Half-year Directors' Report at June 30, 2018

2018

AQUAFIL
synthetic fibres and polymers

INDEX


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FERCAM

Directors' Report of the Aquafil Group at June 30, 2018

General information of the Parent Company Aquafil S.p.a.

Registered Office: Via Linfano, 9 - Arco (TN) - 38062 - Italy
Telephone: +39 0464 581111- Fax: +39 0464 532267
Certified e-mail:pec.aquafil@aquafil.legalmail.it
E-mail: info@aquafil.com
Website: www.aquafil.com
Share capital (at period-end of 30.06.2018):

- Approved: € 50,676,034.18
- Subscribed: € 49,714,072.18
- Paid-in: € 49,714,072.18

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

Corporate Boards

Board of Directors

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

(*) Non-executive director
(**) Director declaring independence in accordance with Article 147-ter of the CFA and Article 3 of the Self-Governance Code
(***) Lead Independent Director.

Control and Risks Committee

SIMONA HEIDEMPERGHER	Chairperson
FRANCESCO PROFUMO	Member
CARLO PAGLIANI	Member

Appointments and Remuneration Committee

FRANCESCO PROFUMO	Chairman
SIMONA HEIDEMPERGHER	Member
MARGHERITA ZAMBON	Member

Supervisory Board

FABIO EGIDI	Chairman
KARIM TONELLI	Member
MARCO SARGENTI	External member

Board of Statutory Auditors

STEFANO POGGI LONGOSTREVI	Chairman
BETTINA SOLIMANDO	Statutory Auditor
FABIO BUTTIGNON	Statutory Auditor

Independent Audit Firm

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

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

Overview of the Aquafil Group

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

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

The Aquafil Group's key success factors are:

- a clear corporate identity with a consistent focus on reducing the environmental impact of its products;
- an extremely broad and varied product portfolio offering a complete and diversified range of coloured yarns;
- a strong global presence;
- expertise throughout the entire production and distribution chain, permitting both fibre production process management (as evidenced by the development of the ECONYL® Regeneration System) and of subsequent re-processing;
- synergies and advantages shared by flooring and clothing sector operations (e.g. in terms of know-how, geographical distribution etc.).

PRODUCT AREAS

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

BCF Area

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

NTF Area

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

Polyamide 6 polymer area

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

KEY MARKETS

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

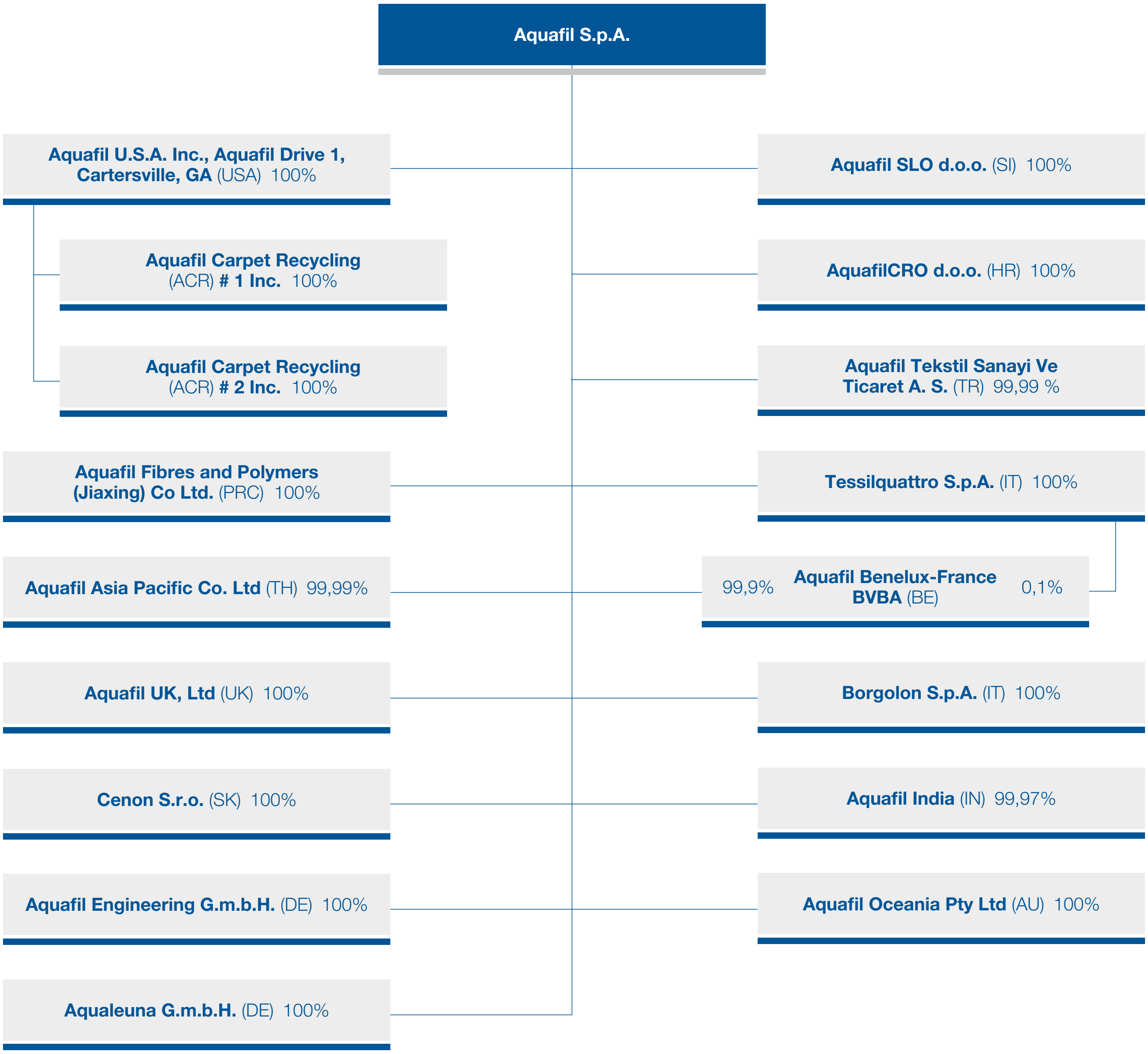
Two of the defining features of the Aquafil Group since its inception have been the development of synchronized market penetration and the building of the logistics and industrial infrastructures required to supply products on a global scale.
International expansion has enabled the Group to develop and operate on the following markets:

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

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

Group Structure

The Group comprises 18 companies (including the parent company) subject to the direct or indirect control of Aquafil S.p.A., with headquarters in Europe, United States and Asia. The Aquafil Group's operating strategy is directly overseen by Aquafil S.p.A.. During the period, the second used carpets and materials reprocessing unit Aquafil Carpet Recycling (ACR) #2 Inc., with registered office in Sacramento (California - USA), and the commercial company serving the Australian and New Zealand market Aquafil Oceania Pty Ltd (Melbourne – Australia), both not yet operative at period end, entered the consolidation scope. In the first half of 2018, the parent company purchased from minority shareholders a 10% holding in the subsidiary Aquafil Engineering G.m.b.H., with registered office in Berlin (Germany), increasing its stake therefore from 90% to 100% and without any change in the company's governance.



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

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

Definition of alternative performance indicators

Gross operating profit (EBITDA):

The result for the period adjusted by the following items:
(i) income taxes
(ii) investment income and charges
(iii) amortisation, depreciation and write-downs of tangible and intangible assets
(iv) provisions and write-downs
(v) financial income and charges
(vi) non-recurring items.

Adjusted EBIT

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

Net Financial Position

This was calculated as per Consob Communication of July 28, 2006 and the ESMA/2013/319e Recommendations.
A. Cash
B. Other liquid assets
C. Other current financial assets
D. Liquidity
E. Current financial receivables
F. Current bank payables
G. Current portion of non-current debt
H. Other current financial payables
I. Current financial debt
J. Net current financial debt
K. Non-current bank payables
L. Bonds issued
M. Other non-current payables
N. Non-current financial debt
O. Net Financial Debt

KEY FINANCIAL HIGHLIGHTS

Reconciliation between Net Profit and EBITDA

(Euro thousands)	Half-year 2018	Half-year 2017
Net Profit	19,614	13,421
Income taxes	4,975	5,888
Investment income and charges	0	(50)
Amortisation, depreciation and write-downs	12,364	11,807
Provisions & write-downs	769	301
Financial income/(charges) (*)	4,455	7,524
Non-recurring items (**)	2,312	1,459
EBITDA	**44,488**	**40,350**
Revenues	**291,291**	**278,836**
EBITDA margin	**15.3%**	**14.5%**

(Euro thousands)	Half-year 2018	Half-year 2017
EBITDA	44,488	40,350
Amortisation, depreciation and write-downs	(12,364)	(11,807)
Provisions & write-downs	(769)	(301)
Adjusted EBIT	**31,356**	**28,242**
Revenues	**291,291**	**278,836**
Adjusted EBIT margin	**10.8%**	**10.1%**

(*) The financial items include: (i) financial income of Euro 17 thousand in the first half of 2018, compared to Euro 230 thousand in H1 2017, (ii) financial charges of Euro 3,027 thousand, compared to Euro 3,359 thousand, (iii) cash discounts of Euro 1,970 thousand, compared to Euro 2,016 thousand, and (iv) exchange gains of Euro 525 thousand, against losses of Euro 2,329 thousand.

(**) This includes (i) non-recurring charges related to the expansion of the Aquafil Group and other corporate transactions for Euro 1.6 million and 0.1 million respectively in the periods ending June 30, 2018 and June 30, 2017, (ii) costs for restructuring and the regularisation of expatriated personnel for Euro 0.4 million and Euro 1.3 million respectively in the periods ending June 30, 2018 and June 30, 2017 (iii) other non-recurring charges of Euro 0.3 million in the period ending June 30, 2018. For a complete breakdown of the non-recurring items, reference should be made to the Explanatory Notes.

Key balance sheet and financial indicators

Description (in Euro thousands)	**June 2018**	**December 2017**
Consolidated Shareholders' Equity	(133,378)	(125,499)
Net Financial Position	(146,961)	(112,071)
N.F.P./EBITDA	**(1.9)**	**(1.5)**

EBITDA as a denominator at June 2018 is based on the 12 previous months.

Half-year 2018 Consolidated Income Statement

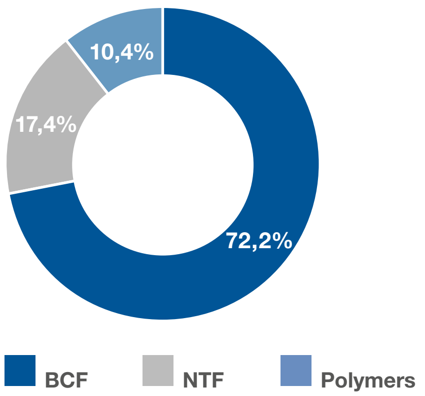
CONSOLIDATED INCOME STATEMENT in Euro thousands	Note	**Half-year 2018**	*of which non-recurring*	**Half-year 2017**	*of which non-recurring*
Revenues	6.1	291,291		278,836	*12*
of which related parties:		*188*		*152*	
Other revenue and income		145	*143*	3	*3*
Total revenues and other revenues and income		**291,436**	***143***	**278,839**	**15**
Raw materials, ancillaries and consumables and changes in inventories	6.2	(151,485)	*(101)*	(141,405)	
Service costs and rents, leases and similar costs	6.3	(49,420)	*(1,584)*	(47,278)	*(127)*
of which related parties:		*(1,790)*		*(1,797)*	
Personnel costs	6.4	(52,847)	*(658)*	(52,474)	*(1,305)*
of which related parties:				*(476)*	
Other costs and operating charges	6.5	(1,047)	*(111)*	(1,125)	*(30)*
of which related parties:		*(35)*			
Amortisation, depreciation & write-downs	6.6	(12,364)		(11,807)	
Provisions & write-downs		(769)		(301)	
Increase in internal work capitalized	6.7	3,571		319	
EBIT		**27,075**	***(2.312)***	**24,767**	***(1.459)***
Investment income/charges				50	
Financial income	6.8	17		180	
of which related parties:				*144*	
Financial charges	6.9	(3,027)		(3,359)	
Exchange gains/losses	6.10	525		(2,329)	
Profit before taxes		**24,589**	***(2,312)***	**19,309**	***(1,459)***
Income taxes	6.11	(4,975)		(5,888)	
Net Profit for the period		**19,614**	***(2,312)***	**13,421**	***(1,459)***
Minority interest net profit				26	
Group Net Profit		**19,614**		**13,395**	
Basic earnings per share	*6.12*	*0.39*		*0.30*	
Diluted earnings per share	*6.12*	*0.39*		*0.30*	

Consolidated revenues in the period amounted to Euro 291.3 million, up 4.5% (Euro 12.5 million) on the first half of 2017, of which 3% due to higher sales volumes, with the remaining 1.5% related to increased average sales prices.

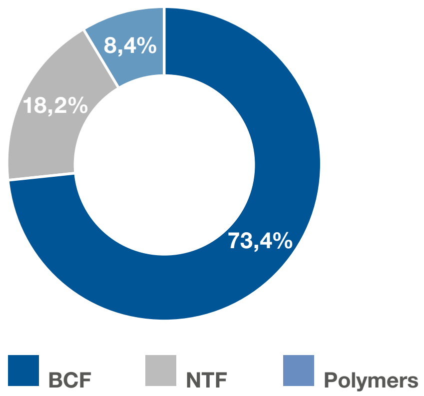
As described in greater detail in the Explanatory Notes, application of the new standard **IFRS 15** "Revenue from contracts from customers" resulted in a differing presentation of Group revenues from third parties and the relative purchases of raw materials: in particular, the purchases and sales of polymers by the Aquafil Group regarding the Domo Chemicals Group in execution of the multilateral supply contracts signed were offset and, in order to optimise the logistics costs of the two Groups, were considered as a single reciprocal purchase and sales transaction made without the physical transfer of goods. Applying the new IFRS 15, the accounting approach taken was more consistent with the effective nature of the transactions, resulting in a review of the sales and the relative purchases of PA6 polymers not utilised in the yarn processes and therefore entirely concerning the non "core" polymers area, for an amount of Euro 13.7 million in the first half of 2018, against Euro 10.6 million in the first half of 2017. The impact of

the adjustment at regional level concerned Italian sales for Euro 5.6 million in 2018, against Euro 2.5 million in the same period of 2017, and German sales (EMEA non-Italy) for the remainder. None of these adjustments (both for 2018 and 2017) had an impact on EBITDA, the Net result and Group Shareholders' equity.
Revenues are broken down according to the three **product areas** and by **region** in the table below (H1 2018 compared to H1 2017):

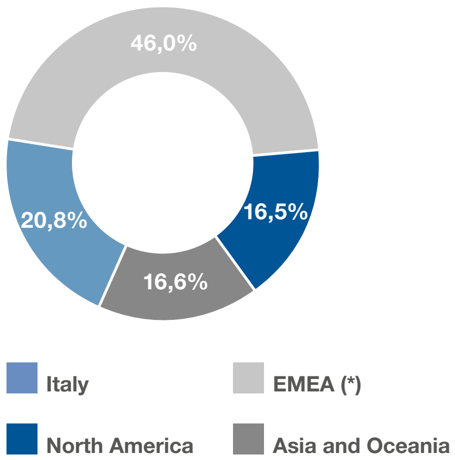
REVENUES BY PRODUCT AREA
HALF-YEAR 2018



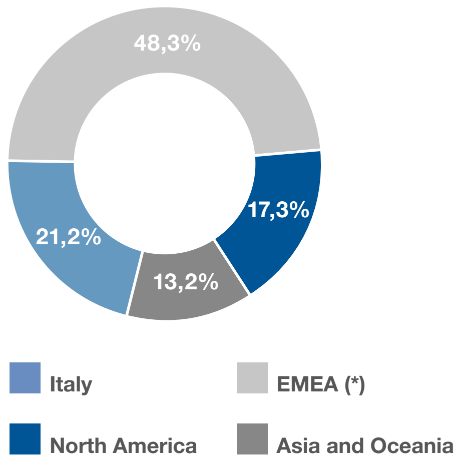
REVENUES BY PRODUCT AREA
HALF-YEAR 2017



REVENUES BY REGION
HALF-YEAR 2018



REVENUES BY REGION
HALF-YEAR 2017



REVENUE BREAKDOWN BY REGION

Revenues by region, in value and percentage terms for H1 2018 compared to the same period in the previous year, are presented below:

Revenues Region *(€/million)*	**Half-year 2018**	**%**	**Half-year 2017**	**%**
Italy	60.7	20.8%	59.0	21.2%
EMEA (*)	134.1	46.0%	134.6	48.3%
North America	48.0	16.5%	48.1	17.3%
Asia and Oceania	48.3	16.6%	36.7	13.2%
Rest of the World	0.2	0.1%	0.3	0.1%
TOTAL	**291.3**	**100.0%**	**278.8**	**100.0%**

(* excluding Italy)

The above table highlights the improved revenues in Asia and Oceania, entirely relating to the acquisition from Invista of the tangible and intangible assets of the nylon 6 BCF fibre operations in Asia-Pacific, as outlined in greater detail in the "Significant events in the first half of 2018" paragraph below. The slight increase in Italian revenues is almost entirely due to higher polymer revenues.

REVENUES BY PRODUCT AREA

Revenues by product area, in value and percentage terms for half-year 2018 compared to the same period in the previous year, are presented below:

Revenues Product Area *(€/million)*	**Half-year 2018**	**%**	**Half-year 2017**	**%**
BCF	210.3	72.2%	204.6	73.4%
NTF	50.6	17.4%	50.9	18.2%
Polymers	30.4	10.4%	23.4	8.4%
TOTAL	**291.3**	**100.0%**	**278.8**	**100.0%**

Compared to the first half of 2017, the BCF area reports a significant improvement in Asia and Oceania revenues, particularly as a result of the above-stated acquisition in this region, partially offset by the decision to reduce sales of low-margin commodity products in EMEA in favour of the polymers product area, which consequently improved.

Revenues in the period in addition include a minimal component regarding an EU grant for the development of innovative and economically-sustainable processes for biobased polyamide and polyester from renewable raw materials production to be utilised to produce fibres and films for consumer product applications. The total grant accruing to the Aquafil Group for operations carried out over a long-term period by a number of companies amounts to Euro 3.5 million and falls under the H2020 EU framework agreement. The advance of Euro 1 million was received in the period and the receivable was almost entirely discounted as not accruing to the period.

Raw materials, ancillaries and consumables and changes in inventories, net of increases in internal work capitalized, rose 4.8% from Euro 141 million to Euro 147.9 million.

Service costs and rents, leases and similar costs increased on the basis of higher revenues, due to the rise in the variable components of the services related to production increases, such as energy, transport and other logistical costs.

Group **personnel costs** increased approx. Euro 300 thousand to Euro 52.8 million. The average Group workforce increased by 74 over the first half of 2017, from 2,701 employees to 2,775, principally to support increased production capacity at the Chinese facilities of Aquafil Fibres & Polymers (Jiaxing) Co. Ltd. and at the US facility of Aquafil Carpet Recycling (ACR) # 1 Inc.. The number of average temporary personnel decreased by 46 between the two periods. At June 30, 2018, the workforce numbered 2,828 (2,723 at June 30, 2017).

EBITDA, as defined by the alternative performance indicators outlined in the financial highlights of this report, rose from Euro 40.3 million to Euro 44.5 million - up Euro 4.1 million (+10.3%) - due to increased sales volumes and production efficiency improvements, also related to the optimisations and streamlining on the ECONYL® raw material production process. The revenue margin increased from 14.5% in H1 2017 to 15.3% in H1 2018.

EBIT was up from Euro 24.8 million to Euro 27.1 million, with the growth largely mirroring that of EBITDA and the difference concerning non-recurring items in the two periods and amortisation and depreciation which was slightly higher due to the full operability of production investment.

Net financial charges reduced from Euro 5 million to Euro 2.5 million, with the reduction almost entirely relating to exchange differences, principally concerning the US Dollar against the Euro, which in the first half of 2017 resulted in net losses of Euro 2.1 million, against gains in 2018 of Euro 0.5 million. Financial charges on the Group debt decreased from Euro 3.4 million to Euro 3 million, with the improvement concerning the reduction in the net debt (from Euro 162.6 million in the first half of 2017 to Euro 147 million in the first half of 2018) and lower average costs, thanks to a review of most of the medium-term funding operations undertaken over the past twelve months.

Income tax stems from the corporation taxes of the individual countries where income was realised and includes the recognition of deferred tax assets and liabilities, amounting overall to Euro 5 million, compared to Euro 5.9 million in H1 2017. Current taxes relate to taxes on profits in foreign countries and IRES and IRAP taxes on Italian income.

Group consolidated net profit was Euro 19.6 million, compared to Euro 13.4 million in H1 2017.

Second quarter 2018 Consolidated Income Statement

The interim reporting is supported by a breakdown of the consolidated result for Second quarter 2018 against the same period of 2017.

KEY FINANCIAL HIGHLIGHTS

(Euro thousands)	Second quarter 2018	Second quarter 2017
Net Profit	**9,764**	**5,236**
Income taxes	2,378	2,728
Investment income and charges		(50)
Amortisation, depreciation and write-downs	6,292	5,860
Provisions & write-downs	469	153
Financial items (*)	1,362	4,367
Non-recurring items (**)	1,946	1,305
EBITDA	**22,210**	**19,599**
Revenues	**150,484**	**137,268**
EBITDA margin	14.8%	14.3%

(Euro thousands)	Second quarter 2018	Second quarter 2017
EBITDA	22,210	19,599
Amortisation, depreciation and write-downs	6,292	5,860
Provisions & write-downs	469	153
Adjusted EBIT	**15,449**	**13,586**
Revenues	**150,484**	**137,268**
Adjusted EBIT margin	**10.3%**	**9.9%**

CONSOLIDATED INCOME STATEMENT

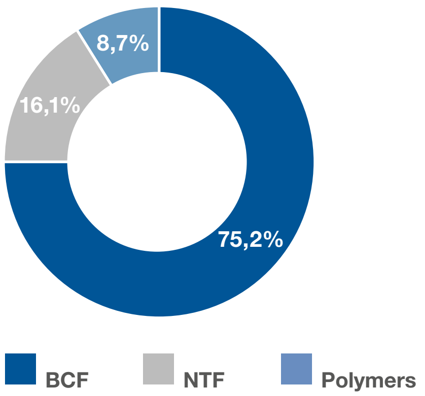
(Euro thousands)	Second quarter 2018	*of which non-recurring*	Second quarter 2017	*of which non-recurring*
Revenues	150,484		137,268	
of which related parties:	*47*		*80*	
Other revenues and income	144	*143*	3	*3*
Total revenues and other revenues and income	**150,628**	**143**	**137,271**	**3**
Cost of raw materials and changes to inventories	(78,373)	*(99)*	(69,498)	
of which related parties:			*9*	
Service costs and rent, lease and similar costs	(26,052)	*(1,381)*	(23,268)	*(139)*
of which related parties:	*(897)*		*(960)*	
Personnel costs	(27,258)	*(516)*	(27,008)	*(1,212)*
of which related parties:			*(202)*	
Other costs and operating charges	(566)	*(92)*	(533)	*43*
of which related parties:	*(17)*		*17*	
Amortisation, depreciation & write-downs	(6,292)		(5,860)	
Provisions and write-downs	(469)		(153)	
Increase in internal work capitalised	927		323	
EBIT	**12,545**	**(1,946)**	**11,274**	**(1,305)**
Investment income/charges			50	
Financial income	1		46	
of which related parties:			*36*	
Financial charges	(1,651)		(1,718)	
of which related parties:				
Exchange gains/(losses)	1,247		(1,687)	
Profit before tax	**12,142**	**(1,946)**	**7,965**	**(1,305)**
Income taxes	(2,378)		(2,728)	
Net profit for the period	**9,764**	**(1,946)**	**5,237**	**(1,305)**
Minority interest net profit/(loss)	(23)		2	
Group Net Profit	**9,787**		**5,235**	

Consolidated **revenues** in the period amount to Euro 150.5 million, increasing on the second quarter of 2017 by Euro 13.2 million (+9.6%), due to higher sales volumes.

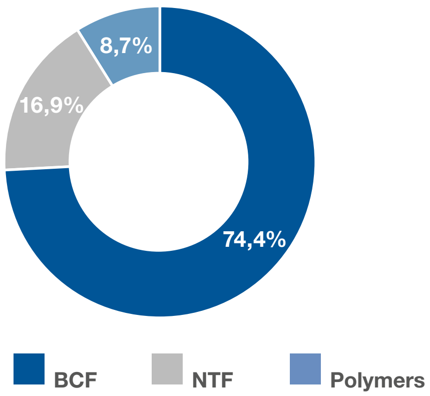
The effects from application of the new standard **IFRS 15** “Revenue from contracts with customers” in the restatement of Group revenues from third parties and the relative purchases of raw materials resulted in a review of sales and the relative purchases of PA6 polymers concerning the polymers product area, for an amount of Euro 7.1 million in the second quarter of 2018, compared to Euro 6.9 million in the second quarter of 2017. The impact of the adjustment at regional level concerned Italian sales for Euro 3.1 million in 2018, against Euro 1.4 million in the same period of 2017, and German sales (EMEA non-Italy) for the remainder. None of these adjustments (both for 2018 and 2017) had an impact on EBITDA, the Net result and Group Shareholders’ equity.

Revenues are broken down according to the three **product areas** and by **region** in the table below (Q2 2018 compared to the same period of the previous year):

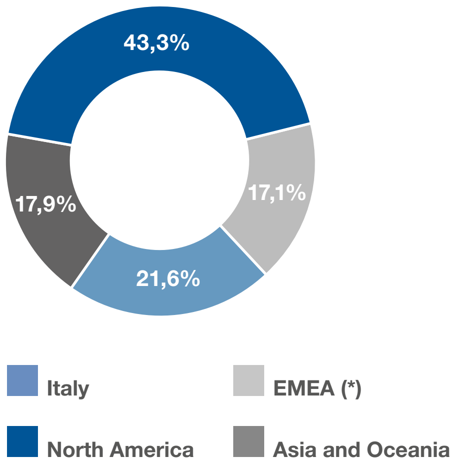
REVENUES BY PRODUCT AREA
SECOND QUARTER 2018



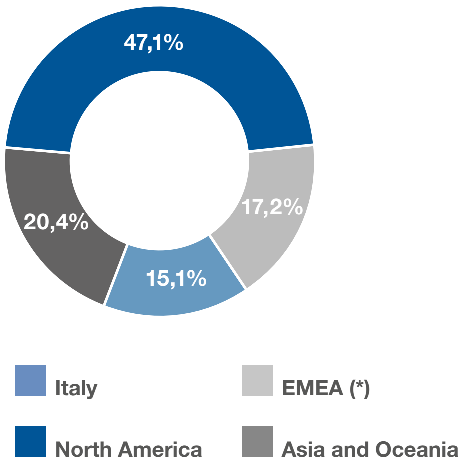
REVENUES BY PRODUCT AREA
SECOND QUARTER 2017



REVENUES BY REGION
SECOND QUARTER 2018



REVENUES BY REGION
SECOND QUARTER 2017



REVENUE BREAKDOWN BY REGION

Revenues by region, in value and percentage terms for Second quarter 2018 compared to the same period in the previous year, are presented below:

Revenues Region *(€/million)*	**Second quarter 2018**	**%**	**Second quarter 2017**	**%**
Italy	26.9	17.9%	28.0	20.4%
EMEA (*)	65.1	43.3%	64.6	47.1%
North America	25.7	17.1%	23.7	17.2%
Asia and Oceania	32.5	21.6%	20.8	15.1%
Rest of the World	0.2	0.1%	0.2	0.2%
TOTAL	**150.5**	**100.0%**	**137.3**	**100.0%**

(* excluding Italy)

The above table highlights the improved revenues in Asia and Oceania, entirely relating to the acquisition from Invista of the tangible and intangible assets of the nylon 6 BCF fibre operations in Asia-Pacific, as outlined in greater detail in the "Significant events in the first half of 2018" paragraph below.

The increase in North American revenues however is almost entirely due to higher polymer sales, while the reduction in Italian revenues almost entirely relates to reduced polymer revenues, partially offset by increased NTF sales in this region.

REVENUES BY PRODUCT AREA

Revenues by product area, in value and percentage terms for Second quarter 2018 compared to the same period in the previous year, are presented below:

Revenues Product Area *(€/million)*	**Second quarter 2018**	**%**	**Second quarter 2017**	**%**
BCF	113.1	75.2%	102.1	74.4%
NTF	24.2	16.1%	23.2	16.9%
Polymers	13.2	8.7%	11.9	8.7%
TOTAL	**150.4**	**100.0%**	**137.3**	**100.0%**

Compared to the second quarter of 2017, the BCF area reports a significant improvement in Asia and Oceania revenues, particularly as a result of the above-stated acquisition. The strong increase in the NTF area is almost entirely due to the higher sales prices applied to products sold, while the polymers area improvement entirely concerns increased product sales in North America.

Raw materials, ancillaries and consumables and changes in inventories, net of increases in internal work capitalized, rose 12% from Euro 69.2 million to Euro 77.4 million.

Service costs and rents, **leases and similar costs** increased on the basis of higher revenues, due to the rise in the variable components of the services related to production increases, such as energy, transport and other logistical costs.

Group **personnel costs** increased approx. Euro 250 thousand to Euro 27.3 million. The average Group workforce increased by 91 over the second quarter of 2017, from 2,711 employees to 2,802, principally to support increased production capacity at the Chinese facilities of Aquafil Fibres & Polymers (Jiaxing) Co. Ltd. and the US facilities of Aquafil Carpet Recycling (ACR) # 1 Inc.. The number of average temporary personnel however decreased by 51 between the two periods.

EBITDA, as defined by the alternative performance indicators outlined in the financial highlights of this report, rose from Euro 19.6 million to Euro 22.2 million - up Euro 2.6 million (+13.3%) - due to increased sales volumes and production efficiency improvements. The revenue margin increased from 14.3% in 2017 to 14.8% in 2017.

EBIT was up from Euro 11.3 million to Euro 12.5 million, with the growth largely mirroring that of EBITDA and the difference concerning non-recurring items in the two periods and amortisation and depreciation which was slightly higher due to the full operability of production investment.

Net financial charges amount to Euro 0.4 million, with the reduction almost entirely relating to exchange differences, principally concerning the US Dollar against the Euro, which in the second quarter of 2017 resulted in net losses of Euro 1.7 million, against gains in 2018 of Euro 1.2 million. Financial charges on the Group debt decreased from Euro 1.7 million to Euro 1.6 million, benefitting from the reduction in the net debt (from Euro 162.6 million in the first half of 2017 to Euro 147 million in the first half of 2018) and lower average costs, thanks to a review of most of the medium-term funding operations undertaken over the past twelve months.

Income tax stems from the corporation taxes of the individual countries where income was realised and includes the recognition of deferred tax assets and liabilities, amounting overall to Euro 2.4 million, compared to Euro 2.7 million in Second quarter 2017. Current taxes relate to taxes on profits in foreign countries and IRES and IRAP taxes on Italian income.

Group consolidated net profit was Euro 9.8 million, compared to Euro 5.2 million in Second quarter 2017.

GROUP BALANCE SHEET AND FINANCIAL SITUATION

The following table reclassifies the consolidated equity and financial position of the Group at June 30, 2018 and December 31, 2017.

(millions of Euro)	**June 2018**	**December 2017**	**Change**
Trade receivables	53,564	34,870	18,693
Inventories	162,418	153,499	8,919
Trade payables	(92,915)	(94,477)	1,562
Tax receivables	2,359	524	1,834
Other current assets	14,325	12,517	1,808
Other current liabilities	(24,288)	(18,919)	(5,369)
Net working capital	**115,462**	**88,015**	**27,448**
Property, plant & equipment	165,388	153,927	11,461
Intangible assets	14,962	7,782	7,181
Financial assets	574	408	166
Net fixed assets	**195,887**	**169,898**	**18,808**
Employee benefits	(5,780)	(5,876)	96
Other net Assets/(Liabilities)	(10,268)	(6,685)	(3,583)
NET CAPITAL EMPLOYED	**280,339**	**237,570**	**42,769**
Cash and banks	92,003	99,024	(7,021)
ST bank payables and loans	(48,047)	(49,483)	1,435
M-LT bank payables and loans	(120,454)	(91,597)	(28,857)
M-LT bond loan	(46,382)	(53,820)	7,438
ST bond loan	(7,848)	(716)	(7,131)
Current financial receivables	1,657	988	669
Other financial payables	(17,891)	(16,468)	(1,422)
NET FINANCIAL POSITION	**(146,961)**	**(112,071)**	**(34,890)**
Group shareholders' equity	(133,377)	(125,014)	(8,363)
Minority interest shareholders' equity	(1)	(485)	484
TOTAL SHAREHOLDERS' EQUITY	**(133,378)**	**(125,499)**	**(7,879)**

Net working capital amounted to Euro 115.5 million at June 30, 2018, compared to Euro 88 million at December 31, 2017. The increase of Euro 27 million is principally due to the reduced exposure to customers as a result of the lower revenues generated in the month of December in comparison to the other months of the year, in addition to the acquisition of the former Invista operations, which generated an increase both in inventories and receivables from the subsidiary Aquafil Fibres and Polymers (Jiaxing) Co. Ltd., due to the need to service Australia and New Zealand customers.

The increase in intangible assets amounts to Euro 7.2 million and for Euro 6 million concerns the purchase of the intangible assets of the Invista business, including the business records and customer contract lists with production formulas, while the remainder principally relates to bio-caprolactam technology development expenses. The increase in property, plant and equipment of Euro 11.5 million concerns the improved production capacity in China and the US, including the new facility of Aquafil Carpet Recycling (ACR) #1, for the ECONYL® process and Invista business plant.

The main changes in shareholders' equity concern the period result and the distribution of dividends of Euro 12 million, whose breakdown and movements are reported in the Notes.

The net financial debt at June 30, 2018 amounts to Euro 147 million, compared to Euro 112.1 million at December 31, 2017. The movements are outlined in detail in the consolidated cash flow statement, indicating cash flows generated from operations of Euro 40.1 million, utilisations from the expansion of net working capital, also concerning the former Invista operations, and the impact from investing activities of Euro 30 million, of which Euro 8 million concerning intangible assets, principally those acquired from Invista, as outlined in the Notes.

The main developments concerning the debt items were:

(i) the distribution of dividends by Aquafil S.p.A. to shareholders for Euro 12.2 million;

(ii) the signing of new unsecured medium-term loans for a total of Euro 55 million, against the repayment of the current instalments of the medium/long-term loan and the early repayment of the medium-term loan for Euro 28.3 million.

The total Group bank credit lines at year-end amount to Euro 116 million, utilised only by Aquafil USA for Euro 2 million with regards to a short-term credit line granted of Euro 12.9 million.

INTERCOMPANY TRANSACTIONS AND TRANSACTIONS WITH RELATED COMPANIES

Inter-company transactions

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

The main transactions with the Group companies in H1 2018, broken down by each of the three product areas, were as follows.

BCF Area

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

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

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

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

NTF Area

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

Nylon 6 polymer area

The Group produces and sells polymers and polyamide 6 for the "engineering plastics" sectors. The polymers are produced/sold by Aquafil S.p.A., AquafilSLO d.o.o. and Aquafil USA Inc. Cartersville (U.S.A.).

Other activities

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

Aquafil Engineering G.m.b.H., Berlin (Germany) carries out industrial chemical plant design and supply.

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

Related party transactions

The transactions of the Aquafil Group with related parties, as defined by international accounting standard IAS 24, relating to the Half-Year Report at June 30, 2018, are presented below. The Aquafil Group undertakes commercial and financial transactions with its related companies, consisting of transactions relating to ordinary operations and at normal market conditions, taking into account the features of the goods and services provided. The Group has made available on its website **www.aquafil.com**, in the Corporate Governance section, the *Related Parties Transactions Policy*.

The Aquafil Group undertakes transactions with the following related parties:

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

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

During the period, Aquafil S.p.A. approved and paid dividends to the parent company Aquafin Holding S.p.A. for Euro 7.1 million.

Transactions with related parties were on an arm's length basis.

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

SIGNIFICANT SHAREHOLDINGS

The ordinary shares of the company are traded within the management system authorized pursuant to the CFA. At the Reporting date, the company is an SME; therefore, pursuant to Article 120, paragraph 2 of the CFA, the significance threshold for the purposes of the communication obligations of significant shareholdings is equal to 5% of the voting share capital.
Based on the information available, the following table reports the data regarding the shareholders which, at the date of this Report, have holdings of above 5% of the voting share capital of the Issuer, directly or indirectly, including through nominees, trusts and subsidiaries.

The declarant or subject at the top of the equity chain	Direct Shareholder	Type of Shares	Number of Shares	Number Voting rights
GB&P S.r.l.	Aquafin Holding S.p.A.	Ordinary	21,385,216	21,385,216
		Class B	8,316,020	24,948,060
		TOTAL	**29,701,236**	**46,333,276**
		% held	***58.08%***	***68.50%***

SIGNIFICANT EVENTS IN HALF-YEAR 2018

On February 5, 2018, Aquafil S.p.A. announced the finalisation of a binding agreement for the acquisition of a part of the tangible and intangible assets concerning the nylon 6 operations in the Asia Pacific area of Invista, one of the leading global producers of chemical components, polymers and fibres and part of the US Group Koch Industries Inc. The operations acquired concern the BCF product area of the business developed by Invista in the Asia Pacific region, with annual business volumes of approx. USD 50 million and forecast margins following full integration in line with that of the Aquafil Group at consolidated level.
On February 23, 2018, the company Aquafil Carpet Recycling (ACR) #2, Inc. was incorporated in Sacramento, California (USA), with share capital comprising 100,000 shares for a total nominal value of USD 250,000. The company is fully held by Aquafil USA, Inc. and will recover and re-process material from end-of-life carpeting, partly to feed the ECONYL® production process. Production is scheduled to start-up in the first half of 2019.
In view of the expansion of commercial operations in Australia and New Zealand, on June 27, 2018 the company Aquafil Oceania PTY LTD was incorporated, with registered office in Melbourne (Australia), share capital of a nominal U$A 50,000, entirely subscribed by Aquafil S.p.A. and to be paid-in in the second half of 2018. The company is not yet operative and will be involved in commercial representation on the Oceania market of the Group companies.
The parent company Aquafil S.p.A. received on December 21, 2017 a settlement notice of *registration tax*, under which the Trento Provincial section of the Tax Agency - Riva del Garda Office requested proportional taxation regarding the sale of the shareholding in Domo Engineering Plastics S.p.A. on May 31, 2013. The addressee company of the notice is the disposing company Domo Chemicals Italy S.p.A., parent of Domo Engineering Plastics S.p.A., with the support of Aquafil S.p.A.. The two addressee companies in the notice presented an appeal for cancellation. Simultaneously, in February 2018, given the unavailability of the Agency to suspend execution of the deed ahead of the hearing, in order to avoid the application of penalties for late payment, Domo Chemicals Italy S.p.A. paid the amount of Euro 1.6 million as the amount of additional taxes plus interest, with repayment expected in the case of a successful legal challenge, an amount for which Aquafil S.p.A. provided financial support to Domo Chemicals Italy S.p.A. for half of that requested (Euro 781 thousand). On March 14, 2018 Aquafil S.p.A. and Domo Chemicals Italy S.p.A. presented an appeal to the first level Commission of Trento. Considering the weakness of the complainant's case, as confirmed also by the company's consultants, the risk of loss was assessed as low and for this reason a specific provision was not set aside in the consolidated financial statements at June 30, 2018.
Finally, at the facility of the subsidiary AquafilCRO of Oroslavje (Croatia), on January 25 a fire of limited extent occurred, which - thanks to the efficiency of the fire protection systems and procedures - affected only a number of offices adjacent to the warehouse, not extending to the production lines and to machinery, with normal production activities gradually re-starting in the subsequent weeks following the completion of cleaning and the recovery of the safety systems. The fire did not affect any persons and only resulted in the loss of raw materials and products stocked in the warehouse. The damage was almost entirely covered by the insurance policy, excluding only the contractual excess.

PRINCIPAL GROUP RISK FACTORS AND UNCERTANTIES

As the Half-Year Financial Report does not include all of the supplementary disclosure required by the annual financial statements concerning the management of the main factors of risk and uncertainty, including those of a financial nature, and considering that these factors - in addition to the strategies and measures undertaken by the Group - have not changed compared to that outlined in the consolidated annual financial statements at December 31, 2017, reference should be made to the Directors' Report of this document for further information, available on the company website **www.aquafil.com** in the *"Investor Relations"* section.

RESEARCH AND DEVELOPMENT

R&D in the first half of 2018 concerned the product and process innovation applied to raw BCF yarns and dyed solutions, NTF yarns, PA6 polymers and the Econyl® process. Innovation and research concerned all of the main production process phases, from raw materials entering production to polymerisation, spinning and reprocessing and, for ECONYL®, the regeneration of materials, leveraging on both internal (efficiency, performance) and external research drivers (market inputs, technological developments, the availability of solutions and new materials).

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

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

In the first half of 2018, research – particularly in terms of the **BCF line** – focused on continuing projects in progress at the end of 2017, relating in particular to fire resistance, stain resistance, carpet emissions footprints, 3D printing, bio caprolactam, automotive-specific yarns, multi-colour technology, optimisation of the PA6 polymerisation process and PA6 dyeing improvement.

The research projects launched in 2017 also continued with regard to **NTF line** products, with collaboration and support from external research organisations, for the creation of: a new anti-static NTF fibre, a special coloured multi-fibre on a Dryarn® base, special UV protection materials and a new group of polyamide base coloured fibres for textile use to improve performance but with reduced environmental impact.

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

With regards to the four pending **patent** applications of the Group companies, (1) was published in June 2018, with validity in all 152 countries subscribing to the PCT, regarding a method to recover copper from discarded fishnets in support of the ECONYL® process, as requested by AquafilSLO d.o.o..

The two patents filed by AquafilSLO d.o.o. in 2017 are awaiting publication (expected in the coming twelve months) and concern:

(2) technological phases for the process related to the recovery and separation of end-of-life polyamide carpeting,

(3) improvements and optimization of solvent-free caprolactam purification technology.

Finally, (4) Aquafil S.p.A. and Genomatica Inc., San Diego, California (USA), as part of the project for the development of Bio Caprolactam, are completing the filing process for the common international PCT patent for the phase regarding the transformation of the interim initial linear obtained through the fermentation of the renewable raw materials into the cyclical ring final monomer utilised for the production of bio Nylon 6. Filing of the patent request is expected to be made in the second half of 2018.

CORPORATE GOVERNANCE

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

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

OTHER INFORMATION

Management and co-ordination

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

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

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

Treasury shares

At June 30, 2018, Aquafil S.p.A. and the other companies of the Group do not own and did not own during the year treasury shares and/or shares of parent companies, in its portfolio or through trust companies or third parties, and no share purchases or sales were made.

SUBSEQUENT EVENTS

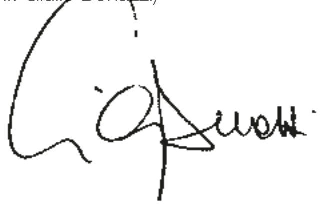
On August 7, 2018 the subsidiary Aqualeuna GmbH presented local trade union organisations with a plan to specialise the Leuna production facility in BCF spinning activities only, with the closure of the heat-set reprocessing unit and consequently greater saturation of the other specialized Group reprocessing plant, in order to optimise logistics and production, improve service and reduce process costs. While this plan will entail a reduction of the company's headcount, limited to the affected unit's personnel only, it will also result in improved profitability at company and Group level.

OUTLOOK

The Group's projections for the second half of 2018 are in line with expectations at the beginning of the year and in continuity with the first half of the year in terms of profitability, net financial debt and EBITDA.

Arco, August 29, 2018

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



BCF

(yarn for textile floorings)

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

CONSOLIDATED BALANCE SHEET

in Euro thousands	*Note*	**At June 30, 2018**	**At December 31, 2017**
Intangible assets	5.1	14,962	7,782
Property, plant & equipment	5.2	165,388	153,927
Financial assets	5.3	574	408
of which parent companies, related parties		79	79
Other assets	5.4	2,189	0
Deferred tax assets		8,357	11,356
Total non-current assets		**191,471**	**173,472**
Inventories	5.5	162,418	153,499
Trade receivables	5.6	53,564	34,870
of which parent companies, related parties		54	116
Financial assets	5.3	1,657	988
Tax receivables	5.7	2,359	524
Other assets	5.8	14,325	12,517
of which parent companies, related parties		403	1,688
Cash and cash equivalents	5.9	92,003	99,024
Total current assets		**326,325**	**301,422**
Total assets		**517,796**	**474,895**
Share capital	5.10	49,714	49,673
Reserves	5.10	63,110	54,772
Group net result	5.10	20,553	20,570
Total parent company net equity		**133,377**	**125,014**
Min. interest net equity	5.10	1	386
Minority interest net profit	5.10	0	99
Total consolidated net equity		**133,378**	**125,499**
Employee benefits	5.11	5,780	5,876
Financial liabilities	5.12	180,767	159,973
Provisions for risks and charges	5.13	1,934	1,516
Deferred tax liabilities		3,334	3,533
Other liabilities	5.14	9,662	7,858
Total non-current liabilities		**201,477**	**178,755**
Financial liabilities	5.12	59,854	52,111
Current tax payables	5.16	5,884	5,134
Trade payables	5.15	92,915	94,477
of which parent companies, related parties		716	716
Other liabilities	5.14	24,288	18,919
of which parent companies, related parties		457	457
Total current liabilities		**182,941**	**170,641**
Total net equity & liabilities		**517,796**	**474,895**

CONSOLIDATED INCOME STATEMENT

in Euro thousands	*Note*	**Half-year 2018**	*of which non-recurring*	**Half-year 2017**	*of which non-recurring*
Revenues	6.1	291,291		278,836	*12*
of which related parties:		*188*		*152*	
Other revenue and income		145	*143*	3	*3*
Total revenues and other revenues and income		**291,436**	***143***	**278,839**	**15**
Cost of raw materials, ancillaries and consumables and changes in inventories	6.2	(151,485)	*(101)*	(141,405)	
Service costs and rents, leases and similar costs	6.3	(49,420)	*(1,584)*	(47,278)	*(139)*
of which related parties:		*(1,790)*		*(1,797)*	
Personnel costs	6.4	(52,847)	*(658)*	(52,474)	*(1,305)*
of which related parties:				*(476)*	
Other costs and operating charges	6.5	(1,047)	*(111)*	(1,125)	*(30)*
of which related parties:		*(35)*			
Amortisation, depreciation & write-downs	6.6	(12,364)		(11,807)	
Provisions & write-downs		(769)		(301)	
Increase in internal work capitalised	6.7	3,571		319	
EBIT		**27,075**	***(2,312)***	**24,767**	***(1,459)***
Investment income/charges				50	
Financial income	6.8	17		180	
of which related parties:				*144*	
Financial charges	6.9	(3,027)		(3,359)	
Exchange gains/losses	6.10	525		(2,329)	
Profit before tax		**24,589**	***(2,312)***	**19,309**	***(1,459)***
Income taxes	6.11	(4,975)		(5,888)	
Net Profit for the period		**19,614**	***(2,312)***	**13,421**	***(1,459)***
Minority interest net profit				26	
Group Net Profit		**19,614**		**13,395**	
Basic earnings per share	*6.12*	*0.39*		*0.30*	
Diluted earnings per share	*6.12*	*0.39*		*0.30*	

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(Euro thousands)	*Note*	**Half-year 2018**	**Half-year 2017**
Profit for the period		**19,614**	**13,421**
Actuarial gains/(losses)	5.11	10	62
Tax effect from actuarial gains and losses	5.10	(2)	(15)
Other income items not to be reversed in income statement in subsequent periods		**8**	**47**
Currency diff. from conversion of fin. stats. in currencies other than the Euro	5.10	932	(3,367)
Other income items to be reversed in income statement in subsequent periods		**932**	**(3,367)**
Total comprehensive income		**20,553**	**10,101**
Minority interest comprehensive income			26
Group comprehensive income		**20,553**	**10,075**

CONSOLIDATED CASH FLOW STATEMENT

(Euro thousands)	*Note*	**At June 30, 2018**	**At June 30, 2017**
Operating activities			
Net Profit		19,614	13,421
of which related parties:		*(1,637)*	*(1,977)*
Income taxes	6.11	4,975	5,888
Investment income and charges			(50)
Financial income	6.8	(17)	(180)
of which related parties:			*(144)*
Financial charges	6.9	3,027	3,359
Exchange gains/(losses)	6.10	(525)	2,329
Asset disposal (gains)/losses		(133)	132
Provisions write-downs		769	301
Amortisation, depreciation and write-downs of tan. assets	6.6	12,364	11,807
Cash flow from operating activities before working capital changes		**40,075**	**37,007**
Decrease/(Increase) in inventories	5.5	(8,919)	2,620
Increase/(Decrease) in trade payables	5.15	(1,562)	4,395
of which related parties:			*(17)*
Increase/(Decrease) in trade receivables	5.6	(19,038)	(14,048)
of which related parties:		*(62)*	*3*
Changes to assets and liabilities		1,828	(5,277)
of which related parties:		*1,282*	*(1,680)*
Net paid financial charges		(2,586)	(3,035)
Income taxes paid		(1,769)	
Utilisation of provisions		(308)	(868)
Net cash flow generated by operating activities (A)		**7,721**	**20,794**
Investing activities			
Investments in tangible assets	5.2	(22,295)	(16,709)
Disposal of tangible assets	5.2	860	1,006
Investments in intangible assets	5.1	(8,334)	(1,196)
Disposal of intangible assets	5.1	13	
Investments in financial assets	5.3	(166)	
Disposal of equity investment in associeates carried at equity			1.100
Cash flow absorbed by investing activities (B)		**(29,923)**	**(15,799)**
Financing activities	7		
New non-current bank loans		55,000	47,000
Repayment non-current bank loans		(28,364)	(35,293)
Net changes in current financial assets and liabilities		744	(2,514)
Distribution of dividends	5.10	(12,241)	(12,144)
of which related parties:		*(7,369)*	
Share capital increase		42	
Cash flow from generated/(absorbed) by financing activities (C)		**15,181**	**(2,951)**
Net cash flow in the period (A)+(B)+(C)		**(7,021)**	**2,044**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(Euro thousands)	Share capital	Legal reserve	Translation reserve	Share premium reserve	Listing cost reserve
At January 1, 2017	**19,686**	**3,937**	**(7,814)**	**0**	**0**
Allocation of prior year result					
Distribution dividends					
Net Profit					
Actuarial gains/(losses) employee benefits					
Translation difference			(3,367)		
Comprehensive income			**(3,367)**		
At June 30, 2017	**19,686**	**3,937**	**(11,181)**	**0**	**0**

(Euro thousands)	Share capital	Legal reserve	Translation reserve	Share premium reserve	Listing cost reserve
At January 1, 2018	**49,673**	**8**	**(12,379)**	**20,030**	**(3,287)**
Sale minority interest					
Allocation of prior year result					
Distribution dividends					
Share capital increase	41			(45)	
Net Profit					
Actuarial gains/(losses) employee benefits					
Translation difference			932		
Comprehensive income			**932**		
At June 30, 2018	**49,714**	**8**	**(11,447)**	**19,985**	**(3,287)**

FTA Reserve	IAS 19 Reserve	Retained earnings	Net Profit	**Total parent share equity**	**Min. interest share equity**	**Total consol. share equity**
(2,389)	**(677)**	**82,849**	**20,023**	**115,615**	**386**	**116,001**
		20,023	(20,023)	**0**		**0**
		(49,636)		**(49,636)**		**(49,636)**
			13,395	**13,395**	**26**	**13,421**
	47			**47**		**47**
				(3,367)		**(3,367)**
	47		**13,395**	**10,075**	**26**	**10,101**
(2,389)	**(630)**	**53,236**	**13,395**	**76,054**	**412**	**76,466**

FTA Reserve	IAS 19 Reserve	Retained earnings	Net Profit	**Total parent share equity**	**Min. interest share equity**	**Total consol. share equity**
(2,389)	**(600)**	**48,841**	**25,117**	**25,117**	**485**	**125,499**
				0	(484)	**(484)**
		25,117	(25,117)	**0**		**0**
		(12,241)		**(12,241)**		**(12,241)**
		45		**41**		**41**
			19,614	**19,614**		**19,614**
	8			**8**		**8**
				932		**932**
	8		**19,614**	**20,553**		**20,553**
(2,389)	**(592)**	**61,762**	**19,614**	**133,377**	**1**	**133,378**

NTF

(yarn for textile and clothing industry)

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

35. Notes to the half-year Financial Report at June 30, 2018

Notes to the half-year Financial Report at June 30, 2018

1. GENERAL INFORMATION

1.1. Introduction

Aquafil S.p.A. (hereafter "**Aquafil**", the "**Company**" or the "**Parent Company**" and together with its subsidiaries the "**Group**" or the "**Aquafil Group**") is the company resulting from the merger by incorporation of Aquafil S.p.A., founded in Arco (TN) in 1969, and which produces and sells fibres and polymers, principally polyamide, and Space3 S.p.A., a company incorporated on October 6, 2016, an Italian Special Purpose Acquisition Company (SPAC) beneficiary of the spin-off operation of Space2 S.p.A. on March 15, 2017 and admitted on the Professional Segment of the Investment Vehicles Market (MIV) organised and managed by Borsa Italiana S.p.A., following the placement with qualified investors in Italy and overseas institutional investors.
The merger was effective on December 4, 2017, simultaneous to admission for trading of the shares on the Italian Stock Exchange, STAR Segment. On the same date Space3 S.p.A. changed its name to Aquafil S.p.A. and established its registered office as Arco (TN), via Linfano n. 9.
Aquafil S.p.A. is directly controlled by Aquafin Holding S.p.A., with registered office in Via Leone XIII No. 14, 20145 Milan, Italy. The ultimate parent company, which draws up specific consolidated financial statements, is GB&P S.r.l. with registered office in Via Leone XIII No. 14, 20145 Milan, Italy.

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

- BCF Area (*Bulk Continuous Filament*): Textile flooring yarn production has been Aquafil's core business since its foundation. The BCF area is engaged in the production, re-processing and marketing of textile flooring yarns for three major markets: contract services (e.g. hotels, offices and public spaces), automotive (e.g. car carpets, linings, coverings and upholstery) and residential. The Group has set up Carpet Centers in each of the main production markets (Italy, USA and China), whereby specialist technicians support customers in the creation of designer products in step with market trends, developing ad-hoc chromatic solutions and tailor-made production techniques.
- NTF Area (*Nylon Textile Filament*): The NTF Area is dedicated to the production of polyamide 6 and 6.6 synthetic fibres for the underwear, hosiery, sports, fashion and leisure clothing sectors. Aquafil constantly collaborates with its customers to continuously improve the aesthetic and performance qualities demanded by the fashion and sports sectors. With its extensive experience in the sector, Aquafil is the main supplier of leading Italian and European apparel, underwear and sportswear brands.
- Polyamide 6 polymer area *(engineering area)*: Thanks to the versatility of its polymerization plant, the Aquafil Group produces not only PA6 polymers optimized for use in the production of textile flooring and clothing sector yarns - but also products specially designed for use in engineering plastics production, with polymers destined directly, or following transformation, for the moulding industry. The extremely broad family of products cover a variety of specifications, such as viscosity, functionalized and functionalizing additives and monomers affecting the physical and chemical characteristics, colourings or sector applications.

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

The Group enjoys a consolidated presence in Europe, the United States and Asia, both directly and indirectly through its subsidiaries and/or associate companies.

1.2 Content, presentation and accounting policies of the Half-Year Financial Report at June 30, 2018

This consolidated half-year report of the Aquafil Group at June 30, 2018 and for the six months ended at that date (hereafter the "Half-Year Financial Report") was prepared in accordance with Article 154 ter paragraph 2 of Legislative Decree No. 58/98 - CFA - and subsequent amendments and supplements and comprises the following documents:

- The *Interim Directors' Report* at June 30, 2018;
- the *consolidated balance sheet* is presented with separation between "current and non-current" assets and liabilities;
- the *consolidated income statement* was prepared separately from the comprehensive income statement, and was prepared classifying operating costs by expense type;
- the *comprehensive income statement* which includes, in addition to the result for the period, also the changes to equity relating to income items which, in accordance with International Accounting Standards, are recognised under equity;
- the *cash flow statement* prepared in accordance with the "indirect method".
- the *changes in consolidated shareholders' equity*;
- the *explanatory notes*.

These consolidated financial statements (hereafter the "financial statements") include the comparative figures, as per IAS 34, or rather (i) the figures at December 31, 2017 for the consolidated balance sheet (ii) the figures relating to H1 2017 for the comprehensive consolidated income statement, the consolidated cash flow statement and the changes in the consolidated shareholders' equity.

The Half-Year Financial Report was prepared in Euro, the functional currency of the Group. The amounts reported in the financial statements and in the accompanying tables in the explanatory notes are expressed in thousands of Euro, unless otherwise indicated.

The Half-Year Financial Report was prepared in accordance with international accounting standards (IFRS/IAS) issued by the International Accounting Standard Board (IASB), recognised by the European Union pursuant to regulation (EU) No. 1606/202 and in force at the reporting date, the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as well as the interpretations of the Standing Interpretations Committee (SIC), in force at the same date.
In particular, the Half-Year Financial Report was prepared in accordance with IAS 34 “Interim Financial Statements”, issued by the International Accounting Standard Board (IASB).

The accounting policies adopted in the preparation of these financial statements are the same as those adopted for the preparation of the consolidated financial statements at December 31, 2017, to which reference should be made, with the exception of the new standards applied from January 1, 2018 as described in the chapter below.

The explanatory notes, in accordance with IAS 34, are reported in condensed format and do not include all the disclosures required for annual accounts, as they refer exclusively to those items which, for amount, composition or variation, are essential for the full understanding of the financial situation, equity and results of the Group at June 30, 2018.
The Half-Year Financial Report should therefore be read together with the 2017 Group Annual Financial Report.

The Half-Year Financial Report at June 30, 2018 of the Aquafil Group was subject to a limited audit by PricewaterhouseCoopers and was approved by the Board of Directors on August 29, 2018, which authorised its publication according to the terms and means required by current regulations.

1.3 Seasonality

The Group’s business is not impacted by seasonal factors. Despite this, we report that typically there is a small drop in production in second half of the year due to the lower number of working days in this period compared to the first half of the year. This typically results in a small decrease in revenues and costs and in the margin in the second half of the year compared to the first half of the year.

2. ACCOUNTING POLICIES

2.1 IFRS 15 - Revenue from contracts with customers

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

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

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

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

The Aquafil Group opted for the application of IFRS 15 adopting the first approach permitted as this approach favours the comparability of the income statement. However we highlight that, as illustrated below, the application of IFRS 15 in the consolidation of the Aquafil Group resulted only in a different presentation of the operating costs and revenues which therefore did not generate any change in the balance sheet, net financial position and shareholders’ equity, nor any change in the net profit, EBITDA and EBIT. Therefore, we underline that the application of either approach is substantially neutral on the present and future economic results.

Specifically, the application of the new accounting standard IFRS 15 resulted in a different presentation of the purchases and sales of polymers between the companies of the Aquafil Group and those of the Domo Chemicals Group, based on reciprocal supply contracts.
In particular, the costs for purchases and the sales revenues of polymers which, in order to optimise logistical costs, the two groups decided, from

time to time (and only when permitted by the type of polymers), not to transfer physically, are now offset in the income statement of the Aquafil Group which therefore now only reports the margin under revenues.
This accounting treatment is applied in accordance with paragraph 47 of the new IFRS 15 which specifies that in order to determine the transaction price the entity must take into account the terms of the contract and its normal commercial practices and that this price is the amount of the consideration which the entity considers to have the right in exchange for the transfer to the customer of the goods or services provided.
As indicated above, it was decided to apply the effects of the new standard IFRS 15 retrospectively also for the financial statements at June 30, 2017 presented for comparative purposes.
The table below summarises the effects in thousands of Euro:

EFFECTS FROM APPLICATION IFRS15	Half-year 2018	Second quarter 2018	Half-year 2017	Second quarter 2017
Revenues	(13,675)	(6,575)	(10,558)	(3,620)
Raw materials, ancillaries, consumables and goods	13,675	6,575	10,558	3,620
Effect on EBIT	**0**	**0**	**0**	**0**

2.2 IFRS 9 – Financial instruments

The new standard was endorsed on November 22, 2016 with EU regulation No. 2067/2016;
the principal new issues introduced by the standard concern:
a) The criteria for the classification and measurement of financial assets and liabilities.
In relation to the financial assets, IFRS 9 utilises, for the valuation method, a single approach based on the management method of the financial instruments and on the contractual cash flows of the financial assets.
In particular the standard introduces three categories for the classification of financial assets: i) financial assets measured at amortised cost; ii) financial assets measured at fair value through the comprehensive income statement and iii) financial assets measured at fair value through the income statement. The classification to the three categories is based on the business model of the entity and in relation to the characteristics of the cash flows generated by the activities. In particular, i) a financial asset is measured at amortised cost if the business model of the entity provides that the asset is held to obtain the relative cash flows and therefore, not for profit, including from its sale and the characteristics of the cash flows of the asset correspond only to the payment of capital and interest;
ii) a financial asset is measured at fair value through the comprehensive income statement if it is held with the objective to receive the contractual cash flows, or to be sold and iii) a financial asset held for trading purposes which does not fall within the other cases indicated in the previous points i) and ii) must be measured at fair value through the income statement.
The rules for the recognition of embedded derivatives were simplified: the separate recognition of the embedded derivative and the financial asset which "hosts" it is no longer required. All equity instruments within the scope of the standard - both listed and non-listed - must be measured at fair value through the income statement. The entity has the option to record under shareholders' equity the fair value changes of the equity instruments which are not held-for-trading, for which this option is prohibited. This allocation is made on initial recognition, may be made by individual security and is irrevocable. When the option is applied, the changes in the fair value of these instruments are never recorded through the income statement, where the relative dividends are however recorded.
IFRS 9 does not permit reclassifications between categories of financial assets except in the rare case of a change of the entity's business model. In this case, the effects of the reclassification are applied prospectively. For financial liabilities, the main amendment introduced by IFRS 9 relates to the accounting treatment of the fair value changes of a financial liability allocated as measured at fair value through the income statement, in the case in which these relate to changes in the credit position of the liability. According to this new standard, these changes should be recorded to other items of the comprehensive income statement.
b) Impairment of financial assets.
The standard replaces the previous model based on the so-called "Incurred loss", introducing a new model which takes into account the expected losses, where "Loss" regards the present value of all future amounts not collected, appropriately supplemented to take into account future expectations (so-called "forward looking information"). The estimate, initially made on the expected losses in the next twelve months, in consideration of any progressive deterioration of the receivable must be adjusted to cover the expected losses over the life of the receivable.
c) Hedge accounting.
IFRS 9 introduces some changes principally relating to the effectiveness test, in relation to which the 80% - 125% threshold is abolished and replaced with an objectiveness test which verifies the economic relationship between the instrument hedged and the hedging instrument, the accounting treatment of the cost of the hedge, the scope of the items hedged and the disclosures required.

In relation to the effects of the application of the new standard IFRS 9 on the consolidated financial statements of the Aquafil Group, following specific verification activities, we conclude that:
- In relation to the classification and measurement criteria of the financial assets and liabilities, no significant impacts arose on the financial statements from the application of the classification and measurement requirements of financial assets required by IFRS 9. In particular, following the analysis of its business model and the contractual cash flows of the loans and receivables held, the Group concluded that these assets and liabilities comply with the amortised cost measurement criteria, also adopted prior to the entry into force of the new standard.
- Relating to the impairment of the financial assets, the Group estimated the doubtful debt provision in accordance with the simplified method under IFRS 9, through the construction of a "provision matrix" based on the estimate of the loss rate calculated on an historical basis and broken down by amounts overdue by period, applied over the expected life of the receivable and any additional amounts with reference to significant information on future scenarios (economic changes, changes in technological developments, etc...). The doubtful debt provision calculated in this manner was lower than that quantified based on the previous accounting standard IAS 39 which in any case is not significant given the quality of the receivables of the Aquafil Group.

- Finally, with reference to the hedge accounting transactions, the new standard IFRS 9 did not result in any significant impact as the derivative instruments in place (IRS - Interest Rate Swap), although underwritten for hedging purposes relating to changes in interest rates, were treated, for accounting purposes and in line with the past, as non-hedging instruments (and therefore recognised through the income statement) given that it would be very complex to prepare the obligatory hedging relationship and considering that the total fair value of these derivatives is not significant (loss of Euro 430 thousand) within the overall consolidated financial statements.

2.3 New standards published but not yet adopted: IFRS 16 Leases

From the periods which begin from January 1, 2019 or subsequent, the new accounting standard IFRS 16 will be applied.
This standard introduces a single accounting model for leasing in the financial statements of lessees, in particular the new standard provides a new definition of leases and introduces a criterion based on control ("right of use") of an asset to distinguish leasing contracts from service contracts, identifying essential differences: the identification of the asset, the right of replacement of the asset, the right to obtain substantially all the economic benefits from the use of the asset and the right to use the asset underlying the contract. The objective is to ensure greater comparability between financial statements caused by the different accounting treatment applied between operating and financial leases.
The standard establishes a single model to recognise and measure leasing contracts for the leasee (lessees) which provides also for the recognition of operating leases under assets with a related financial payable, providing the possibility not to be recognise as leasing contracts "low-value assets" and leasing contracts less than 12 months. On the other hand, the new standard does not contain significant amendments for lessors.

IFRS 16 replaces the current provisions on leasing, including IAS 17 Leasing, IFRIC 4 "Determining whether an arrangement contains a lease", SIC 15 "Operating leases - Incentives" and SIC 27 "Evaluating the substance of transactions in the legal form of a lease".

In view of the amendments introduced by IFRS 16, which the Group will apply from January 1, 2019, management has commenced a project to assess the impacts deriving from the application of the new standard which is currently in progress.

3. CONSOLIDATION SCOPE

The Half-Year Financial Report includes the financial statements of the Parent Company and of the subsidiaries, prepared on the basis of the underlying accounting records, appropriately adjusted in line with international accounting standards IAS/IFRS.
The companies included in the consolidation scope, with corporate information and consolidation method applied at June 30, 2018 is illustrated below.

Company	Registered office	Share capital	Currency	Group holding	Direct voting rights	Consol. method
Parent company:						
Aquafil S.p.A.	Arco (TN)	49,714,072	Euro	-	-	
Subsidiary companies:						
AquafilSLO d.o.o.	Ljubjiana (Slovenia)	50,135,728	Euro	100.00%	100.00%	Line-by-line
Aquafil USA Inc	Cartersville (USA)	32,100,000	US Dollar	100.00%	100.00%	Line-by-line
Tessilquattro S.p.A.	Arco (TN)	3,380,000	Euro	100.00%	100.00%	Line-by-line
Aquafil Jiaxing Co. Ltd	Jiaxing (China)	307,175,002	Chinese Yuan	100.00%	100.00%	Line-by-line
Aquafil UK Ltd	Ayrshire (UK)	1,750,000	UK Sterling	100.00%	100.00%	Line-by-line
AquafilCRO doo	Oroslavje (Croatia)	71,100,000	Croatian Kuna	100.00%	100.00%	Line-by-line
Aquafil Asia Pacific Co. Ltd	Rayoung (Thailand)	53,965,000	Baht	99.99%	99.99%	Line-by-line
Aqualeuna Gmbh	Leuna (Germany)	2,325,000	Euro	100.00%	100.00%	Line-by-line
Aquafil Engineering GmBH	Berlin (Germany)	255,646	Euro	100.00%	100.00%	Line-by-line
Aquafil Tekstil Sanayi Ve Ticaret A.S.	Istanbul (Turkey)	1,512,000	Turkish Lira	99.99%	99.99%	Line-by-line
Borgolon S.p.A.	Varallo Pombio (NO)	7,590,000	Euro	100.00%	100.00%	Line-by-line
Aquafil Benelux France BVBA	Harelbake (Belgium)	20,000	Euro	100.00%	100.00%	Line-by-line
Cenon S.r.o.	Zilina (Slovakia)	26,472,682	Euro	100.00%	100.00%	Line-by-line
Aquafil Carpet Recycling #1, Inc.	Phoenix (USA)	250,000	US Dollar	100.00%	100.00%	Line-by-line
Aquafil Carpet Recycling #2, Inc.	Sacramento (USA)	250,000	US Dollar	100.00%	100.00%	Line-by-line
Aquafil Oceania Pty Ltd	Melbourne (Australia)	50,000	Australian Dollar	100.00%	100.00%	Cost
Aquafil India Private Limited	New Delhi (India)	85,320	Indian Rupee	99.97%	99.97%	Cost

At June 30, 2018 there are no associated companies included in the consolidation scope.

The principal changes in the composition of the Group in the first half-year of 2018 are briefly described below.

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

The main criteria adopted by the Group for the definition of the consolidation scope and the relative consolidation principles did not change compared to those applied for the consolidated financial statements at December 31, 2017, to which reference should be made.

Translation of foreign companies' financial statements

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

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

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

	June 2018		December 2017		June 2017	
	Period-end rate	**Average rate**	**Period-end rate**	**Average rate**	**Period-end rate**	**Average rate**
US Dollar	1.1658	1.21035	1.1993	1.12989	1.1412	1.08302
Croatian Kuna	7,386	7.41782	7.44	7.46351	7.4103	7.4486
Chinese Yuan	7,717	7.70859	7.8044	7.62969	7.7385	7.44483
Turkish Lira	5.3385	4.95655	4.5464	4.12057	4.0134	3.9391
Baht	38,565	38.41894	39,121	38.2995	38,744	37.59022
UK Sterling	0.8861	0.87977	0.88723	0.87684	0.87933	0.86059

Translation of accounts in foreign currencies

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

4. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

The tables below illustrate the breakdown of financial assets and liabilities of the Group required by IFRS 7, as per the categories identified by IAS 39, at June 30, 2018:

in Euro thousands	Financial assets and liabilities measured at fair value through profit or loss	Loans and receivables	AFS financial assets	Financial liabilities at amortised cost	Total
Current and non-current financial assets	26	2,205	0	0	2,231
Trade receivables	0	53,564	0	0	53,564
Tax receivables	0	2,359	0	0	2,359
Other current & non-current assets	0	16,514	0	0	16,514
Cash and cash equivalents	0	92,003	0	0	92,003
Total	**26**	**166,644**	**0**	**0**	**166,671**
Current and non-current financial liabilities	456	0	0	240,165	240,621
Trade payables	0	0	0	92,915	92,915
Other current and non-current liabilities	0	0	0	33,950	33,950
Total	**456**	**0**	**0**	**367,030**	**367,486**

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

5. EXPLANATORY NOTES TO THE HALF-YEAR BALANCE SHEET

5.1 Intangible assets

(Euro thousands)	Rights & Patents	Trademarks, concessions and licenses	Intangible assets in progress	Other intangible assets	Non Contractual Customer relationships	Total
Balance at 31/12/2017	**1,204**	**596**	**2,692**	**3,289**	**0**	**7,782**
Of which:						
- Historical cost	*0*	*0*	*0*	*0*	*0*	*0*
- Accumulated amortisation	*0*	*0*	*0*	*0*	*0*	*0*
Increases	0	190	2,095	204	5,854	8,342
Decreases	0	(12)	0	0	0	(13)
Amortisation	(225)	(86)	0	(704)	(122)	(1,137)
Reclassifications	0	27	0	(36)	0	(9)
Write-downs	0	0	0	0	0	0
Change in consolidation scope	0	0	0	0	0	0
Exchange differences	0	0	0	3	(6)	(4)
Balance at 30/06/2018	**979**	**715**	**4,787**	**2,755**	**5,726**	**14,962**
Of which:						
- Historical cost	*4,703*	*5,444*	*4,787*	*12,870*	*5,847*	*33,652*
- Accumulated amortisation	*(3,724)*	*(4,729)*	*0*	*(10,115)*	*(122)*	*(18,689)*

The investments in H1 2018, totalling Euro 8,342 thousand, mainly refers to:

- the acquisition from Invista of assets relating to customer contract lists with production formulas in the BCF area totalling Euro 5,854 thousand, for which reference should be made to the Directors' Report.
- the portion of a multi-year collaboration agreement with the US company Genomatica Inc. for the development of caprolactam production biotechnology that uses renewable raw materials; the amount of Euro 1,402 thousand was recorded under "Intangible assets in progress" which represents part of the costs incurred within the project (whose total investment is estimated at approximately USD 9.5 million) and is expected to start generating significant revenues between 2019 and 2021;
- Information and Communication Technology assets for an amount of Euro 491.

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

5.2 Property, plant & equipment

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

(Euro thousands)	Land and buildings	Plant & machinery	Industrial and commercial equipment	Other assets	Assets in progress	Total
Balance at 31/12/2017	**52,128**	**73,726**	**673**	**1,869**	**25,530**	**153,927**
Of which:						
- Historical cost	*98,891*	*361,172*	*10,330*	*6,234*	*25,530*	*502,156*
- Accumulated depreciation	*(46,763)*	*(287,445)*	*(9,656)*	*(4,365)*	*0*	*(348,230)*
Increases	35	2,410	19	917	18,915	22,295
Decreases	(501)	(174)	0	(43)	0	(718)
Depreciation	(1,527)	(9,188)	(174)	(332)	0	(11,222)
Reclassifications	57	7,593	5	10	(7,657)	9
Write-downs	0	0	0	0	0	0
Change in consolidation scope	0	0	0	0	0	0
Exchange differences	59	634	0	47	356	1,097
Balance at 30/06/2018	**50,250**	**75,002**	**524**	**2,468**	**37,144**	**165,388**
Of which:						
- Historical cost	*98,436*	*372,350*	*10,356*	*6,790*	*37,144*	*525,077*
- Accumulated depreciation	*(48,186)*	*(297,348)*	*(9,832)*	*(4,322)*	*0*	*(359,689)*

The investments in H1 2018, amounting to Euro 22,295 thousand, mainly relate to the completion of the project to expand production capacity of the BCF product in Asia-Pacific, which also includes machinery acquired from Invista within the wider acquisition operation (for which reference should be made to the Directors' Report), the increase in the production capacity of ECONYL®,, also through the completion of the first Carpet Recycling plant at Phoenix (USA) and the commencement of the second Carpet Recycling plant at Sacramento, California (USA) totalling Euro 18.6 million, as well as interventions for the technological improvement and upgrading of existing plant for Euro 4.1 million.

5.3 Current and non-current financial assets

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

(Euro thousands)	At June 30, 2018	At December 31, 2017
Investments in subsidiaries	44	1
Investments in other companies	18	18
Escrow bank deposits and guarantee deposits	2,064	1,254
Receivables from related parties	79	79
Derivative financial instruments	26	44
Total	**2,231**	**1,396**
of which current	*1,657*	*988*
of which non-current	*574*	*407*

The changes in "Escrow bank deposits and guarantee deposits" relates to the "Escrow bank deposits" of the group company Aquafil Engineering GMBH, to guarantee the delivery of specific orders.

5.4 Other current & non-current assets

The change in the account mainly refers for Euro 2.1 thousand to the receivable of the parent company Aquafil S.p.A. and AquafilSlo d.o.o. from the "Effective Project" EU grants recognised by the European Union, for which reference should be made to the Directors' Report.

5.5 Inventories

The changes in the account were as follows:

(in Euro thousands)	At June 30, 2018	At December 31, 2017
Finished products and goods	85,147	79,315
Raw materials, ancillaries and consumables	76,504	73,407
Advances to suppliers	768	778
Total	**162,418**	**153,499**

Inventories are recorded net of the obsolescence provision amounting to Euro 390 thousand and relates to slow moving prior year stock.

5.6 Trade receivables

The changes in the account were as follows:

(Euro thousands)	At June 30, 2018	At Dec. 31, 2017
Receivables:		
Customers	56,417	37,454
Parent, associates and other related parties	54	116
Doubtful debt provision	(2,907)	(2,700)
Total	**53,564**	**34,870**

The following table provides a breakdown of trade receivables at June 30, 2018, grouped by due date and net of doubtful debt provision:

(in Euro thousands)	At June 30, 2018	Not yet due	Overdue within 30 days	Overdue between 31 and 90 days	Overdue between 91 and 120 days	Overdue beyond 120 days
Guaranteed trade receivables (a)	48,628	44,889	2,335	959	29	416
Non-guaranteed trade receivables (b)	7,359	6,770	344	63	17	166
Non-guaranteed trade receivables impaired (c)	484	0	0	0	0	484
Trade receivables before doubtful debt provision [(a)+(b)+(c)]	**56,471**	**51,659**	**2,679**	**1,022**	**46**	**1,065**
Doubtful debt provision	*(2,907)*	*(2,686)*	*0*	*0*	*0*	*(221)*
Trade receivables	*53,564*	*48,973*	*2,679*	*1,022*	*46*	*844*

5.7 Current tax receivables

Current tax receivables refer for Euro 1,770 thousand to payments on account for corporate taxes (IRES) and for the remainder refer almost entirely to advances paid for Regional Production Tax (IRAP).

5.8 Other current assets

The changes in the account were as follows:

(Euro thousands)	At June 30, 2018	At December 31, 2017
Tax receivables	6,269	4,540
Supplier advances	1,079	3,105
Pension and social security institutions	168	119
Employee receivables	151	298
Tax receivables parent	403	1,688
Other receivables	3,506	657
Prepayments and accrued income	2,749	2,109
Total	**14,325**	**12,517**

The most significant changes relate:

- to tax receivables and mainly to an amount of Euro 2,257 thousand for Value Added Tax (VAT), Euro -1,053 thousand to the utilisation of the tax credit determined pursuant to Art. 1, paragraph 35 of Law No. 190 of 23/12/2014 and successive amendments, and determined as 50% of the surplus of research and development expenditure relating to the year 2017 and Euro 449 thousand to the receivable on the research and development expenses incurred in the first half of 2018;
- to tax receivables from parent companies due to the contractual regularization of the fiscal consolidation with the parent company Aquafin Holding S.p.A.;
- to other receivables due to:
  - the receivable from insurance companies (approx. Euro 1.6 million) for indemnities not yet received and relating to the fire at AquafilCro at the beginning of the year.
  - the receivable from Domo Chemicals Italy S.p.A. (Euro 781 thousand), originating from the financial support provided by Aquafil S.p.A. to Domo Chemicals Italy S.p.A. within the fiscal dispute relating to the sale of shares of Domo Engineering Plastics S.p.A. on May 31, 2013, in relation to which reference should be made to the Directors' Report.

5.9 Cash and cash equivalents

The account is comprised of:

(Euro thousands)	At June 30, 2018	At December 31, 2017
Bank and postal deposits	91,039	98,051
Cheques	950	956
Cash and equivalents	14	17
Total	**92,003**	**99,024**

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

(in Euro thousands)	At June 30, 2018
EUR	84,926
HRK	48
TRL	953
USD	2,743
THB	630
CNY	2,465
GBP	239
Total	**92,003**

5.10 Shareholders' Equity

Share capital

At June 30, 2018, the Parent Company Aquafil S.p.A.'s authorised share capital amounted to Euro 50,676 thousand, whose subscribed and paid-up capital amounts to Euro 49,714 thousand, while the unsubscribed and unpaid portion relates to an amount of Euro 159 thousand for the capital increase of Aquafil Market Warrants and an amount of Euro 800 thousand for the capital increase of Aquafil Sponsor Warrants and for Euro 3 thousand the shares not issued relating to the Market Warrants exercised (due to the conversion price adopted).

The subscribed and paid-up share capital is divided into 51,135,343 shares without nominal value divided into:

- 42,739,323 ordinary shares, identified by the ISIN Code IT0005241192;
- 8,316,020 special Class B shares, identified by the ISIN Code IT0005285330 which, in compliance with any legal limits, assign 3 exercisable voting rights pursuant to Art. 127-sexies of Legislative Decree No. 58/1998 in shareholders' meetings of the company and which may be converted into ordinary shares under specific conditions and circumstances as regulated by the By-Laws, at the rate of one ordinary share for each Class B share;
- 80,000 special Class C shares, identified by the ISIN Code IT0005241747, without voting rights in the ordinary and extraordinary shareholders' meetings of the company and excluded from the right to receive profits which the company resolves to distribute as an ordinary, non-transferable dividend until April 5, 2022 and automatically converted into ordinary shares in the conversion ratio of 4.5 ordinary shares for each Class C share according to specific conditions and circumstances laid down by the By-Laws.

The detailed breakdown of Aquafil S.p.A.'s subscribed and paid-up share capital at June 30, 2018 is shown below:

Type of shares	no. of shares	% of Share Capital	Listing
Ordinary	42,739,323	83.58%	MTA, STAR Segment
Class B	8,316,020	16.26%	Non-listed
Class C	80,000	0.16%	Non-listed
TOTAL	**51,135,343**	**100.00%**	

In relation to the significant shareholders, reference should be made to the Directors' Report.

During the period a share capital increase was undertaken for Euro 41,527 following the exercise of 1,652,264 Market Warrants which resulted in the issue of 415,265 new ordinary shares.

Warrants

As part of the listing process in 2017, the current parent issued the following warrants, exercisable according to the terms and conditions detailed in the respective regulations approved by the Shareholders' Meeting:

(i) 3,750,000 "Aquafil Market Warrants", identified by the ISIN Code IT0005241200, and allocated to the holders of Aquafil S.p.A. ordinary shares upon the effectiveness of the afore-mentioned merger on December, 2017. Aquafil Market Warrants incorporate the right to the allocation of Aquafil S.p.A. shares of Conversion Market Warrants in accordance with the relative regulation and are exercisable under the conditions set out in the relative regulation approved by the Space3 extraordinary shareholders' meeting by resolution of December 23, 2016.

(ii) 800,000 "Aquafil Sponsor Warrants", identified by the ISIN Code IT0005241754, non-listed and exercisable, essentially within ten years from the date of effectiveness of the mentioned merger (December 4, 2017), payable at the unit exercise price of Euro 13 on achieving a "Strike Price" of Euro 13, in response to the allocation of an Aquafil share of Aquafil Conversion Sponsor Warrants for each Sponsor Warrant.

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

a) the paid-in share capital increase, in tranches, for a maximum total amount of Euro 203,488.50, to be reserved for the exercise of 7,500,000 Market Warrants, through the issue of a maximum 2,034,885 Conversion Market Warrants with the maximum number of Aquafil Conversion Shares to be issued equal to 2,034,885; and

b) the paid-in share capital increase, in tranches, for a maximum total amount including share premium of Euro 10,400,000 premium (of which, 800,000 share capital) to be reserved for the exercise of a corresponding maximum number of 800,000 Sponsor Warrants, through the issue of a maximum number of 800,000 Aquafil shares of Conversion Sponsor Warrants.

During the period 1,625,264 Market Warrants were issued (as described in the previous paragraph), therefore those in circulation amount to 5,847,720.

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

Legal reserve

The legal reserve at June 30, 2018 amounted to Euro 8 thousand.

Translation reserve

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

Share premium reserve

At June 30, 2018 the account amounted to Euro 19,985 thousand. The change in the period for Euro 45 thousand relates to the transfer to "Other reserves" of the share capital increase which became distributable following the exercise of the Market Warrants.

Reserve for share capital increase

The item amounted to Euro 3,287 thousand at June 30, 2018 as a decrease in shareholders' equity.

First Time Adoption Reserve (FTA)

The item amounts to Euro 2,389 thousand and represents the conversion effects from Italian GAAP to IFRS. The transition process from Italian GAAP to IFRS in accordance with the provisions of IFRS 1 "First-time Adoption of International Financial Reporting Standards" ("IFRS 1") was carried out on the preparation of the three-year consolidated financial statements at December 31, 2014, 2015 and 2016 attached to the Prospectus in relation to the admission for trading on the Italian Stock Exchange, STAR segment of the ordinary shares and of the Market warrants.

IAS 19 Reserve

At June 30, 2018, it was equal to a Euro 592 thousand reduction in shareholders' equity and includes the actuarial effects at that date of severance indemnities and all the other benefits for employees of Group companies.

Retained earnings
At June 30, 2018 the account amounts to Euro 61,762 thousand and represents the results generated by the Aquafil Group in previous years net of the distribution of dividends as illustrated in the paragraph below.

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

5.11 Employee benefits

The account is comprised of:

(Euro thousands)	
Balance at December 31, 2017	5,876
Financial charges	19
Advances and settlements	(105)
Actuarial gains/(losses)	(10)
Balance at December 31, 2018	**5,780**

The post-employment benefits provision includes the effects of discounting as required by the IAS 19 accounting standard.

5.12 Current and non-current financial liabilities

The account is comprised of:

(Euro thousands)	At June 30, 2018	current portion	At December 31, 2017	current portion
Medium/long term bank loans	168,735	48,028	141,385	49,533
Accrued interest on Medium/long term bank loans	235	235	174	174
Accessory charges on medium/long-term bank loans	(471)	(216)	(479)	(225)
Total medium/long-term loans	**168,499**	**48,047**	**141,079**	**49,482**
Bonds	54,667	7,810	55,000	667
Deferred income - Bonds	115	115	126	126
Accessory charges on bonds	(552)	(77)	(591)	(77)
Total bond loan	**54,229**	**7,848**	**54,536**	**716**
Leasing financial payables	13,652	1,892	14,510	1,840
Financing payables to Finest S.p.A.	1,716	0	1,716	0
Liabilities for derivative financial instruments	456	0	170	0
Other lenders and banks – short term	2,067	2,067	72	72
Total	**240,621**	**59,854**	**212,084**	**52,111**

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

(Euro thousands)	Original amount	Granted	Maturity	Rate applied	At June 30 2018	current portion
Mediobanca (*)	15,000	2015	2019	2.41% fixed (**)	5,000	*0*
Banca Intesa (*)	10,000	2016	2021	1.15% fixed (**)	7,500	*2,500*
Mediocredito Trentino Alto Adige	3,000	2017	2021	0.901% fixed	3,000	*991*
Banca Nazionale del Lavoro	8,000	2017	2019	0.28% fixed	8,000	*5,333*
Medium/long term bank loans - fixed rate					**23,500**	**8,824**
ICBC Bank (*)	15,000	2015	2018	Euribor 6 months + 1.20%	15,000	*15,000*
Banca Popolare di Milano (***)	14,000	2015	2020	Euribor 3 months + 2.05%	2,843	*2,004*
Regions Bank (*)	14,273	2014	2020	Libor+ variable margin	6,290	*1,889*
Cassa Risparmio di Bolzano (*)	11,500	2016	2019	Euribor 6 months + 1.75%	3,833	*3,833*
Cassa Centrale Banca – Credito Cooperativo del Nord Est (ex Casse rurali trentine) (*)	5,000	2016	2021	Euribor 6 months + 1.50%	4,389	*1,857*
Banca Popolare Emilia Romagna	5,000	2016	2020	Euribor 3 months + 0.95%	2,940	*1,252*
Deutsche Bank (*)	5,000	2016	2020	IRS 4 years + 0.60%	2,827	*1,252*
Credit Agricole Friuladria (ex Banca Popolare Friuladria)	4,200	2016	2021	Euribor 6 months + 1.20%	3,165	*1,045*
Regions Bank (*)	7,210	2013	2020	Libor + 1.70%	2,252	*931*
Banca di Verona	3,500	2016	2022	Euribor 3 months + 1.80%	2,735	*625*
Veneto Banca	4,000	2015	2019	Euribor 6 months + 2.10%	945	*945*
Banca Popolare Emilia Romagna	3,000	2015	2018	Euribor 3 months + 2.00%	257	*257*
Finest	1,000	2013	2019	Euribor 6 months + 1.70%	312	*207*
Banca di Verona	15,000	2017	2024	Euribor 3 months (min. 0) + 2.00%	15,000	*2,979*
Credito Valtellinese	3,000	2017	2022	Euribor 3 months (min. 0) + 0.90%	2,557	*592*
Cassa Rurale Raiffeisen Alto Adige	3,000	2017	2022	Euribor 3 months + 0.90%	2,816	*742*
Credit Agricole Friuladria (ex Banca Popolare Friuladria) (*)	10,000	2017	2024	Euribor 3 months + 1.30%	10,000	*887*
Veneto Banca	3,000	2017	2021	Euribor 6 months + 0.90%	2,074	*748*
Banca Popolare di Sondrio	5,000	2017	2022	Average Euribor 1 month + 0.80%	5,000	*1132*
Banca Popolare Emilia Romagna	5,000	2017	2022	Euribor 6 months + 0.90%	5,000	*1027*
Banca Intesa (**)	15,000	2018	2024	Euribor 6 months + 0.95%	15,000	
Monte dei Paschi di Siena (*)	15,000	2018	2023	Euribor 6 months + 080%	15,000	
Banco BPM (**)	25,000	2018	2025	Euribor 3 months + 0.90%	25,000	
Medium/long term bank loans - variable rate					**145,235**	**39,204**
Accrued interest on medium/long term bank loans					235	235
Accessory charges on medium/long-term bank loans					(471)	(216)
Total medium/long-term loans					**168,499**	**48,047**

(*) Loans that provide for compliance with financial covenants

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

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

Loan	Period	Parameter	Reference	Limit
Banca Friuladria	annually	Net Debt / Net Equity	Group	≤ 2.50
	annually	Net debt / EBITDA net of lease costs		≤ 3.75
Banca Intesa	annually	Net Debt / Net Equity	Group	≤ 2.50
	annually	Net Debt / EBITDA		≤ 3.75
Cassa di risparmio	annually	Net Debt / Net Equity	Group	≤ 2.50
di Bolzano	annually	Net Debt / EBITDA		≤ 3.75
ICBC Bank	half-yearly	Net Debt / Net Equity	Group	≤ 2.50
	half-yearly	Net Debt / EBITDA		≤ 3.75
Mediobanca	half-yearly	Net debt / Net equity*	Group	≤ 2.50
	half-yearly	Net Debt / EBITDA		≤ 3.75
	half-yearly	EBITDA / Financial charges		≥ 3.50
Regions Bank	half-yearly	EBITDA net of lease costs / financial charges+lease costs	Aquafil USA	≥ 1.15
	half-yearly	Net Debt / EBITDA net of lease costs		≤ 3.50
Credito Valtellinese	annually	Net Debt / EBITDA	Group	< 3.75
	annually	Net Debt / Net Equity		< 2.50
Deutsche Bank	annually	Net Debt / EBITDA	Group	≤ 3.75
	annually	Net Debt / Net Equity		≤ 2.50
	annually	EBITDA / Financial charges		> 3.50
Banco BPM	annually	Net Debt / EBITDA	Group	< 3.75
	annually	Net Debt / Net Equity		< 2.50
Monte Paschi di Siena	annually	Net Debt / EBITDA	Group	< 3.75
	annually	Net Debt / Net Equity		< 2.50

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

At the date of this report any half-yearly financial covenants, where existing, were complied with and these covenants are expected to be complied with for the full year.
There are no mortgages recorded on corporate assets for loans and financing granted, while the only secured guarantee granted by Group companies is represented by a pledge issued by Aquafil USA Inc. on the company's plants for two loans granted in 2013 and 2014 by Regions Bank, whose total residual debt in euro equivalent amounted to € 8.5 million as at 30/06/2018.

Bond loans

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

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

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

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

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

Bond loan A

Financial parameters	Formula	2017
Interest Coverage Ratio (*)	EBITDA / Net financial charges (**)	≥ 3.50
Leverage Ratio (*)	Net Debt / EBITDA (**)	≤ 3.75
Net debt Ratio	Net Debt / Net Equity	≤ 2.50

Bond loan A

(*) This indicator must be calculated with reference to the 12-month period which terminates on December 31 and June 30 for all years applicable.
(**) As contractually defined
(***) ≤ 2.00 from 30.09.2019 until maturity.

Bond loan B

Financial parameters	Parameter	Covenant limit
Leverage Ratio	Net Debt / EBITDA (*)	< 3.75
Net Debt Ratio	Net Debt / Net Equity	< 2.50

Bond loan B

(*) As contractually defined

At the date of this report it is expected that all the financial covenants will be complied with at year-end.

To ensure the timely and correct fulfilment of obligations arising on account of the parent company from the issue of securities, the following Group companies have issued joint corporate guarantees in favour of underwriters: Tessilquattro S.p.A., Aquafil Usa Inc., AquafilSlo D.o.o. and AquafilCro D.o.o..

Leasing financial payables

Payables for financial leasing contracts mainly refer to the contract with the financial company Trentino Sviluppo S.p.A. involving the building in Arco (TN). The contract in question was entered into in December 2007 and expires in November 2022. At June 30, 2018, the residual capital relating to financial leasing contracts totalled Euro 13,652 thousand. The contract is regulated at the 6-month Euribor rate plus a spread of 0.50%.

5.13 Provisions for risks and charges

The account is comprised of:

(Euro thousands)	At June 30, 2018	At December 31, 2017
Agents' supplementary and other provisions	1,040	923
Guarantee fund on client engineering orders	894	593
Total	**1,934**	**1,516**

5.14 Other current and non-current liabilities

The account is comprised of:

	At June 30, 2018	*current portion*	At December 31, 2017	*current portion*
Employee payables	11,670	11,670	9,282	9,282
Social security payables	3,167	3,167	2,865	2,865
Payables to parent for income taxes	457	457	457	457
Tax payables	2,777	2,777	2,123	2,123
Payables for deposits from clients	0	0	1	1
Other payables	1,799	1,798	1,055	1,054
Accrued liabilities and deferred income	14,080	4,419	10,995	3,137
	33,950	**24,288**	**26,777**	**18,919**

The most significant changes relate:

- to the account "Tax payables" mainly relating to withholding taxes for Euro 546 thousand, VAT payables for Euro 85 thousand and other tax payables for Euro 23 thousand;
- to the account "Other payables" relating to provisions for senior management remuneration for the period.
- "Accrued liabilities and deferred income" mainly refers to the deferral of grants on the Project Effective EU research project relating to future periods (Euro 3.3 million).

5.15 Trade payables

The account is comprised of:

(Euro thousands)	At June 30, 2018	At December 31, 2017
Trade payables	90,626	84,337
Payables for advances	1,573	9,694
Payables to parent, associates and other related parties	716	446
Total	**92,915**	**94,477**

This value includes payables related to the normal conduct of commercial activity by the Group, none of which over five years, in particular, the purchase of raw materials and external processing services.

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

5.16 Current tax liabilities

Current taxes mainly relate to Euro 3,853 thousand for IRES tax payables, Euro 730 thousand for IRAP tax payables and Euro 1,301 thousand primarily for payables related to current taxes of non-Italian companies in the Aquafil Group.

6. NOTES TO THE CONSOLIDATED INCOME STATEMENT

6.1 Revenues

The breakdown of revenues is shown below:

(in Euro thousands and percentage of revenues)	Half-year 18	Half-year 17
Italy	60,670	59,045
EMEA (*)	134,088	134,623
North America	47,975	48,117
Asia and Oceania	48,313	36,718
Rest of the world	245	333
Total	**291,291**	**278,836**

(*) excluding Ital

Aquafil’s production and marketing activities are organized into three product areas, textile flooring yarns (Bulk Continuous Filament, or BCF), clothing and sports yarns (Nylon Textile Filament, or NTF) and nylon 6 polymers, mainly targeting the engineering plastics sector.
The breakdown of revenues by product line are described in the Directors’ Report:

6.2 Raw material costs

The breakdown of the account is as follows:

(Euro thousands)	Half-year 2018	Half-year 2017
Raw materials and semi-finished goods	136,781	121,260
Supplies and consumable stores	17,439	17,876
Other purchases and finished products	5,311	2,298
Change in inventories raw materials, ancillary, semi-finished and finished products	(8,046)	(29)
Total	**151,485**	**141,405**

In the first half of 2018 the account includes non-recurring costs for Euro 101 thousand relating to the start-up activities of Aquafil Carpet Recycling #1.

6.3 Service costs

The account is comprised of:

(Euro thousands)	Half-year 2018	Half-year 2017
Transport, shipping & customs	8,299	7,812
Electricity, propulsive energy, water and gas	17,418	18,462
Maintenance	4,010	4,375
Services for personnel	1,882	1,831
Tech., ICT, comm, legal, tax and admin. consultants	4,071	2,714
Insurance	908	982
Marketing and advertising	2,325	2,023
Cleaning, security and waste disposal	1,515	1,345
Warehousing, management of external storage	1,882	1,435
External processing	947	760
Rent, hire and leases	3,672	3,609
Other service costs	2,209	1,462
Other sales expenses	181	402
Emoluments of statutory auditors	102	66
Total	**49,420**	**47,278**

In the first half of 2018 the costs include non-recurring costs mainly relating to:
- costs relating to the settlement of some aspects concerning seconded personnel at the Chinese subsidiary for Euro 196 thousand;
- costs relating to the asset transfer operation agreed with Invista (for which reference should be made to the Directors' Report) for Euro 105 thousand;
- costs relating to the scouting and assessment activities of potential M&A operations whose outcome is uncertain for Euro 610 thousand;
- Other non-recurring services for Euro 550 thousand relating to the start-up activities of Aquafil Carpet Recycling #1.

6.4 Personnel costs

These costs are broken down as follows:

(Euro thousands)	Half-year 2018	Half-year 2017
Wages and salaries	40,149	40,155
Social security expenses	8,582	7,803
Post-employment benefit	1,136	1,177
Directors fees	1,113	1,447
Long-term monetary incentive plan executive directors and senior executives	1,209	0
Other personnel costs	658	1,892
Total	**52,847**	**52,474**

The account includes non-recurring costs for:
- Euro 216 thousand relating to restructuring.
- Euro 442 thousand relating to the start-up activities of Aquafil Carpet Recycling #1.

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

	Half-year 2018	Half-year 2017	Average
Managers	40	40	40
Middle managers	124	117	121
White-collar	470	458	464
Blue-collar	2,194	2,108	2,151
Total	**2,828**	**2,723**	**2,776**

6.5 Other operating costs and income

These costs are broken down as follows:

(Euro thousands)	Half-year 2018	Half-year 2017
Taxes, duties & sanctions	528	527
Losses on asset sales	13	132
Other operating charges	506	466
Total	**1,047**	**1,125**

The account includes non-recurring costs for Euro 112 thousand relating to fines, sanctions and other minor amounts.

6.6 Amortisation, depreciation and write-downs

The account is comprised of:

(Euro thousands)	Half-year 2018	Half-year 2017
Amortisation	1,137	819
Depreciation	11,227	10,988
Fixed assets write-downs	0	0
Total	**12,364**	**11,807**

6.7 Costs for internal work capitalised

For the period ended June 30, 2018, this item amounting to Euro 3,571 thousand mainly refers to costs incurred internally for the construction of machinery and plants.

6.8 Financial incomei

The account is comprised of:

(Euro thousands)	Half-year 2018	Half-year 2017
Interest income on loans to parent and other related parties	0	144
Income from financial instruments and derivatives	3	22
Interest income on current accounts	14	12
Other interest income	0	2
Total	**17**	**180**

6.9 Financial charges

The account is comprised of:

(Euro thousands)	Half-year 2018	Half-year 2017
Interest on bank loans and borrowing	979	1,449
Interest on bonds	1,208	1,175
Interest exp. on current accounts	451	518
Write-down derivative financial instruments	304	115
Interest export advances and import financing	1	-
Financial charges and interest expense	84	102
Total	**3,027**	**3,359**

6.10 Exchange gains and losses

This item, equal to a gains of Euro 525 thousand for the period ended June 30, 2018, refers to the net balance between exchange rate gains (realised and unrealised) and exchange rate losses (realised and unrealised). The difference compared to the previous year is attributable, principally by the EURO/USD exchange rate which saw a strong appreciation of the EURO over the USD.

6.11 Income taxes

The breakdown of the account is as follows:

(Euro thousands)	Half-year 2018	Half-year 2017
Current taxes	2,251	4,304
Deferred taxes	2,724	1,584
Total	**4,975**	**5,888**

6.12 Earnings per share

	Period ended June 30	
	2018	**2017**
Profit attributable to the owners of the Parent (Euro thousands)	19,614	13,395
Weighted average number of shares (Euro thousands)	50,894	45,000
Earnings per share (in Euro)	**0.39**	**0.30**

The diluted result per share is equal to the result per share since no financial instruments with potential dilutive effects were issued.

6.13 Non-recurring items

The account is comprised of:

(Euro thousands)	Half-year 2018	Half-year 2017
Other extraordinary income	(143)	(3)
Raw material purchases - extraordinary	101	0
Fiscal & administration consultancy – extraordinary	197	0
Other extraordinary services	673	13
Remuneration - extraordinary	0	105
Maintenance - extraordinary	3	0
Listing expenses	0	37
Cost for agreements with Invista	105	0
Scouting and potential M&A operations	610	0
Personnel costs - extraordinary	442	1
Bonuses and incentives	216	1,305
Penalties and fines	12	2
Other extraordinary charges	99	0
Total	**2,312**	**1,459**

The nature of the extraordinary items is described in the previous paragraphs “Raw material costs”, “Service costs”, “Personnel costs” and “Other operating costs and charges”.

7. NET FINANCIAL DEBT

Below is the breakdown of the net financial debt as at June 30, 2018 and 2017, determined in accordance with ESMA/2013/319 Recommendations:

NET FINANCIAL DEBT

in Euro thousands	June 2018	December 2017
A. Cash	92,003	99,024
B. Other liquid assets	0	0
C. Securities held-for-trading	0	0
D. Liquidity (A) + (B) + (C)	**92,003**	**99,024**
E. Current financial receivables	**1,657**	**988**
F. Current bank payables	(2,067)	(72)
G. Current portion of non-current debt	(55,895)	(50,199)
H. Other current financial payables	(1,892)	(1,840)
I. Current financial debt (F) + (G) + (H)	**(59,854)**	**(52,111)**
J. Net current financial debt (I + E+ D)	**33,806**	**47,901**
K. Non-current bank payables	(120,454)	(91,597)
L. Bonds	(46,382)	(53,820)
M. Other non-current financial payables	(13,931)	(14,556)
N. Non-current financial debt (K) + (L) + (M)	**(180,767)**	**(159,973)**
O. Net financial debt (J)+(N)	**(146,961)**	**(112,071)**

8. TRANSACTIONS WITH RELATED PARTIES

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

in Euro thousands	Parent companies	Assoc. Comp.	Other related parties	Total	Total book value	% on total account items
Non-current financial assets						
At June 30, 2018	0	0	79	79	**574**	**13.67%**
At December 31, 2017	0	0	79	79	**408**	**19.24%**
Trade receivables						
At June 30, 2018	0	0	54	54	**53,564**	**0.10%**
At December 31, 2017	0	0	116	116	**34,870**	**0.33%**
Other current assets						
At June 30, 2018	403	0	0	403	**14,325**	**2.91%**
At December 31, 2017	1,688	0	0	1,688	**12,517**	**13.49%**
Trade payables						
At June 30, 2018	0	0	(716)	(716)	**(92,915)**	**0.77%**
At December 31, 2017	0	0	(716)	(716)	**(94,477)**	**0.76%**
Other current liabilities						
At June 30, 2018	(457)	0	0	(457)	**(24,288)**	**1.88%**
At December 31, 2017	(457)	0	0	(457)	**(18,919)**	**2.41%**

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

(in Euro thousands)	Parent companies	Associated Companies	Other related parties	Total	Book value	% on total account items
Revenues						
Half-year 2018	0	0	188	188	291,291	0.06%
Half-year 2017	0	0	152	152	278,836	0.05%
Service costs and rent, lease and similar costs						
Half-year 2018	0	0	(1,790)	(1.790)	(49,420)	3.62%
Half-year 2017	0	0	(1,797)	(1,797)	(47,278)	3.80%
Other operating costs and income						
Half-year 2018	0	0	(35)	(35)	(1,047)	3.34%
Half-year 2017		0	0	0	(1,125)	0.00%
Personnel costs						
Half-year 2018	0	0	0	0	(52,847)	0.00%
Half-year 2017	0	(476)	0	(476)	(52,474)	0.91%
Financial income						
Half-year 2018	0	0	0	0	17	0.00%
Half-year 2017	144	0	0	144	180	80.00%

9. COMMITMENTS, RISKS, UNCERTAINTIES AND CONTINGENT LIABILITIES

Commitments

The breakdown of the minimum payments on non-annullable operating lease contracts of the Group at June 30, 2018 is as follows:

(Euro thousands) **Commitments for operating lease contracts**	**at June 30, 2018**
Within 1 year	3,854
Between 1 and 5 years	18,956
Over 5 years	4,353
Total	**27,163**

Contingent liabilities

The Group is not currently subject to particular risks and uncertainties.

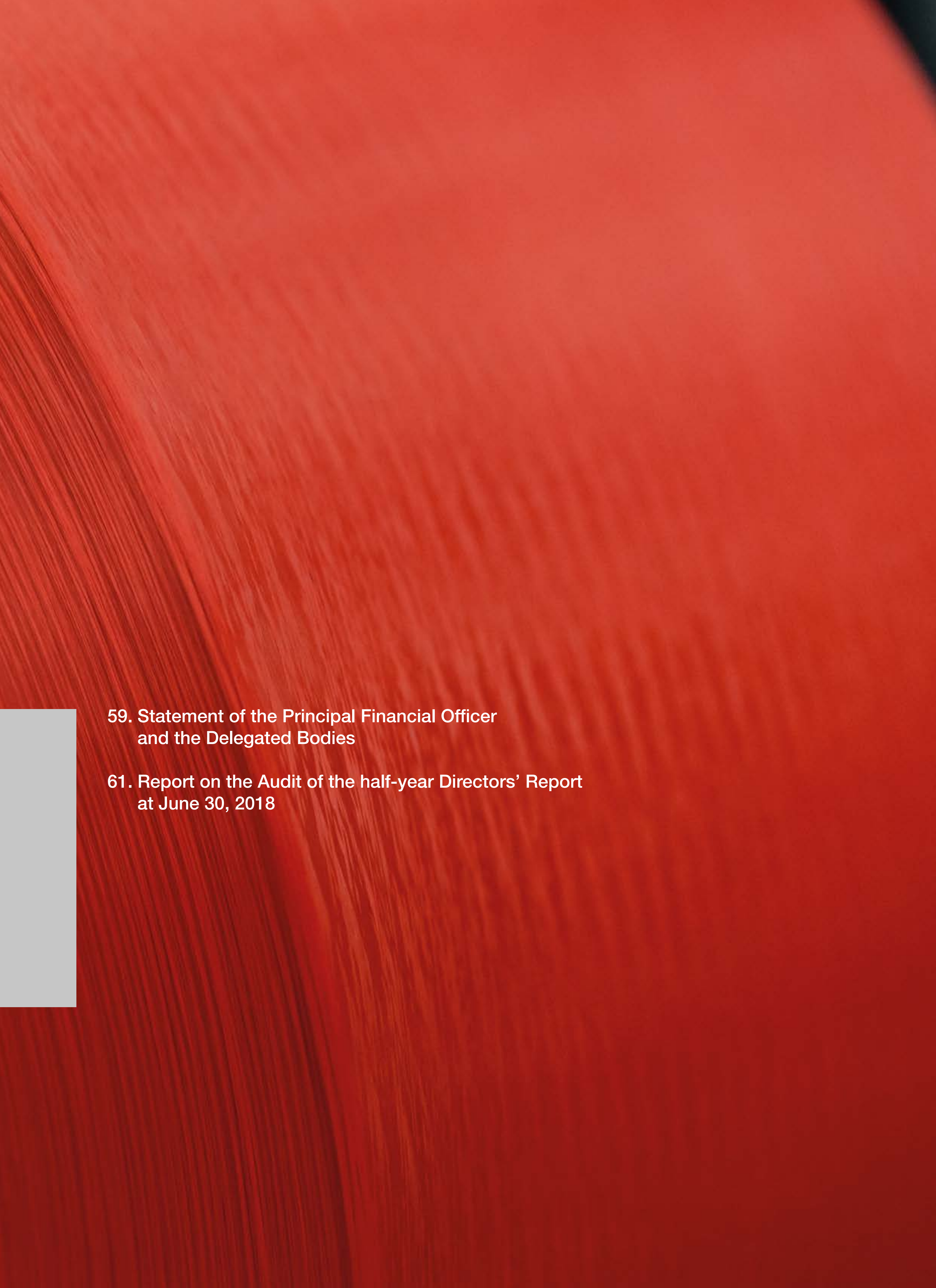
9.1 Significant events after June 30, 2018

On August 7, 2018 the subsidiary Aqualeuna GmbH presented local trade union organisations with a plan to specialise the Leuna production facility in BCF spinning activities only, with the closure of the heat-set reprocessing unit and consequently greater saturation of the other specialized Group reprocessing plant, in order to optimise logistics and production, improve service and reduce process costs. While this plan will entail a reduction of the company's headcount, limited to the affected unit's personnel only, it will also result in improved profitability at company and Group level.

Arco, August 29, 2018

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

Principal Financial Officer
(Mr. Sergio Calliari)



Statement of the Principal Financial Officer and the Delegated Bodies

Aquafil Global

Aquafil S.p.A.
Via Linfano 9 - Arco (TN) – Italy
P.I.: 09652170961

STATEMENT OF THE PRINCIPAL FINANCIAL OFFICER AND THE DELEGATED BODIES (art 154-bis, comma 5) ABOUT THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF AQUAFIL GROUP CLOSED ON 2018/06/30 IN ACCORDANCE WITH ART 81-TER OF CONSOB REGULATION N. 11971 OF 14 MAY 1999 AND ANY SUBSEQUENT AMENDEMENTS AND ADDITIONS

1. The undersigned Adriano Vivaldi, Managing Director, and Sergio Calliari, Principal Financial Officer ex Law 262/05 of Aquafil SpA, certify, based on art. 154-bis, commas 3-4, and Legislative Decree 58/98:
   - the adequacy in relation to the firm characteristics and
   - the effective implementation

   of the administrative - accountability procedures aimed at preparing the consolidated interim financial statements as of 2018 June 30.

2. No relevant issues arose.

3. It is also certified that the consolidated interim financial statements as of 2018.06.30:
   a) are drafted based on the International Financial Reporting Standards (I.F.R.S.), recognized in the European Community in accordance with Regulation (EC) n. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
   b) match with the results of the accountability books and registrations;
   c) are appropriate to give a truthful and correct representation of the statement of the assets, liabilities, and capital of the Company and of the group of companies included in the consolidation process.

Arco, 2018 August 28

Managing Director
Adriano Vivaldi

Principal Financial Officer
Sergio Calliari

Report on the Audit of the half-year Directors' Report at June 30, 2018

Independent auditor's report

Aquafil SpA

Review report on consolidated condensed interim financial statements as of 30 June 2018 pwc

Review report on consolidated condensed interim financial statements

To the shareholders of
AQUAFIL SPA

Foreword

We have reviewed the accompanying consolidated condensed interim financial statements of AQUAFIL Group as of 30 June 2018, comprising the statement of financial position, income statement, statement of comprehensive income, cashflow statement, statement of changes in equity and related notes. The directors of AQUAFIL SpA are responsible for the preparation of the consolidated condensed interim financial statements in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

Scope of review

We conducted our work in accordance with the criteria for a review recommended by Consob in Resolution No. 10867 of 31 July 1997. A review of consolidated condensed interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the consolidated condensed interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the

PricewaterhouseCoopers SpA

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accompanying consolidated condensed interim financial statements of AQUAFIL Group as of 30 June 2018 are not prepared, in all material respects, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Trento, 29 August 2018

PricewaterhouseCoopers SpA

Signed by

Alberto Michelotti
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers synthetic fibres and polymers

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