DIRECTORS' REPORT

OF THE AQUAFIL GROUP AT JUNE 30, 2019

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 30.06.2019):

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

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

CORPORATE BOARDS

Board of Directors

Chairman & Chief Executive Officer	Giulio Bonazzi
Executive Director	Adriano Vivaldi
Executive Director	Fabrizio Calenti
Executive Director	Franco Rossi
Director (*)	Silvana Bonazzi
Director (*) (**) (***)	Simona Heidempergher
Director (*)	Carlo Pagliani
Director (*) (**)	Margherita Zambon
Director (*) (**)	Francesco Profumo

(*) 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

Chairperson	Simona Heidempergher
Member	Francesco Profumo
Member	Carlo Pagliani

Appointments and Remuneration Committee

Chairman	Francesco Profumo
Member	Simona Heidempergher
Member	Margherita Zambon

Supervisory Board

Chairman	Fabio Egidi
Member	Karim Tonelli
External member	Marco Sargenti

Board of Statutory Auditors

Chairman	Stefano Poggi Longostrevi
Statutory Auditor	Bettina Solimando
Statutory Auditor	Fabio Buttignon

Independent Audit Firm
PricewaterhouseCoopers S.p.A. – Trento (Italy), Via della Costituzione 33.

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

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. The Group, headquartered in Arco, Italy, boasts 17 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 fibre production process management, with a strong focus on the development of the circular-economy (*ECONYL®*);
- synergies and advantages shared by flooring and clothing sector operations (e.g. in terms of know-how, geographical distribution etc.).

Product lines

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

BCF Line

Textile flooring yarn production has been Aquafil's core business since its foundation. The BCF line 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 Line

The NTF line 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 Line

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.

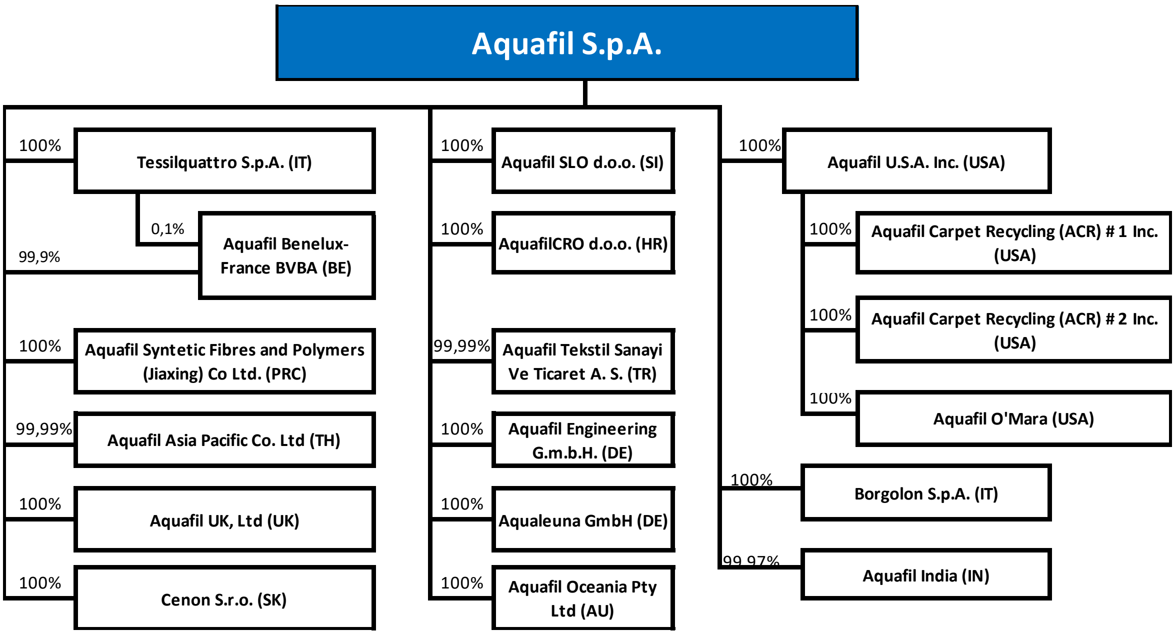
International expansion has enabled the Group to develop and operate on the following markets:

- 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 consolidates 19 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. As further described below, at the end of May 2019 the company O'Mara Inc., now Aquafil O'Mara Incorporated, was acquired and entered into the consolidation scope.



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. and Aquafil O'Mara 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).

SIGNIFICANT EVENTS IN H1 2019

Acquisition of O'Mara Inc.

On May 31, 2019, the investment was completed in the company O'Mara Inc., now *Aquafil O'Mara Inc.,* through the subsidiary Aquafil USA Inc..

O'Mara Incorporated was founded in 1970 and produces nylon, polypropylene and polyester fibres mainly in solution-dyed colours in its plant based in Rutherford College, North Carolina. In 2018, O'Mara reported turnover of USD 40.1 million with a margin in line with the Aquafil Group.

The company's identity and market positioning are consistent with those of the Aquafil Group and it is considered that this compatibility will stimulate the globalization of the textile business, with positive effects also for the products ECONYL® and Dryarn®. Aquafil O'Mara will provide access to a broader product range, thereby driving further development of the US market in the sectors of athletic apparel, hosiery, fashion and accessories.

The purchase price of the investment was USD 36.15 million. The total investment was USD 40.65 million as the Group acquired a building in addition to the full equity investment, previously utilised by O'Mara Inc. through a rental contract, for an amount of USD 4.5 million. The Group incurred non-recurring charges for the acquisition totalling Euro 0.9 million. In the condensed consolidated half-year financial statements this transaction was recognised as a business combination as per IFRS 3 and which gives rise to goodwill of USD 16 million, fiscally not deductible, attributable to the strong competitive position and profitability of the business acquired which may also benefit from future synergies within the Group.

Aquafil S.p.A. funded the acquisition through an unsecured privately placed bond subscribed on May 24, 2019 by a company of the US insurance group Prudential Financial Inc., for a total amount of Euro 40.0 million.

The new bond partially utilised the "Shelf facility" committed credit line already granted to the parent Aquafil S.p.A. on September 20, 2018 totalling USD 90 million. The same contractual conditions were applied to the bond as the loan of Euro 50 million renegotiated on September 20, 2018. The duration of the bond is 10 years, of which 3 years comprising a grace period with annual instalments. The interest rate applied is an annual fixed rate of 1.87% for the duration of the bond.

Aquafil S.p.A. financed the acquisition undertaken by its subsidiary Aquafil U.S.A. Inc. through a share capital increase of USD 45 million fully paid on May 24, 2019.

Application of new accounting standard IFRS 16

From January 1, 2019, compared to the financial statements at December 31, 2018, IFRS 16 Leases was applied for the first time, which substantially changed the accounting treatment of "*operating lease*" contracts in the financial statements of the lessee.

Specifically, the Aquafil Group adopted the new standard applying the "modified retrospective" approach, as permitted by the new International Accounting Standard, with the recognition of right-of-use assets of the leased assets for an amount equal to the value of the lease liability. This accounting treatment was applied on January 1, 2019, without therefore any restatement of the comparative figures and without any impact on the opening equity.

For further details reference should be made to the specific paragraph in the Explanatory Notes.

We highlight below the effects of the application of the new accounting standard IFRS 16.

Opening effects at January 1, 2019 on the balance sheet:

(Euro thousands)	**At December 31, 2018**	**Effects first-time application IFRS 16**	**At January 1, 2019**
ASSETS			
Non-current assets			
Intangible assets	15,992		15,992
Property, plant & equipment	189,661	28,718	218,379
Financial assets	404		404
Other assets	2,189		2,189
Deferred tax assets	7,841		7,841
Total non-current assets	**216,087**	**28,718**	**244,805**
Current assets			
Inventories	189,678		189,678
Trade receivables	34,046		34,046
Financial assets	2,878		2878
Tax receivables	451		451
Other assets	14,297		14,297
Cash and cash equivalents	103,277		103,277
Total current assets	**344,627**	**0**	**344,627**
TOTAL ASSETS	**560,714**	**28,718**	**589,432**
Share capital	49,722		49,722
Reserves	62,969		62,969
Group net result	31,119		31,119
Total Group net equity	**143,810**		**143,810**
Minority interest net equity	1		1
Total consolidated net equity	**143,811**		**143,811**
LIABILITIES			
Non-current liabilities			
Employee benefits	5,702		5,702
Financial liabilities	224,345	23,318	247,663
Provision for risks and charges	1,169		1,169
Deferred tax liabilities	3,582		3,582
Other liabilities	11,833		11833
Total non-current liabilities	**246,631**	**23,318**	**269,949**
Current liabilities			
Financial liabilities	39,090	5,400	44,490
Current tax payables	2,270		2,270
Trade payables	106,895		106,895
Other liabilities	22,017		22,017
Total current liabilities	**170,272**	**5,400**	**175,672**
TOTAL EQUITY AND LIABILITIES	**560,714**	**28,718**	**589,432**

Opening effects at January 1, 2019 on the net financial position:

NET FINANCIAL DEBT *(Euro thousands)*	At December 31, 2018	Effects first-time app. IFRS 16	At January 1, 2019
A. Cash	103,277		103,277
B. Other liquid assets	-		-
C. Securities held-for-trading	-		-
D. Liquidity (A) + (B) + (C)	**103,277**		**103,277**
E. Current financial receivables	**2,878**		**2,878**
F. Current bank payables	(96)		(96)
G. Current portion of non-current debt	(35,496)		(35,496)
H. Other current financial payables	(3,498)	(5,400)	(8,898)
I. Current financial debt (F) + (G) + (H)	**(39,090)**	**(5,400)**	**(44,489)**
J. Net current financial debt (I) + (E)+ (D)	**67,066**	**(5,400)**	**61,666**
K. Non-current bank payables	(159,492)		(159,492)
L. Bonds	(53,578)		(53,578)
M. Other non-current financial receivables and payables	(11,275)	(23,318)	(34,593)
N. Non-current financial debt (K) + (L) + (M)	**(224,345)**	**(23,318)**	**(247,663)**
O. Net financial debt (J)+(N)	**(157,279)**	**(28,718)**	**(185,997)**

Effects on H1 2019 income statement:

(Euro thousands)	**H1 2019**
Reversal of lease charges	3,341
Effect on EBITDA	**3,341**
Recognition depreciation	(3,046)
Effect on EBIT	**295**
Interest expense	(341)
Effect on pre-tax result	**(46)**
Tax effect	11
Effect on result for the period	**(35)**

Considering that the effects generated from the application of the new international accounting standard IFRS 16 and from the acquisition of O'Mara Inc. on the results and balance sheet in the first half of 2019 are not comparable with the relative comparative figures of the same period and/or of the previous year, for greater disclosure and comparability, we provide a summary of the Group performance indicators below which do not consider the above-mentioned changes.

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 items.

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

KEY BALANCE SHEET AND FINANCIAL INDICATORS

Description	**June 30, 2019**	**December 31, 2018**
Consolidated Shareholders' Equity	142,518	143,811
Net Financial Position (€/000)	263,522	157,279
EBITDA LTM (Last Twelve Months) (Euro/000)	*72,028*	*77,896*
NFP/EBITDA RATIO	3.66	2.02
NFP/SE RATIO	1.85	1.09
IFRS 16 Effect:		
on NFP (€/000)	*29,670*	*0*
on EBITDA (€/000)	*3,341*	*0*
on SE (€/000)	*-35*	*0*
SE pre-IFRS 16 (€/000)	142,553	143,811
NFP pre-IFRS 16 (€/000)	233,852	157,279
EBITDA LTM pre-IFRS 16 (€/000)	68,687	77,896
Effect acquisition O'Mara Inc.:		
on NFP (€/000)	*(*) 36,556*	*0*
(*) includes € 938 thousand of non-recurring charges relating to the acquisition		
on EBITDA (€/000)	*720*	*0*
on SE (€/000)	*533*	*0*
SE adjusted (€/000)	**142,020**	**143,811**
NFP adjusted (€/000)	**197,296**	**157,279**
	67,967	**77,896**
NFP/EBITDA RATIO adjusted	**2.90**	**2.02**
NFP/SE RATIO adjusted	**1.39**	**1.09**

“Adjusted” refers to the ratios net of the effects from initial application of IFRS 16 and the acquisition of O’Mara Inc.

KEY FINANCIAL HIGHLIGHTS

(Euro thousands)	H1 2019	H1 2018
Net Profit	**10,654**	**19,614**
Income taxes	3,637	5,424
Amortisation, depreciation and write-downs	16,574	12,364
Provisions & write-downs	224	769
Financial items (*)	4,586	4,455
Non-recurring items (**)	3,396	2,312
EBITDA	**39,070**	**44,938**
Revenues	286,667	291,291
EBITDA margin	**13.6%**	**15.4%**

(Euro thousands)	H1 2019	H1 2018
EBITDA	**39,070**	**44,938**
Amortisation, depreciation and write-downs	-16,574	-12,364
Provisions & write-downs	-224	-769
Adjusted EBIT	**22,273**	**31,805**
Revenues	286,667	291,291
Adjusted EBIT margin	**7.8%**	**10.9%**

(*) The financial items include: (i) non-recurring financial income of Euro 1.1 million in the period ending June 2019, (ii) financial charges of Euro 3.7 million and Euro 3.0 million respectively in the periods ending June 30, 2019 and June 30, 2018, (iii) cash discounts of Euro 1.7 million and Euro 2.0 million respectively in the periods ending June 30, 2019 and June 30, 2018 and (iv) exchange losses of Euro 0.2 million and exchange gains of Euro 0.5 million respectively in the periods ending June 30, 2019 and June 30, 2018

(**) This includes (i) non-recurring charges related to the expansion of the Aquafil Group and other corporate transactions for Euro 2.3 million and 1.6 million respectively in the periods ending June 30, 2019 and June 30, 2018, (ii) non-recurring industrial charges of Euro 0.6 million for the period ending June 30, 2019, (iii) costs for restructuring and the regularisation of expatriated personnel for Euro 0.1 million and Euro 0.4 million respectively in the periods ending June 30, 2019 and June 30, 2018 and (iv) other non-recurring charges of Euro 0.4 million and Euro 0.3 million respectively in the periods ending June 30, 2019 and June 30, 2018.

H1 2019 CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT (Euro thousands)	*Note*	**H1 2019**	*of which non-recurring*	**H1 2018**	*of which non-recurring*
Revenues	7.1	286,667	-	291,291	-
of which related parties:		*29*		*188*	
Other revenues and income	7.2	1,181	*95*	594	*143*
Total revenues and other revenues and income		**287,848**	**95**	**291,885**	**143**
Cost of raw materials and changes to inventories	7.3	(148,225)	*(119)*	(147,995)	*(101)*
Service costs and rents, leases and similar costs	7.4	(51,191)	*(2,340)*	(49,420)	*(1,584)*
of which related parties:		*(219)*		*(1,790)*	
Personnel costs	7.5	(54,060)	*(739)*	(52,847)	*(658)*
of which related parties:		*0*		-	
Other costs and operating charges	7.6	(1,311)	*(293)*	(1,047)	*(111)*
of which related parties:		*(38)*		*(35)*	
Amortisation, depreciation & write-downs	7.7	(16,574)		(12,364)	
Provisions & write-downs	7.8	(224)		(769)	
Increase in internal work capitalised	7.9	886		81	
Operating Profit		**17,148**	**(3,396)**	**27,524**	**(2,312)**
Investment income/charges		0		-	
Financial income	7.10	1,100	1,082	17	
Financial charges	7.11	(3,717)		(3,027)	
of which related parties:		*(132)*			
Exchange gains/losses	7.12	(241)		525	
Profit before taxes		**14,291**	**(2,314)**	**25,038**	**(2,312)**
Income taxes	7.13	(3,637)		(5,424)	
Profit for the period		**10,654**	**(2,314)**	**19,614**	**(2,312)**
Minority interest net profit		0		0	
Group Net Profit		**10,654**		**19,614**	

Revenues in H1 2019 amount to Euro 286.7 million, with a decrease of Euro 4.6 million compared to H1 2018 (-1.6%). On like-for-like consolidation scope, therefore without taking into account the acquisition of the company O'Mara, the reduction would have been 2.6%.
Revenues of ECONYL® brand products in the period grew 4.5% on the same period of the previous year, accounting for 37.3% of total fibre sales.

Revenue breakdown by product line

Revenues by product line, in value and percentage terms for H1 2019 compared to the same period in the previous year, are presented below:

Revenues (€/million) Product Line	**H1 2019**	%	**H1 2018**	%
BCF	210.4	73.4%	210.3	72.2%
NTF	53.4	18.6%	50.6	17.4%
Polymers	22.9	8.0%	30.4	10.4%
TOTAL	**286.7**	**100.0%**	**291.3**	**100.0%**

Compared to the first half of the previous year:
(a) the BCF product line in the first half of the year was almost unchanged (+0.1%);
(b) the NTF product line grew in the first half year 5.4%; on a like-for-like consolidation scope, therefore without taking into account the acquisition of the company O'Mara Inc., the NTF product line would have recorded a reduction in revenues of 0.8% due to lower sales in the EMEA region;
(c) the polymers product line contracted in the first half year 24.7% due to the choice to utilise internally greater quantities of Polyamide 6 polymers for the production of fibres instead of selling them to third parties.

Revenue breakdown by region
Revenues by region, in value and percentage terms for H1 2019 compared to the same period in the previous year, are presented below:

Revenues (€/million) Region	**H1 2019**	**%**	**H1 2018**	**%**
EMEA	176.5	61.6%	194.8	66.9%
North America	62.0	21.6%	48.0	16.5%
Asia and Oceania	47.6	16.6%	48.3	16.6%
Rest of the world	0.5	0.2%	0.2	0.1%
TOTAL	**286.7**	**100.0%**	**291.3**	**100.0%**

In comparison with the first half of 2018:
(a) the EMEA region reported a reduction of 9.4% due to the sales contraction for the three product lines of the Group;
(b) the North America region reported growth of 29.2%; at like-for-like consolidation scope, therefore without taking into account the acquisition of O'Mara Inc., the increase would have been 22.7%; this growth, without taking into account the effects deriving from the above-mentioned acquisition, are almost entirely due to the greater sales of the BCF product line;
(c) the Asia and Oceania region reported a reduction of 1.5%; this reduction is partially due to the lower revenues of Aquafil Engineering GmbH, which sells plant engineering services and solutions globally; excluding this reduction, revenues in the Asia and Oceania region report growth of 10.3% due to the sales of the BCF product line deriving from the acquisition of the assets of the former Invista, which in 2018 contributed only from May.

In relation to other items in the consolidated income statement, raw material, ancillaries and consumable costs and the changes in inventories decreased 2.2%, equal to Euro 3.3 million. The increase in service costs, rent, leases and similar costs and other operating costs on revenues increased also due to non-operating costs, mainly related to the start-up of the two production plant ACR #1 and #2.
Group personnel costs increased approx. Euro 1.2 million to Euro 54 million. The Group workforce saw an increase in numbers of 144 compared to December 31, 2018, of which 143 relating to the newly acquired Aquafil O'Mara Inc. At June 30, 2019, the workforce numbered 2,957 (2,813 at December 31, 2018 and 2,828 at June 30, 2018).
EBITDA, as defined in the alternative performance indicators in the financial highlights section of this report, was Euro 39.1 million, compared to Euro 44.9 million in H1 2018 and Euro 33.0 million in H2 2018; this result includes Euro 3.3 million for the IFRS 16 effect and the Euro 0.7 million contribution in June by Aquafil O'Mara Inc.. The margin on turnover was 13.6%.
EBIT decreased from Euro 27.5 million to Euro 17.2 million due to the decrease in EBITDA, higher amortisation and depreciation of Euro 4.2 million from the entry into use of investments made in the previous and current periods and for Euro 3 million depreciation on the IFRS 16 right-of-use assets.

Net financial charges increased from Euro 2.5 million to Euro 2.8 million, deriving from differing factors: (a) financial charges increased from Euro 3 million to Euro 3.7 million due to the higher debt although against the backdrop of improved conditions on the new loans subscribed and the updating of the MTM value on the interest rate hedging instruments of the parent company, which impacted in the period for Euro 684 thousand, while in H1 2018 this charge amounted to Euro 303 thousand; (b) exchange gains of Euro 525 thousand in H1 2018 compare to exchange losses of Euro 241 thousand, mainly due to movements in the Euro against the US Dollar in the period; the exchange losses include a Euro/Dollar currency hedge stipulated at the end of 2018 which commenced in 2019 and incurred total charges in the period of Euro 318 thousand; (c) financial income was recorded of Euro 1.1 million due to the recalculation of the financial debt relating to the real estate leasing contract of Aquafil S.p.A. which reduced based on the updated repayment plan received from the counterparty.

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 3.6 million compared to Euro 5.4 million in H1 2018. Current taxes relate to taxes on profits in foreign countries and IRES and IRAP taxes on Italian income.

Group consolidated net profit was Euro 10.6 million, compared to Euro 19.6 million in H1 2018.

CONSOLIDATED RESULTS IN Q2 2019

The interim reporting is supported by a breakdown of the consolidated result for Q2 2019 against the same period of 2018.

KEY FINANCIAL HIGHLIGHTS

(Euro thousands)	Q2 2019	Q2 2018
Net Profit	**2,958**	**9,764**
Income taxes	1,757	2,827
Amortisation, depreciation and write-downs	8,536	6,292
Provisions & write-downs	189	469
Financial items (*)	4,207	1,362
Non-recurring items (**)	2,310	1,946
EBITDA	**19,957**	**22,659**
Revenues	**141,339**	**150,484**
EBITDA margin	**14.1%**	**15.1%**

(Euro thousands)	Q2 2019	Q2 2018
EBITDA	**19,957**	**22,659**
Amortisation, depreciation and write-downs	-8,536	-6,292
Provisions & write-downs	-189	-469
Adjusted EBIT	**11,232**	**15,899**
Revenues	141,339	150,484
Adjusted EBIT margin	**7.9%**	**10.6%**

CONSOLIDATED INCOME STATEMENT (Euro thousands)	*Note*	Q2 2019	*of which non-recurring*	Q2 2018	*of which non-recurring*
Revenues	*9.1*	141,339		150,484	-
of which related parties:		*12*		*47*	
Other revenues and income	*9.2*	580	*20*	593	*143*
Total revenues and other revenues and income		**141,919**	**20**	**151,077**	**143**
Cost of raw materials and changes to inventories	*9.3*	(71,071)	*(19)*	(77,483)	*(99)*
Service costs and rents, leases and similar costs	*9.4*	(26,410)	*(1,537)*	(26,052)	*(1,381)*
of which related parties:		*(116)*		*(897)*	
Personnel costs	*9.5*	(27,348)	*(600)*	(27,258)	*(516)*
Other costs and operating charges	*9.6*	(717)	*(174)*	(566)	*(92)*
of which related parties:		*(20)*		*(17)*	
Amortisation, depreciation & write-downs	*9.7*	(8,536)		(6,292)	
Provisions & write-downs	*9.8*	(189)		(469)	
Increase in internal work capitalised	*9.9*	415		37	
Operating Profit		**8,063**	**(2,310)**	**12,994**	**(1,946)**
Investment income/charges	*9.10*	0		-	
Financial income	*9.11*	9		1	
Financial charges	*9.12*	(2,156)		(1,651)	
of which related parties:		*(66)*			
Exchange gains/losses	*9.13*	(1,202)		1,247	
Profit before taxes		**4,714**	**(2,310)**	**12,591**	**(1,946)**
Income taxes	*9.14*	(1,757)		(2,827)	
Profit for the period		**2,958**	**(2,310)**	**9,764**	**(1,946)**
Minority interest net profit		(0)		(23)	
Group Net Profit		**2,958**		**9,787**	

Revenues in the second quarter amounted to Euro 141.5 million, a decrease of Euro 8.9 million compared to Q2 2018 (-5.6%). On like-for-like consolidation scope, therefore without taking into account the acquisition of the company O’Mara, the reduction would have been 8%.
Revenues of ECONYL® brand products grew 1.1% compared to the same period of the previous year.

Revenue breakdown by product line
Revenues by product line, in value and percentage terms for Q2 2019 compared to the same period in the previous year, are presented below:

Revenues (€/million) Product Line	**Q2 2019**	**%**	**Q2 2018**	**%**
BCF	104.0	73.5%	113.2	75.2%
NTF	26.2	18.5%	24.2	16.1%
Polymers	11.2	7.9%	13.2	8.7%
TOTAL	**141.4**	**100.0%**	**150.5**	**100.0%**

In comparison with the same period of the previous year:
(a) the BCF product line declined 8.1% due to a reduction in sales in the EMEA and Asia and Oceania regions, partially offset by the good performance in North America;
(b) the NTF product line grew 8.4%; on a like-for-like consolidation scope, therefore without taking into account the acquisition of the company O’Mara Inc., the NTF product line would have recorded a reduction in revenues of 4.5% due to lower sales in the EMEA region;
(c) the polymers product line reduced 14.0% due to the choice to utilise internally greater quantities of Polyamide 6 polymers for the production of fibres instead of selling them to third parties.

Revenue breakdown by region

Revenues by region, in value and percentage terms for Q2 2019 compared to the same period in the previous year, are presented below: the breakdown by region of the 2018 revenue figures was updated in order to better represent the comparison with Q2 2019:

Revenues (€/million) Region	**Q2 2019**	**%**	**Q2 2018**	**%**
EMEA	85.4	60.4%	94.0	62.5%
North America	31.3	22.1%	25.7	17.1%
Asia and Oceania	24.4	17.3%	30.6	20.3%
Rest of the world	0.3	0.2%	0.2	0.1%
TOTAL	**141.4**	**100.0%**	**150.5**	**100.0%**

In comparison with the same period of the previous year:

(a) the EMEA region reported a reduction of 9.2% due to the reduction of sales in the three product lines of the Group;

(b) the North America region reported growth of 21.6%; at like-for-like consolidation scope; therefore without taking into account the acquisition of O'Mara Inc., the increase would have been 9.5%; this growth, without taking into account the effects deriving from the above-mentioned acquisition, is almost entirely due to the greater sales by the BCF product line;

(c) the Asia and Oceania region reported a reduction of 20.1%; this reduction is partially due to the lower revenues of the engineering services company Aquafil Engineering GmbH; excluding this reduction, revenues in this region would have reduced 9.9%, entirely due to the BCF product line, which in Q2 2019 saw a slowdown on the final market.

Relating to the other items of the consolidated income statement, raw materials, ancillaries and consumables and changes in inventories, net of increases in internal work capitalized and service costs and rental, leases and similar costs decreased Euro 6.4 million, maintaining the same level of costs on revenues (68.8%).

Group personnel costs did not significantly change and amounted to Euro 27.3 million (19.3% of revenues). The Group workforce saw an increase in numbers of 129 compared to June 30, 2018, of which 143 relating to the newly acquired Aquafil O'Mara Inc. At June 30, 2019, the workforce numbered 2,957 (2,828 at June 30, 2018).

EBITDA, as defined by the alternative performance indicators outlined in the financial summary of this report, reduced from Euro 22.6 million to Euro 19.9 million, decreasing Euro 2.7 million, due to lower sales in EMEA and in Asia. The revenue margin decreased from 15.1% in 2018 to 14.1% in 2019.

EBIT decreased from Euro 13 million to Euro 8.1 million due to the effect of the EBITDA and of higher amortisation and depreciation, including the effects deriving from the application of IFRS 16.

Net financial charges were impacted by exchange differences which reported exchange gains in Q2 2018 of Euro 1.2 million compared to exchange losses in the current quarter of Euro 1.2 million. Financial charges increased from Euro 1.7 million to Euro 2.2 million mainly due to the higher Group debt, although against the backdrop of improved terms on the new loans subscribed.

Income tax stems from the corporation taxes of the individual countries where income was realised and includes the recognition of deferred tax assets and liabilities, amounting overall to Euro 1.8 million compared to Euro 2.8 million in Q2 2018. Current taxes relate to taxes on profits in foreign countries and IRES and IRAP taxes on Italian income.

Group consolidated net profit was Euro 3 million, compared to Euro 9.8 million in Q2 2018.

GROUP BALANCE SHEET AND FINANCIAL SITUATION

The following table reclassifies the consolidated equity and financial position of the Group at June 30, 2019 and December 31, 2018.

GROUP BALANCE SHEET AND FINANCIAL SITUATION

(Euro thousands)	June 30, 2019	December 31, 2018	Change
Trade receivables	42,973	34,046	8,927
Inventories	193,726	189,678	4,047
Trade payables	-89,377	-106,895	17,518
Tax receivables	1,139	451	689
Other current assets	14,119	14,297	-178
Other current liabilities	-22,155	-22,017	-138
Net working capital	**140,424**	**109,559**	**30,865**
Property, plant & equipment	252,001	189,661	62,339
Intangible assets	17,138	15,992	1,146
Goodwill	14,040	0	14,040
Financial assets	745	408	337
Non-current assets held for sale	0	0	0
Net fixed assets	**283,923**	**206,057**	**77,867**
Employee benefits	-5,713	-5,702	-11
Other net assets/(liabilities)	-12,595	-8,824	-3,770
Net capital employed	**406,040**	**301,091**	**104,949**
Cash and banks	89,032	103,277	-14,245
ST bank payables and loans	-45,968	-34,279	-11,689
M-LT bank payables and loans	-170,153	-159,492	-10,661
M-LT bond loan	-93,182	-53,578	-39,604
ST bond loan	-1,254	-1,217	-38
Current financial receivables	1,525	2,878	-1,353
Other financial payables	-43,522	-14,869	-28,652
Net financial position	**-263,522**	**-157,279**	**-106,242**
Group shareholders' equity	-142,517	-143,810	1,293
Minority interest shareholders' equity	-1	-1	0
Total Shareholders' Equity	**-142,518**	**-143,811**	**1,293**

Net working capital amounted to Euro 140.5 million at June 30, 2019, compared to Euro 109.6 million at December 31, 2018. The increase of Euro 30.9 million is mainly due to the reduced exposure to customers at the end of the year as a result of lower revenues in December compared to the other months, the increase in inventories and the decrease in

trade payables, in part related to the decrease in the average price of raw materials based on the exposure at June 2019 compared to the end of 2018.
The increase in investing activities was Euro 35.5 million, of which Euro 30.4 million concerns tangible assets for the improved production capacity in China and the US, including the new facilities of Aquafil Carpet Recycling (ACR) #1 (Phoenix - Arizona) and #2 (Woodland- California), and for the ECONYL® process. The application of the new IFRS 16 resulted in an increase in tangible assets of Euro 28.7 million. The goodwill on the acquisition of O’Mara Inc. was Euro 14 million.
The main changes in shareholders’ equity concern the period result, the distribution of dividends of Euro 12.2 million and the equity effect of the acquisition of O’Mara Inc., whose breakdown and movements are reported in the Notes.
The net financial debt at June 30, 2019 amounts to Euro 263.5 million, compared to Euro 157.3 million at December 31, 2018. In order to provide a like-for-like comparison with the previous year the table reporting the Group financial indicators illustrates the net financial position adjusted for the effect of the application of the accounting standard IFRS 16 (Euro 29.7 million) and of the impact of the acquisition of the US company O’Mara Inc. (Euro 37 million): the adjusted NFP at the end of June 2019 amounts to Euro 197.2 million, an increase of Euro 39.9 million compared to December 2018 and an increase of Euro 4 million compared to the value (adjusted for IFRS 16) at March 31, 2019 (Euro 186.1 million). The main changes are illustrated in the breakdown of the consolidated cash flow statement which reports the cash flow generated from operating activities (A) of Euro 8.6 million, which includes the absorption deriving from the expansion of the net working capital, also due to the support from Europe with semi-finished products for the production process of Aquafil USA, the cash flow absorbed from investing activities (B) for Euro 71.1 million, which includes the acquisition of the business Aquafil O’Mara Inc. for Euro 35.6 million and which was accelerated in the period compared to the overall annual plan, and the cash flow generated from financing activities (C) of Euro 48.3 million, which includes the non-current net bank borrowings and loans and bonds for Euro 61.6 million and the distribution of dividends of Euro 12.2 million. The main developments concerning the debt items were:
(i) the signing of new unsecured medium-term loans for a total of Euro 33 million, against the repayment of the current instalments of the medium/long-term loans for Euro 11.1 million;
(ii) the issue of the new bond of Euro 40 million, already described in the paragraph “Significant events in the first half of 2019”, in order to fund the acquisition of the company Aquafil O’Mara Inc., based on the 10-year “Shelf facility” committed credit line from Prudential, with duration 10 years, of which 3 for a grace period with annual instalments, and with an annual fixed interest rate of 1.87%;
(iii) an instalment of Euro 333 thousand was paid in the period based on the repayment plan on the mini-bond of an original Euro 5 million;
(iv) lease instalments were repaid totalling Euro 0.8 million in the period.

The short-term bank credit lines total Euro 84 million at the end of the period and they have not been utilised by any companies of the Group.
The liquidity available on the current accounts of the companies of the Group at the end of the period amount to Euro 90.5 million, of which Euro 1.5 million restricted contractually on behalf of clients for the construction of chemical plants not yet completed, undertaken by the engineering company Aquafil Engineering G.m.b.H..

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 2019, broken down by each of the three product lines, were as follows.

BCF Line

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

The Group companies involved in the production and sales processes are the parent company Aquafil S.p.A., with production site in Arco (Italy), Tessilquattro S.p.A., with production based in Cares (Italy) and in Rovereto (Italy), AquafilSLO d.o.o., with facilities in Ljubljana, Store and Ajdovscina (Slovenia), Aqualeuna G.m.b.H. with facilities in Leuna (Germany), Aquafil USA Inc. with two facilities in Cartersville (U.S.A.), Aquafil Carpet Recycling (ACR) #1, Inc. with production in Phoenix, Arizona (USA) and Aquafil Carpet Recycling (ACR) #2, Inc. with production in Woodland, California (USA), Aquafil Asia Pacific Co. Ltd., with production based in Rayong (Thailand), Aquafil Synthetic Fibres and Polymers Co. Ltd., with production based in Jiaxing (China), Aquafil UK, Ltd. with facilities in Kilbirnie (Scotland) and the commercial company Aquafil Benelux-France BVBA, with offices in Harelbeke (Belgium) and Aquafil Oceania Pty Ltd con registered office in Melbourne (Australia).

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). The activities of the two US Aquafil Carpet Recycling companies, which are in the start-up phase, will support the ECONYL® process.

NTF Line

The NTF product line produces and reprocesses polyamide 6 and 66 fibres, ECONYL®, polyester 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. (Italy), AquafilSLO d.o.o. with facilities in Ljubljana and Senozece (Slovenia), AquafilCRO d.o.o., with facilities in Oroslavje (Croatia), Aquafil Tekstil Sanayi Ve Ticaret A. S., with commercial operations based in Istanbul (Turkey) and the newly acquired (May 31, 2019) Aquafil O'Mara Inc., which produces and distributes nylon, polypropylene and polyester fibres from its plant based in Rutherford College, North Carolina. The subsidiary Aquafil India Private Limited (India) is not operational.

Nylon 6 polymer line
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 non-specific buildings which remained 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.

Transactions with related parties
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, 2019, 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 Aquafil S.p.A, 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 7.13 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.

PRINCIPAL GROUP RISK FACTORS AND UNCERTANTIES

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

Risks associated with economic conditions
Many factors which impact the general economic environment such as, among others, interest rate movements and exchange rate movements, principally between the Euro and US Dollar, raw material costs, particularly oil, may affect the economic and financial situation of the Group.
The Group offsets these issues through:

- strategic policies targeting strong regional diversification, with sales distributed throughout the world and a focus on local production in consuming countries;
- a strong leadership position in its "core" BCF sector,
- continual drive to innovation and attention to market developments;
- constant investment in innovative products and production processes focused on the "circular-economy".

Liquidity risks connected with net cash requirements
The liquidity risk which the Group could encounter is represented by the incapacity or difficulty to source adequate financial resources in order to ensure operational continuity and development of its industrial activities.
The liquidity situation of the Group principally derives from two key factors: on the one hand, the resources generated or absorbed by operating and investing activities, and on the other the use of financial resources and the maturity dates and renewal of payables.
Aquafil can avail of on-demand liquidity, as well as significant levels of credit lines granted by various Italian and international banks. The Group believes that the funds and credit lines currently available, in addition to those that will be generated from operating and financing activities, are sufficient to meet the liquidity needs deriving from the various activities of the Group.

Strategic and direction risks
Strategic risks are defined as those risks which may influence the opportunities and the threats relating to the business activities. In the case of the Aquafil Group, this category includes authorisation risks, risks of delay in the development or implementation of new initiatives, risks concerning rising operating costs and material and services costs, risks of changes to existing technology, in addition to risks to changes in the political and regulatory framework of certain countries in which the Group operates, which may change the competitive scenario. In addition to these risks is the risk related to the possibility that modifications to current regulations in relation to import/export, movement and storage of waste, or situations which no longer permit compliance with current regulations, may increase the complexity, or limit the possibility, to maintain and/or expand the significant activity of recycling and recovery of raw materials from waste. To limit these risks, the Group:

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

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

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

Risks associated with fluctuations in exchange rates, interest rates and prices
Significant exchange rate movements in currencies other than the Euro could negatively impact the financial results and the equity value of the Group.
However, many Group companies are exposed to a contained level of exchange rate risk, as in the individual countries a portion of cash flows, both in relation to sales and also costs are denominated in the local currency of the country. The Group also carries out currency hedging operations.
In the same manner the Group is exposed to changes in interest rates, as these impact the cost and return of the various forms of lending and uses, with an effect therefore on the consolidated net financial income. Aquafil seeks to limit the interest rate fluctuation risk through undertaking a part of its medium/long term loans at a fixed rate or by undertaking interest rate hedging instruments.
The volatility of oil and energy commodity prices is offset through contractual hedging and/or raw material price and energy sources and sales price indexing contracts.

Risks relating to factory operations and industrial incidents

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

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

Commercial credit risk

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

In order to limit the credit risk, the Group:

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

Risks connected with the importance of certain key figures

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

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

IT resource management and data security risks

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

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

RESEARCH AND DEVELOPMENT

R&D in H1 2019 concerned the product and process innovation applied to raw BCF yarns and dyed solutions, NTF yarns, PA6 polymers and the ECONYL® process and the continued development of the bio caprolactam production process. Innovation and research concerned all of the main production process phases, from raw materials entering production to polymerisation, spinning and reprocessing and, for ECONYL®, the regeneration of materials, leveraging on both internal (efficiency, performance) and external research drivers (market inputs, technological developments, the availability of solutions and new materials).
A number of research projects - due to their complexity and difficulty - last many years and are undertaken in collaboration with outside research partners; other less complex projects present results in a short timeframe.
In certain cases, research extends to fibre and/or polymer final application sectors, such as for the automotive sector, and is carried out in collaboration with final application developers.
In H1 2019, research – particularly in terms of the *BCF line* – focused on continuing projects initiated in previous years, relating in particular to fire resistance, stain resistance, bio caprolactam, specific yarn multi-colour technology and optimisation of the PA6 polymerisation process.
The research projects launched in previous years also continued with regard to *NTF line* products, with collaboration and support from external research organisations, for the creation of: a new anti-static NTF fibre, special UV protection materials and the optimisation of technological parameters for FDY fibres and micro yarns.
ECONYL®, production research and development focused in particular on continuing activities relating to process technology for material recovery from end-of-life polyamide carpeting - undertaken both in Slovenia and in the new US plants in the start-up phase - waste copper recovery from process supply products, development of specific anti-fouling treatments for aquaculture nets, caprolactam purification technology and continuous de-polymerization process mathematical modelling.
As part of the bio caprolactam production project, research was pursued together with Genomatica Inc., San Diego, California (USA) to develop the first bio caprolactam and bio Nylon 6 production process from renewable raw materials. Related to this research, the "EFFECTIVE" project continued, co-ordinated by Aquafil and funded by Bio-Based Industries Joint Undertaking (BBI JU) as part of the European Horizon 2020 research programme, with the entire chain (from raw material manufacturers to brands) involved in validating the use of bio Nylon 6 and other bio-polymer consumer market products.
In patent developments, in addition to the patents filed and registered in the name of Aquafil S.p.A. dated (a) 7.3.2013, PCT, on the recycling of polyamide fibers from elastomeric products and (b) 8.6.2017, PCT, on the composition of fishing net coatings, the following main steps for the development of patents are reported:

(1) patents were published on June 28, 2018, with validity in all 152 countries subscribing to the PCT, regarding a method to recover copper from discarded fishnets in support of the ECONYL® process, as requested by AquafilSLO d.o.o.;
(2) on November 29, 2018 a patent valid in the USA was published, with AquafilSLO d.o.o as the applicant, on the process of recovering and separating scrap material from polyamide carpets at the end of their life cycle, and the international patent valid in PCT member countries was published on December 5, 2018;

(3) On June 20, 2019, the international PCT patent was published in all counties adhering to the Patent Cooperation Treaty for the improvement and optimisation of solvent-free caprolactam purification technology as requested by AquafilSLO d.o.o on December 15, 2017; the activities for the specific national/regional extensions covering all caprolactam plant in the US, China, Russia and Japan should be completed by 2019;
(4) in the first half of 2019, the supplements and translations also into Italian of the patent for the Bio-Caprolactam project filed on December 28, 2018 were completed at the Italian Patent Office, jointly by Aquafil S.p.A. and Genomatica Inc., San Diego, California (USA), and relating to the conversion phase of the interim initial linear obtained through the fermentation of the cyclical ring final monomer utilised for the production of bio Nylon 6; the Patent Opinion expressed for Italy by the European Patent Office is expected by the end of 2019, which will permit the appropriate filing for an extension in the form of an international PCT patent.

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 and available on the Group website www.aquafil.com. 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, were 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, 2019, 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.

Non-financial holding companies (so-called "financial holding companies")
Aquafil S.p.A. was subject to the regulation on "non-financial holding companies" as per Legislative Decree No. 142 of 29/11/2018, which at Article 12 requires applicability only

on the capital requirement (companies which prevalently hold investments in parties other than financial intermediaries) instead of jointly with the prevalence of financial income, as per the previous regulation.
The company Aquafil S.p.A. is registered in the financial registrar, the database of the Tax Registrar.
The applicability under the “non-financial holding companies” regime resulted in the application of the IRAP rate of 5.57% established by the Trento Autonomous Province for financial entities and banks, which is higher than the ordinary rate for financial entities, equal to 4.46%, and the ordinary rate for industrial enterprises equal to 2.68%. This change resulted in higher taxes for approx. Euro 208 thousand. In relation to this, we highlight that on July 1, 2019 the Trento Confindustria Trade Association requested the provincial administrative body to intervene in order to correct this anomalous tax.
Tax audits
Three tax audits are currently being carried out by the fiscal authorities on the companies Aqualeuna G.m.b.H., Aquafil SLO, and Aquafil S.p.A.. At the date of the preparation of the half-year report at June 30, 2019 there were no elements to consider probable and/or quantifiable any potential liabilities in relation to the above-mentioned companies and therefore, in accordance with IAS 37, no risk provision was recorded.

SUBSEQUENT EVENTS

There were no significant events in the Aquafil Group after the end of the period relating to the first half-year of 2019 which could have an impact on the half-year financial statements at June 30, 2019.
We report that the merger of the company Borgolon S.p.A. into Tessilquattro S.p.A. will take place in the second half of 2019.

OUTLOOK

The Group's projections for the second half of 2019 are in line with the commercial performance in the first half in the various geographic areas, both in terms of product margin and financial debt.

Arco, August 26, 2019

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

CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS AT JUNE 30, 2019

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET (Euro thousands)	*Note*	**At June 30, 2019**	**At December 31, 2018**
Intangible assets	*6.1*	17,138	15,992
Goodwill	*6.2*	14,040	0
Property, plant & equipment	*6.3*	252,001	189,661
Financial assets	*6.4*	750	404
of which parent companies, related parties		312	79
Other assets	*6.5*	2,191	2,189
Deferred tax assets		6,802	7,841
Total non-current assets		**292,922**	**216,087**
Inventories	*6.6*	193,726	189,678
Trade receivables	*6.7*	42,973	34,046
of which parent companies, related parties		30	66
Financial assets	*6.4*	1,525	2,878
Tax receivables	*6.8*	1,139	451
Other assets	*6.9*	14,119	14,297
of which parent companies, related parties		1,644	1,859
Cash and cash equivalents	*6.10*	89,032	103,277
Total current assets		**342,514**	**344,627**
Total assets		**635,436**	**560,714**
Share capital	*6.11*	49,722	49,722
Reserves	*6.11*	81,814	62,969
Group net result	*6.11*	10,981	31,119
Total parent company shareholders net equity		**142,518**	**143,810**
Minority interest net equity	*6.11*	1	1
Minority interest net profit	*6.11*	0	0
Total consolidated net equity		**142,519**	**143,811**
Employee benefits	*6.12*	5,713	5,702
Financial liabilities	*6.13*	296,618	224,345
of which parent companies, related parties		13,495	0
Provisions for risks and charges	*6.14*	1,305	1,169
Deferred tax liabilities		5,014	3,582
Other liabilities	*6.15*	13,599	11,833
Total non-current liabilities		**322,249**	**246,631**
Financial liabilities	*6.13*	57,467	39,090
of which parent companies, related parties		4,075	0
Current tax payables	*6.17*	1,669	2,270
Trade payables	*6.16*	89,377	106,895
of which parent companies, related parties		181	762
Other liabilities	*6.15*	22,155	22,017
of which parent companies, related parties		236	230
Total current liabilities		**170,669**	**170,272**
Total equity and liabilities		**635,436**	**560,714**

CONSOLIDATED INCOME STATEMENT (Euro thousands)	*Note*	**Half Year 2019**	*of which non-current*	**Half Year 1 2018**	*of which non-current*
Revenues	*7.1*	286,667	*0*	291,291	*0*
of which related parties:		*29*		*188*	
Other revenues and income	*7.2*	1,181	*95*	594	*143*
Total revenues and other revenues and income		**287,848**		**291,885**	
Cost of raw materials and changes to inventories	*7.3*	(148,225)	*(119)*	(147,995)	*(101)*
Service costs and rents, leases and similar costs	*7.4*	(51,191)	*(2,340)*	(49,420)	*(1,584)*
of which related parties:		*(219)*		*(1,790)*	
Personnel costs	*7.5*	(54,060)	*(739)*	(52,847)	*(658)*
Other costs and operating charges	*7.6*	(1,311)	*(293)*	(1,047)	*(111)*
of which related parties:		*(38)*		*(35)*	
Amortisation, depreciation, and write-downs	*7.7*	(16,574)		(12,364)	
Provisions & write-downs	*7.8*	(224)		(769)	
Increase in internal work capitalised	*7.9*	886		81	
Operating profit		**17,148**	***(3,396)***	**27,524**	***(2,312)***
Investment income/charges		0		0	
Financial income	*7.10*	1,100	*1,082*	17	
Financial charges	*7.11*	(3,717)		(3,027)	
of which related parties:		*(132)*			
Exchange gains/losses	*7.12*	(241)		525	
Profit before taxes		**14,291**	***(2,314)***	**25,038**	***(2,312)***
Income taxes	*7.13*	(3,637)		(5,424)	
Profit for the period		**10,654**	***(2,314)***	**19,614**	***(2,312)***
Minority interest net profit		0		0	
Group Net Profit		**10,654**		**19,614**	
Basic earnings per share	*7.14*	0.21		0.39	
Diluted earnings per share	*7.14*	0.21		0.39	

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT (Euro thousands)	*Note*	**Half Year 2019**	**Half Year 2018**
Profit for the period		**10,654**	**19,614**
Actuarial gains/(losses)		**(222)**	**10**
Tax effect from actuarial gains and losses		53	(2)
Other income items not to be reversed in income statement in subsequent periods		(169)	8
Currency difference from conversion of financial statements in currencies other than the Euro		**496**	**932**
Other income items to be reversed in income statement in subsequent periods		**496**	**932**
Total comprehensive income	*6.11*	10,981	20,553
Minority interest comprehensive income		**0**	**0**
Group comprehensive income	*6.11*	**10,981**	**20,553**
Total comprehensive income		**10,981**	**20,553**
Minority interest comprehensive income		0	0
Group comprehensive income		**10,981**	**20,553**

CONSOLIDATED CASH FLOW STATEMENT (Euro thousands)	Note	**June 30, 2019**	**June 30, 2018**
Operating activities			
Profit for the period		10,654	19,614
of which related parties:		*(360)*	*(1,637)*
Income taxes	7.13	3,637	4,975
Financial income	7.10	(1,100)	(17)
of which related parties:		*0*	
Financial charges	7.11	3,717	3,027
of which related parties:		*132*	
Exchange gains/(losses)	7.12	241	(525)
Asset disposal (gains)/losses		(148)	(133)
Net provisions	7.8	117	545
Net provisions (Doubtful debt provision)	7.8	107	224
Amortisation, depreciation and write-downs of tan. assets	7.7	16,572	12,364
Cash flow from operating activities before working capital changes		**33,796**	**40,075**
Decrease/(Increase) in inventories	*6.6*	1,313	(8,919)
Increase/(Decrease) in trade payables	*6.16*	(19,584)	(1,562)
of which related parties:		*(611)*	*0*
Increase/(Decrease) in trade receivables	*6.7*	(4,966)	(19,038)
of which related parties:		*36*	*(62)*
Changes to assets and liabilities		402	1,828
of which related parties:		*681*	*1,282*
Net paid financial charges		(1,593)	(2,586)
Income taxes paid		(713)	(1,769)
Utilisation of provisions		(58)	(308)
Net cash flow generated by operating activities (A)		**8,597**	**7,721**
Investing activities			
Investments in tangible assets	*6.3*	(30,421)	(22,295)
Disposal of tangible assets	*6.3*	183	860
Investments in intangible assets	*6.1*	(2,319)	(8,334)
Disposal of intangible assets	*6.1*	7	13
Investments in Rights of use (IFRS 16)	*6.3*	(2,976)	0
Acquisition Aquafil O'Mara Business		(35,618)	0
of which fixed assets		*(15,060)*	*0*
of which goodwill		*(14,040)*	*0*
of which liquidity		*112*	*0*
of which current assets		*(6,630)*	*0*
Investments in financial assets		0	(166)
Cash flow generated by investing activities (B)		**(71,144)**	**(29,923)**
Financing activities	***8***		
Drawdown non-current bank loans and borrowings		73,000	55,000
Repayment non-current bank loans and borrowings		(11,320)	(28,364)
Net changes in current financial assets and liabilities		(1,105)	744
of which related parties:		*2,030*	*0*
Distribution dividends	*6.11*	(12,273)	(12,241)
of which related parties:		*(7,316)*	*(7,369)*
Share capital increase		0	42
Cash flow from generated/(absorbed) by financing activities (C)		**48,301**	**15,181**
Net cash flow in the period (A)+(B)+(C)		**(14,245)**	**(7,021)**
Opening cash and cash equivalents	6.10	103,277	99,024
Closing cash and cash equivalents	6.10	89,032	92,003

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(in Euro thousands)	**Share capital**	*Legal reserve*	*Translation reserve*	*Share premium reserve*	*Listing cost reserve*	*FTA Reserve*	*IAS 19 Reserve*	*Retained earnings*	*Net result*	**Total parent share. equity**	**Min. interest share. equity**	**Total consol. share. equity**
December 31, 2017	49,673	8	(12,379)	20,030	(3,287)	(2,389)	(600)	48,841	25,117	125,014	485	125,499
Sale minority interest											(484)	(484)
Other changes								(131)		(131)		(131)
Allocation of prior year result								25,117	(25,117)			
Distribution dividends								(12,241)		(12,241)		(12,241)
Share capital increase	50			(55)				55		50		50
Result for the period									30,097	30,097		30,097
Actuarial gains/(losses) employee benefits							58			58		58
Translation difference			964							964		964
Total comprehensive income			964				58		30,097	31,119		31,119
December 31, 2018	49,723	8	(11,415)	19,975	(3,287)	(2,389)	(542)	61,641	30,097	143,810	1	143,811
Sale minority interest												
Other changes												
Allocation of prior year result		509						29,588	(30,097)			
Distribution dividends								(12,273)		(12,273)		(12,273)
Share capital increase												
Result for the period									10,654	10,654		10,654
Actuarial gains/(losses) employee benefits							(169)			(169)	0	(169)
Translation difference			496							496	0	496
Total comprehensive income			*496*				*(169)*		*10,654*	*10,981*	*0*	*10,981*
June 30, 2019	49,723	517	(10,919)	19,975	(3,287)	(2,389)	(711)	78,956	10,654	142,518	1	142,519

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS

1. GENERAL INFORMATION

1.1. Introduction

Aquafil S.p.A. ("Aquafil", "Company" or "Parent company" and, together with its subsidiaries, "Group" or "Aquafil Group") is a company listed on the Italian Stock Exchange, STAR Segment since December 4, 2017, resulting from the business combination through merger by incorporation of Aquafil S.p.A. (pre-merger), founded in 1969 in Arco (TN) and renowned for the production and distribution of fibers and polymers, principally polyamide, into Space3 S.p.A., as an Italian registered Special Purpose Acquisition Company (SPAC), with efficacy from December 4, 2017.

The majority shareholder of Aquafil S.p.A. is Aquafin Holding S.p.A., with registered office in Via Leone XIII No. 14, 20145 Milan, Italy, which however does not exercise management and co-ordination activities. The ultimate parent company, which draws up specific consolidated financial statements, is GB&P S.r.l. with registered office in Via Leone XIII No. 14, 20145 Milan, Italy.

The Aquafil Group produces and sells nylon on a global scale by transforming it into three different product lines represented by:

(i) BCF fibre (bulk continuous filaments), or synthetic yarns mainly intended for the textile flooring sector and used in "contract" segments (hotels, airports, offices, etc.), residential buildings and the automotive market;

(ii) NTF fibre (nylon textile filaments), or synthetic yarns mainly intended for the clothing sector (sportswear, classic, technical or specialist apparel);

(iii) nylon 6 polymers, mainly targeting the engineering plastics sector for subsequent use in the moulding industry.

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

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

1.2. Contents, presentation and accounting policies of the Condensed Consolidated Half-Year Financial Statements at June 30, 2019

The consolidated half-year report of the Aquafil Group at June 30, 2019 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 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, 2018 for the consolidated balance sheet (ii) the figures relating to H1 2018 for the consolidated income statement, 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. 1606/2002 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, 2018, to which reference should be made, with the exception of the new standards applied from January 1, 2019 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, 2019.

The Half-Year Financial Report should therefore be read together with the 2018 Group Annual Financial Report.

The Half-Year Financial Report at June 30, 2019 of the Aquafil Group was subject to a limited audit by PricewaterhouseCoopers and was approved by the Board of Directors on August 26, 2019, 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.

1.4 Form and content of the financial statements

In accordance with IAS 1, paragraph 41, the following reclassifications were made which required, in order to ensure comparability, also the restatement of the comparative figures at June 30, 2018.

(i) the revenue matured from the allocation of the research and development tax credit was reclassified from "Income taxes" to "Other revenues and income" in reflection of the nature of the contribution. The reclassified amounts are as follows:

(thousands)	**Half Year 2019**	**Half Year 2018**
Other revenues and income	300	449
Income taxes	(300)	(449)

(ii) relating to the account Increase in internal work capitalised, as in the case for the preparation of the financial statements at December 31, 2018, the acquisition of assets was classified directly under property, plant and equipment. Therefore, in the comparative figures at June 30, 2018, Euro 3,490 thousand was recognised as a reduction of the cost of raw materials and an increase in fixed assets for internal works.

2. Recently issued accounting standards

2.1. IFRS 16 – Leases

Introduction

On November 9, 2017, the European Commission endorsed with regulation 2017/1986 IFRS 16 "Leases" (hereafter IFRS 16) issued on January 13, 2016 by the IASB in replacement of IAS 17 and the relative interpretations.

IFRS 16 replaces IAS 17 (Leasing) and the relative interpretations (IFRIC 4 - Determining whether an arrangement contains a lease), SIC 15 (Operating leases - Incentives) SIC 27 (Evaluating the substance of transactions in the legal form of a lease).

The new International Accounting Standard identifies the principles for the recognition, measurement and presentation in the financial statements of leasing contracts, as well as enhancing the relative disclosure requirements.

Specifically, IFRS 16 defines leasing as a contract which assigns to the client (lessee) the right-of-use of an asset for a set period of time in exchange for consideration. The new International Accounting Standard eliminates the distinction between operating and finance leases for the purposes of the preparation of the financial statements of lessees and requires the recognition, at the commencement date of the lease, of an asset, representative of the right-of-use asset (defined as "Right-of-Use") and of a liability, as the obligation of the future commitments within the contract. The lessee should subsequently recognise the interest concerning the lease liability separate from the depreciation of the right-of-use assets. IFRS 16 also requires lessees to restate the amounts of the lease liability on the occurrence of certain events (e.g. a change to the duration of the lease, a change to the value of the future payments due to a change in an index or rate utilised to determine these payments). In general, the restatement of the amount of the lease liability implies an adjustment also to the right-of-use asset.

Differing from that required for lessees, for the purposes of the preparation of the financial statements of lessors (the lessor), the new International Accounting Standard maintains the distinction between operating and finance leases as per IAS 17.

Main effects of IFRS 16 on the Aquafil Group

On initial application (January 1, 2019), for the contracts previously classified as "operating leases", the Aquafil Group applied the "simplified method" which provides for the calculation of the financial liability and the corresponding value of the right-of-use asset on the basis of the residual contractual payments at the transition date (or of first application); therefore no restatement was made of the comparative figures.

For the Aquafil Group, the contracts falling within the scope of IFRS 16 mainly concern:

- office and industrial buildings;
- production related plant and machinery;
- industrial vehicles (principally forklifts);
- company vehicles.

The leasing contracts do not contain financial covenants, but the leased assets may not be utilised as guarantees against payables.

The incremental borrowing rate was utilised (IBR) for the calculation of the present value of the leasing liability. The incremental borrowing rate is defined as the interest rate each Group entity would incur to borrow over a similar term, and with a similar security, the funds necessary to purchase an asset of a similar value to the underlying right-of-use asset in a similar economic context.

An analysis was carried out for each individual company for the calculation of the incremental borrowing rate.

Effects deriving from the first-time application of IFRS 16

It should be noted that, on the first-time application of the new International Accounting Standard, the Aquafil Group utilised the following simplifications permitted by the new standard also based on the relative accounting effects:

- exclusion of those contracts concerned by transition to IFRS 16 with a residual duration of not more than 12 months (independent of the original duration of the contract) and so-called "Low-value leases";
- exclusion of the initial direct costs in the measurement of the right-of-use asset;
- estimate of the duration of the leases on the basis of experience acquired and information available at the date of the first-time application in relation to the exercise of the option extensions contained in the contracts;

- adoption of the so-called "modified retrospective" approach permitted by the new International Accounting Standard, with recognition of a right-of-use asset of the leased assets for an amount equal to the value of the lease liability and consequent effect of the IFRS 16 First Time Adoption on the opening equity at January 1, 2019.
- right-of-use assets are classified in a separate balance sheet account, while the lease liability is classified together with other financial liabilities and are separately identified and commented upon in the explanatory notes to the financial statements;
- any significant component concerning the provision of services included in the lease is excluded from IFRS 16;
- the accounting treatment of lease contracts effective at the transition date which according to IAS 17 are not considered "finance leases" are not amended.

For the contracts underwritten before the transition date of the new IFRS 16, the Group also decided to maintain the measurement (assessment) and accounting already applied based on the previous IAS 17 and IFRIC 4.

The table below shows the changes in the consolidated balance sheet at January 1, 2019 attributable to the application of IFRS 16.

(Euro thousands)	**At December 31, 2018**	**Effects first-time application IFRS 16**	**At January 1, 2019**
ASSETS			
Non-current assets			
Intangible assets	15,992		15,992
Property, plant & equipment	189,661	28,718	218,379
Financial assets	404		404
Deferred tax assets	7,841		7,841
Other assets	2,189		2,189
Total non-current assets	**216,087**	**28,718**	**244,805**
Current assets			
Trade receivables	34,046		34,046
Inventories	189,678		189,678
Cash and cash equivalents	103,277		103,277
Other assets	14,297		14,297
Tax receivables	451		451
Financial assets	2,878		2,878
Total current assets	**344,627**		**344,627**
TOTAL ASSETS	**560,714**	**28,718**	**589,432**

(Euro thousands)	**At December 31, 2018**	**Effects first-time application IFRS 16**	**At January 1, 2019**
Share capital	49,722		49,722
Reserves	62,969		62,969
Group net result	31,119		31,119
Total Group net equity	**143,810**		**143,810**
Minority interest net equity	1		1
Total consolidated net equity	**143,811**		**143,811**
LIABILITIES			
Non-current liabilities			
Provision for risks and charges	1,169		1,169
Employee benefits	5,702		5,702
Deferred tax liabilities	3,582		3,582
Financial liabilities	224,345	23,318	247,663
Other liabilities	11,833		11,833
Total non-current liabilities	**246,631**	**23,318**	**269,949**
Current liabilities			
Trade payables	106,895		106,895
Financial liabilities	39,090	5,400	44,490
Current tax payables	2,270		2,270
Other liabilities	22,017		22,017
Total current liabilities	**170,272**	**5,400**	**175,672**
TOTAL EQUITY AND LIABILITIES	**560,714**	**28,718**	**589,432**

The application of the new standard IFRS 16 also had an impact on the net financial position summarised in the table below:

NET FINANCIAL DEBT *(Euro thousands)*	**At December 31, 2018**	**Effects first-time application IFRS 16**	**At January 1, 2019**
A. Cash	103,277		103,277
B. Other liquid assets			-
C. Securities held-for-trading			-
D. Liquidity (A) + (B) + (C)	**103,277**		**103,277**
E. Current financial receivables	**2,878**		**2,878**
F. Current bank payables	(96)		(96)
G. Current portion of non-current debt	(35,496)		(35,496)
H. Other current financial payables	(3,498)	(5,400)	(8,898)
I. Current financial debt (F) + (G) + (H)	**(39,090)**	**(5,400)**	**(44,489)**
J. Net current financial debt (I) + (E)+ (D)	**67,066**	**(5,400)**	**61,666**
K. Non-current bank payables	(159,492)		(159,492)
L. Bonds	(53,578)		(53,578)
M. Other non-current financial receivables and payables	(11,275)	(23,318)	(34,593)
N. Non-current financial debt (K) + (L) + (M)	**(224,345)**	**(23,318)**	**(247,663)**
O. Net financial debt (J)+(N)	**(157,279)**	**(28,718)**	**(185,997)**

The table below shows the effects from the application of the new International Accounting Standard. on the consolidated income statement in H1 2019.

(Euro thousands)	**Half Year 2019**
Reversal of lease charges	3,341
Effect on EBITDA	**3,341**
Recognition depreciation	(3,046)
Effect on EBIT	**295**
Financial charges	(341)
Effect on pre-tax result	**(46)**
Tax impact	11
Effect on result for the period	**(35)**

Some leasing contracts contain extension and termination options. These contractual terms are utilised in order to maximise the flexibility in the management of the contracts. The contractual extension and termination options may only be activated by the company and not by the lessor. Approx. 22% of the leasing contracts contain these options.

Reconciliation between contractual commitments at December 31, 2018 for the use of third-party assets and lease liability at January 1, 2019

(Euro thousands)

Contractual commitments for the use of third-party assets at December 31, 2018	**31,329**
Other changes	1,174
Commitments for variable lease payments	-
Commitments for non-lease items (services)	(1,156)
Nominal value of contractual commitments	31,347
Discounting effect	(2,694)
Net lease liability at January 1, 2019	**28,652**

3. Consolidation scope and basis of consolidation

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, 2019 are illustrated below.

Company	**Registered office**	**Share capital**	**Net profit/(loss)**	**Currency**	**Group holding**	**Direct voting rights**	**Consol. method**
Parent company:							
Aquafil S.p.A.	Arco (IT)	49,722,417	4,242,400	Euro			
Subsidiary companies:							
Aquafil SLO d.o.o.	Ljubjiana (SLO)	50,135,728	3,254,263	Euro	100.00%	100.00%	Line-by-
Aquafil USA Inc.	Cartersville (USA)	77,100,000	1,260,598	US Dollar	100.00%	100.00%	Line-by-line
Tessilquattro S.p.A.	Arco (IT)	3,380,000	(281,580)	Euro	100.00%	100.00%	Line-by-
Aquafil Jiaxing Co. Ltd	Jiaxing (CHN)	355,093,402	22,345,685	Chinese Yuan	100.00%	100.00%	Line-by-line
Aquafil UK Ltd	Ayrshire (UK)	1,750,000	(323,782)	UK Sterling	100.00%	100.00%	Line-by-line
Aquafil CRO d.o.o.	Oroslavje (CRO)	71,100,000	5,767,262	Croatian Kuna	100.00%	100.00%	Line-by-line
Aquafil Asia Pacific Co. Ltd	Rayoung (THA)	53,965,000	304,626	Baht	99.99%	99.99%	Line-by-
Aqualeuna G.m.b.H.	Leuna (GER)	2,325,000	99,048	Euro	100.00%	100.00%	Line-by-
Aquafil Engineering G.m.b.H.	Berlin (GER)	255,646	247,916	Euro	100.00%	100.00%	Line-by-

Aquafil Tekstil Sanayi Ve Ticaret A.S.	Istanbul (TUR)	1,512,000	157,744	Turkish Lira	99.99%	99.99%	Line-by-line
Borgolon S.p.A.	Varallo Pombio (IT)	7,590,000	(11,280)	Euro	100.00%	100.00%	Line-by-
Aquafil Benelux France B.V.B.A.	Harelbake (BEL)	20,000	54,185	Euro	100.00%	100.00%	Line-by-line
Cenon S.r.o.	Zilina (SLO)	26,472,682	(121,371)	Euro	100.00%	100.00%	Line-by-
Aquafil Carpet Recycling #1, Inc.	Phoenix (USA)	250,000	(2,123,425)	US Dollar	100.00%	100.00%	Line-by-line
Aquafil Carpet Recycling #2, Inc.	Woodland California (USA)	250,000	(1,023,799)	US Dollar	100.00%	100.00%	Line-by-line
Aquafil Oceania Ltd	Melbourne (AUS)	49,990	58,617	Australian Dollar	100.00%	100.00%	Line-by-line
Aquafil India Private Ltd	New Dehli (IND)	85,320	0	Indian Rupee	99.97%	99.97%	Line-by-line
Aquafil O'Mara Inc.	North Carolina (USA)	10,026,671	622,871	US Dollar	100.00%	100.00%	Line-by-line

At June 30, 2019 there are no associated companies included in the consolidation scope.

The only significant change in the consolidation scope of the Aquafil Group during the period was the full acquisition of the investment in O'Mara Inc. (now Aquafil O'Mara Inc.) with registered office in North Carolina, share capital of USD 10,026,671, by Aquafil USA Inc., as described in the "Business combinations" section below; the acquisition was completed on May 31, 2019 and the company was included in the Group consolidated financial statements from that date.

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, 2018, to which reference should be made.

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

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 2019		December 2018		June 2018	
	Period-end rate	Average rate	Period-end rate	Average rate	Period-end rate	Average rate
US Dollar	1.1380	1.12978	1.1450	1.18095	1.1658	1.21035
Croatian Kuna	7.3973	7.41999	7.4125	7.41816	7.386	7.41782
Chinese Yuan	7.8185	7.66778	7.8751	7.80808	7.717	7.70859
Turkish Lira	6.5655	6.35616	6.0588	5.70767	5.3385	4.95655
Baht	34.897	35.71370	37.052	38.16436	38.565	38.41894
UK Sterling	0.89655	0.87363	0.89453	0.88471	0.8861	0.87977
Australian Dollar	1.6244	1.6003	1.622	1.57968		

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".

Business combinations

Business combinations are recognised in accordance with IFRS 3 (2008), and IFRS 3 Revised. Specifically, business combinations are recognised using the acquisition method, where the purchase cost (consideration transferred) is equal to the fair value, at the acquisition date, of the assets sold and of the liabilities incurred or assumed, as well as any equity instruments issued by the purchaser. The purchase cost includes the fair value of any potential assets and liabilities.

The costs directly attributable to the acquisition are recorded in the income statement. The consideration transferred and allocated recognises the identifiable assets, liabilities and contingent liabilities of the purchase at their fair value at the acquisition date. Any positive difference between the consideration transferred, measured at fair value at the acquisition date, compared to the net value of the identifiable assets and liabilities of the purchase measured at fair value, is recognised as goodwill or, if negative, in the Income statement. Where the business combination was undertaken in several steps, on the acquisition of control the previous holdings are remeasured at fair value and any difference (positive or negative) recorded in the income statement. Any potential consideration is recognised at fair value at the acquisition date. Subsequent changes in the fair value of the potential consideration, classified as an asset or a liability, or as a financial instrument as per IFRS 9, are recorded in the Income statement. Potential consideration not within the scope of IFRS 9 is measured based on the specific IFRS/IAS standard. Potential consideration which is classified as an equity instrument is not remeasured, and, consequently is recorded under equity. Where the fair value of the assets, liabilities and contingent liabilities may only be determined provisionally, the business combination is recorded utilising these provisional values. Any adjustments, deriving from the completion of the valuation process, are recorded within 12 months from the acquisition date, restating the comparative figures.

In this context, we report that the purchase agreement was signed on May 31, 2019 for the acquisition of 100% of O'Mara Incorporated from the previous owners (the O'Mara family and some managers). The acquisition was completed through the American subsidiary Aquafil USA Inc.

O'Mara Incorporated, founded in 1970 and with registered office in Pennsylvania (USA), produces nylon, polypropylene and polyester fibres mainly in solution-dyed colours in its plant based in Rutherford College, North Carolina. In 2018, O'Mara reported turnover of USD 40.1 million with a margin in line with the Aquafil Group.

O'Mara's identity and market positioning are fully consistent with those of the Aquafil Group. This compatibility accelerates the globalization process of the textiles business, with positive effects also for the products ECONYL® and Dryarn®. O'Mara will provide access to a broader product range, thereby driving further development of the US market in the sectors of athletic apparel, hosiery, fashion and accessories.

As a result of the production activity in the USA, the Group will benefit also from the trade agreements between the US federal government and certain Central and South American countries (CAFTA), which allow for exemptions from US tariffs on apparel produced in the latter countries using yarns of US origin.

The purchase price of the company was comprised as follows:

	USD/000
Initial purchase price	36,000
Working Capital Purchase Price Adjustment*	77
Closing Date Cash on Hand Adjustment*	78
Final purchase price	**36,155**

*these adjustments were defined between the parties with a specific communication of June 25, 2019

The fair value of the assets and liabilities at May 31, 2019 (transaction date) recognised as resulting from the acquisition based on IFRS 3, are shown below:

	USD / 000
Intangible assets	148
Property, plant & equipment	16,976
Financial assets	13
Inventories	6,101
Trade receivables	4,624
Cash and cash equivalents	134
Other receivables	155
Intercompany payables	-3,605
Trade payables	-2,354
Other payables	-1,363
Deferred tax liabilities	-652
Net assets acquired	**20,178**
Goodwill	15,977
Final purchase price	**36,155**

Therefore, goodwill emerges of USD 15,977 thousand (Euro 14,040 thousand), recognised in the consolidated financial statements of the Group, attributable to the strong competitive position and profitability of the business acquired which may also benefit from future synergies within the Group. This goodwill will not be fiscally deductible. We report that the recoverability of this value was verified through a specific impairment test as described in the paragraph below.

The charges relating to the acquisition amount to Euro 938 thousand and were expensed as service costs.

The Fair value of the receivables acquired amounts to USD 4,669 thousand net of a doubtful debt provision of USD 46 thousand.

The business acquired contributed in the period May 31, 2019 to June 30, 2019 with revenues of USD 3.5 million, EBITDA of USD 802 thousand and Net profit of USD 623 thousand.

For disclosure purposes, for the period from January 1, 2019 to June 30, 2019 O'Mara Incorporated generated total revenues of Euro USD 18.7 million.

The total investment by the Group was USD 40.7 million as the Group acquired a building in addition to the equity investment, previously utilised by O'Mara through a rental contract for an amount of USD 4.5 million. These assets were therefore already included in the Fair value of the balances acquired at May 31, 2019.

Aquafil S.p.A. funded the acquisition through an unsecured privately placed bond subscribed on May 24, 2019 by a company of the US insurance group Prudential Financial Inc., for a total amount of Euro 40.0 million.

The new bond partially utilised the "Shelf facility" committed credit line already granted to the parent Aquafil S.p.A. on September 20, 2018 totalling USD 90 million. The same contractual conditions were applied to the bond as the loan of Euro 50 million renegotiated on September 20, 2018. The duration of the bond is 10 years, of which 3 years comprising a grace period with annual instalments. The interest rate applied is an annual fixed rate of 1.87% for the duration of the bond.

Aquafil S.p.A. financed the acquisition undertaken by its subsidiary Aquafil U.S.A. Inc. through a share capital increase of USD 45 million fully paid on May 24, 2019.

Impairment test

The impairment test (or the verification of the recoverability) assesses whether there exist any indications that an asset may have incurred a reduction in value. For goodwill and any other indefinite useful life intangible assets an assessment should be made at least annually that their recoverable value is at least equal to the book value and, when considered necessary, or rather in the presence of trigger events (IAS 16 paragraph 9), the impairment test must be undertaken more frequently.

The goodwill arising from the business combination described in the previous paragraph was therefore subject to a recoverability test as per IAS 36 as indicated also in note 6.2 "Goodwill" below. In particular, it is noted that the recoverable value of a non-current asset is based on the estimates and on the assumptions utilised for the determination of the cash flows from the activities subject to valuation and of the discount rate applied. Where it is considered that the book value of a non-current asset has incurred a loss in value, the asset is written-down up to the relative recoverable value, estimated with reference to its utilisation and any future disposal, based on the most recent business plans.

In assessing the recoverable value of property, plant and equipment, of investment property, of intangible assets and of goodwill, the Group generally applies the criterion of the value in use.

The value in use is the present value of the expected future cash flows to be derived from an asset. In defining the value in use, the expected future cash flows are discounted utilising a pre-tax rate that reflects the current market assessment of the time value of money, and the specific risks of the asset.

The estimated future cash flows utilised to determine the value in use is based on the most recent business plans, approved by management and containing forecasts for volumes, revenues, operating costs and investments.

These forecasts cover the period of the next three years; consequently, the cash flows relating to the subsequent years are determined on the basis of a growth rate which does not exceed the average growth rate for the sector and the country.

Where the book value of an asset is higher that its recoverable value a loss in value is recognised which is recorded in the income statement under "Amortisation, depreciation and write-downs".

The loss in value of a cash-generating unit (the Aquafil Group has only one CGU) are firstly attributed to the reduction in the carrying value of any goodwill allocated and, thereafter, to a reduction of other assets, in proportion to their carrying value.

When the reasons for the write-down no longer exist, the carrying value of the asset is restated through the income statement, in the account "Amortisation, depreciation & write-downs", up to the value at which the asset would be recorded if no write-down had taken place and amortisation or depreciation had been recorded.

The original value of the goodwill is not restated even when in subsequent years the reasons for the reduction in value no longer exist.

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, 2019:

(Euro thousands)	**Financial assets and liabilities measured at fair value through P&L**	**Loans and receivables**	**AFS financial assets**	**Financial liabilities at amortised cost**	**Total**
Current and non-current financial assets	5	2,270	0	0	2,275
Trade receivables		42,973			42,973
Tax receivables	0	1,139	0	0	1,139
Other current & non-current assets	0	16,310	0	0	16,310
Cash and cash equivalents	0	89,032	0	0	89,032
Total	**5**	**151,725**	**0**	**0**	**151,730**
Current and non-current financial liabilities	1,161	0	0	352,924	354,085
Trade payables	0	0	0	89,377	89,377
Other current and non-current liabilities	0	0	0	35,754	35,754
Total	**1,161**	**0**	**0**	**478,055**	**479,216**

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

5. DISCLOSURE BY OPERATING SEGMENT

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

In fact, the Group structure identifies a strategic and singular vision of the business and this representation is consistent with the manner in which management takes its decisions, allocates resources and defines the communication strategy. Dividing the business into separate divisions is therefore currently viewed as detrimental to its economic interests.

6 NOTES TO THE CONSOLIDATED BALANCE SHEET

6.1. Intangible assets

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

(Euro thousands)	**Patents & property rights - Know-how**	**Trademks., con. and licenses**	**Other intangible assets**	**Intangible assets in progress**	**Non-Contractual Customer relationships**	**Total**
Balance at 31/12/2017	**1,204**	**596**	**2,692**	**3,289**	**0**	**7,781**
Increases	0	345	2,972	1,738	5,779	10,834
Decreases	0	(12)	0	0	0	(12)
Amortisation	(450)	(226)	0	(1,404)	(482)	(2,562)
Reclassifications	52	(24)	0	(37)	0	(9)
Exchange differences				5	(45)	(40)
Balance at 31/12/2018	**804**	**680**	**5,665**	**3,592**	**5,253**	**15,992**
of which:						
- Historical cost	5,220	4,710	13,646	5,663	5,730	34,969
- Accumulated amortisation	(4,416)	(4,030)	(10,054)	0	(477)	(18,978)
Increases	0	50	0	2,269	0	2,319
Decreases	0	0	(7)	0	0	(7)
Amortisation	(225)	(147)	(604)	0	(368)	(1,343)
Change in consolidation scope	0	0	130	0	0	130
Exchange differences	0	0	1	0	45	46
Balance at 30/06/2019	**581**	**583**	**3,111**	**7,933**	**4,930**	**17,138**
of which:						
- Historical cost	5,221	5,119	13,772	7,933	5,771	37,817
- Accumulated amortisation	(4,641)	(4,536)	(10,661)	0	(842)	(20,679)

The investments in the period, totalling Euro 2.3 million, mainly refer to the collaboration agreement with the US company Genomatica Inc. for the development of caprolactam production biotechnology that uses renewable raw materials for Euro 1.4 million and Information and Communication Technology for Euro 0.7 million.

6.2. Goodwill

As described in the "Business combination" paragraph, the company acquired the business of the US company O'Mara Incorporated.

This acquisition generated goodwill of Euro 14,040 thousand which was allocated to the only CGU identified corresponding to the entire Aquafil Group. This choice was taken as the company acquired will gradually become an integral part of the Group and its processes and therefore may not be identified as a cash generating unit which is significantly independent of other Group operations.

This value represents the excess between the consideration transferred, measured at fair value at the acquisition date, compared to the net value of the identifiable assets and liabilities of the purchase measured at fair value.

After initial recognition the goodwill is not amortised but subject to an annual impairment test as described in the previous paragraph "Impairment test - verification of recoverability".

In accordance with the provisions of IAS 36 the Group therefore undertook a specific impairment test in order to verify the recoverability of the goodwill recognised.

The impairment test was carried out determining the value in use with the discounted cash flow method (DCF) net of income taxes in line with the post-tax discount rate utilised.

The cash flows utilised for the application of the DCF were those included in the 2019-2021 Industrial Plan approved by the BoD in February 2019. The growth rate applied (g) is equal to 1.6%.

The growth rate utilised is in line with the estimates of the International Monetary Fund and of the principal market analysts and prudently did not utilise the increases deriving from growth estimates of the countries in South-east Asia and China, countries in which the Group operates.

The discounting of the cash flows was carried out on the basis of a weighted average cost of capital which reflects the current market assessment of the cost of money. The value identified was 7.2%.

A sensitivity analysis was also carried out in order to determine the change to the value assigned to the base assumptions which, after having considered any amendments as a result of this change on the other variables utilised, renders the recoverable value of the CGU equal to its carrying amount.

This analysis illustrated that only significant variations in the achievement of the business objectives, in the level of interest rates and in the perpetual growth rate would reduce the recoverable value to a level close to the book value.

From the impairment test carried out therefore no adjustments are required to the value of the goodwill.

6.3. Property, plant & equipment

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

(in Euro thousands)	Land & buildings	Plant & mach.	Equipment	Other assets	Assets in progress	Investment property	Right-of-Use First time application IFRS 16	Total
Balance at 31/12/2017	**52,128**	**73,726**	**673**	**1,869**	**25,530**			**153,926**
Increases	2,457	15,685	259	986	41,493			60,880
Decreases	(501)	(1,549)	(29)	(86)	(1,484)			(3,649)
Depreciation	(3,246)	(19,581)	(321)	(642)	0	(11)		(23,802)
Reclassifications	2,824	22,539	39	20	(25,763)	350		9
Write-downs	0	1,244	0	0	0	0		1,244
Change in consolidation scope	0	0	0	0	0	0		0
Exchange differences	3	(475)	2	46	(523)	0		(1,049)
Balance at 31/12/2018	**53,665**	**92,540**	**624**	**2,195**	**40,299**	**339**		**189,661**
of which:								
- Historical cost	103,143	393,391	10,876	6,301	40,299	755		554,766
- Accumulated depreciation	(49,479)	(300,850)	(10,252)	(4,107)	0	(417)		(365,105)
IFRS 16 effect at 01/01/2019							**28,718**	**28,718**
of which:								
Increases	953	2,692	4	301	26,507	0	2,976	33,433
Decreases	0	(15)	(1)	(17)	0	(2)	0	(36)
Depreciation	(1,687)	(9,990)	(127)	(373)	0	(6)	(3,046)	(15,228)
Reclassifications	132	6,056	5	0	(6,193)	0	0	0
Write-downs	0	0	0	0	0	0	0	0
Change in consolidation scope	3,990	10,378	0	449	101	0	0	14,918
Exchange differences	119	252	2	11	144	0	9	537
Balance at 30/6/2019	**57,171**	**101,913**	**508**	**2,566**	**60,858**	**331**	**28,656**	**252,002**
of which:								
- Historical cost	108,376	440,626	10,883	8,920	60,858	750	31,692	662,104
- Accumulated depreciation	(51,205)	(338,713)	(10,376)	(6,354)	0	(419)	(3,037)	(410,103)

The investments in the period, amounting to Euro 33.4 million, relate to the increase in the regenerated ECONYL® caprolactam production capacity, also through the construction of two Carpet Recycling plant at Phoenix and Sacramento for Euro 10.8 million, the expansion of the production capacity in the United States for Euro 7.6 million, upgrading logistical and warehousing efficiency for Euro 3.7 million, of which Euro 2.3 million "Right-of-Use" relating to real estate, production and industrial efficiency improvement projects for Euro 2.8 million and technological upgrading and improvements of existing plant for the remainder.

The increase relating to the "change in the consolidation scope" for Euro 14,918 thousand refers to the business combination described in the specific paragraph above.

At June 30, 2019 the Group did not identify any impairment indicators relating to property, plant and equipment.

As illustrated in the column in the table above, the first-time application of IFRS 16, with the modified retrospective approach, resulted in the recognition at January 1, 2019 of right-of-use assets under non-current assets relating to the lease contracts. In particular this refers to buildings, equipment and transport and motor vehicles as illustrated in the table below.

(Euro thousands)	Right-of-use buildings	Right- of-use equipment and	Right-of-use motor vehicles	Total
Balance 01/01/2019	**24,482**	**4,232**	**5**	**28,718**
of which:				
- Historical cost	24,482	4,232	5	28,718
- Accumulated depreciation	0	0	0	0
Increases	2,327	446	203	2,976
Decreases	0	0	0	0
Depreciation	(2,466)	(567)	(14)	(3,046)
Exchange differences	8	1	0	9
Balance at 30/6/2019	**24,351**	**4,112**	**193**	**28,656**
of which:				
- Historical cost	26,808	4,676	207	31,692
- Accumulated depreciation	(2,457)	(566)	(14)	(3,037)

6.4 Current and non-current financial assets

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

(Euro thousands)	At June 30,2019	At December 31, 2018
Receivables from parent companies	234	0
Equity investments in group companies	1	1
Equity investments in other companies	18	18
Escrow bank deposits	1,568	2,919
Current and non-current financial receivables	370	255
Receivables from related parties	79	79
Derivative financial instruments	6	11
Total	**2,275**	**3,282**
of which current	1,525	2,878
of which non-current	750	404

Investments in other companies relates to minor holdings.

The "Escrow bank deposits", amounting to Euro 1,568 thousand, were taken out almost exclusively by Aquafil Engineering GMBH, to guarantee the delivery of specific orders. The decrease on the previous year reflects normal operating developments and the delivery timings of the individual orders.

"Receivables from other parent companies" refer to guarantee deposits paid by Aquafin Holding S.p.A. and Aquafil S.p.A. over a multi-year lease contract for the property located in viale dell'Industria – Verona.

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

6.5. Other non-current assets

The amount mainly relates to the receivable of the parent company Aquafil S.p.A. and Aquafil SLO d.o.o. from the European Union related to the "Effective" project, co-ordinated by Aquafil and funded by Bio-Based Industries Joint Undertaking (BBI JU) as part of the European Horizon 2020 research programme, with the entire chain (from raw material manufacturers to brands) involved in validating the use of bio Nylon 6 and other bio-polymer consumer market products. In particular, with the signing of the agreement an overall contribution of Euro 3.3 million was stipulated, with deferred income recognised under Other liabilities (Note 6.15). The receivable is reduced by the payments received from the European Union, which have been substantially recognised according to the projects state of advancement. At June 30, 2019, the residual receivable amounted to Euro 2.1 million.

6.6. Inventories

The changes in the account were as follows:

(Euro thousands)	**At June 30,2019**	**At December 31,2018**
Raw materials, ancillary and consumables	73,042	81,713
Finished products and goods	120,480	107,962
Advances	204	4
Total	**193,726**	**189,678**

Inventories are recorded net of the obsolescence provision amounting to Euro 510 thousand and relates to slow moving prior year stock.

Inventories increased in the period also due to the business combination as already described in the specific paragraph.

6.7. Trade receivables

The changes in the account were as follows:

(Euro thousands)	**At June 30,2019**	**At December 31,2018**
Customers	45,542	36,636
Parent, associates and other related parties	30	66
Doubtful debt provision	(2,599)	(2,656)
Total	**42,973**	**34,046**

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

(Euro thousands)	**At June 30, 2019**	**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)	38,463	33,956	2,892	1,263	48	305
Non-guaranteed trade receivables (b)	6,537	3,366	392	2,478	22	279
Non-guaranteed trade receivables impaired (c)	571	125	120	0	0	327
Trade receivables before doubtful debt provision [(a)+(b)+(c)]	**45,571**	**37,446**	**3,404**	**3,740**	**70**	**911**
Doubtful debt provision	(2,599)	(2,559)	0	0	0	(40)
Trade receivables	**42,973**	**34,887**	**3,404**	**3,740**	**70**	**871**

Trade receivables increased in the period also due to the business combination as already described in the specific paragraph.

6.8 Current tax receivables

Current tax receivables refer for Euro 1,139 thousand almost entirely refer to advances paid for Regional Production Tax (IRAP) on the Italian companies.

6.9. Other current assets

The changes in the account were as follows:

(Euro thousands)	At June 30,2019	At December 31,2018
Tax receivables	5,097	6,301
Supplier advances	1,005	702
Pension and social security institutions	167	133
Employee receivables	162	290
Tax receivables from parent	1,644	1,859
Other receivables	1,249	2,522
Prepayments and accrued income	4,794	2,489
Total	**14,119**	**14,297**

The following is specified in relation to the above items:

- tax receivables: refer mainly to an amount of Euro 3,115 thousand receivables for Value Added Tax (VAT), Euro 1,525 thousand in tax credits determined pursuant to Article 1, paragraph 35 of Law No. 190 of 23/12/2014 and successive amendments, and determined as 50% of the surplus of research and development expenditure incurred in the year 2018 compared to the same average for the years 2012-2013-2014;
- tax receivables from parent: refer to tax receivables for Corporate Income Tax (IRES) transferred by the Parent Company to Aquafin Holding S.p.A. as part of the tax consolidation between the companies Aquafil S.p.A., Tessilquattro S.p.A. and Borgolon S.p.A. and according to the option exercised by Aquafin Holding S.p.A. as per Article 228 and subsequent of the Income Tax Law;
- other receivables: these mainly concern, for Euro 230 thousand receivables for the reimbursement of the export duty of the Chinese company Aquafil Synthetic Fiber and Polymers (Jiaxing) Co. Ltd, for Euro 781 thousand the receivable from Domo Chemicals Italy S.p.A., originating from the financial support provided by Aquafil S.p.A. to Domo Chemicals Italy S.p.A. within the fiscal dispute relating to the sale of shares of Domo Engineering Plastics S.p.A. on May 31, 2013, in relation to which reference should be made to the Directors' Report;
- prepayments and accrued income: these mainly refer to amounts arising from procedures for the recovery of duties paid and recorded in the Income Statement but not yet collected, prepayments on the purchase of maintenance materials and consultancy expenses for Information and Communication Technology invoiced in advance of the completion of the service.

6.10 Cash and cash equivalents

The account is comprised of:

(Euro thousands)	At June 30,2019	At December 31,2018
Cash and equivalents	25	24
Bank and postal deposits	89,008	103,254
Total	**89,032**	**103,277**

The item mainly relates to the balance at year-end of the Group companies current accounts.

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

(Euro thousands)	**At June 30, 2019**
EUR	69,368
HRK	26
TRL	27
USD	7,962
THB	2,579
CNY	8,842
GBP	157
AUD	72
Total	**89,032**

6.11 Shareholders' Equity

Share Capital

At June 30, 2019, 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 thousand, while the unsubscribed and unpaid portion relates to: (i) an amount of Euro 149 thousand as the residual capital increase in service of Aquafil Market Warrants and (iii) an amount of Euro 800 thousand for the capital increase in service of Aquafil Sponsor Warrants.

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

- 42,822,774 ordinary shares, identified by the ISIN Code IT0005241192;
- 8,316,020 special Class B shares, identified by the ISIN Code IT0005285330 which, in compliance with any legal limits, assign 3 exercisable voting rights pursuant to Art. 127-sexies of Legislative Decree No. 58/1998 in shareholders' meetings of the company and which may be converted into ordinary shares under specific conditions and circumstances as regulated by the By-Laws, at the rate of one ordinary share for each Class B share;
- 80,000 special Class C shares, identified by the ISIN Code IT0005241747, without voting rights in the ordinary and extraordinary shareholders' meetings of the company and excluded from the right to receive profits which the company resolves to distribute as an ordinary, non-transferable dividend until April 5, 2022 and automatically converted into ordinary shares in the conversion ratio of 4.5 ordinary shares for each Class C share according to specific conditions and circumstances laid down by the By-Laws.

The detailed breakdown of Aquafil S.p.A.'s subscribed and paid-up share capital at June 30, 2019 is shown below:

Type of shares	**No. shares**	**% of Share Capital**	**Listing**
Ordinary	42,822,774	83.61%	MTA, STAR Segment
Class B	8,316,020	16.24%	Non-listed
Class C	80,000	0.15%	Non-listed
Total	**51,218,794**	**100%**	

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

On the basis of communications sent to the National Commission for Companies and the Stock Exchange "CONSOB", and received by the Company pursuant to Article 120 of Legislative Decree No. 58 of February 24, 1998, as well as the effect of the conversion of Market Warrants in the year, holders of a significant shareholding as at June 30, 2019 - i.e. considering Aquafil S.p.A.'s qualification as an SME pursuant to Article 1(w-quater.1) of the CFA and with a shareholding greater than 5% of the Aquafil S.p.A. voting share capital - are as follows:

The declarant or subject at the top of the equity chain	Direct shareholder	Type of shares	No. 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**
		Holding	**57.99%**	**68.37%**

Warrants

The following were initially issued on listing:

(i) 7,499,984 Aquafil Market Warrants, listed identified by the ISIN Code IT0005241200, which incorporate the right to the allocation of Aquafil S.p.A. shares of Conversion Market Warrants and are exercisable under the conditions set out in the relative regulation approved by the Space3 extraordinary shareholders' meeting by resolution of December 23, 2016;

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

On June 30, 2019, 2,014,322 Aquafil Market Warrants were converted (with the assignment of 498,716 Conversion Shares) and therefore the number of Market Warrants still in circulation totalled 5,485,662.

At June 30, 2019, no Aquafil Sponsor Warrants have been converted.

Legal Reserve

The legal reserve at June 30, 2019 was equal to Euro 517 thousand; the increase of Euro 509 thousand was approved by the Shareholders' Meeting of April 24, 2019 which allocated to this reserve one twentieth of the profit for the year 2018.

Translation reserve

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

Share premium reserve

The item amounted to Euro 19,975 thousand at June 30, 2019 and is derived from the merger transaction between Aquafil S.p.A. and Space 3 S.p.A. in 2017.

Listing costs / Share capital increase reserve

The item amounted to Euro 3,287 thousand at June 30, 2019 as a decrease in shareholders' equity and relates to the costs incurred in the previous year for the listing and thereafter the share capital increase.

"First Time Adoption" Reserve (FTA)

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

IAS 19 Reserve

At June 30, 2019, it was equal to a Euro 711 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, 2019 the account amounts to Euro 78,956 thousand and represents the results generated by the Aquafil Group in previous years (including pre-merger with Spac3 in 2017) net of the distribution of dividends as illustrated in the paragraph below.

Dividends

The Ordinary Shareholders' Meeting on April 24, 2019 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 12.273 million, equal to a payout ratio of 40.7% of the 2018 net profit.

Minority interest equity

As illustrated in paragraph "3 Consolidation scope" and consolidation criteria, the minority interests shareholders' equity substantially reduced to zero.

6.12. Employee benefits

The account is comprised of:

(Euro thousands)	
Balance at December 31, 2018	**5,702**
Interest expense	22
Advances and settlements	(217)
Actuarial gains/(losses)	206
Balance at December 31, 2018	**5,713**

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

The following is a breakdown of the main economic and demographic assumptions used for actuarial valuations:

Financial assumptions	**June 30, 2019**
Discount rate	0.35%
Rate of inflation	1.50%
Annual increase in employee leaving indemnity	2.63%

Demographic assumptions	
Death	The RG48 mortality tables published by the General State Controller
Disability	INPS tables by age and gender
Retirement	100% on satisfying AGO requirements

Annual frequency of Turnover and leaving indemnity	
Frequency advances	4.50%
Frequency turnover	2.50%

It should be noted that the bond's financial average duration at June 30, 2019 is approximately 8 years.

6.13 Current and non-current financial liabilities

The account is comprised of:

(Euro thousands)	**At June 302019**	*current portion*	**At December 31, 2018**	*current portion*
Medium/long term bank loans	216,276	45,822	194,193	34,421
Accrued interest on Medium/long term bank loans	390	390	114	114
Accessory charges on medium/long-term bank loans	(545)	(243)	(536)	(256)
Total medium/long-term loans	**216,121**	**45,968**	**193,771**	**34,279**
Bonds	94,485	693	54,844	719
Deferred income - Bonds	651	651	587	587
Accessory charges on bonds	(699)	(89)	(636)	(89)
Total bond loan	**94,436**	**1,254**	**54,795**	**1,217**
Lease liability	40,519	8,397	12,577	1,782
Financing payables to Finest S.p.A.	1,716	1,716	1,716	1,716
Liabilities for derivative financial instruments	1,161	0	481	0
Other lenders and banks – short term	132	132	96	96
Shareholder loan	0	0	0	0
Total	**354,085**	**57,467**	**263,435**	**39,090**

Medium/long term bank loans

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

(Euro thousands)	Original amount	Granted	Maturity	Rate applied	June 30, 2019	*current portion*
Mediobanca (*)	15,000	2015	2019	2.41% fixed (**)	5,000	5,000
Banca Intesa (*)	10,000	2016	2021	1.15% fixed (**)	5,000	2,500
Banca Intesa (*)	15,000	2018	2024	until 19/6/18 eu+0.95% - from 20/06 1.15% fixed (**)	15,000	3,000
Mediocredito Trentino Alto Adige	3,000	2017	2021	0.901% fixed	2,009	1,000
Banca Nazionale del Lavoro (*)	7,500	2018	2024	1.4% fixed	7,500	1,364
Banca Nazionale del Lavoro (*)	12,500	2018	2024	1.25% fixed	12,500	2,273
Credito Valtellinese (*)	15,000	2018	2023	1% fixed	15,000	1,054
Deutsche Bank (*)	5,000	2016	2020	IRS 4 years + 0.60% fixed	1,575	1,259
Credit Agricole Friuladria (ex Banca Popolare Friuladria)	4,200	2016	2021	1.27% fixed (**)	2,121	1,055
Banca di Verona	3,000	2019	2024	1.30% fixed	3,000	0
Medium/long term bank loans - fixed rate					**68,705**	**18,505**
Banca Popolare di Milano	5,000	2016	2019	Euribor 3 months + 0.60%	839	839
Banca Popolare di Milano (*)	25,000	2018	2025	Euribor 3 months + 0.90% (**)	25,000	2,239
Banca Popolare di Milano	15,000	2019	2024	Euribor 3 months + 1.05% (**)	15,000	0
Cassa Risparmio di Bolzano (*)	20,000	2018	2024	Euribor 3 months + 0.85%	20,000	1,962
Regions Bank (*)	13,140	2014	2020	Libor+ variable margin	4,514	1,935
Regions Bank (*)	6,638	2013	2020	Libor + 1.70%	1,352	954
Wells Fargo Bank	750	2014	2019	Libor + 1.75%	79	154
Cassa Centrale Banca – Credito Cooperativo del Nord Est (ex Casse rurali trentine)	5,000	2017	2021	Euribor 6 months + 1.50%	3,155	1,881
Cassa Centrale Banca – Credito Cooperativo del Nord Est (ex Casse rurali trentine)	15,000	2019	2024	1.25% fixed	15,000	0
Banca di Verona	3,500	2016	2022	Euribor 3 months + 1.80%	2,110	636
Banca di Verona	15,000	2017	2024	Euribor 3 months + 2%	12,623	3,038
Banca Popolare Emilia Romagna	5,000	2016	2020	Euribor 3 months + 0.95%	1,688	1,264
Banca Popolare Emilia Romagna	5,000	2017	2022	Euribor 6 months + 1%	3,973	1,242
Deutsche Bank (*)	5,000	2018	2023	Euribor 3 months + 1.20%	5,000	625
Credit Agricole Friuladria (ex Banca Popolare Friuladria) (*)	10,000	2017	2024	Euribor 3 months + 1.30% (**)	9,113	1,787
Credito Valtellinese	3,000	2017	2022	Euribor 3 months + 0.90%	1,965	599
Banca Intesa (ex Veneto Banca)	3,000	2017	2021	Euribor 6 months + 0.90%	1,326	755
Monte dei Paschi (*)	15,000	2018	2023	Euribor 6 months + 0.80%	15,000	3,750
Crediti Emiliano	5,000	2018	2021	Euribor 1 month + 0.65%	3,893	1,665
Cassa Rurale Raiffeisen Alto Adige	3,000	2017	2022	Euribor 3 months + 0.90%	2,074	748
Banca Popolare di Sondrio	5,000	2017	2022	Euribor 1 month + 0.80%	3,868	1,244
Medium/long term bank loans - variable rate					**147,571**	**27,316**
Accrued interest on medium/long term bank loans					390	390
Accessory charges on medium/long-term bank loans					(545)	(243)
Medium/long term bank loans - fixed and variable rate					**216,121**	**45,968**

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

At June 30, 2019 all financial covenants have been complied with.

There are no mortgages recorded on corporate assets for loans and financing granted, while the only secured guarantee granted by Group companies is represented by a pledge issued by Aquafil USA Inc. on the company's plants for two loans granted in 2013 and 2014 by Regions Bank (both with maturity in 2020) , whose total residual debt in euro equivalent amounted to Euro 5.9 million as at 30/06/2019.

Bond loans

The company had issued three fixed-rate bond loans for an original total value of Euro 95 million.

An initial bond, of Euro 5 million ("**Bond Loan A**") was issued on November 23, 2015 and subscribed by La Finanziaria Internazionale Investments S.G.R. on behalf of the Strategic Fund of the Trentino-Alto Adige Region.

The second bond loan was initially issued on June 23, 2015 and subsequently renegotiated for improved conditions with transaction completed on September 20, 2018, without that this resulted in a change in the cash flows such as to assess the instrument, based on the provisions of IFRS 9, as a new financial asset. This bond loan is of a total value of Euro 50 million (hereafter the "**Bond Loan B**") and, within the above-stated renegotiation on the basis of the improved rating of Aquafil S.p.A. post-listing, the fixed interest rate was reduced to 3.70%. The final installment of the new repayment plan is due on September 20, 2028, with the first of 7 equal annual instalments of Euro 7.1 million due on September 20, 2022. In addition to the improved conditions, Aquafil was granted an additional "Shelf Facility" committed line, utilisable up to a maximum of approx. USD 90 million.

The third bond was issued on May 24, 2019 for a total of Euro 40 million (hereafter the "**C Bond**"), and the repayment plan provides for the first of 7 annual instalments from May 24, 2023, a fixed interest rate equal to 1.87%, and the above Self-Facility available was utilised therefore for a similar amount. The bond was issued to fund the Aquafil O'Mara Inc. business combination as described in the specific paragraph.

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

Bond loan	Total Nominal Value	Issue date	Maturity date	Capital portion repayment plan	Fixed interest rate
Bond loan A	5,000,000	23/11/2015	23/06/2025	15 half-yearly instalments from 31/01/2018	3.75%
Bond loan B	50,000,000	20/09/2018	20/09/2028	7 annual instalments from 20/09/2022	3.70%
Bond loan C	40,000,000	24/05/2019	24/05/2029	7 annual instalments from 24/05/2023	1.87%

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

Bond loan A

Financial parameters	Parameter	2019
Leverage Ratio (*)	Net Debt / EBITDA	≤ 3.75
Net Debt Ratio	Net Debt / Net Equity	≤ 2.50

Bond loan B - C

Financial parameters	Parameter	Covenant limit
Interest Coverage Ratio	EBITDA / Net financial charges	> 3.50
Leverage Ratio (*)	Net Debt / EBITDA	< 3.75
Net Debt Ratio	Net Debt / Net Equity	Minimum Net Equity threshold levels (2.50% at June 30, 2019)

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

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

As at June 30, 2019, financial covenants on bond loans were complied with. The terms and conditions of the above bond loans also envisage, as is customary for financial transactions of this type, a structured series of commitments to be borne by the Company and Group companies ("Affirmative Covenants") and a series of limitations on the possibility of carrying out certain transactions, if not in compliance with certain financial parameters or specific exceptions provided for by the agreement with the bondholders ("Negative Covenants"). Specifically, there are in fact certain limitations on the assumption of financial debt, on carrying out certain investments and on acts of disposal of corporate assets. To ensure the timely and correct fulfilment of obligations arising on account of the parent company from the issue of securities, the companies Aquafil Usa Inc. and Aquafil SLO d.o.o. have issued joint corporate guarantees in favour of underwriters, while the guarantees originally issued by Tessilquattro S.p.A. and Aquafiil CRO d.o.o. were cancelled.

Lease liability

The lease liability which amounts to Euro 40.5 million includes Euro 29.6 million relating to the adoption of IFRS 16, as already described in detail in the paragraph "IFRS 16 Leases", to which reference should be made. The operating and finance lease liability also includes the finance lease contract with the 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, 2019, the residual capital relating to financial leasing contracts totalled Euro 10,440 thousand. The contract is regulated at the 6-month Euribor rate plus a spread of 0.50%.

6.14. Provisions for risks and charges

The account is comprised of:

(Euro thousands)	At June 30,2019	At December 31,2018
Agents' supplementary indemnity provision and others	1,008	904
Guarantee fund on client engineering orders	297	266
Total	**1,305**	**1,169**

6.15 Other current and non-current liabilities

The account is comprised of:

(Euro thousands)	At June 31,2019	*current portion*	At December 30, 2018	*current portion*
Employee payables	12,401	12,401	12,913	12,913
Social security payables	3,021	3,021	3,014	3,014
Payables to parent for income taxes	230	230	230	230
Tax payables	2,141	2,141	1,980	1,980
Other payables	843	843	541	541
Accrued liabilities and deferred income	17,117	3,519	15,172	3,340
Total	**35,754**	**22,155**	**33,850**	**22,017**

The most significant changes refer to:

- the commercial contract between the Aquafil Group and the US group Interface, involving a worldwide collaboration for supply and product development. Against a series of benefits on the conditions of supply and the obligation to purchase annual minimum volumes, Interface paid, in several tranches, USD 12 million supplemented in 2018 (with two addendums to the principal contract) for a further USD 12 million (of which to-date USD 8.4 million paid) as contribution to the contractual commitments of Aquafil S.p.A. for a total period until 2026. At the time the contract became operational (2017), this amount was reclassified among "Other liabilities" for the share of this contribution for future years. At June 30, 2019 this deferred income, including also the effects of the afore-mentioned addendum, amounted to Euro 13.2 million;
- the deferral of grants on the Project Effective EU research project as described in the Directors` Report; relating to future years. In particular, the original deferred income recognised for Euro 3.3. million concerned the overall contribution recorded at the signing date of the agreement (with counter-entry to receivables), reducing to Euro 2.6 million at June 30, 2019 according to the advancement of the project development activities.
- the other payables for director remuneration of Euro 0.2 million.

6.16. Trade payables

The account is comprised of:

(Euro thousands)	**At June 30,2019**	**At December 31, 2018**
Trade payables	84,115	95,927
Payables to parent, associates and other related parties	921	762
Payments on account	4,342	10,206
Total	**89,377**	**106,895**

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

We recall that trade payables also include purchases following the business combination described previously in the specific paragraph.

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

6.17. Current tax payables

Current tax payables of Euro 1,669 thousand mainly relate to Euro 1,025 thousand for IRAP tax payables and Euro 644 thousand for payables related to current taxes of non-Italian companies in the Aquafil Group.

7. NOTES TO THE CONSOLIDATED INCOME STATEMENT

7.1. Revenues

The breakdown of revenues is shown below:

(Euro thousands)	**Half Year 2019**	**Half Year 2018**
Italy	56,527	60,670
EMEA (*)	120,011	134,088
North America	62,006	47,975
Asia and Oceania	47,593	48,313
Rest of the world	530	245
Total	**286,667**	**291,291**

(*) Excluding Italy

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

The breakdown of revenues by product line are described in the Directors' Report:

7.2. Other revenues and income

"Other revenues and income" of Euro 1,181 thousand mainly concern the contribution recognised by the EU for the Effective project for Euro 203 thousand, previously commented upon, contributions of Euro 565 thousand granted by the State of California for the recovery of end life carpets, in addition to the tax credit, for Euro 300 thousand, on the research and development expenses incurred by the parent company in 2018 and determined as per Article 1, paragraph 35 of Law No. 190 of 23/12/2014.

7.3. Raw material costs

(Euro thousands)	Half Year 2019	Half Year 2018
Raw materials and semi-finished goods	134,780	133,291
Ancillaries and consumables	13,330	17,439
Other purchases and finished products	2,973	5,311
Change in inventories raw materials, ancillary, semi-finished and finished products	(2,858)	(8,046)
Total	**148,225**	**147,995**

7.4. Service costs

The account is comprised of:

(Euro thousands)	Half Year 2019	Half Year 2018
Transport, shipping & customs	8,718	8,299
Electricity, propulsive energy, water and gas	18,804	17,418
Maintenance	4,884	4,010
Services for personnel	2,290	1,882
Technical, ICT, commercial, legal & tax consultancy	4,845	4,071
Insurance	1,097	908
Marketing and advertising	1,911	2,325
Cleaning, security and waste disposal	1,784	1,515
Warehousing and external storage	1,410	1,882
External processing	1,126	947
Other sales expenses	209	181
Statutory auditors' fees	76	102
Other service costs	1,960	2,209
Rentals and hire	2,076	3,672
Total	**51,191**	**49,420**

The decrease in "Rentals and hire" is mainly due to the effects of the application of the new accounting standard IFRS 16 as described in detail in paragraph "IFRS 16 Leases" to which reference should be made. The remainder recorded in H1 2019 refers to those rental contracts which are not within the scope of the new standard.

7.5. Personnel costs

These costs are broken down as follows:

(Euro thousands)	**Half Year 2019**	**Half Year 2018**
Wages and salaries	41,911	40,149
Social security charges	9,144	8,582
Post-employment benefits	1,091	1,136
Other personnel costs	739	658
Director fees	1,175	1,113
Long-term monetary incentive plan executive directors and senior executives		1,209
Total	**54,060**	**52,847**

"Other personnel costs" refer for Euro 708 thousand to the start-up of the companies Aquafil Carpet Recycling #1 and Aquafil Carpet Recycling #2;

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

	Half Year 2019	**Half Year 2018**	**Average**
Managers	48	40	44
Middle managers	135	124	130
White-collar	469	470	470
Blue-collar	2,305	2,194	2,250
Total	**2,957**	**2,828**	**2,893**

7.6. Other operating costs and charges

These costs are broken down as follows:

(Euro thousands)	**Half Year 2019**	**Half Year 2018**
Taxes, duties & sanctions	842	528
Losses on asset sales	4	13
Penalties on supply contracts	0	0
Other operating charges	466	506
Total	**1,311**	**1,047**

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

7.7 Amortisation, depreciation and write-downs of tangible and intangible assets

The account is comprised of:

(Euro thousands)	**Half Year 2019**	**Half Year 2018**
Amortisation	1,343	1,137
Depreciation	12,182	11,227
RoU (Right-of-Use) depreciation	3,046	
Write-down - Goodwill	**16,574**	**12,364**

The RoU depreciation refers to the depreciation relating to the assets recognised at January 1, 2019 in application of the new accounting standard IFRS 16 as described in detail in the paragraph "IFRS 16 Leases" to which reference should be made.

7.8 Provisions and write-downs

The account is comprised of:

(Euro thousands)	**Half Year 2019**	**Half Year 2018**
Doubtful debt provision	107	224
Provisions for risks and charges	117	545
Total	**224**	**769**

7.9 Costs for internal work capitalised

For the period ended June 30, 2019, this item amounting to Euro 886 thousand mainly refers to costs incurred internally for the construction of machinery and plant relating to the ACR#1 facility.

7.10. Financial income

The account is comprised of:

(Euro thousands)	**Half Year 2019**	**Half Year 2018**
Financial income	1,084	3
Interest income on current accounts	16	14
Total	**1,100**	**17**

Other financial income mainly refers to the effects of the recalculation of the financial debt relating to the real estate contract of Aquafil S.p.A. which reduced based on the updated repayment plan received from the counterparty.

7.11. Financial charges

The account is comprised of:

(Euro thousands)	**Half Year 2019**	**Half Year 2018**
Interest on bank loans and borrowings	1,027	979
Interest on bonds	1,091	1,208
Interest exp. on current accounts	401	451
Write-down of derivative financial instruments	685	304
Financial charges and interest expense	513	85
Total	**3,717**	**3,027**

The reduction of interest on bonds is mainly related to the renegotiation of the B Bond commented upon in the paragraph "Bonds".

7.12. Exchange gains and losses

This item, equal to a loss of Euro 241 thousand for the period ended June 30, 2019, refers to the net balance between exchange rate gains (realised and unrealised) and exchange rate losses (realised and unrealised).

(Euro thousands)	**Half Year 2019**	**Half Year 2018**
Total exchange gains	2,640	4,031
Total exchange losses	(2,881)	(3,507)
Total exchange differences	**(241)**	**525**

7.13 Income taxes

The breakdown of the account is as follows:

(Euro thousands)	**Half Year 2019**	**Half Year 2018**
Current taxes	1,836	2,700
Deferred taxes	1,800	2,724
Total	**3,637**	**5,424**

Income taxes, which amount to Euro 1,836 thousand in H1 2019, refer for Euro 1,058 thousand to income taxes on foreign companies, for Euro 372 thousand to IRES income taxes of the Italian companies and for Euro 399 thousand to IRAP. Aquafil S.p.A., Tessilquattro S.p.A. and Borgolon S.p.A. opted for the group taxation procedure as chosen by Aquafin Holding S.p.A. in accordance with Article 117 and subsequent of the Income Tax Code.

We report that Aquafil S.p.A. for the current year calculated the IRAP payable in accordance with the provisions for financial companies, in view of the changed regulation on financial holding companies, with the full higher rate of 5.57%, which resulted in higher taxes in the period of approx. Euro 208 thousand. As previously commented upon, with regards to 2018 current income taxes, the R&D tax credit of Euro 449 thousand was reclassified to the other revenues account.

Non-recurring items

The account is comprised of:

(Euro thousands)	**Half Year 2019**	**Half Year 2018**
Other extraordinary income	95	143
Other extraordinary charges	(259)	(99)
Penalties and fines	(34)	(12)
Raw material purchases - extraordinary	(119)	(101)
Fiscal, legal & administration consultancy – extraordinary	(277)	(197)
Other services - extraordinary	(751)	(676)
Utilities – extraordinary	(374)	3
Personnel costs	(725)	(442)
Mobility and incentives	(14)	(216)
Expansion costs Aquafil Group	(938)	(610)
Financial income - extraordinary	1,082	0
Cost for agreements with Invista	0	(105)
Total	**(2,314)**	**(2,312)**

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

Other financial income refers to the effects of the recalculation of the financial debt relating to the real estate contract of Aquafil S.p.A. which reduced based on the updated repayment plan received from the counterparty.

The above amount is divided into non-recurring costs for Euro 3,491 thousand (of which Euro 3,395 thousand included in the operating result) and non-recurring revenues for Euro 1,177 thousand (of which Euro 1,082 thousand included in financial income).

7.14 Earnings per share

(Euro thousands)	**Half Year 2019**	**Half Year 2018**
Profit attributable to the owners of the Parent	10,654	19,614
Weighted average number of shares	50,765	50,894
Earnings per share (in Euro)	**0.21**	**0.39**

8. Net financial debt

Below is the breakdown of the net financial debt as at June 30, 2019 and December 31, 2018, determined in accordance with ESMA/2013/319 Recommendations:

NET FINANCIAL DEBT	**At June 30, 2019**	**At December 31, 2018**
A. Cash	89,032	103,277
B. Other liquid assets		
C. Securities held-for-trading		
D. Liquidity (A) + (B) + (C)	**89,032**	**103,277**
E. Current financial receivables	1,525	2,878
F. Current bank payables	(132)	(96)
G. Current portion of non-current debt	(47,223)	(35,496)
H. Other current financial payables	(10,113)	(3,498)
I. Current financial debt (F) + (G) + (H)	**(57,467)**	**(39,090)**
J. Net current financial debt (I) + (E)+ (D)	**33,090**	**67,066**
K. Non-current bank payables	(170,153)	(159,492)
L. Bonds	(93,182)	(53,578)
M. Other non-current financial receivables and payables	(33,277)	(11,275)
N. Non-current financial debt (K) + (L) + (M)	**(296,612)**	**(224,345)**
O. Net financial debt (J)+(N)	**(263,522)**	**(157,279)**

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

Related party transactions took place in the period included in the above indicated net debt for Euro 17,570 thousand relating to the application of IFRS 16.

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

(Euro thousands)		current portion	non-current portion
Net Debt at December 31, 2018	**(157,279)**	**67,066**	**(224,345)**
Net cash flow in the period	(14,245)	(14,245)	
Decrease in liquidity subject to restrictions	(1,353)	(1,353)	
New bank loans and borrowings	(73,000)		(73,000)
Repayment / reclass. bank loans and borrowings	11,320	(11,368)	22,688
Effects first-time application IFRS 16	(28,718)	(5,400)	(23,318)
Repayment / reclass. lease liability	777	(1,214)	1,991
Change in fair value derivatives	(685)		(685)
Other changes	(339)	(396)	57
Net Debt at June 30, 2019	**(263,522)**	**33,090**	**(296,612)**

9. RELATED PARTY TRANSACTIONS

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:

(Euro thousands)	**Parent companies**	**Associates**	**Related parties**	**Total**	**Total book value**	**% on total account items**
Non-current financial assets						
At June 30, 2019	234		79	312	751	41.56%
At December 31, 2018			79	79	404	19.43%
Trade receivables						
At June 30, 2019			30	30	42,973	0.07%
At December 31, 2018			66	66	34,046	0.19%
Other current assets						
At June 30, 2019	1,644			1,644	14,119	11.34%
At December 31, 2018	1,859			1,859	14,297	13.00%
Non-current financial liabilities						
At June 30, 2019	(1,470)		(12,025)	(13,495)	(296,618)	4.55%
At December 31, 2018					(224,345)	0.00%
Current financial liabilities						
At June 30, 2019	(564)		(3,511)	(4,075)	(57,467)	7.09%
At December 31, 2018					(39,090)	0.00%
Trade payables						
At June 30, 2019	(3)		(178)	(181)	(89,377)	0.09%
At December 31, 2018	0		(762)	(762)	(106,895)	0.71%
Other current liabilities						
At June 30, 2019	(230)		(6)	(236)	(22,155)	1.07%
At December 31, 2018	(230)		0	(230)	(22,017)	1.05%

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

(Euro thousands)	Parent companies	Associates	Other related parties	Total	Book value	% on total account items
Revenues						
Half Year 2019			29	29	286,667	0.01%
Half Year 2018			188	188	291,291	0.06%
Service costs and rent, lease and similar						
Half Year 2019			(219)	(219)	(51,191)	0.43%
Half Year 2018			(1,790)	(1,790)	(49,420)	3.62%
Other operating costs and charges						
Half Year 2019	(3)		(35)	(38)	(1,311)	2.90%
Half Year 2018			(35)	(35)	(1,047)	3.34%
Financial charges						
Half Year 2019	(10)		(122)	(132)	(3,717)	3.55%
Half Year 2018					0	0.00%

10. OTHER INFORMATION

10.1 Significant events after June 30, 2019

There were no significant events after the end of the period relating to the first half-year of 2019 which could have an impact on the half-year financial statements at June 30, 2019, whereas from a production and performance standpoint the trend seen in the final months of the previous year has continued both in terms of the product lines and regional development.

Arco, August 26, 2019

The Chairman of the Board of Directors

Mr. Giulio Bonazzi

The Executive Director

Mr. Sergio Calliari