accordance with the procedure outlined below, 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. 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 25 (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 21 (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 2 (two) and not above 9 (nine), each listed by progressive number. Each slate should contain and expressly indicate at least one director considered independent as per the applicable regulations. The slates containing 3 (three) or more candidates may not be composed of candidates only from the same gender (male or female); these slates should 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 (male or female) rules, rounded upwards.

Each slate must include as an attachment, at the risk of ineligibility: *(i)* the curriculum vitae of the candidates; *(ii)* a declaration in which all the candidates accept the candidature, and attest, under their own responsibility, that no grounds for ineligibility and incompatibility exist, as well as the existence of the requirements prescribed by applicable law for the office of director of the company and including the declaration on the possession of the independence requirements; *(iii)* the identity of the shareholders who have submitted the slates and the total percentage of shares held; *(iv)* any additional or differing declaration, information, and/or documents provided for by applicable law and regulations.

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, 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 slate receiving the highest number of votes, 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 candidates being elected by means of a simple majority of the votes.

Where, following election as per the manner indicated above, the appointment of 2 (two) directors considered independent is not ensured, the candidate or the candidates not considered independent elected last according to the progressive numbering of the slates which carries the highest number of votes will be replaced by the first independent candidate or candidates not

elected from the same slate according to the progressive numbering by which the candidates are listed.

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 slate receiving most votes 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, without application of the slate voting mechanism.

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 if only one slate is presented and this does not obtain the majority of votes, or if the number of elected directors on the basis of slates presented is lower than the number of members to be elected, or if the entire Board of Directors is not to be renewed, or if it is not possible for any reason to elect the Board of Directors in the manner provided for in this Article, the members of the Board of Directors will be elected by the Shareholders' Meeting by statutory majority, without the application of slate voting, save for the obligation to maintain the minimum number of independent directors established by law and in accordance with the applicable law and regulations in terms of gender equality quotas.

In the event that, for whatever reason, one or more directors elected from a slate other than that receiving at the Shareholders' Meeting the highest number of votes do not continue in office, the Board of Directors will proceed with co-option, where possible, from among the non-elected candidates from the slate which the director leaving office had been elected, while maintaining the obligation of a minimum number of independent directors as established by law and in accordance with the applicable law and regulations on gender equality quotas.

At the reporting date, the Board has not adopted a succession plan for executive directors.

## **4.2 COMPOSITION (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER D), CFA)**

### ***4.2.1 Members of the Board of Directors***

On May 28, 2015, on incorporation of the company, 5 (five) directors were appointed, in the persons of Gianni Mion (as Chairman), Roberto Italia, Carlo Pagliani, Edoardo Subert and Elisabetta De Bernardi di Valserra.

Subsequently, on June 17, 2015, the Shareholders' Meeting supplemented the Board, through a motion subject to the Listing's completion, appointing 3 (three) independent directors, in the persons of Francesca Prandstraller, Margherita Zambon and Alberto Amadio Tazartes, taking office from the Listing Date. The directors of the company will remain in office until the date of the Shareholders' Meeting called for approval of the 2017 Annual Accounts. The slate voting mechanism (described at paragraph 4.1 above) shall be applied for the renewal of the Board of Directors scheduled for this Shareholders' Meeting.

On July 7, 2015, the Shareholders' Meeting, following the resignation of director Elisabetta De Bernardi di Valserra, approved the reduction of the number of members of the Board of Directors from 5 (five) to 4 (four), in addition to 3 (three) Independent Directors appointed by the Shareholders' Meeting of the company of June 17, 2015, with effect from the Listing Date.

The members of the Board of Directors at December 31, 2015 are indicated at the table reported as Annex B to this Report. Annex B in addition presents a short curriculum vitae, outlining the management expertise and experience of each of the Directors.

Subsequent to financial year-end, on January 27, 2016, the independent director Alberto Amadio Tazartes resigned from office. The Board of Directors co-opted a new director, in accordance with the provisions of Article 2386, paragraph 1 of the Civil Code, appointing Professor Gabriele Villa as an Independent Director on January 28, 2016.

The Shareholders' Meeting called for the approval of the 2015 Annual Accounts of April 19, 2016 confirmed Gabriele Villa as a company director.

#### **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.

However the company seeks to comply with, through a non-formalised practice, the recommendations contained in Application Criteria 1.C.2 of the Self-Governance Code, relating to the obligation of the members of the Board of Directors to accept the office of director only when they believe they can dedicate the necessary time to diligently carry out their duties, also taking into account their work and professional commitments and offices held in financial, banking and insurance companies or companies of significant size listed on regulated markets (including abroad).

The table at Annex C reports the list of offices held by each Space2 director in other companies at the reporting date.

#### **4.2.3 *Induction Programme***

At the reporting date, the Chairman of the Board has not undertaken actions so that the Directors may participate in, subsequent to appointment and during their mandate, initiatives to provide them with an adequate knowledge of the sector of activity in which the Issuer operates, of the business operations and its performance, as well as the regulatory framework.

### **4.3 ROLE OF THE BOARD OF DIRECTORS (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER D), CFA)**

Article 14.1 of By-Laws establishes that 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 resolutions, without prejudice to the concurrent competence of the Shareholders' Meeting. (i) the opening and closing of secondary offices; (ii) the reduction of the share capital as a result of a return of shares; (iii) updating the by-laws in accordance with

the law; (iv) transfer of the registered office within Italy.

The Board of Directors elects from its members a Chairman, where not appointed by the Shareholders' Meeting, and a Secretary, who may also be a non-member.

The Board can 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. The Board may appoint one or more executive directors, granting them the relevant powers. 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 power of attorney to third parties for certain acts or categories of acts.

Decisions concerning the following matters however may not be delegated and should be approved exclusively with the presence and favourable vote of at least one director considered independent as per the CFA: (i) approval of the Significant Transaction, which shall be executed only following Shareholders' Meeting authorisation; (ii) utilisation of the sums deposited in the escrow account set up by the company for execution of the Significant Transaction in accordance with the Stock Exchange Regulation, to be submitted for Shareholders' Meeting authorisation; (iii) the obtaining of funding or the granting of guarantees, to be submitted for Shareholders' Meeting authorisation; (iv) share capital increase proposals; (v) investment policy amendment proposals, to be submitted for Shareholders' Meeting approval in accordance with the Stock Exchange Regulation; (vi) approval of "significant transactions" with related parties, as set out by the Related Parties Regulation.

The Board of Directors, after prior mandatory consultation with the Board of Statutory Auditors, shall appoint an Executive Officer for Financial Reporting, in accordance with Article 154-*bis* of the CFA, granting the appointee the adequate means and powers for the accomplishment of the tasks assigned.

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The company was incorporated on May 28, 2015 and was enrolled in the Companies Register on June 3, 2015, and therefore does not have a prior operating history.

In 2016, 9 Board of Directors' meetings were held, concerning, among other matters, the approval of the 2016 First Quarter Report, the 2016 Half-Year Report, the 2016 Third Quarter Report and approval of the Significant Transaction.

In 2017, 6 Board of Directors' meetings have been held, and as per the corporate events calendar communicated to the market and Borsa Italiana, the following are scheduled (with the first already held at the reporting date):

- April 28, 2017 - 2016 Draft Annual Accounts;
- May 11, 2017 - 2017 First Quarter Report;
- September 14, 2017 - 2017 Half-Year Report;
- November 9, 2017 - 2017 Third Quarter Report;

Under Article 13 of the By-Laws, the Board of Directors meets at the company's registered office or another location, provided that the latter is within the European Union or Switzerland, whenever the Chairman deems it necessary or whenever a request is made by at least 2 (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 3 (three) days before the date set for the meeting; in case of urgency, the calling of the Board of Directors may be made the day before the date set for the meeting. The meetings of the Board and its resolutions are valid when all the Directors in office and Statutory Auditors are present, even without formal calling procedures. In the absence of the Chairman, the chair of the meeting is to assumed by the Chief Executive Officer, if appointed, or failing that the most senior director.

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, who will write and sign the minutes, verifying that the meeting was held in that location; (ii) the Chairman of the meeting is able to verify the identity of the participants, direct the course of the meeting and witness and announce the results of the vote; (iii) that the person taking the minutes is able to adequately observe the events of the meeting that is the subject of the minutes; and (iv) that participants are able to follow the discussion and the simultaneous voting on the matters on the agenda, as well as view, receive or transmit documents.

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In line with Application Criteria 1.C.1, letter a) of the Self-Governance Code, the Board of Directors has not delegated any powers with regards to the review and approval of strategic, industrial and financial plans of any Group company heading Space2, or with regard to any matters concerning the governance system of the Issuer and the Group structure.

The Board of Directors intends to comply with, through a non-formalised operating practice, the recommendations of Application Criteria 1.C.1., letters c), e) and f) of the Self-Governance Code, ensuring to:

- (a) periodically evaluate the adequacy of the organisational, administration and accounting system of the company and of any subsidiaries with strategic importance, with particular reference to the internal control and risk management system;
- (b) evaluate the general operational performance, taking into account, in particular, the information received from executives, as well as periodically comparing the results with the budgets;
- (c) resolve in relation to operations of the company and any subsidiaries, when such operations have a significant strategic, economic, equity or financial impact on the company.

With reference to Application Criteria 1.C.1, letter f) of the Self-Governance Code, as stated at previous point sub (iii), the Board of Directors approved the Related Party Transactions Policy (described at paragraph 12.1) below.

Finally, the Company authorised exemption from any restrictions on non-competitor agreements as per Article 2390 of the Civil Code. In fact, with motion of June 17, 2015, the Shareholders' Meeting of the company authorised all members of the Board of Directors of Space2 to become shareholders with unlimited liability in competitor companies, to carry out competitive activities on their own behalf or on behalf of third parties and to act as directors or general managers of competitor companies in accordance with Article 2390, paragraph 1 of the Civil Code. Therefore, the Board of Directors on June 17, 2015 adopted appropriate conflict of interest management policies (in this regard see paragraph 12.2 below).

#### **4.4 EXECUTIVE BODIES**

As per the By-Laws, the Board can 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.

Under Article 12.3 of the By-Laws, the Board of Directors may appoint one or more Chief Executive Officers, granting them the relevant powers. In addition, the Board of Directors may also appoint General Managers, defining their powers and granting power of attorney to third parties for certain acts or categories of acts.

As per Article 12.4 of the By-Laws, representation of the company rests with, in addition to the Chairman, the Directors granted delegated powers by the Board of Directors and with the General Managers, proxies and attorneys, within the limits of the powers conferred to them.

#### **4.4.1 Chief Executive Officers**

On June 5, 2015, the Board of Directors approved the appointment of Roberto Italia as Chief Executive Officer, assigning him the powers of ordinary management of the company indicated at Annex A of this Report.

The same Board motion assigned to each of the directors Edoardo Subert and Carlo Pagliani the powers at point 12 of Annex A, to be exercised jointly with Roberto Italia.

#### **4.4.2 Chairman of the Board of Directors**

On May 28, 2015, on the company's incorporation, Gianni Mion was appointed Chairman of the Board of Directors.

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).

At the reporting date, the Chairman of the Board of Directors has not been granted executive management powers, does not have a specific role in terms of corporate strategic planning (Application Criteria 2.C.1 of the Self-Governance Code) and is not the controlling shareholder of the Issuer.

#### **4.4.3 Executive Committee**

In accordance with Article 12.2 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.

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**

The Board of Directors has not determined the frequency with which executive bodies are to report to the Board of Directors.

Pursuant to Article 2381, paragraph 5, of the Civil Code, the executive bodies are to report at least every half-year to the Board of Directors (and to the Board of Statutory Auditors) on the general operating performance and outlook, as well as on major transactions, due to their size or nature, carried out by the company and its subsidiaries.

### **4.5 OTHER EXECUTIVE DIRECTORS**

At the reporting date, in addition to the Chief Executive Officers, there were no other Executive Directors (i.e. directors with operating powers, as defined at Application Criteria 2.C.1 of the Self-Governance Code).

### **4.6 INDEPENDENT DIRECTORS**

On June 17, 2015, the Shareholders' Meeting of Space2 appointed with effect from the Listing date, 3 (three) directors considered independent as per Article 148, paragraph 3 of the CFA, in addition to Application Criteria 3.C.1 of the Self-Governance Code.

In accordance with this criteria, on June 17, 2015, the Board assessed the independence as per Article 148, paragraph 3 of the CFA and Article 3 of the Self-Governance Code of the non-executive members of the Board of Directors. In particular, the Board of Directors at the above-stated meeting assessed the continued fulfilment of the above-stated requirements of 3 (three) members of the Board of Directors - Francesca Prandstraller, Margherita Zambon and Alberto Tazartes - previously assessed by the Shareholders' Meeting on their appointment.

On January 27, 2016, the independent director Alberto Amadio Tazartes resigned from the Board. The Board of Directors on January 28, 2016 co-opted as an independent director, as per Article 2386, paragraph 1 of the Civil code, Gabriele Villa, following verification of independence in accordance with Article 148, paragraph 3 of the CFA and Article 3 of the Self-Governance Code.

The Shareholders' Meeting called for approval of the 2015 Annual Accounts confirmed the appointment of director Gabriele Villa.

The Board of Statutory Auditors has verified the correct application of the criteria and procedures adopted by the Board of Directors to assess the independence of its members.

It is not provided for that the Independent Directors meet in the absence of the other directors.

#### **4.7 LEAD INDEPENDENT DIRECTOR**

At the reporting date, the Board has not designated any Independent Director as the Lead Independent Director as per Application Criteria 2.C.3 of the Code.

#### **4.8 GENERAL MANAGER**

At the reporting date, the Board of Directors has not appointed a General Manager.

### **5. HANDLING OF CORPORATE INFORMATION**

#### **5.1 INSIDER INFORMATION HANDLING POLICY**

In accordance with the Stock Exchange Regulation and the instructions of the Stock Exchange Regulation, in addition to the relevant provisions of the CFA, the Issuers' Regulation and the Self-Governance Code, which require directors and statutory auditors to maintain the confidentiality of the documents and information acquired in the execution of their duties and to respect the internal management and external communication policy adopted by the company for such documents and information, the Board of Directors on June 17, 2015 approved the Insider Information Handling Policy (Application Criteria 1.C.1, letter j) of the Code). This policy entered into force on the presentation date to Borsa Italiana of the application for Listing.

The purpose of the Insider Information Handling Policy is to prevent the release of Insider 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 Insider Information as regulated by the aforementioned 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 Insider Information Handling Policy to prevent certain persons or categories of persons from using information not known to the public to make speculative

transactions on the markets to the detriment of the investors without knowledge of such information.

The essential elements of the Insider Information Handling Policy are presented below.

### **5.1.1 Definition of Insider Information**

Insider Information is taken to mean information: *(i)* of a precise nature, namely that (a) such refers to a set of circumstances which exists or may reasonably be expected to come into existence or an event which has occurred or may reasonably be expected to occur, and (b) is specific enough to enable conclusions to be drawn on the possible effect of the set of circumstances or event referred to in subparagraph (a) on the prices of the instruments described in Article 1, paragraph 2, of the CFA, issued by the company and admitted to trading, or for which application for admission to trading has been requested, on a regulated market (the **Financial Instruments**); *(ii)* that has not been made public; *(iii)* that directly or indirectly concerns Space 2 or the companies directly or indirectly controlled by Space 2 or the Financial Instruments of Space 2; and *(iv)* that, if made public, may have a significant effect on the prices of the Financial Instruments of Space 2 or that a reasonable investor would use as one of the elements on which to base investment decisions (the **Insider Information**).

### **5.1.2 Addressees of the Insider Information Handling Policy**

Those required to comply with the procedures outlined in the Insider Information Handling Policy: *(i)* the members of the administrative and control bodies of Space2 and its subsidiaries; *(ii)* the employees of Space2 and its subsidiaries, who, on the basis of their work or duties, have access on a regular or occasional basis to insider information; and *(iii)* any natural or legal persons who, because of their work or professional activities or duties, have access on a regular or occasional basis to insider information concerning Space or its direct and indirect subsidiaries (the **Covered Persons**).

### **5.1.3 Handling of Insider Information**

Covered Persons must maintain the complete confidentiality of the Insider Information of which they are aware and report to the Disclosure Officer (as defined below) of the existence, in his opinion, of an obligation for the company to communicate to the market Insider Information of which they are aware. All Insider Information must be handled with the necessary care to ensure that its circulation within the company does not threaten its confidential nature, unless such is announced to the market according to the means established by the Policy and the applicable regulation.

Subject to Articles 184 and subsequent of the CFA, Covered Persons may not: *(i)* acquire, sell or otherwise execute operations concerning Financial Instruments on the basis of Insider Information; *(ii)* communicate to third parties Insider Information outside of the scope of normal working and professional activities or on the basis of the role or office discharged; *(iii)* advise or induce others, on the basis of Insider Information, to carry out any operations listed at sub *(i)*.

Covered Persons are absolutely prohibited from releasing interviews or information to the press or declarations in general containing insider information not yet announced to the market in accordance with the Policy.

The Board of Directors on June 17, 2015 appointed the director Edoardo Subert as the officer in charge of corporate relations, with the responsibility for the drafting of press releases relating to Insider Information concerning the company or its Subsidiaries and to ensure compliance with the disclosure obligations for Insider Information under the Insider Information Handling Policy and applicable regulations (the **Disclosure Officer**).

The Board of Directors on June 17, 2015 in addition approved the setting up, with effect from the Listing Date, of the Insider Register (the **Register**), establishing the policy for the maintenance of the Register and appointing the Disclosure Officer for its maintenance and updating in order to ensure easy consultation and the simplified extraction of data.

The Chief Executive Officer of Space2 oversees the management of Insider Information concerning the company and its subsidiaries, in addition to relations with institutional investors and the press. Any interactions with the press and the other communication media should be authorised by the Chief Executive Officer or parties appointed by this latter.

## 5.2 INTERNAL DEALING POLICY

In accordance with Article 114, paragraph 7 of the CFA and Article 152-*sexies* and subsequent of the Issuers' Regulation, the Board of Directors on June 17, 2015 approved the internal dealing policy for the management, handling and communication of information concerning transactions regarding shares of the Issuer (the **Shares**) or other "Related Financial Instruments" (as herein defined) carried out by Covered Persons (as defined below). This Policy entered into force from the application for Listing date.

The internal dealing policy identifies "Covered Persons" and in particular:

- (a) the members of the Board of Directors and of the Board of Statutory Auditors of the company;
- (b) the management of the company and executives that have regular access to insider information and that have the power to adopt operating decisions which may impact upon the performance and future prospects of the company;
- (c) where Space2 holds an investment in a company directly or indirectly controlled and the book value of this investment represents more than 50% of the assets of Space2, as per the last approved financial statements (this subsidiary, the **Significant Subsidiary**), the members of the Board of Directors and of the Board of Statutory Auditors of this Significant Subsidiary, as well as the management and executives which have regular access to insider information and have the power to adopt operating decisions which may impact upon the performance and future prospects of the Significant Subsidiary;
- (d) any other persons with a direct or indirect holding, calculated as per Article 118 of the Issuers' Regulation, of at least 10% of the company's voting share capital, in addition to any other person with a controlling position in the company (each, a **Covered Shareholder**).

The internal dealing policy also identifies the "Closely Related Persons" to Covered Persons, and in particular:

- (a) the spouses not legally separated, children including those of spouses if supported, and if living together for at least one year, parents and relatives of the Covered Persons (collectively, the **Covered Family Members**);

- (b) entities, companies or trusts which a Covered Person or one of the Covered Family members manages solely or jointly;
- (c) entities, controlled directly or indirectly by a Covered Person or by one of the Covered Family members;
- (d) companies whose economic interests are substantially equivalent to those of a Covered Person or of a Covered Family member;
- (e) trusts created on behalf of a Covered Person or of a Covered Family member.

The internal dealing policy identifies as “Significant Transactions” purchases, sales, subscription or exchange of Shares or Related Financial Instruments made by the Covered Persons or the Closely Related Persons, directly or through nominees, trusts or subsidiaries, with the exception of:

- (a) transactions whose total amount does not reach Euro 5 thousand by the end of the year and - subsequent to each communication - transactions whose total value does not reach a further Euro 5 thousand by the end of the year; for derivative Related Financial Instruments, the amount is calculated in terms of the underlying shares. The above amount is calculated aggregating the transactions relating to the Shares and the Related Financial Instruments, made on behalf of each Covered Person and those made on behalf of the Closely Related Persons;
- (b) transactions between Covered Persons and Closely Related Persons;
- (c) transactions made by the company and its subsidiaries;
- (d) transactions which have no financial consideration (such as donations and successions, but not exchanges);
- (e) scrip issues or share purchase or subscription options where deriving from remuneration plans pursuant to Article 114-bis of the CFA (the sale of Shares from the exercise of these options or under scrip issues are however Significant Transactions).

The internal dealing policy also governs the management, handling and disclosure of these transactions. For these purposes, the above-mentioned Policy:

- (a) governs the disclosure obligations of the Covered Persons (with the exception of Covered Shareholders) to the company, requiring that these persons disclose to the company the Significant Transactions made by them and/or by the Closely Related Persons with the Covered Persons within five trading days after the date of execution of these transactions and establishes the consequent communication obligation of the company to the market by the end of the next trading day;
- (b) governs the disclosure obligations of the Covered Persons to Consob, requiring that these persons disclose to Consob the Significant Transactions made by them and/or by the Closely Related Persons with the Covered Persons within five trading days after the date of execution of these transactions, except for the other provisions for the Covered Shareholders who must disclose to Consob (and the market) within fifteen days of the month subsequent to the Significant Transaction;
- (c) governs the restrictions and limitations to undertake Significant Transactions by the Covered Persons and Closely Related Persons and the manner in which the Disclosure

Officer informs the Covered Persons of the obligations in accordance with the internal dealing policy.

In accordance with the internal dealing policy, the Board of Directors on June 17, 2015 appointed the Disclosure Officer Edoardo Subert as the person in charge of implementation of the above-mentioned Policy and the updating of the Insider Register.

**6. INTERNAL COMMITTEES TO THE BOARD OF DIRECTORS (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER D), CFA)**

In accordance with the Self-Governance Code, which recommends that listed companies appoint internal committees to the Board of Directors, with expertise regarding specific matters, Article 12.3 of the By-Laws assigns the Board of Directors the option to set up internal committees with consultation, proposal or control functions, in accordance with the applicable legislative and regulatory provisions.

For reasons of simplification and an efficient governance structure, having evaluated the organisational requirements of Space and the mode of operation and the size of its Board of Directors, Space decided not to set up a Control and Risks Committee.

Therefore, no committee which carries out the functions of two or more committees as per the Code was set up (Application Criteria 4.C.1, letter c) of the Code).

At the reporting date, none of the functions of one or more committees as per the Code is reserved for the entire Board of Directors, under the co-ordination of the Chairman (Application Criteria 4.C.2 of the Code).

The main characteristics of the Control and Risks Committee are described at paragraph 10 below.



## **7. APPOINTMENTS COMMITTEE**

At the reporting date, for the above-stated reasons an Appointments Committee has not been set up.

## **8. REMUNERATION COMMITTEE**

At the reporting date, for the above-stated reasons a Remuneration Committee has not been set up.

## **9. REMUNERATION OF DIRECTORS**

At the reporting date, the company has not adopted a remuneration policy for directors and key management personnel.

Therefore, at the reporting date, none of the Directors receive any remuneration in relation to their office, with the exception of the Independent Directors. In addition, the company does not have key management personnel.

The Shareholders' Meeting approved on July 7, 2015 a remuneration component for Independent Directors alone, considering also their participation on the Control and Risks Committee, of Euro 12,000 gross annually for each Independent Director. Reference should be made to the remuneration report drawn up in accordance with Article 123-ter of the CFA in this regard.

In addition, no agreements have been signed between the Issuer and the directors which provide indemnity in the case of resignation or dismissal/revocation of office without just cause or termination of employment following a public purchase offer.

## **10. CONTROL AND RISKS COMMITTEE**

### **10.1 COMPOSITION AND APPOINTMENT**

Pursuant to the Control and Risks Committee regulation, adopted by Board of Directors' motion of June 17, 2015, the Control and Risks Committee is comprised of independent directors as per Article 147-ter, paragraph 4 of the CFA and the Self-Governance Code. Furthermore, at least one member of the Control and Risks Committee must have adequate accounting and financial experience, to be evaluated by the Board of Directors on appointment.

On June 17, 2015, the Board of Directors of Space2 approved the establishment of a Control and Risks Committee comprising 3 (three) directors considered independent as per the above-stated requirements, of which at least 1 (one) possessing appropriate accounting and financial or risk management experience.

NAME	OFFICE
Francesca Prandstraller (Chairperson)	Independent Director
Margherita Zambon	Independent Director
Alberto Tazartes	Independent Director

In 2016, 10 Control and Risks Committee meetings were held, which also considered the Significant Transaction.

On January 27, 2016, the Independent Director Alberto Tazartes resigned. The Board of Directors on January 28, 2016 co-opted as an independent director, as per Article 2386, paragraph 1 of the civil code, Gabriele Villa, following verification of independence in accordance with Article 148, paragraph 3 of the CFA and Article 3 of the Self-Governance Code.

## 10.2 CONTROL AND RISKS COMMITTEE FUNCTIONS

As per the Control and Risks Committee Regulation:

- (a) the Control and Risks Committee shall assist the Board of Directors through investigative, proposal and consultation duties, evaluations and decision-making concerning the internal control and risk management system and also in relation to the approval of the interim financial reports;
- (b) 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 issuer 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 approval at least annually of the action plan drawn up by the internal audit department manager; (iv) the description, in the corporate governance report, of the principal characteristics of the internal control and risk management system, to assess its adequacy; (v) the assessment, having consulted the Board of Statutory Auditors, of the results of the external audit firm in its report and any letter of recommendations and in the report of fundamental questions established during the audit; and (vi) the appointment and dismissal of the internal audit department manager.

The Control and Risks Committee, in supporting the Board of Directors, is particularly required to:

- (a) assess, together with the executive officer for financial reporting and having consulted with the external audit firm and the Board of Statutory Auditors, the correct application of the accounting policies and their uniformity for the preparation of the consolidated financial statements;
- (b) define the control mechanisms to verify compliance with the duties allocated and periodically monitor their functioning, reporting in a timely manner any irregularities to the Board of Directors;
- (c) express opinions on specific aspects concerning the identification of the principal corporate risks;
- (d) examine the periodic reports concerning the evaluation of the internal control and risk management system;
- (e) report at least every six months, at the time of the approval of the annual and half-yearly accounts, to the board on the work carried out and on the adequacy of the internal control system; and
- (f) carry out further duties requested by the Board of Directors.

The Control and Risks Committee may access all information and departments necessary for the undertaking of their duties, as well as utilise outside consultants where their independence of judgement is not affected, within the budget approved by the Board of Directors.

#### **11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER 3), CFA)**

In consideration of the nature of the activities undertaken and the corporate organisation, the company has not set up an internal control and risk management system, concerning the set of rules, procedures and organisational structures which enable the identification, measurement, management and monitoring of the principal risks.

At the reporting date, company management, having assessed the organisational requirements, considered it appropriate only to set up the Internal Control and Risk Management System and to appoint the executive director responsible for the Internal Control and Risk Management system.

The company in accordance with the applicable regulation, has adopted an internal control system which is considered appropriate also in view of the simplified corporate governance structure adopted by the company, to monitor and continuously control typical operating risks.

An internal control system has been set up by the company according to procedures which have not yet been formalised which reasonably ensures the achievement of the operating efficiency, cash flow disclosure and regulatory compliance objectives.

The company, in view of the size and simplified structure of its ordinary operations model and of SPAC's, appointed the company Hirtos S.r.l. to provide accounting and administrative assistance services and has put in place a set of administrative and accounting procedures which ensure reliable financial and accounting disclosure.

#### **11.1 EXECUTIVE DIRECTOR RESPONSIBLE FOR THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

In order to ensure compliance with the recommendation at Principle 7.P.3 of the Self-Governance Code, the Board of Directors appointed, with effect from the Listing Date, Carlo Pagliani as the director in charge of the creation and maintenance of an effective internal control and risk management system (the **Appointed Director**). As per Application Criteria 7.C.4 of the Self-Governance Code, the Appointed Director shall: *(i)* identify the main business risks, taking into account the characteristics of the company and the group to which it belongs, submitting such periodically to the Board of Directors; *(ii)* implement the guidelines defined by the Board of Directors, undertaking the design, realization and management of the internal control system, and constantly monitor its overall adequacy, effectiveness and efficiency; *(iii)* adapt the system to changes in operating conditions and in the legislative and regulatory framework; and *(iv)* report in a timely manner to the Control and Risks Committee (or the Board of Directors) upon issues and criticalities that have emerged or become known in the course of activities so that the Control and Risks Committee (or the Board) may take appropriate action.

## **11.2 INTERNAL AUDIT DEPARTMENT MANAGER**

At the reporting date, the Board has not appointed an internal audit department manager.

## **11.3 ORGANISATIONAL MODEL AS PER LEGISLATIVE DECREE 231 OF 2001**

The Board of Directors meeting of November 9, 2015 approved the Organisational, Management and Control Model pursuant to Legislative Decree No. 231 of 2001.

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 Part and a Special Part.

The Special Part outlines offenses against the public sector and the relative policies (First section), definitions of market abuse and the relative policies (Second section), in addition to corporate offenses and the relative policies (Third section).

The following documents are an integral part of the Model: *(i)* the governance system and *(ii)* the Ethics Code.

The Supervisory Board approved the Regulation on November 20, 2015.

Periodic verification and amendment of the Model is provided for where risks of violation (even potential) are identified, i.e. changes in the organisation, operations or to the applicable legislative or regulatory provisions.

On November 9, 2015, the Board of Directors also approved the appointment of the Supervisory Board in the persons of Niccolò Bertolini Clerici and Pier Luca Mazza, with oversight responsibility for the correct adoption and efficient implementation of the Organisational, Management and Control Model.

The Supervisory Board met 3 times in 2016 and 2 times in the initial months of 2017.

#### **11.4 EXTERNAL AUDIT FIRM**

With motion of June 17, 2015, the Shareholders' Meeting approved, in accordance with Article 16 of Legislative Decree 39/2010, the appointment of the company KPMG S.p.A. as the external auditor of the company's accounts. The appointment has nine-year duration (2015-2023).

#### **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. The Executive Officer for Financial Reporting must be of a professional standard such as to have qualified experience of at least 3 (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.

On June 17, 2015, the Board of Directors of the Issuer approved, following receipt of a favourable opinion from the Board of Statutory Auditors, the appointment, with effect from the Listing Date, of the director Edoardo Subert as the Executive Responsible for Financial Reporting, who subsequent to listing is required to, in accordance with Article 154-*bis* of the CFA: *(i)* declare that the deeds and communications of the company communicated to the market and concerning accounting disclosure (including interim) of the company 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; *(iv)* sign the documentation, provide declarations and carry out the activities and duties required under applicable law and regulations, 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) faculty for dialogue with all administrative and control boards of the company and the subsidiaries;

- (c) faculty to approve company policies with an impact on the financial statements, on the consolidated financial statements or on other documents requiring certification;
- (d) involvement in the design of IT systems impacting the company financial statements;
- (e) the possibility to utilise IT systems.

In order to permit the Board of Directors to properly execute its supervisory powers, the Executive Responsible should, in addition, report at least quarterly to the Board with regards to activities carried out, in addition to any emerging critical issues.

\* \* \*

At the reporting date, in addition to the Control and Risks Committee and the Director responsible for the Internal Control and Risk Management System and the Supervisory Board, no other roles or functions with specific internal control and risk management duties have been set up.

## **12. DIRECTORS INTERESTS AND TRANSACTIONS WITH RELATED PARTIES**

### **12.1 RELATED PARTY TRANSACTIONS POLICY**

In accordance with Article 2391-*bis* of the Civil Code, the Board of Directors on September 10, 2015 definitively approved the Related Party Transactions Policy governing the execution of Related Party Transactions and ensuring transparency and substantial and procedural correctness in this regard. This Policy was preliminarily approved by the Board of Directors and the Shareholders' Meeting on June 17, 2015. The text, as approved by the Board of Directors and the Shareholders' Meeting of the company on June 17, 2015, was subsequently amended to incorporate comments issued by Consob and was definitively approved by the Board of Directors on September 10, 2015.

The above Policy was approved in compliance with the Related Parties Regulation, with effect from the Listing Date and was subsequently subject to, following the efficacy of their respective appointments, an Independent Directors' opinion, meeting as the relevant committee in accordance with the Related Parties Regulation.

The policy governs the undertaking of transactions directly by the company, or through subsidiary companies, with counterparties defined as "related parties". In accordance with the Related Party Transactions Policy, a "**Related Party**" is a party that:

- (a) directly or indirectly, also through "Subsidiaries", trustees or nominees:
  - (i) "controls" the company, or is "controlled" by it or subject to common "control";
  - (ii) has an interest in the company that establishes "significant influence";
  - (iii) exercises "joint control" over the company;
- (b) is an "associate";

- (c) is a “joint venture” in which the company has a holding;
- (d) is a key manager of the company or its “parent company”;
- (e) is a “Close Family Member” of a party at the preceding letters (a) or (d);
- (f) is an entity in which one of the parties at (d) or (e) exercises “control”, “joint control” or “significant influence” or holds, directly or indirectly, a significant holding – in any case not less than 20% of the voting rights;
- (g) is a supplementary, collective or individual pension fund, Italian or overseas, created on behalf of company employees, or any other related entity.

The Related Party Transactions Policy defines “**Related Party Transactions**” as those involving the transfer of resources, services or obligations between related parties, regardless of whether a price is charged. This includes: (i) mergers, spin-offs for incorporation or non-proportional spin-offs, where carried out with Related Parties; (ii) all decisions relating to the allocation of remuneration or benefits, in any form, to members of the corporate boards and “Key Management Personnel”.

The Policy distinguishes between “Minor Transactions”, “Significant Transactions”, “Less Significant Transactions” and “Ordinary Transactions” as follows:

**Minor Transactions:** Transactions with Related Parties expected to result in maximum consideration or a maximum value of not greater than, for each transaction, Euro 200,000, also in the case of Transactions with Related Parties of a similar nature with the same party or within a series of similar transactions, considered cumulatively.

**Significant Transactions:** those transactions where one or more of the significance thresholds (value of the transaction, assets, liabilities), applicable depending on the specific transaction, exceeds 5%.

**Less Significant Transactions:** Transactions with Related Parties other than Significant Transactions and Minor Transactions.

**Ordinary Transactions:** Transactions with Related Parties which: (a) take place within the ordinary operations of the company or the related financial activities; and (b) are concluded at conditions which are: (i) in line with those usually undertaken with unrelated parties for transactions of a similar nature, size and risk, (ii) based on regulated tariffs or prices, or (iii) corresponding to those undertaken with parties with which the company is obliged by law to contract at a set price.

As general principles, the Policy establishes that:

- (a) the provisions of the Regulation and the Policy do not apply to Minor Transactions;
- (b) subject to Article 5, paragraph 8 of the Related Parties Regulation, the Related Parties Regulation and Policy do not apply to:

- (i) financial instrument-based remuneration plans approved by the Shareholders' Meeting pursuant to Article 114-bis of the CFA and the relative executory operations;
- (ii) the motions of the Board of Directors concerning the remuneration of directors holding specific offices – other than those motions undertaken in accordance with Article 2389, paragraph 3 of the Civil Code - in addition to “Key Management Personnel”, on the condition that:
  - A. the company has adopted a remuneration policy;
  - B. in the drawing up of the remuneration policy a committee exclusively made up of non-executive directors, the majority of whom “Independent Directors”, was involved;
  - C. the remuneration policy report was put to the consultative vote of the Shareholders' Meeting;
  - D. the remuneration awarded was in line with this policy.
- (iii) Ordinary Transactions, except where concerning Less Significant Transactions, or Significant Transactions, the appointed board must in advance provide information to the Board of Directors and/or a Committee – which may also be the Control and Risks Committee – comprised of at least three Non-related and Non-Executive Directors, the majority of whom Independent Directors;
- (iv) Transactions with Related Parties with or between “Subsidiaries”, also jointly, in addition to those with “Associates”, as long as the other Related Parties of the company do not hold “Significant Interests” in the Subsidiaries or the “Associates” involved in the transaction.

With specific reference to the procedures for the individual categories of Related Party Transactions:

- (a) in relation to the Significant Transactions, the Policy provides, among other matters, that:
  - (i) the Board of Directors exclusively approves these transactions;
  - (ii) the Chief Executive Officer ensures the involvement in the negotiation phase and in the preliminary phase of a Committee composed of at least 3 (three) “Independent and Non-Related Directors”, which may coincide with the Control and Risks Committee;
  - (iii) the Board of Directors deliberates upon the transaction with prior favourable opinion of the above-mentioned Committee, or with the favourable vote of the majority of the “Independent Directors”. The Board of Directors may however approve Significant Transactions, even in the presence of a contrary opinion of the majority of the “Independent Directors”, on the condition that the transaction is authorised by the Shareholders' Meeting, where permitted by the By-Laws, and provided that, where the “Non-Related Shareholders” represent more than 10% of the voting share capital, a majority of such do not vote against;
  - (iv) where on the Board of Directors there are not at least 3 (three) “Independent and Non-Related Directors” the activities at point (ii) and the opinion of the previous point (iii) are respectively undertaken by the Board of Statutory Auditors, by an independent expert or by the “Independent Non-Related Director” present.



- (b) in relation to Less Significant Transactions, the Policy establishes that the Board of Directors and the executive bodies approve such transactions following the issue of a reasoned and non-binding opinion of a committee comprising at least 3 (three) “Non-related Directors” and non-executive, a majority of whom “Independent Directors” (possibly comprising the Control and Risks Committee), or, where the Board of Directors does not include at least 2 (two) “Independent and Non-related Directors”, by the Board of Statutory Auditors, an independent expert or any “Independent Non-related Director” present.

The main provisions of the Policy in terms of the approval process in addition concern: (i) that the above-stated committee and the competent body approving the transaction should be provided appropriately in advance complete and adequate information on the Related Party Transaction; (ii) the information provided should permit this committee or the competent body to deliberate upon the transaction and carry out an extensive and documented review, in the investigatory and approval phase, of the reasons behind the transaction, in addition to the appropriateness and substantial correctness of its conditions; the documentation prepared should contain objective elements for comparison where the conditions of the Related Party Transaction are defined as equivalent to market or standard conditions; (iii) the Related Party Transaction is considered by the competent body only after the issue of a reasoned opinion by the committee considering the interest of the company in the transaction, in addition to the appropriateness and substantial correctness of the conditions of the transactions; (iv) the appointed committee has the right to be assisted by, at the expense of the company, one or more independent experts of its choice; (v) the executive bodies provide complete disclosure, at least quarterly, to the Board of Directors and to the Board of Statutory Auditors on the execution of Less Significant Transactions; (vi) the minutes of the approval deliberations report adequate reasoning with regards to the transaction’s execution, in addition to the appropriateness and the substantial correctness of the relative conditions.

In addition, the Policy contains specific provisions: (i) on obligatory market disclosure relating to the Related Party Transactions to be undertaken and/or realised; (ii) governing the approval of Related Party Transactions to be considered by the Shareholders’ Meeting; (iii) the adoption of framework resolutions which permit the approval of a series of Related Party Transactions of a similar nature to be undertaken with the same Related Parties or certain categories of Related Parties.

## **12.2 CONFLICTS OF INTEREST MANAGEMENT POLICY**

The Board of Directors of Space2 approved the adoption of a “Conflicts of Interest Management Policy”, in compliance with Article 2.2.43, paragraph 12 of the Stock Exchange Regulation, which: (i) identifies the circumstances which give rise or may give rise to a situation of possible conflict of interest in relation to a decision by the company to undertake a Significant Transaction; and (ii) sets out the procedures and organisational measures to be adopted for the management of such conflicts, subject to application to the company of the Related Parties Regulation.

In accordance with the Conflicts of Interest Management Policy, a conflict of interest is presumed to exist, unless proven otherwise, on the occurrence of one or more of the following circumstances:

- (a) the execution of a Significant Transaction with a Covered Person or an Affiliated Party to one of the Covered Persons, or with any of the banks participating in the Offer placement consortium or the other parties involved in the Offer appointed by the company, or with any of their Affiliated Parties;
- (b) the execution of a Significant Transaction with a Related Party to the company, by a Covered Person, or by an Affiliated Party to the company or a Covered Person;
- (c) the acquisition of goods or services by the company where the counterparty is a Covered Person or an Affiliated Party to the company or a Covered Person;

where “**Covered Party**” concerns the shareholder Space Holding S.r.l., its directors and any other party appointed by the Board of Directors to implement the investment policy of the company, while “**Affiliated Party**” concerns: (a) any physical or legal person who directly, or indirectly, through subsidiaries, trustees or nominees: (i) controls the party, is controlled by it, or is subject to common control, while “control” shall have the meaning defined by Article 2359 of the Civil Code; (ii) possesses a holding in the party which permits significant influence over this latter or exercises significant influence over the party on the basis of particular contractual restrictions in place; (iii) exercises control over the party jointly with other parties; (b) is an associate of the party in accordance with Article 2359 of the Civil Code; (c) is a joint venture in which the party is involved; (d) is a member of the Key Management Personnel of the company or its parent company; (e) is a close family member of one of the parties at letters (a) or (d); (f) is an entity in which one of the parties at letters (d) or (e) exercises control, joint control or significant influence or holds, directly or indirectly, a significant holding and however not less than 20% of voting rights.

The Policy contains therefore an example list of cases which the corporate boards should particularly take into consideration in identifying possible situations of conflict of interest regarding Covered Persons in relation to a Significant Transaction and contains, finally, criteria for the identification of further possible conflicts of interests with regards to (i) the search and selection of a potential “Target” and (ii) and the negotiation and execution of a Significant Transaction.

In order to avoid conflicts of interest, or to minimise the impact of such on the company, the Conflicts of Interest Management Policy requires compliance with the following preventative measures:

- (i) the Directors of the company other than the Independent Directors do not have - nor will they have until completion of the Significant Transaction - any obligation to present to a third party an investment opportunity with priority over the Company;
- (ii) the Directors of the company may not undertake any activities or any initiative which may, directly or indirectly, hinder or impede approval of the Significant Transaction by the company’s Shareholders’ Meeting;
- (iii) the Covered Persons and the Affiliated Parties should not vote in favour of the proposed Significant Transaction at the Shareholders’ Meeting using any company shares acquired;

- (iv) except in respect of the services contract between Space2 and Space Holding S.r.l., the Covered Persons and the respective Affiliated Parties may not receive any remuneration - other than fees and expense reimbursements in favour of the directors on the basis of office - for scouting activities, consultancy or for other related services, with regards to company activities, including the search for the “Target” and the review of possible Significant Transactions;
- (v) the hiring of company senior management is reserved to the Board of Directors;

and the following procedural measures:

- (i) decisions with regards to the proposal to the Shareholders’ Meeting of a Significant Transaction are reserved to the Board of Directors and may not be delegated;
- (ii) the Chief Executive Officer or the Executive Committee draws up proposals for the Board of Directors with regards to one or more potential “Targets”, or one or more potential Significant Transactions;
- (iii) following a proposal to the Chief Executive Officer or the Executive Committee in accordance with the preceding paragraph (vi), the Board of Directors may submit the potential Significant Transaction for the approval of the company’s shareholders only following the favourable vote of two-thirds of the Board of Directors;
- (iv) where a director has, on their own behalf or on behalf of third parties, an interest in a potential Significant Transaction, they should: (a) disclose such to the other members of the Board of Directors (informing them in particular upon the nature, terms, origin and extent of the interest); (b) in the case in which the director’s interest is in conflict with that of the company, abstain from participating in the discussion and voting upon the above-mentioned transaction; and (c) where concerning a Chief Executive Officer, abstain from executing the transaction and involve the entire Board; this Director will however be considered in the calculation of the quorum for the constitution of the Board meeting;
- (v) for the cases at paragraph (ix) above, the Board of Directors’ motion should adequately cite the reasons and benefits for the company from the transaction.

In the case of a **Sensitive Transaction**, i.e. any Significant Transaction undertaken by the company: (a) with a Covered Person; (b) with an Affiliated Party to - or who has received funding from - a Covered Person, or any of the Affiliated Parties of Covered Persons or any entity in which the Directors are on the board; (c) with any of the banks participating in the “Offer” placement consortium or other parties involved in the “Offer”, or with one of their Affiliated Parties, the following prevention measures should be applied:

- (a) a Sensitive Transaction may be approved only where the Board of Directors has obtained the favourable opinion of the Control and Risks Committee concerning the interest of the company in execution of the transaction and on the benefit and substantial correctness of the relative conditions;

- (b) the Board of Directors may approve a Sensitive Transaction only with the favourable vote of at least two-thirds of company directors, while this qualified majority should include the favourable vote of at least 2 (two) independent directors.

### **13. APPOINTMENT OF STATUTORY AUDITORS**

The Board of Statutory Auditors comprises 3 (three) statutory auditors and two alternate auditors, appointed on the basis of slates presented by shareholders.

Slates for the election of statutory auditors may be presented by shareholders who, at the time of presentation of the slate, hold - alone or together with other shareholders - a shareholding that is at least equal to that determined by Consob in accordance with applicable laws and regulations. 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 25 (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 21 (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 statutory auditor and one or more candidates for the position of alternate auditor. The names of the candidates are divided between each section (statutory auditors section, alternate auditors section) by progressive numbering 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 (three), 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.

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.

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 list is reduced by half.

The procedure for electing statutory auditors is as follows: *(i)* from the slate that obtained the largest number of votes (**Majority Slate**) taken in the progressive order in which they appear 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, 3 (three) statutory auditors and 2 (two) 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 under-represented gender.

They are appointed for a period of (3) three years (and may be re-elected), which concludes 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 as per the procedures provided above, the 3 (three) statutory auditors and the 2 (two) alternate auditors will be appointed by the shareholders' meeting through statutory majority, 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 (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER D), CFA)**

On May, 28, 2015, on incorporation of the company, Messrs. Pier Luca Mazza (as Chairman), Marco Giuliani and Virginia Marini, as Statutory Auditors, and Messrs. Simona Valsecchi and Fabio Massimo Micaludi as Alternate Auditors, were appointed.

The Board of Statutory Auditors shall remain in office until the date of the Shareholders' Meeting called for approval of the 2017 Annual Accounts. The slate voting mechanism (described at Article 13 above) shall be applied on renewal of the Board of Statutory Auditors by this Shareholders' Meeting.

The members of the Board of Statutory Auditors are presented at Annex D.

The table at Annex E indicates the positions currently held by members of the Board of Statutory Auditors of Space2.

\* \* \*

In 2016, the Board of Statutory Auditors held 6 meetings.

One Board of Statutory Auditors meeting has been held so far in 2017.

In accordance with the recommendations of the Self-Governance Code, the Board of Statutory Auditors oversees the financial disclosure and auditing process, in particular with regards to the provision of non-audit services. The statutory auditors should liaise with the Control and Risks Committee in executing its duties.

On July 28, 2015, the statutory auditors assessed the independence of its members in accordance with applicable regulations.

\* \* \*

At the reporting date, the Chairman of the Board of Directors has not undertaken actions so that the statutory auditors may participate in, subsequent to appointment and during their mandate, initiatives to provide them with an adequate knowledge of the sector of activity in which the Issuer operates, of the business operations and its performance, as well as the regulatory framework.

**15. RELATIONS WITH SHAREHOLDERS**

The company, in accordance with Principle 9.P.1 of the Self-Governance Code, considers the Shareholders' Meeting as an important opportunity for the interfacing of shareholders and directors and, consequently, adopts measures supporting participation at the Shareholders' Meeting and the exercise of voting rights by shareholders. In this regard, Article 8 of the By-Laws (in accordance with Article 2369 of the Civil Code) establishes that the Shareholders' Meetings are held in single call and Article 10 (in accordance with Article 135-*undecies* of the CFA) establishes that the company may appoint, for each Shareholders' Meeting, through appropriate indication in the call notice, a party ("designated representative of the company") to whom shareholders can confer proxy, with voting instructions on all or any proposals on the Agenda, in accordance with the legally established terms and means.

In accordance with Application Criteria 9.C.1 of the Self-Governance Code, relations with institutional investors are however 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.

For 2015, the company appointed ICorporate S.r.l. to carry out the Investor Relator role and provide operating support for the Issuers' financial communication and investor relations activities.

On March 1, 2016, the company withdrew the appointment of ICorporate S.r.l., appointing the company Community Strategy Communication Advisors as the Investor Relator.

Information considered of significance for shareholders, corporate accounting documents, financial press releases, policies, codes and any other significant information concerning the company are published in the Investor Relations and Corporate Governance Sections of the company website ([www.space2spa.com](http://www.space2spa.com)).

## **16. SHAREHOLDERS' MEETINGS**

In accordance with Article 8 of the By-Laws, the Shareholders' Meeting meets in single call and is constituted and passes motions by statutory majority. Until the effective date of the Significant Transaction, the Shareholders' Meeting motions concerning the distribution of profits and/or available reserves should be approved also by a special Shareholders' Meeting of holders of special shares, in accordance with Article 2376 of the Civil Code.

As per Article 8 of the By-Laws, the Shareholders' Meeting deliberates upon matters reserved to it by law and the By-Laws. The Shareholders' Meeting considers authorisation of the following actions by the Board of Directors: *(i)* execution of the Significant Transaction; *(ii)* use of the amounts deposited in the escrow account set up by the company in accordance with the Stock Exchange Regulation for execution of the Significant Transaction; and *(iii)* the obtaining of loans and the granting of guarantees.

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.

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: (i) 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; (ii) the person taking the minutes is able to adequately observe the events of the Shareholders' Meetings that are to be minuted (iii) the participants are able to follow the discussion and vote simultaneously on the matters on the agenda; (iv) this method is provided for in the call notice of the Shareholders' Meeting which states, in addition, the places to be attended.

On June 17, 2015, the Shareholders' Meeting, as per Application Criteria 9.C.3 of the Self-Governance Code, approved a Shareholders' Meeting Regulation to govern the holding of Shareholders' Meetings and ensure compliance with the recommendations of the above Application Criteria. This Shareholders' Meeting Regulation establishes, among other matters, that:

- (i) 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;
- (ii) 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;
- (iii) 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;



- (iv) before voting commences, the chairman readmits to the Shareholders' Meeting any persons excluded during the discussion in accordance with the regulation;
- (v) 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.

**17. ADDITIONAL CORPORATE GOVERNANCE PRACTICES**

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 SUBSEQUENT YEAR-END**

No changes have been made to the Corporate Governance structure since year-end.

## **Annex A**

### **Powers granted to the Chief Executive Officer**

#### **Correspondence and other documents**

1. sign correspondence of the company;
2. issue, sign and endorse invoices and debit and credit notes and receive them;
3. sign and issue bills of lading, transport documents and receive them;

#### **Administrative practices**

4. request postal drafts, providing the relative receipts;
5. receive from post, telegraph, custom, rail, transport and shipping companies, and in general any public office, or any company or factory, money orders, packages, letters, including registered, and insured with declarations of value, goods, money, etc., issuing acknowledgments and receipts;
6. provide and accept guarantee deposits;
7. carry out customs clearance operations, issuing and withdrawing the required deposits, undertaking any other actions with the Customs Offices and signing any required documentation with regards to such activities;
8. carry out all actions necessary to initiate, pursue and conclude the registration of company intellectual property rights, in addition to the maintenance of these rights; sign all appropriate documentation for execution of the above assigned faculties, appointing in this regard agents and representatives in Italy and overseas and conferring the relative mandates;
9. complete with the public administration, entities and public offices, all of the deeds and necessary operations to obtain concessions, licences and authorisations in general. Fulfil obligations, including those related to production and consumption taxes and revenue and monopoly duties;
10. make any types of deposits and withdrawals from post offices, banks, credit institutions, revenue offices, at the central and local offices of the Cassa Depositi e Prestiti, customs, State and Private Rail Companies, transport and shipping companies etc.;

#### **Commercial contracts**

11. except for that indicated at point 12 below, exclusively approve, through stipulating all appropriate clauses, including those concerning arbitration, amendment and resolution, contracts or purchase or disposal deeds of goods and services, or other investments and contracts or operations for an amount not exceeding Euro 100,000.00 (or its equivalent in a differing currency) by individual transaction or series of related transactions, including those listed below:
  - (i) contracts for hire, transport, subcontracting, loan, supply, works, consultancy and concerning the provision of services and the supply of goods in general;

- (ii) contracts for the sale and/or exchange of goods, machinery and vehicles, and in general, any other movable property, establishing the conditions and prices, also as final settlement;
- (iii) brokerage, commission, shipping contracts;
- (iv) contracts concerning works on behalf of third parties;
- (v) insurance contracts of any type, signing the relative policies with power also to settle and request, in the case of a claim, the relative indemnity, issuing acknowledgments to the competent authorities, settling any other indemnity due to third parties for any type of claim;
- (vi) contracts for the lease of movable or immovable assets, also with duration in excess of nine years;
- (vii) finance leases concerning immovable and movable assets, also filed at public registers in Italy and overseas, including the faculty, on conclusion, for redemption, replacement or extension of the lease;
- (viii) factoring contracts;
- (i) jointly with, alternatively, the Chairman of the Board of Directors, Edoardo Subert and Carlo Pagliani, stipulate all appropriate clauses, including for arbitration, amendment or resolution concerning:
  - (ii) contracts or acquisition or disposal deeds for assets or services, or other investments, contracts or operations for amounts between Euro 100,001.00 (or its equivalent in a differing currency) and Euro 500,000.00 (or its equivalent in a differing currency) for each individual transaction or series of related transactions, including those listed at point 11 above;
  - (iii) license contracts;
  - (iv) distribution and agency contracts.

#### **Funding and currency transactions**

- 13. sign currency declarations concerning import and export operations issued by the Bank of Italy and certified lending enterprises, for the currency regulation of such, and in particular sign the forms required for the simplified customs procedure;
- 14. open and close bank and postal current accounts in the name of the company, both in the domestic currency and foreign currencies;
- 15. transfer between differing company accounts monies in foreign currencies and bank transfers, also received from overseas;
- 16. make payments and withdrawals of cash or issue cheques for amounts not exceeding Euro 100,000.00 at banks and credit institutions. For amounts between Euro 100.001.00 and Euro 500,000.00, these powers may be exercised only jointly with the chairman;
- 17. apply at banks or other financial intermediaries for loans in any form (in particular, but without limitation, open credit lines, loans, advances on securities, invoices and goods, discounts, factoring), or currency and interest rate hedging operations without recourse to

derivative instruments, where such operations do not involve for the company the undertaking of obligations (in terms of financial charges or guarantees or loan amounts), exceeding Euro 100,000.00 per individual transaction;

18. organise the sale or purchase of currencies concerning import and export operations;
19. sign sureties in favour of third parties in the interest of subsidiary companies, complying with the corporate scope and for amounts not exceeding Euro 100,000.00 for each guarantee;
20. undertake any bill of exchange obligation, issue bills of exchange, in Euro or in foreign currencies in favour of suppliers for payment for raw materials, machinery, stock, accessory materials in general and services in satisfaction of company requirements, where such transactions do not involve for the company the undertaking of obligations exceeding the amount of Euro 100,000.00 per individual transaction;
21. in addition, make payments, liquidate accounts, asset and liability items, in addition to invoices, also as final settlement, purchase securities and values, issuing receipts and full payments and both with private and public sector parties and public bodies in general, also through bankers' drafts, utilising cash and cash equivalents and overdrafts in usage of company credit lines, up to a maximum amount of Euro 100,000.00 per individual payment;
22. cede "*without recourse*" and/or "*with recourse*" receivables of the company to any parties and accept the ceding of receivables in any form from third parties, although such operations should not involve for the company the undertaking of obligations exceeding the amount of Euro 100,000.00 per individual receivable;

#### **Credit collection**

23. request receivables, receive and withdraw amounts and values of any type from any treasury, entity or person, issuing receipts and discharges, granting extensions and payment discounts;
24. issue payable requests;
25. issue deeds of formal notice and overdue payment complaints;
26. issue executive and preventative deeds, obtaining injunctions, enforcements, sequestrations and attachments, filing forced mortgages and the resale of goods, also at third parties and the withdrawal of such deeds;
27. presents bankruptcy applications, make the relative creditor propositions, declaring their real existence, vote in creditor proceedings, make final and partial settlements, intervene in control administration procedures, implementing all acts regarding such procedures;

#### **Personnel**

28. undertake the hiring and/or contract resolution of personnel (both temporary and fixed term), establishing the relative duties and all necessary conditions in accordance with applicable contractual rules, with a limit, for each individual hire or resolution of contract, of Euro 100,000.00 as gross annual remuneration;

29. represent the company in negotiations with trade unions and worker representative unions, with the power to sign trade union agreements with the trade union representatives and the workers' unions, as well as settlements with trade union management;
30. represent the company in dealings with any authority, Entity or institution with regards to employment matters, in addition to all social security and insurance institutions, ensuring compliance with applicable employment law;
31. sign, amend and resolve contracts with collaborators and contracts for amounts not greater than Euro 100,000.00 per individual contract. For amounts between Euro 100.001.00 and Euro 500,000.00, these powers may be exercised only jointly with the chairman;
32. oversee and ensure the correct application by company personnel of the legal and/or regulatory requirements concerning the prevention of accidents, workplace health and safety and workplace hygiene;
33. appoint persons responsible for security, in application of legal and/or regulatory obligations, to be identified by the chairman both internally (as managers of the company's organisational units) and externally (as representatives of other companies), assigning them the necessary duties;
34. sign the declarations of remuneration subject to withholding tax to be issued to third parties, in accordance with Article 7-*bis* of Presidential Decree No. 600 of September 29, 1973 and subsequent amendments and supplements;
35. undertake all actions necessary in fulfilment of the legal and good practice requirements, setting out that required in terms of health, safety, environment and public safety and the requirements arising as an employer;

#### **Handling of personal data**

36. guarantee and fulfil that required by Legislative Decree No. 196 of June 30, 2003 (Data protection code), including the appointment of persons responsible for the handling of personal data, to be identified by the chairman both internally (as managers of the company's organisational units) and externally (as representatives of other companies assigned the handling of personal data on behalf of the company), conferring them the necessary duties and instructions in compliance with the previously stated Legislative Decree;

#### **Appointment of attorneys and conferment of proxy**

37. confer proxies and appoint attorneys for individual deeds or categories of deeds, as part of the powers devolving, in addition to overseeing their revocation;

#### **Representation**

38. within the limits of the powers conferred, the Chief Executive Officer shall be granted representation of the company and, in particular, shall:
  - (i) represent, for all purposes, the company in dealings with Civil, administrative, legal, social security and insurance authorities or entities at any level, in addition to relations with tax and registry offices and in general with the Tax Authorities,

central and peripheral offices of Cassa Depositi e Prestiti, the Treasury of the State, the Regions, Provinces and Municipalities, in addition to Regional or Sector Industrial Associations;

- (ii) represent the company both in terms of instigated and defended legal cases, at all levels, both ordinary and administrative and also on Appeal and revocation, with the faculty to appoint or dismiss attorneys and attorneys-of-record, arbitrators, including those mutually appointed, and experts; accept and sign clauses establishing exceptions to scope and jurisdiction;
- (iii) challenge judgments, decrees, ordinances, decisions; make claims, declarations, complaints and undertake actions; apply for executive and injunction deeds; represent the company at any bankruptcy or other administration procedure, also for the presentation of requests to bankruptcy procedures, and promote, where applicable, the declaration, attending creditor meetings, participating in the appointment of supervisory delegations, accept and execute the position, declaring the receivables of the company as true and correct, voting in favour or against applications for administration or bankruptcy and accept and reject administration proposals;

subject to the assignment of the powers at the present point 38, the right at issue has a set value not exceeding the amount of Euro 100,000.00;

- 39. the Chief Executive Officer may in addition represent the company in consortiums and associations to which it belongs.

**Annex B**  
**Structure of the board of directors and committees**

Board of Directors											Control and Risks Committee	
Office	Member	In office from	In office until appr. fin. stats.	Slate (M/m/NA)*	Exec.	Non-exec.	Ind. (Civil Code)	Ind. (CFA)	**	No. oth. offices ***	****	**
Chairman	Gianni Mion	28/05/15	31/12/17	N/A		X			100%	6		
Chief Exec. Officer	Roberto Italia	28/05/15	31/12/17	N/A	X				83%	10		
Director	Carlo Pagliani	28/05/15	31/12/17	N/A		X			100%	4		
Director	Edoardo Subert	28/05/15	31/12/17	N/A		X			100%	2		
Director	Francesca Prandstraller	17/06/15 *****	31/12/17	N/A		X	X	X	33%	2	X	100%
Director	Margherita Zambon	17/06/15 *****	31/12/17	N/A		X	X	X	100%	20	X	100%
Director	Alberto Amadio Tazartes	17/06/15 ***** *****	27/01/2016	N/A		X	X	X	66%	4	X	100%
Director	Gabriele Villa	28/01/16 *****	31/12/17	N/A		X	X	X	100%	8	X	100%
DIRECTORS RESIGNING DURING THE YEAR												
Alberto Amadio Tazartes												
Quorum required for the presentation of slates of latest appointment: N/A												
Number of meetings held in the year	Board of Directors: ...						Control and Risks Committee: ...					

\*In this column M/m is indicated according to whether the member was elected by the majority (M) or minority (m) slate. N/A= Not applicable

\*\* This column indicates the attendance of directors at Board and committee meetings (no. of attendances/no. of meetings held during the directors' effective term of office).

\*\*\* This column indicates the number of directorships or statutory auditor appointments held in other companies listed on regulated markets, including overseas companies, and non-listed companies, and in financial, banking or insurance companies and companies of a significant size. The list of the companies with reference to each director, indicating whether the company in which the office is held is a member of the group or of the Issuer, is attached to the Report.

\*\*\*\*This column indicates with an "X" whether the member of the BoD is a member of the Committee.

\*\*\*\*\* The Independent Directors were appointed on June 17, 2015, with Shareholders' Meeting motion subject to the Listing's completion.

\*\*\*\*\* On January 27, 2016, the Independent Director Mr. Alberto Amadio Tazartes resigned from the Board. On January 28, 2016, the Board of Directors co-opted Gabriele Villa to replace the resigning director.

\* \* \*

A brief curriculum vitae of each of the directors is provided below, indicating their skills and management experience.

#### ***Gianni Mion***

Gianni Mion received a degree in Economics and Commerce from the University of Venice in 1966. He began his career at Peat Marwick Mitchell (now part of KPMG) as an auditor at the Rome and Chicago offices between 1967 and 1973. In 1973, he joined Mc Quay Europa S.p.A. as a controller and after one year moved to Gepi S.p.A., at which he held various managerial roles until 1983, becoming a member of the board at Fintermica S.p.A. and in 1985 the Chief Financial Officer of Marzotto S.p.A..

In 1986, he became the Chief Executive Officer of Edizione Holding, the Benetton family holding company and in 2012 was appointed Executive Vice Chairman.

#### ***Roberto Italia***

Roberto Italia graduated in Economics and Commerce *magna cum laude* from the LUISS, Rome in 1990 and began his career with the STET/Telecom Italia group. After achieving an MBA With Distinction in 1994 from INSEAD, Fontainebleau, he began working in the private equity sector, in which he continues to work, firstly with Warburg Pincus, thereafter with Henderson Private Capital and following that with the European group Cinven and today manages an advisory company in Italy.

Roberto Italia is a director at many Italian and overseas companies and non-profit organisations, including the AIFI, the Italian association of venture capital and private equity.



### ***Carlo Pagliani***

Carlo Pagliani graduated in Business Economics from the Luigi Bocconi University of Milan in 1985. He began his career at Hambros Bank, PLC in London, within the Capital Markets Department. In 1988, he was hired by Paribas Capital Markets in London, where he began to follow Italian clients in the Debt Capital Markets Division, thereafter moving to Milan, joining Banque Paribas as Vice General Manager and in 1995 the Executive Committee of the bank in Italy, with responsibility for Investment Banking. In 1998, he joined Morgan Stanley as an Executive Director within the Investment Banking Department. In 2000, he was appointed Managing Director with responsibility for the Investment Banking of Italian family Groups. In 2012, he became a Senior Advisor, a position which he stills holds.

Carlo Pagliani has been a member of the Strategic Committee of the Umberto Veronesi Foundation since 2012.

### ***Edoardo Subert***

Edoardo Subert was awarded a first-class honours degree in Business Economics from the Luigi Bocconi University of Milan in 1985. He began his career with Cast, a managerial consultancy firm founded by a number of leading Bocconi professors. In 1987, he joined Citibank, undertaking various Investment Banking Department roles, becoming a Director of the M&A team. In 1990, he moved to Rothschild, first in London as the manager of the Italian Desk and thereafter in 1993 to Milan, becoming a director and managing director with responsibility for various sectors, including FIG and Utilities, in addition to a Rothschild Group level Partner. He continued his career at Rothschild from 2013 as a Senior Advisor at the Investment Banking Department in Milan.

### ***Francesca Prandstraller***

Graduating in Philosophy from the University of Padua, she received a Master of Arts in Communication, Culture and Technology from the Georgetown University in Washington D.C. and in Corporate Organisational Management from the CUOA Foundation (the University Consortium of Business Organisation) in Vicenza. She has more than twenty years of experience in the Human Resources sector; she has worked in the Human Resources Department of large businesses in Veneto and thereafter as a consultant at the CUOA Foundation (University Consortium of Business Organisation of Vicenza) and with many major Italian companies, becoming thereafter a lecturer at a number of Universities (Padua, Venice and Milan Bicocca). In 2010, she became a lecturer at the L. Bocconi Commercial University in Milan at the Department of Management and Technology. She is the author of a number of articles and books on Human Resources related issues.

### ***Margherita Zambon***

Margherita Zambon received a Political Economy Degree from the Bocconi University in 1984. After gaining experience at Montedison as an analyst with involvement in financial strategy assessments of Group operations, in 1988 she joined the family business.

Margherita Zambon is Chairperson of Zambon company S.p.A., the industrial holding company of the chemicals-pharmaceutical multinational founded in Vicenza in 1906 and present in 15 countries. She is also a director of the main Group companies, of the Zoé Foundation (Zambon Open Education) dedicated to spreading awareness upon health-related issues and of Secofind SIM S.p.A., the multifamily office for business families and

institutional investors. Since May 2012, she has been a director of the La Scala Theatre Foundation.

***Alberto Tazartes***

Alberto Tazartes was awarded a Bachelor of Science in Economics from the London School of Economics in London in 1980 and thereafter an MBA from Harvard Business School in 1984. Between 1984 and 1989, he was a Manager at the Boston Consulting Group, in Paris and in Milan. In 1989, he joined BC Partners, a manager of European Private Equity funds, becoming Managing Partner and executing various investments in Italy. Since 2007, he has been a Director of the De Agostini Foundation in Novara.

***Gabriele Villa***

Associate Professor at the Catholic University of Milan; Independent Director of Space2 S.p.A.

Gabriele Villa is an Associate Professor at the Faculty of banking, financial and insurance sciences of the Sacred Heart Catholic University of Milan, Chair of Financial Disclosure and international accounting standards. Gabriele Villa is a registered accountant-auditor and a partner at the Crostarosa Guicciardi-Villa Firm.

He is a Statutory Auditor at a number of companies, including Mediobanca and Salini Impregilo. He is an Auditor of the La Scala Theatre Academy Foundation.

## Annex C

### Offices held in other companies by directors

NAME	COMPANY	OFFICE IN THE COMPANY OR HOLDING
Gianni Mion	Banca Popolare di Vicenza S.p.A.	Chairman of the Board of Directors
	F.I.L.A. S.p.A.	Chairman of the Board of Directors
	Il Gazzettino S.p.A.	Director
	Space3 S.p.A.	Chairman of the Board of Directors
	Immobiliare Cewa S.r.l.	Director
	Space Holding S.r.l.*	Director
Roberto Italia	Space3 S.p.A.	Chief Executive Officer
	Cinven S.r.l.	Chairman of the Board of Directors
	Cinven Luxco 1 S.A.	Director
	Cinven Luxco 2 S.A.	Director
	Digivalue Media S. ar.l.	Director
	FCP Manco S.a.r.l.	Director
	Lastminute.com Group B.V.	Director
	Red Black Capital S.A.	Director
	Solar Investment Group B.V.	Director
Space Holding S.r.l.*	Director	
Carlo Pagliani	Umberto Veronesi Foundation	Director

	Redinvest Leaf S.r.l.	Director
	Space3 S.p.A.	Director
	Space Holding S.r.l.*	Director
Edoardo Subert	Space Holding S.r.l.	Director
	Space3 S.p.A.	Director
Francesca Prandstraller	F.I.L.A. S.p.A.	Director
	Space3 S.p.A.	Director
Margherita Zambon	Angama S.r.l.	Director
	Cleops S.r.l.	Director
	Chimi S.a.s. di Margherita Zambon & C.	Sole Director
	Enaz S.r.l.	Director
	La Scala Theatre Foundation	Director
	ZOÈ- Zambon Open Education Foundation	Director
	Gefim S.p.A.	Director
	Itaz S.r.l.	Chairman of the Board of Directors
	Iava S.r.l.	Director
	Secofind SIM S.p.A.	Director
	Space3 S.p.A.	Director
	Zach System S.p.A.	Director
	Zambon S.p.A.	Director
	Zambon Company S.p.A.	Chairman of the Board of Directors
	Zambon Immobiliare S.p.A.	Director
ZETA4 S.r.l.	Director	

	Zeta Cube S.r.l.	Director
	San Patignano Foundation	Director
	De Agostini Foundation	Director
	Zeta-Arts Ltd	Director
Gabriele Villa	Medio Banca di Credito Finanziario S.p.A.	Statutory Auditor
	Edison S.p.A.	Statutory Auditor
	Otis Servizi S.r.l.	Sole Statutory Auditor
	Transalpina di Energia S.p.A.	Statutory Auditor
	Immobiliare Cinca S.r.l.	Statutory Auditor
	Immobiliare Delvin S.r.l.	Statutory Auditor
	Space3 S.p.A.	Director
	Westfield Milan S.p.A.	Chair - Board of Stat. Auditors

\* Space Holding S.r.l belongs to the group which the company is a member of.

**Annex D**  
**Structure of the Board of Statutory Auditors**

<b>Board of Statutory Auditors</b>							
Office	Name	In office from	In office until	Slate (M/m)*	Independence (Self-Governance Code)	** (%)	Number of other offices***
Chair. Board of Statutory Auditors	Pier Luca Mazza	06/10/16	Approval 2018 Annual Accounts	N/A	X	100%	30
Statutory Auditor	Virginia Marini	06/10/16	Approval 2018 Annual Accounts	N/A	X	100%	3
Statutory Auditor	Marco Giuliani	06/10/16	Approval 2018 Annual Accounts	N/A	X	100%	23
Alternate Auditor	Simona Valsecchi	06/10/16	Approval 2018 Annual Accounts	N/A	X		6
Alternate Auditor	Fabio Massimo Micaludi	06/10/16	Approval 2018 Annual Accounts	N/A	X	-	18
STATUTORY AUDITORS RESIGNING DURING THE YEAR							
None							
Quorum required for the presentation of slates of latest appointment: N/A							
Number of meetings held in the year: N/A							

\* In this column M/m is indicated according to whether the member was elected by the majority (M) or minority (m) slate.

\*\* In this column, the attendance percentage of the statutory auditors at the meetings of the Board is indicated (No. of attendances/No. of meetings carried out during the effective period of office of the statutory auditor).

\*\*\* This column indicates the number of offices of director or statutory auditor in accordance with Article 148 bis of the CFA. The complete list of offices held is published by Consob on its website pursuant to Article 144- quinquiesdecies of the Consob Issuers' Regulations.

\*\*\*

A brief curriculum vitae of each statutory auditor follows.

***Pier Luca Mazza***

Pier Luca Mazza, certified accountant and auditor, partner at Studio Pirola Pennuto Zei & Associati, graduated in Economics and Commerce from the University of Bergamo in 1983. In 1987, he qualified as a certified accountant.

After two years with the audit firm Coopers & Lybrand S.p.A., in 1986 he joined Studio Pirola Pennuto Zei & Associati as an accountant. In 2004, he joined also the firm Revisori Associati.

He also provides corporate and tax consultancy and his clients include leading multi-national groups; he is a statutory auditor of a number of companies belonging to major multi-national and Italian groups. Finally, he has been a member of Supervisory Boards as per Legislative Decree No. 231.

***Virginia Marini***

Virginia Marini graduated in Economics and Commerce from the Catholica University of Milan in 2004. She immediately began working with Deloitte and Touche, first as an auditor and thereafter as a tax and corporate consultant. In 2001, she joined the firm M&M Associati.

***Marco Giuliani***

Marco Giuliani graduated in Business Economics from the Luigi Bocconi University of Milan in 1985. He began his career at A. Andersen, firstly in the auditing department and thereafter in the tax department. Subsequently in 1990 he set up the Tax practice department at Deloitte, which thereafter in 2003 was integrated with the equivalent Andersen department under the international merger. Since February 2005 he has been the Co-managing Partner, in addition to the senior international partner of the Deloitte (STS) Tax Firm. Subsequently, he set up with his colleague Guido Pignanelli and 12 others the MGP Studio Tributario firm.

***Simona Valsecchi***

Simona Valsecchi graduated in Business Economics from the Catholica University of Milan in 1992. Following her degree, she worked with Deloitte Touche first as an auditor and thereafter with the tax team, where she remained until 2004 when she transferred to Terrin e Associati, managing the Milan office. In 2006, she joined the CMS – Adonnino Ascoli, Cavasola Scamoni firm.

***Fabio Massimo Micaludi***

Fabio Massimo Micaludi graduated in Business Economics from the Bocconi University in Milan in 1987 and has been enrolled at the Certified Accountant's Register of Milan since 1991, in addition to the Auditor's Register since 1995. He is a member of the Finance and Management Control Commission of the OEDCEC of Milan.

After gaining experience at Arthur Young & company (now Ernst & Young), in 1990 he became the Chief Financial Officer of the Editoriale Sugar – Messaggerie Musicali group. In 1993, he moved to Dia Distribuzione S.p.A. – Gruppo Promodes (now Carrefour), becoming the Chief Financial Officer. Since 1998, he has been a partner with Studio Commercialisti Associati, thereafter founding in 2000, together with other partners, the Galli, Madau, Micaludi, Persano, Adorno & Villa Firm. In January 2010, he founded the MM & Associati Dottori

Commercialisti firm, specialising in corporate, tax and accounting, particularly with regard to corporate operations, management consultancy and operational controls.



## Annex E

### Offices held in other companies by statutory auditors

NAME	COMPANY	OFFICE IN THE COMPANY
Pier Luca Mazza	Convergys Italy S.r.l.	Chair - Board of Stat. Auditors
	DS Smith Holding Italia S.p.A.	Chair - Board of Stat. Auditors
	DS Smith Packaging Italia S.p.A.	Chair - Board of Stat. Auditors
	DS Smith Paper Italia S.r.l.	Sole Statutory Auditor
	Equibox Holding S.p.A.	Chair - Board of Stat. Auditors
	Farmaceutici Formenti S.p.A.	Chair - Board of Stat. Auditors
	Grunenthal Italia S.r.l.	Chair - Board of Stat. Auditors
	Habasit Italiana S.p.A.	Statutory Auditor
	Itron Italia S.p.A.	Statutory Auditor
	Kraton Polymers Italy S.r.l.	Chair - Board of Stat. Auditors
	Metso Italy S.p.A.	Chair - Board of Stat. Auditors
	New Mills S.p.A.	Statutory Auditor
	Olvan S.p.A.	Statutory Auditor
	Paul Wurth S.p.A.	Chair - Board of Stat. Auditors
	Paul Wurth Energy S.r.l.	Chair - Board of Stat. Auditors
	Pavan Holding S.p.A.	Statutory Auditor
	Pepsico Beverages Italia S.r.l.	Sole Statutory Auditor
	Rexel Italia S.p.A.	Statutory Auditor
	Sasol Italy S.p.A.	Statutory Auditor
	Sca Hygiene Products S.p.A.	Chair - Board of Stat. Auditors

	Sintonia S.p.A.	Statutory Auditor
	Stannah Montascale S.r.l.	Chair - Board of Stat. Auditors
	Space3 S.p.A.	Chair - Board of Stat. Auditors
	Sun Chemical Group S.p.A.	Statutory Auditor
	Tempur Italia S.r.l.	Chair - Board of Stat. Auditors
	UPM Kymmene S.r.l.	Sole Statutory Auditor
	Valvorobica Industriale S.r.l.	Statutory Auditor
	VF Italia S.r.l.	Sole Statutory Auditor
Virginia Marini	Avio S.p.A.	Alternate Auditor
	Markab Group S.p.A. - in Liquidation	Statutory Auditor
	Space3 S.p.A.	Statutory Auditor
	Rhiag Group S.p.A.	Alternate Auditor
Marco Giuliani	2i Rete Gas S.p.A.	Statutory Auditor
	Axopower S.r.l.	Chair - Board of Stat. Auditors
	Banca Esperia S.p.A.	Statutory Auditor
	Banca Mediolanum S.p.A.	Statutory Auditor
	Belmond Investimenti S.p.A.	Sole Statutory Auditor
	Belmond Italia S.p.A.	Chair - Board of Stat. Auditors
	BG Italia Power S.p.A.	Statutory Auditor
	Cairo Communications S.p.A.	Statutory Auditor
	Colori di Tollens Bravo S.r.l.	Statutory Auditor
	Esmach Group S.p.A.	Statutory Auditor
	Esperia Trust Company S.r.l.	Chair - Board of Stat. Auditors
	Fineurop Sodic S.p.A.	Statutory Auditor

	Hotel Splendido S.r.l.	Sole Statutory Auditor
	Huntsman Advanced Materials S.r.l.	Statutory Auditor
	Huntsman P&A Italy S.r.l.	Chair - Board of Stat. Auditors
	Huntsman Pigments S.p.A.	Statutory Auditor
	Huntsman Patrica S.r.l.	Chair - Board of Stat. Auditors
	Kvadrat S.p.A.	Statutory Auditor
	Maepa S.r.l.	Sole Director
	Mediolanum Fiduciaria S.p.A.	Statutory Auditor
	Mediolanum Gestione Fondi SGR	Statutory Auditor
	Rothschild S.p.A.	Statutory Auditor
	Space3 S.p.A.	Statutory Auditor
	Villa S. Michele S.r.l.	Sole Statutory Auditor
Fabio Massimo Micaludi	IDB Holding S.p.A.	Statutory Auditor
	Brimasco S.r.l.	Statutory Auditor
	Damiani S.p.A.	Alternate Auditor
	Digital Solution S.r.l.	Statutory Auditor
	Enova S.r.l.	Statutory Auditor
	F.V.F. S.r.l.	Alternate Auditor
	Gritti Energia S.r.l.	Statutory Auditor
	Laboratorio Damiani S.r.l.	Alternate Auditor
	Landi S.p.A.	Statutory Auditor
	Locatelli Crane S.r.l.	Alternate Auditor
	Media Finanziaria di Partecipazione S.p.A.	Statutory Auditor

	Metallurgica Alta Brianza S.p.A.	Statutory Auditor
	Nichelcrom Acciai Inox S.p.A.	Alternate Auditor
	Nichelcrom Finanziaria Immobiliare S.p.A.	Alternate Auditor
	Rex Capital S.p.A.	Alternate Auditor
	Scharper S.p.A.	Chair - Board of Stat. Auditors
	Space3 S.p.A.	Alternate Auditor
	Servizi integrati cisl (sicil) lombardia S.r.l.	Statutory Auditor
Simona Valsecchi	Ambienta SGR S.p.A.	Statutory Auditor
	IPC S.p.A.	Statutory Auditor
	Jensen Italia S.r.l.	Statutory Auditor
	Marsh S.p.A.	Statutory Auditor
	Space3 S.p.A.	Alternate Auditor
	Triumph International Rome S.p.A.	Statutory Auditor
	Yara Italia S.p.A.	Statutory Auditor