

**Consolidated financial
statements**

at 31 december 2011

1211

AQUAFIL 
synthetic fibres and polymers

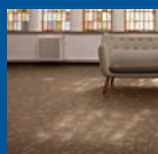




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Aquafil Group



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**Board
of Directors**

GIULIO BONAZZI	Chairman and CEO
CARLO BONAZZI	Honorary Chairman
BRUNO TORRESANI	CEO
ADRIANO VIVALDI	CEO
EDI KRAUS	Director
MAURO MORETTI	Director
RAFAEL TORRES BOULET	Director

**Board
of Statutory Auditors**

PIETRO MONTI	Chairman
ANDREA FASAN	Statutory Auditor
NICOLA CAMPANA	Statutory Auditor

**Independent
Auditors Firm**

PRICEWATERHOUSECOOPERS S.p.A.

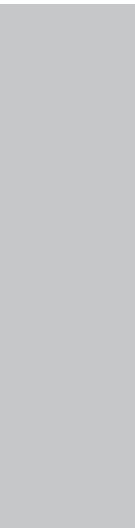




2. Group Consolidated Highlights

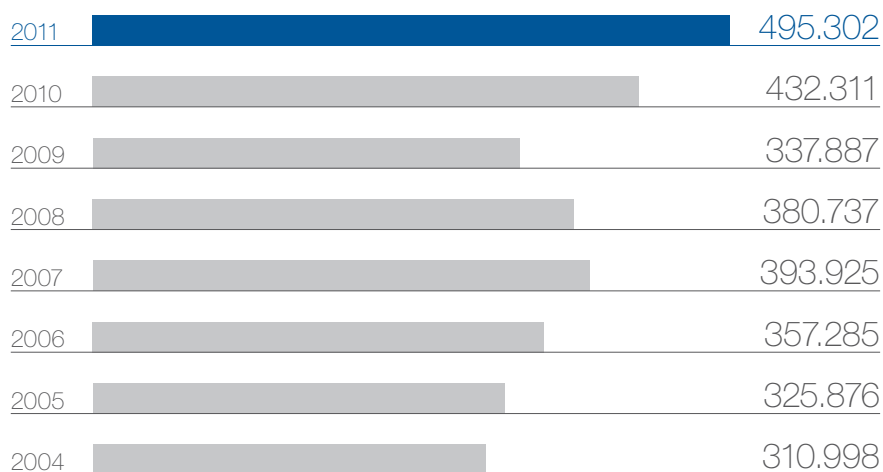
4. Group structure

Consolidated Financial Statements

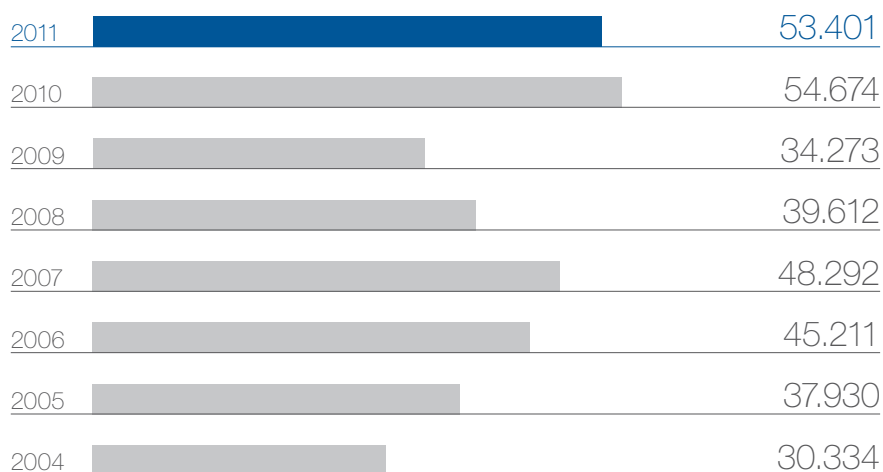


Group Consolidated Highlights

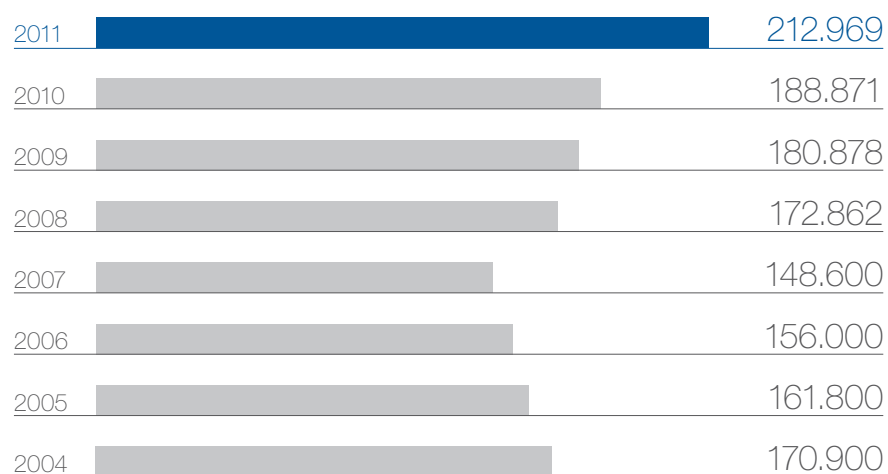
Net revenues (amounts in million of Euros)



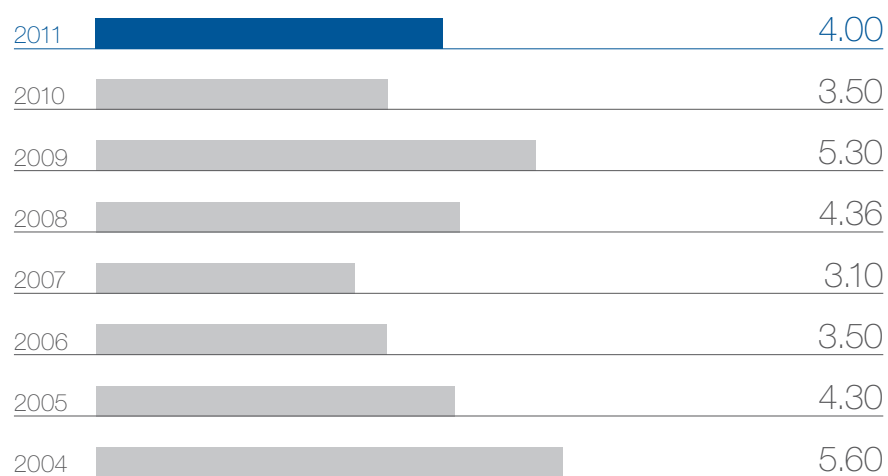
EBITDA (amounts in million of Euros)



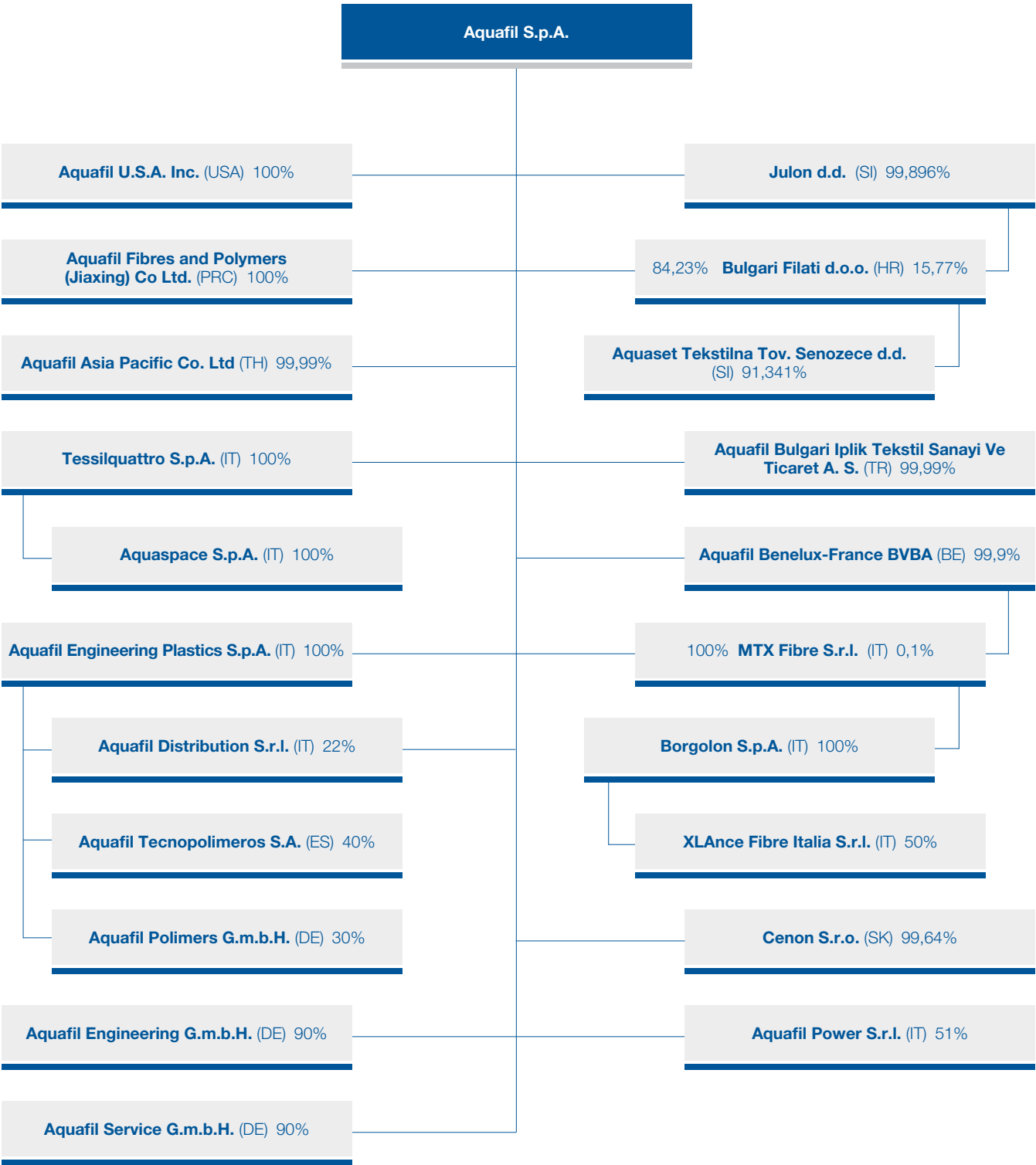
Total net financial debt (amounts in million of Euros)



Total net financial debt / EBITDA (amounts in million of Euros)



Group structure







9. Directors' report
on operations – Aquafil Group

Directors' report on operations – Aquafil Group

Dear Shareholders,

the financial statements which we present for your approval report "Revenues from sales and services" of Euro 541 million and a net profit of Euro 5.9 million after income taxes of Euro 905.7 thousand and net deferred taxes of Euro 616 thousand. The Board of Directors of the Parent Company Aquafil S.p.A. prepared the consolidated financial statements of the Aquafil Group for the 2011 financial year in accordance with Legislative Decree No. 127 of April 9, 1991 and Legislative Decree No. 32/2007.

MANAGEMENT AND CONTROL BODIES

Board of Directors:

Giulio Bonazzi	Chairman and CEO
Carlo Bonazzi	Honorary Chairman
Bruno Torresani	CEO
Adriano Vivaldi	CEO
Edi Kraus	Director
Mauro Moretti	Director
Rafael Torres Boulet	Director

Board of Statutory Auditors:

Pietro Monti	Chairman
Andrea Fasan	Statutory Auditor
Nicola Campana	Statutory Auditor

Independent Auditors Firm:

PricewaterhouseCoopers S.p.A. - Trento (Italy), Via Grazioli, 73

The Board of Directors and the Board of Statutory Auditors will remain in office until the approval of the financial statements for the year 2012. The Independent Audit Firm have been appointed for the period 2010-2012.

COMPANY DATA

Aquafil S.p.A.

Registered office at Arco (TN) 38062 - Italy- Via Linfano, 9

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

Share capital: Euro 19,685,556.00 fully paid in

Tax and VAT number and Trento Company Registration Number IT00123150229

Trento R.E.A. No. 74842

www.aquafil.com

INTRODUCTION

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

THE AQUAFIL GROUP

The Aquafil Group, through the 18 Group companies included in the consolidation in 7 countries (Italy, Germany, Slovenia, Croatia, USA, Thailand and China) carries out activities for the production and sale of polymers and nylon synthetic fibres, as well as system engineering activities. Sales to the end market are mainly made by the Parent Company Aquafil S.p.A., by Aquafil Engineering Plastics S.p.A., Aquafil Engineering G.m.b.H., and, for the main non-EU markets, by the local manufacturing companies Aquafil USA Inc. (USA), Aquafil Asia Pacific Co., Ltd (Thailand) and Aquafil Synthetic Fibres and Polymers (Jiaxing) Co., Ltd. (China).

The Aquafil Group principally produces polyamide 6 fibres and polymers, but also polyamide 6.6 fibres and polymers, the Dryarn microfibre special fabric and the new XLA fibre (through the new joint venture company Xlance Fibre Srl with a leading Italian textile group). Group products are utilised in the production of numerous articles, principally utilising the PA6 polymer: from carpets to technological components and car interiors, from underwear to sporting apparel to industrial components for the design, construction and electronic sectors.

Group activities are carried out in three major business areas:

- BCF** (Bulk Continuous Filament) nylon yarns for textile floor covering,
- textile yarns for specific uses in the clothing segment **"NTF"** (Nylon Textile Fibres),
- technopolymers for plastics moulding **EP** ("Engineering Plastics").

The plant designing and chemical-textile engineering business activities carried out by the German companies Aquafil Engineering G.m.b.H. and Aquafil Service G.m.b.H. are also included and supporting activities provided by the "Energy and Recycling" unit to the business areas for environmental and sustainability issues.

The Aquafil Group strategy to the different markets is based on:

- the establishment of new market standards through continuous investment in research and innovation;
- a vision which responds to local specific needs, satisfying the demands of the range of operators serviced throughout the world;
- the carrying out of our industrial activities in a manner increasingly compatible with the protection of the environment, within a proactive role in the creation of the production chain based on the sustainability of the individual and the planet;
- the design of the finished product with a low environmental impact, totally recyclable at the end of its lifecycle.

AQUAFIL GROUP CONSOLIDATED HIGHLIGHTS

Definition of indicators:

- EBITDA:** defined as the difference between revenues from sales and the raw material costs, cost of services, personnel costs and other monetary operating costs. It represents the margin realised before amortisation, depreciation, cash flow operations, extraordinary items and taxes.
- EBIT:** defined as the difference between EBITDA and the value of amortisation, depreciation and impairments. It represents the margin realised before cash flow operations, extraordinary items and taxes.
- Net Debt:** represents the algebraic sum of cash and cash equivalents and current and non-current financial accounts receivable and payable.

The indicators were determined on the basis of a reclassification of items according to the statements in the section below with no adjustments.

Key financial highlights (amounts in thousands of Euros):

Description	2011		2010		2009 normalized (*)	
Net revenues	495,302	100%	432,311	100%	337,887	100%
EBITDA	53,401	10.8%	54,674	12.6%	34,273	10.1%
EBIT	27,431	5.5%	31,703	7.3%	10,367	3.1%

Key balance sheet and financial indicators (amounts in thousands of Euros):

Description	31-12-2011	31-12-2010	31-12-2009
Consolidated Net Equity	(78,825)	(82,476)	(70,928)
Net Financial Position			
<i>N.F.P. - third parties</i>	(194,579)	(175,712)	(172,568)
<i>N.F.P. - shareholders</i>	(18,390)	(13,159)	(8,310)
Totale P.F.N.	(212,969)	(188,871)	(180,878)
N.F.P. / EBITDA	(4.0)	(3.5)	(5.3)

2011 PERFORMANCE AND RESULTS

Great uncertainty remains within the global marketplace. The Eurozone has encountered the greatest difficulty, although with large differences between member states. Germany is the driving force in Europe, thanks to internal demand and strong export growth; Italy, on the other hand, continues to report a slowdown in manufacturing, especially that aimed at the domestic market, due to the drop in domestic spending, worsening unemployment and the credit crunch, which at the end of 2011 was a major concern for Italian businesses. The USA reports a stronger recovery in manufacturing and consolidated job growth. The BRIC countries continue their sustained growth which, on the one hand, continues to support the exports of the Eurozone countries, and on the other, continues to maintain high raw material prices.

The chemical fibre sector, the core business of the Aquafil Group, reports global growth in 2011; an important factor was the continued shortage and high prices of cotton, which sustained demand of synthetic fibres as an alternate and provided a further driver to continuous research and development of new polymers and fibre types.

The Aquafil Group, thanks to its strong international presence and global competitive positioning in the synthetic fibre sector, reports strong financial results, both in terms of revenues and margins with high saturation levels of production plant.

The new capital investments in production capacity in the USA and China and those relating to the Econyl plant gradually entered production with good performance and returns, contributing to Group profitability. The absorption of financial resources for capital investments and working capital was financed by medium-term resources which the Group obtained not only in Italy, but also in the various countries in which it operates, and thus avoiding the credit squeeze impacting the Italian production system.

In the final part of the year signs of a slowdown in the German and Asian economies became apparent, leading to expectations of a drop in the price of the raw material caprolactam, which subsequently did not materialise; this resulted in a limited fall in demand from some companies in the clothing textile fibres and technopolymers sectors which reduced stock levels at year-end, with restocking at the beginning of the new year.

Operating performance

Consolidated revenues from sales and services increased by Euro 63 million on 2010, growth of 14.6%.

Consolidated sales outside the Group saw an increase in the percentage of "BCF" core business revenues, as illustrated in the table.

Consolidated sales outside the Group



Revenue growth was reported in all three business units and principally in the "BCF" business unit, over half of which due to price increases and the remainder due to growth in sales volumes; in the "EP" and "NTF" business units, sales volumes were below 2010 levels and therefore revenue growth was entirely due to increases in sales prices.

The breakdown of revenues by region is shown in the graph and illustrated in the Note.

Breakdown of revenues by region



The most significant issue from a financial viewpoint in 2011 was the increase in the raw material price of caprolactam, as was the case in 2010: in 2011, the increase was almost 25% on the previous year, with a total increase in the two years of over 65% on the price in 2009. Therefore all three business units implemented price rises in the sale of final products to recover margins, although with a certain time lapse.

Variable costs recorded a general increase connected with the higher volumes produced. Personnel costs increased by 14.9%, while the impact on the consolidated turnover decreased from 16.1% in 2010 to 15.5%. The total workforce at December 31, 2011 was 2,197 employees, an increase of 171 on the previous year.

Depreciation increased by Euro 3.6 million, due to the new capital investments in 2010 and 2011.

Any allowance for doubtful receivables takes into account the credit risk situation in relation to clients and the amount of credit risk not covered by the relative insurance policies.

Net financial charges increased due to the higher spread on short-term bank credit lines in the final part of the year and higher financial charges relating to shareholder loans, partially offset by income on liquidity held.

The tax burden stems from the income taxes in the individual countries where income was realised and from the Italian IRAP tax, and includes the recognition of deferred tax assets and liabilities.

A summary of the profit and loss account is illustrated in the table below (amounts in thousands of Euros):

Ref.	Description	2011	2010
A1	Revenues from sales and services	495,302	432,311
A2	Change in inventories	18,957	16,258
A4	Capitalisation of internal construction costs	1,684	2,898
A5	Other revenues and income	4,478	3,595
A	Value of production	520,421	455,062
B6 B11	Raw material, supplies, consumables and merchandise	(301,926)	(251,619)
B7-8,B13-14	Service and other operating costs	(88,568)	(79,315)
B9	Personnel costs	(76,526)	(69,454)
	EBITDA	53,401	54,674
B10a-b	Amortisation and Depreciation	(24,918)	(21,346)
B10c-d,B12	Provisions and write-downs	(1,052)	(1,625)
A - B	EBIT	27,431	31,703
C	Net financial income and charges	(15,712)	(13,954)
D,E20-21	Extraordinary income and charges	(1,192)	(715)
	Profit before taxes and minority interest	10,527	17,037
E22	Income tax	(4,586)	(6,094)
	Net profit before minority interest share	5,941	10,943
23	Minority interest profit	0	55
24	Group net profit	5,941	10,888
	Group Cash Flow (profit + deprec.)	30,859	32,234

GROUP BALANCE SHEET AND FINANCIAL POSITION

The table below reclassifies the consolidated balance sheet and profit and loss account items (amounts in thousands of Euros):

Reclassified fixed assets		31/12/2011	31/12/2010
Fixed assets:			
BI	Intangible assets	11,049	12,328
BII	Property, plant & equipment	180,571	178,272
A, BIII1, BIII2a, BIII2d	Financial and other Fixed Assets	1,772	1,369
1. Total fixed assets		193,392	191,969
Net working capital:			
CI	Inventories	135,246	103,380
CII1-4	Trade receivables	62,034	76,063
CII4bis-5, D	Other receivables	15,703	15,197
D6, D7 (v. N.I.), D9-10	Trade payables	(73,843)	(73,901)
D12-14, E	Other payables	(24,960)	(26,616)
2. Total net working capital		114,180	94,123
Provisions for risks and employee leaving indemnity:			
C	Employee leaving indemnity provision	(8,371)	(8,541)
B	Provisions for risks and charges	(7,407)	(6,204)
B, C	3. Total provisions for risks and employee leaving indemnity	(15,778)	(14,745)
(1+2+3) = 4. Net capital employed		291,794	271,347
Reclassified liabilities and net equity		31/12/2011	31/12/2010
Shareholders' equity:			
AI	Share capital	(19,686)	(19,678)
AII-VIII	Reserves	(52,585)	(50,866)
AIX	Net profit for the year	(5,941)	(10,888)
a) Group Net Equity		(78,212)	(81,432)
AX	b) Minority interest equity	(613)	(1,044)
1. Total shareholders' equity		(78,825)	(82,476)
Net financial position:			
CIII, CIV, BIII2	Medium/long term securities, liquidity	41,907	51,081
D4 (v. N.I.)	Banks and financial institutions - short term	(89,567)	(78,919)
D4 (v. N.I.)	Banks and financial institutions - medium/long term	(120,307)	(118,723)
D7 (v. N.I.)	Leasing payables	(26,612)	(29,152)
a) Net financial position - third party		(194,579)	(175,712)
BIII2, CII4, D11	Receivables from holding companies	37,395	36,944
D3	Shareholder payables - medium/long term	(55,785)	(50,103)
b) Net financial position - shareholders		(18,390)	(13,159)
(a+b) = 2. Net Financial Position		(212,969)	(188,871)
(1+2) = 3. Source of funds		(291,794)	(271,347)

Net invested capital increased by Euro 20.5 million, principally due to capital investment and higher working capital needs.

The reclassified non-current assets recorded a net increase of Euro 1.4 million from Euro 192 million to Euro 193.4 million, as a result of the investments made, equal to Euro 27.5 million, specified in the Notes, as well as of the decrease in disposals by Euro 1.1 million and of amortisation and depreciation charges of Euro 25 million for the year.

Net working capital increased by Euro 20.1 million, principally due to the increase in inventories of Euro 32 million and a decrease of trade receivables of Euro 14 million; the level of trade payables remained stable. The increase in inventories is due to a rise in stocks held principally in the new production sites (goods in transit and stock at Aquafil Jiaying and "Econyl" processing) and an increase in the average raw material purchase price in the year of over 25% on 2010. The decrease in customer receivables is due to a decrease in sales in the final months of the year, compared to 2010, in part as some clients postponed purchases reducing stock levels in expectation of a decrease in raw material prices, from the lack of extended credit at year-end, permitted in the past for Italian clients, and an improvement in the average Group DSO.

Group **shareholders' equity** decreased by Euro 3.2 million due to the distribution of dividends of Euro 10 million, profit for the year and other minor changes, as illustrated in the notes to the financial statements.

Net debt increased by Euro 24.1 million, of which Euro 5.2 million due to the increase in net shareholder loans and Euro 18.9 million due to third parties.

The shareholder loan increase derives principally from interest capitalised on the shareholder loan of H C Romeo S.a.r.l., while the receivable from the parent company Aquafil Holding increased slightly due to accumulated interest and decreased due to the offset of the income tax payable of the Italian companies included in the national tax consolidation. It is expected that the receivable will be recovered through the distribution of dividends by Aquafil S.p.A. and the offset of payables arising from the tax consolidation.

Third party debt increased due to an increase in short-term bank debt (net of current account balances) for Euro 19.8 million, principally relating to self financing advances on invoices, which is related to the increase in turnover. The liquidity position of Euro 41.9 million represents funds available on current accounts, which are not restricted, except for some minor exceptions. *Medium-long term bank* debt decreased due to scheduled repayments in the year of Euro 29.9 million and increased due to new loans received in the year of Euro 31.2 million. Some international specific project loans were guaranteed by SACE S.p.A. Leasing debt decreased due to the payments made in the year of Euro 4.6 million and increased due to new lease agreements in the year of Euro 1.9 million.

The amount of bank guarantees (Euro 8.8 million) given by customers to secure the performance of the obligations in take-or-pay supply contracts is not considered for net financial debt reduction since it cannot be turned into cash.

PERFORMANCE BY BUSINESS AND INTRA-GROUP TRANSACTIONS

BCF Business Unit polyamide 6 yarns for textile floor covering

The core business of the Aquafil Group is the production and sale of polyamide 6 bulk continuous filaments for the textile flooring market.

The Group companies involved in the production and sales processes are Aquafil S.p.A. - Arco (Italy), Aquaspace S.p.A. - Rovereto (Italy), Tessilquattro S.p.A. - Cares (Italy), Julon d.d. - Ljubljana (Slovenia), Aquaset T.T.S. d.d. - Store (Slovenia), Aquafil USA Inc. - Cartersville (U.S.A.), Aquafil Asia Pacific Co. Ltd. - Rayong (Thailand), Aquafil Synthetic Fibres and Polymers Co. Ltd. - Jiaxing (China), Aquafil Benelux-France BVBA - Harelbeke (Belgium).

The Aquafil Group is the European leader and among the leading global players involved in the production of nylon 6 fibres for flooring; the final markets are the "contract" markets (hotels, offices and public environments), the automotive (internal upholstery for cars) sector and the residential sector.

This business unit is engaged in a high level of product innovation, renewing each year a significant proportion of its products, thanks to ongoing work of its style centre together with developers and the internal architecture studies of the fibre end users.

A particular attention and commitment to the BCF production and processes are focused on the use of raw materials deriving both from industrial recycling processes and post consumption recovery: these products, thanks to the Econyl® technology are returned to a base raw material form for the creation of new polymers and top quality fibres with technical characteristics absolutely identical to products manufactured from virgin materials. The turnover of the business unit has grown by around 20% compared to 2010, around half of which was due to an increase in volumes sold, while the residual share was due to the increase in sale prices. The increase in prices is substantially due to the transfer of the raw material price increases while the quantity was achieved thanks to the introduction of new production lines and the high level of saturation of existing plant. In relation to the production increases, the commencement in March 2011 of the BCF business unit of Aquafil Synthetic Fibres and Polymers Co. Ltd in Jiaxing in the People's Republic of China is highlighted, whose plant was brought into full operation. The sales activity focused principally on the growing flooring fibre demand of the local Chinese market for use in offices, hotels, public environments and cars, but also to service the new Asian markets and Australia. During the year, the extension of production facilities in the Cartersville (Georgia) factory of Aquafil USA Inc. was completed; the company increased its sales of BCF fibres in the North American market by approx. 20% on 2010, continuing to improve its share in the largest textile flooring market. In Europe, against stagnant consumption figures, the Group increased its market share, with a significant increase in volumes sold.

NTF Business Unit yarns for textile use/clothing

The companies operating in the production of textile/clothing fibres are Aquafil S.p.A. - Arco, Julon d.d. - Ljubljana, Aquaset T.T.S. d.d. - Senožece (Slovenia), Bulgari Filati d.o.o. - Oroslavje (Croatia), Aquafil Bulgari Iplik a.s. - Istanbul (Turkey), MTX Fibre S.p.A. - Arco and Borgolon S.p.A. - Varallo Pombia (Italy). The business unit produces in Slovenia, Croatia and Italy polyamide 6 and 66 for male and female stockings, for knitwear and ladder-proof textiles; the extensive experience brought to polyamides through the Aqualon, Econyl® and Borgolon and Microlon microfibres, but also with Dryarn®, the high performance underwear microfiber, sporting apparel and special technical applications, has strengthened Aquafil in the special production area, which may now consider itself a leading supplier to some of the most prestigious Italian and European brands in the clothing, underwear and sportswear sectors.

The 2011 consolidated turnover of the business unit was higher than that recorded in 2010 by approx. 3%, due to the increase in sales prices. The production volumes were lower than the previous year, principally due to a slowdown in the final months of the year, which recovered in the first months of the new year.

The NTF Business Unit produced an EPD (Environmental Product Declaration) for analysis of the impacts deriving from the production of two types of Econyl® fibre, belonging to the same family of products, but with different technical characteristics, regulated by ISO 14025; this instrument allows the communication of subjective, comparable and credible information relating to the environmental characteristics of all products and services, independently of their use or positioning in the production chain.

An innovative development project was launched and has currently been implemented concerning XLA® elastomeric fibre, carried out by the newly incorporated company XLAnce Fibre Italia S.r.l., a joint venture with a leading commercial partner in the special textiles project; the project concerns the installation of the yarn line in an already operational Italian factory of the business unit and will be completed in 2012.

Engineering Plastics Business Unit

The Engineering Plastics Business Unit manages the Aquafil Group activities in the polymer market, creating products for extrusion and injection moulding. The operating company is Aquafil Engineering Plastics S.p.A. - Arco, which produces technopolymers principally in polyamide 6 and 6.6, but also other types of synthetic resins. The production process for polyamide 6 is catered for by the polymerisation plants of Aquafil S.p.A. and of Julon d.d., but the business unit also uses the residual products of BCF and NTF yarning and reworking processes which can ensure an accurate product selection of waste and a constant attention to the textile processes.

The principal focus of the business unit is research and development activities, focused on the research of materials which best respond to the functional needs and technological and qualitative standards of the end user.

The final sectors are electric/electronic, automotive, design and furnishing and free time goods. The principal products are Aquamid in polyamide 6 and 6.6, both natural and coloured with XB branded technology, the Econyl products from post-industrial and post-consumption waste, the Aquarel products and the master colouring line for PA6 and PE mouldings.

During the year the business unit recorded an increase of about 10% in turnover compared to 2010 as a result of an increase in sale prices, which have passed increases in raw material prices onto market. The production volumes reduced due to a slowdown in demand in the final months of 2010 due principally to expectations for a reduction in the price of caprolactam.

Energy & Recycling Business Unit

The Energy & Recycling Business Unit focuses on the development of research activities and the implementation of sustainability projects for all of the Group activities. The activities are principally carried out through the organisational structure of the parent company Aquafil S.p.A., but avails also of other Group production structures such as Julon d.d., Aquafil Engineering Plastics S.p.A. and Aquafil USA Inc.. The training activity involves all Group production sites.

The mission of the business unit is to promote (Energy) projects and technological innovations which allow the use of energy from renewable sources and/or of low environmental impact, increasing energy efficiency of the processes and allowing the Group production structure to reduce CO2 emissions and to promote (Recycling) the use of recycled raw materials, designing at the same time products which are entirely recyclable once reaching the end of their lives.

The business unit carries out the training activity promoting with collaborators a culture of sustainability in relation to all stakeholders and partnerships with clients and suppliers.

During the year, the following research activities were carried out:

- Recycling project with pilot plant, in order to achieve improvements in the chemical-mechanical processes of the polyamide 6 recycling system;
- Technological improvements of the cogeneration plant at the Arco site, with an increase in energy efficiency of approx. 80%;
- Photovoltaic Energy: after the sale to the ReEnergy Capital investment fund, involved in the renewable energy and environment sector, of the two 1 MW photovoltaic plant, a photovoltaic energy production plant was built in the year in the factories at Arco and Cartersville, in the Aquafil USA factory;
- the Italian factories of the Aquafil Group which acquire electricity, exclusively use energy produced from renewable sources, whose source is guaranteed by the European certification RECS (Renewable Energy Certificate System);
- thanks to the partnership with the Trento University, the Aquafil Group promoted and financed a research doctorate entitled "Study of the production of mass BCF (solution dyed): improvement in the efficiency and benefits on environmental impacts";
- projects for the reduction of water consumption and the improvement of energy efficiency in the production processes were launched, in addition to increases in the proportion of electricity produced from renewable sources through the installation of photovoltaic plant in other production units and the beginning of wind and geothermal technology development projects.

Other activities

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

The companies Aquafil Engineering G.m.b.H. and Aquafil Service G.m.b.H. - Berlin (D), are in charge of the designing and engineering of chemical and textile facilities for customers outside the Group, and during the year they achieved strong earnings.

The other Group companies to which reference is not expressly made carry out commercial transactions and operate in product sectors that are typical of the Holding Company. Commercial exchanges were made with them at arm's length, in consideration of the features of the goods and services rendered.

TRANSACTIONS WITH THE PARENT COMPANY AND RELATED PARTIES

The transactions between the Holding Company and Aquafil S.p.A. aimed at financial transactions and transactions for the settlement of accounts receivable and payable arising from the consolidated tax accounts of Aquafin Holding S.p.A., which these companies of the Aquafil Group opted for: Aquafil S.p.A., Aquaspace S.p.A., Tessilquattro S.p.A., Aquafil Engineering Plastics S.p.A., Mtx Fibre S.r.l. and Borgolon S.p.A.. Limited commercial transactions have been carried out with related companies of Aquafin Holding S.p.A., which are detailed in the Notes.

	Revenue	Costs	Financial Income	Financial charges	Trade receivables	Trade payables	Financial receivables	Financial payables
Tessilquattro S.p.A.	96,600.1	80,568.4	0.0	0.0	10,987.2	7,401.8	0.0	0.0
Aquafil Divisione Bulgari Filati S.p.A.	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Aquafabric S.r.l.	0.0	0.1	0.0	0.0	0.0	0.2	0.0	0.0
Aquafil Engineering GmbH	0.0	0.0	0.0	2.3	0.0	145.3	0.0	1,500.0
Aquafil S.p.A.	260,534.6	285,035.5	411.9	335.0	12,773.3	52,330.2	11,500.0	14,726.4
Bulgari Filati doo	442.6	9,028.7	0.0	0.0	3.0	557.2	0.0	0.0
Aquafil Polymers GmbH	590.0	308.8	0.7	0.7	128.6	58.3	0.0	0.0
Aquaspace S.p.A.	15,033.4	23,391.0	0.0	0.0	1,570.8	2,572.0	0.0	0.0
Aqualys S.A.	0.0	0.0	0.0	0.0	3.6	0.0	0.0	0.0
Aquafil Engineering Plastics S.p.A.	57,811.6	22,752.5	0.0	158.3	14,875.9	6,134.7	0.0	0.0
Aquafil Tecnopolimeros S.l.	1,557.5	101.4	1.6	1.6	2,048.7	48.5	0.0	0.0
Aquafil Bulgari Iplik A.S.	3,382.3	48.5	48.5	0.8	47.6	29.4	1,550.0	0.0
MTX Fibre S.r.l.	13,533.4	38.8	56.4	0.0	2,389.6	128.8	2,730.0	0.0
Capro Services GmbH	30.0	0.0	0.0	0.0	30.0	0.0	0.0	0.0
Aquafil Distribution S.r.l.	2,893.3	116.6	0.5	1.2	732.5	37.9	0.0	0.0
Aquafin Holding S.p.A.	0.0	0.0	1,915.0	0.0	2,239.0	2,592.0	37,748.4	0.0
Italedil S.r.l.	0.0	0.0	0.0	0.0	2.5	0.0	0.0	0.0
Aquafil USA Inc	19,311.1	3,463.7	0.0	0.0	13,288.3	155.7	0.0	0.0
Textilna Tovarna Senožece d.d.	12,353.1	13,851.7	37.9	0.0	2,695.9	1,050.8	3,000.0	0.0
Julon d.d.	155,421.4	208,384.9	176.0	289.3	16,960.9	11,316.8	7,000.0	13,000.0
Aquafil Asia Pacific Co. Ltd	7,171.6	158.4	3.8	0.0	1,302.0	75.1	231.9	0.0
Borgolon S.p.A.	7,568.3	4,120.9	0.0	84.3	1,772.1	1,750.7	0.0	3,606.8
Cenon S.r.o.	0.0	0.0	0.0	0.0	0.0	2.6	0.0	0.0
Aquafil Solaris S.r.l.	0.0	0.0	0.7	0.0	0.0	0.0	0.0	0.0
Aquafil Power S.r.l.	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0
HC Romeo S.a.r.l.	0.0	0.0	0.0	6,505.2	0.0	0.0	0.0	55,784.7
Aquafil Jiaxing Co. Ltd	5,108.3	2,327.9	145.8	0.0	6,351.4	857.6	6,420.0	0.0
Metexa BVBA	0.0	633.7	0.0	1.2	0.0	133.9	0.0	0.0
XLance Fibre Italia S.r.l.	400.0	0.0	0.0	0.0	0.4	0.0	484.0	0.0
Aquasava doo	0.0	1,225.0	0.0	0.0	0.0	299.0	0.0	0.0
Total	659,742.7	655,556.8	2,798.8	7,379.9	90,203.4	87,678.5	70,664.3	88,617.9

RESEARCH AND DEVELOPMENT ACTIVITY

The research and development activity in 2011 was focused principally on:

- the study and the refining of the recycling of post-industrial and post-consumption waste materials for industrial application in the production of top grade fibres and polymers with a high raw material content from recycling;
- the study of new fibres for the flooring market with improved anti-flammatory, anti-bacterial and textile covering characteristics;
- the bringing to market of new nylon 6 Econyl fibres, both for the flooring (BCF) market and the textile application market (NTF);
- the study and bringing to market of polymers for new types of plastic applications and the refining of the production technology of the opacifying masters and colorants for the fibres of the Group factories;
- the study and creation of the XLA fibre through activities carried out by the new joint venture XLance Fibre Italia S.r.l..

The experimental plant of Aquafil S.p.A. created under the "NextOr" project begun in 2009 and focused on creating a new innovative and competitive technology for the polymer and nylon 6 fibre production process utilising a raw material obtained from post-industrial and post-consumption waste, carried out in collaboration with the Trento University, the Maribor University (Slo), the Chemical Institute of Lubiana (Slo) and other analysis centres and external research centres, entered into operation.

The partnership between Aquafil USA and the Georgia Institute of Technology continued which focused on the research of the recycling possibilities of post-consumption textile garments.

SUSTAINABILITY

The increasing globalisation of production activities and the greater integration of the international markets established dynamics which risk the future of the coming generations: climate changes, pollution, uncontrolled consumption of natural resources, inequality of social structures. The Company and the Group are involved in making their contribution to solving these problems, in the conviction that growth only has value if it is responsible. The integration of social and environmental sustainability into the corporate strategy affects all the Company's and the Group's strategic choices and is based on the following principles, which are shared by all business units and operating companies:

- a. ongoing commitment to the reduction of the environmental impact of production activities;
- b. complying with applicable laws in the different Countries in which the Group operates;
- c. design of increasingly sustainable products;
- d. involving customers in the procurement of reject products and in co-marketing and awareness-raising actions (Aquafil Reclaiming Program);
- e. training of internal staff on environmental sustainability;
- f. self-producing energy from renewable and low emission sources of carbon dioxide.

The Environmental Team publishes the annual Sustainability Report focused on all stakeholders, including in particular clients, suppliers, employees and local communities; the environmental report highlights the environmental investments and the results achieved in relation to energy, waste, emissions, water, security and commitment towards partners and the local community activities.

In this regard no significant disputes or litigation are reported which arose in the year and/or which are pending on environmental issues.

In relation to the internal production of electricity from renewable resources, in April 2011, the first photovoltaic roof project in the factory of Arco of Aquafil S.p.A. was connected to the network. Other Group projects are currently in the study phase. In the initial months of 2011, given the postponement of the completion dates and the extensive commitment focused on non-core activity, the company Aquafil Solaris S.r.l., holder of two photovoltaic plants under construction in the province of Brindisi, was sold to third parties, recognising a gain. Again in 2011 Aquafil S.p.A. subscribed units in an investment fund specialised in energy projects from renewable sources for a total value of Euro 250 thousand.

The management of all the aspects connected with the compliance with the REACH EC 1907/2006 regulation saw the close collaboration of the different Group companies with its suppliers, providing them with all the information on the intended use of substances, in order to guarantee that the raw materials used are properly recognised and its own production process is maintained in order to protect the production continuity of its customers' processes.

HUMAN RESOURCES

The organisational structure, the governance and the management of human resources of the Company and of the Group maintained a similar structure and focus to the previous year. The organisational changes in some Group companies focused on a strengthening and a renewal of skill sets in certain departments: among these, we highlight the cooption of a new director of the Parent Company and the introduction of a new manager for the E.P. business unit.

The increase in Group production compared to 2010 resulted in an increase in employees in 4 Italian companies and in the Chinese, US and Slovenian factories of Julon relating to the start-up of the Econyl plant; overall the workforce increased by 171, from 2026 to 2197.

In order to ensure production flexibility in the Italian companies Tessilquattro S.p.A., Aquaspace S.p.A. and Aquafil Engineering Plastics S.p.A., a total of 25,548 Temporary Lay-Off Scheme hours were utilised corresponding to 0.95% of total labour hours of the three companies.

The dialogue with the Trade Unions and workers' representatives at corporate level is based on collaboration and the attempt to reach an agreement; by doing so it was possible to manage negotiations between the parties in a constructive way.

The different Group companies adopt mechanisms of variable remuneration to link the remuneration dynamics of the various employees' categories to the achievement of productivity, economicity and quality objectives and provide certain additional healthcare benefits to its employees compared with those envisaged under category contracts. In the companies Aquafil S.p.A. and Tessilquattro S.p.A. profit sharing contracts were renewed, valid until 31/12/2013.

The Group operates in compliance with national and international best practices, in accordance with risk prevention policies and has always paid particular attention and devoted its efforts to workers' safety and security. In support of this commitment, the Parent Company and its Italian subsidiaries utilised the analysis instrument "Risk valuation document" established by Legislative Decree No. 81/2008.

No significant disputes are reported, such as deaths, serious injuries and/or occupational illnesses.

Training activities were carried out at various organisation levels on the specific issues of individual divisions and on workplace safety and security, AEO security rules and sustainability.

MAIN FACTORS OF RISK AND UNCERTAINTIES

The main risk factors to which the Company and the Group are exposed are described below with an indication of the management strategies and policies followed, classified in the following categories:

- Risk connected with the general economic conditions
- Liquidity risks connected with net cash requirements
- Strategic risks
- Risks connected with fluctuations in exchange and interest rates and prices
- Industrial accident risk
- Credit risk
- Risks connected with the importance of certain key resources
- Risks relating to the environment and compliance with applicable regulations
- Process risk deriving from IT systems

Additional risks and uncertain events, currently unforeseeable and considered at the moment improbable, which may affect activities, economic and financial conditions and the prospects for the Company and the Group.

Risks connected with the general economic conditions

Many factors which make up the macroeconomic environment such as, among others, changes in gross domestic production, the unemployment rate, interest rate movements and exchange rate movements, principally between the Euro and US Dollar, raw material costs, particularly oil, may impact the economic, balance sheet and financial situation of the Group.

In 2011 the tensions on the financial markets and the worsening of the economic crisis had significant repercussions on financial institutions and industrial businesses and, more in general, on the economic performance. The significant and widespread deterioration of market conditions was further impacted by increasing tightening of credit, both for consumers and for companies. Significant uncertainties continue therefore concerning the fact that the measures put in place by governments and by monetary authorities in response to the situation outlined above can re-establish the conditions to overcome in the short-term these difficulties. If these conditions of extensive weakness and uncertainty were to continue for a prolonged period, the activity, the strategies and the Group prospects may be negatively impacted.

Liquidity risks connected with net cash requirements

The situation of uncertainty of the world financial system continues to cause general difficulty in obtaining credit from the financial system. In the year, the Group was impacted only in part by the credit tightening, having put in place measures to ensure the maintenance of adequate levels of liquidity and the balance between short and medium term sources of funds; the Group particularly counts on the maintenance of support by the banking system, both domestically and internationally, demonstrated by the positive conclusion of the medium term operations established in the budget in the year and by the spread on interest rates, which remained on average related to the real credit rating of the Group. Despite these actions, any significant contractions in sales volumes may have a negative impact on the capacity of operating activities to generate adequate cash for the growth needs and expose the Group to the risk of difficulty in obtaining the medium term sources of funds and an increase in charges on lending activity.

Strategic risks

Strategic risks include factors affecting opportunities for and threats to the Group business. To limit these risks the Aquafil Group continues actions aimed at:

- gaining new business opportunities in terms of geographic areas and business segments, also relating to the procurement of raw materials;
- continually assessing market potentials;
- in a global and complex market, choosing and integrating the methods of presence more suitable to each situation and local market.

Risks connected with fluctuations in exchange and interest rates and prices

The Group operates on the domestic and international market and is exposed to the risks connected with fluctuations in exchange and interest rates and prices, in particular oil and energy price movements. The exchange rate risk is connected with the geographic distribution of its commercial activities, which brings export flows denominated in currencies other than that of the area of production. In particular, the Group is mainly exposed for exports from the Eurozone to the other currency areas (mainly US Dollar and British Pound Sterling, Thailand Baht and Chinese Yuan). To address this risk the Group uses forms of financing in foreign currency aimed at hedging and credit financing to its non-EU customers and hedges of forward contracts in foreign currency.

With regard to the interest rate risk, the Group considers the opportunity to meet the risks connected with changes in interest rates by using hedging financial instruments. Despite these operations, movements in exchange and interest rates could negatively affect the financial results of the Group.

Industrial accident risks

In relation to the Group industrial production plant, damage may occur from fire, emissions and other unexpected and dangerous events. Significant accidents may have negative impacts on the balance sheet, income and financial situation of the Group, which are mitigated through 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, ensuring a high level of protection for its structures, also in relation to an interruption in activity.

Credit risk

The exposure to credit risk relates to the possibility of insolvency (default) and/or in the deterioration of the credit rating of a counterparty, managed through adequate valuation instruments of all counterparties by a dedicated credit management department, utilising the appropriate instruments to carry out constant monitoring, on a daily basis, of the behaviour and credit rating of clients. The Group covers the credit risk through specific insurance policies on customer exposure taken out with primary credit insurance companies and managed through specific organisation functions of credit management which operate in close collaboration with the commercial network, regularly using commercial information gathered by specialised agencies. In the scenario of present economic weakness, 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 on the Group's economic results.

Risks connected with the importance of certain key resources

The success of the Group largely depends on the capacity of its executive directors and of the other members of the management to manage the group and the individual business areas efficiently. The loss of the services provided by an executive director, senior manager or any other key resource without any adequate replacement, as well as the difficulty in attracting and retaining new and qualified resources, may adversely affect the group's business prospects, economic results and/or financial position. To protect the risk connected to these resources, the Group believes it has created an operating and managerial structure that is able to ensure continuity in the management of the company affairs, also through the adoption of organisation methods for sharing strategic decisions to protect the business as a going concern.

Risks relating to the environment and compliance with applicable regulations

The Group activities and products are governed by local, domestic and international regulations which may impact the various businesses. To minimise the risk deriving from these activities, the Aquafil Group has created specific company and Group coordination organisations which oversee the compliance with rules and improvement processes and are able to take actions in the production plants and on the processes independently and using, where necessary, the support of external specialised resources. Thus the Group has these objectives:

- progressively minimising every environmental impact and effect on the employees' safety in connection with new technological and/or product developments;
- adequately designing activities, products and services so as to reduce, as much as possible from a technical and economic standpoint, every significant environmental impact and risk for the health of its own employees and the parties concerned during the production activity, their use and subsequent disposal;
- preventing to any extent possible potential and significant pollutions, environmental damages, accidents/injuries, as well as reducing the consumption of non-renewable resources;
- continuing the effort to train all the people in charge of company processes in order to widespread safety and sustainability.

The international presence exposes the Group to the different fiscal rules and local specific regulations of individual Countries, also in relation to security and privacy: the development of the relevant rules might expose the Group to non-compliance risks.

The Group issues each year a Sustainability Report, which expresses a desire of transparency in communication, both internally and externally, of the commitments and projects of the Group to create value, which is sustainable over time, through the protection of the rights of all who may in any manner be impacted by the activities of the company.

Process risk deriving from IT systems

The Group business operations are supported by integrated information systems underlying the technical, commercial, logistic and administrative issues. In order to limit the risk of business stoppage due to a temporary system black-out, which may adversely affect business prospects, as well as economic results, the Group uses highly-reliable hardware and software configuration architectures for all the applications supporting critical activities, and also uses disaster recovery services to retrieve data rapidly and consistently with the levels of security required by the business activities.

MANAGEMENT AND CO-ORDINATION ACTIVITY

Aquafin Holding S.p.A., which changed its name from the previous "Gruppo Bonazzi S.p.A." in March 2012, is the controlling shareholder of Aquafil S.p.A. with 72.71% of the share capital. Aquafin Holding S.p.A. does not perform direction or coordination activities in relation to Aquafil S.p.A. under Article 2497 of the Italian Civil Code, as only exercising shareholder's rights and claims and is not in charge of any management activity of the company which is entirely entrusted to the autonomous operation of the Board of Directors of Aquafil S.p.A..

OTHER INFORMATION

Treasury shares

Under Article 2428 of the Italian Civil Code, paragraph 2, nos. 3 and 4, 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 purchase or sale was made.

Group IRES (Corporate Income Tax) taxation procedure

Aquafil S.p.A., Aquafil Engineering Plastics S.p.A., Aquaspace S.p.A., Tessilquattro S.p.A., MTX Fibre S.r.l. and Borgolon S.p.A. use the group taxation procedure as chosen by Aquafil Holding S.p.A. for the 2010-2012 three-year period in accordance with Article 177 and subsequent of Pres. Decree 917/86.

In preparing the financial statements of these companies, the effects of the transfer of the tax positions due to the consolidated tax accounts were taken into account; in particular, the subsequent accounts receivable from/payable to the consolidating company were recognised.

Secondary offices

No secondary offices were established.

SIGNIFICANT EVENTS AFTER THE YEAR END

No significant events occurred after the year-end which impact the Company or the Group companies.

OUTLOOK

Despite the continued international uncertainty from an extended phase of economic weakness, in particular in Europe, the markets in which the Company and the Group operate still present a stable level of demand; the prices of raw materials, in particular caprolactam, remain above the levels at the end of 2011 and significant reductions in the first half of the year are not expected: this normalisation should stabilise sales activities and the margins of the various business areas. Based on these factors, the Aquafil Group, thanks to the entry into operation of the significant investments made in previous years to increase the productive capacity and toward technological improvement, will maintain its competitive advantage, with the objective to confirm the consolidated revenues and profit levels of 2011.

Dear Shareholders,

we trust that the present Report, together with the Financial Statements and the relative Notes, present to you in a clear and exhaustive manner the situation of the Company and the operating performance.

We assure you in addition that on behalf of all of the Board of Directors, that your Company will always receive the closest attention.

That stated, we propose to you to approve the 2011 Financial Statements and the relative Notes, in addition to the Directors' Report.

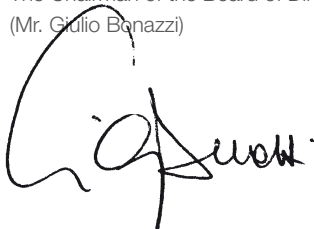
We propose the allocation of the profit as follows:

Euro 22,800.00.= to the legal reserve;

Euro 5,860,011.00.= to retained earnings.

Arco, March 29, 2012

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





BCF

(yarn for carpet flooring)

Elegant and practical carpet flooring (moquette) are made from our yarns.



25. Consolidated Financial Statements
at 31 december 2011

BALANCE SHEET**December 2011****December 2010****ASSETS**

(Euros/1000)

(Euros/1000)

A) SUBSCRIBED CAPITAL UNPAID

0

0

B) ASSETS**I) INTANGIBLE ASSETS**

1) Formation, start-up and similar costs	271	26
2) Research, development and advertising costs	0	1
3) Patent and intellectual property rights	4,011	4,355
4) Concessions, licenses, trademarks and similar rights	382	691
5) Goodwill	0	0
5-bis) Consolidation difference	887	1,189
6) Assets under development and payments on account	513	484
7) Other intangible assets	4,985	5,582
	11,049	12,328

II) TANGIBLE ASSETS

1) Land and buildings	89,129	86,503
2) Plant and machinery	82,056	60,241
3) Industrial and sales equipment	2,515	2,901
4) Other tangible assets	1,054	1,043
5) Assets under construction and payments on account	5,817	27,584
	180,571	178,272

III) NON-CURRENT FINANCIAL ASSETS**1) Investments in:**

a) Subsidiaries	0	651
b) Associated companies	255	189
c) Parent companies	0	0
d) Other companies	797	22
	1,052	862

2) Accounts receivable:

a) Subsidiaries		
due within 1 year	0	300
due after 1 year	0	0
	0	300
b) Associated companies		
due within 1 year	0	0
due after 1 year	484	0
	484	0
c) Parent companies		
due within 1 year	6,941	6,941
due after 1 year	30,807	32,377
	37,748	39,318
d) Other accounts receivable		
d.1) other Group companies		
due within 1 year	0	0
due after 1 year	0	0
	0	0
d.2) other debtors		
due within 1 year	29	28
due after 1 year	207	179
	236	207

3) Other securities

1,000

0

4) Own shares

0

0

40,520**40,687****TOTAL NON-CURRENT ASSETS****232,140****231,287****C) CURRENT ASSETS****I) INVENTORIES**

1) Raw materials, supplies and consumable stores	49,262	36,775
2) Products in course of manufacture and semifinished goods	424	290

BALANCE SHEET**December 2011****December 2010**

ASSETS	(Euros/1000)	(Euros/1000)
3) Contract work in process	0	0
4) Finished goods and merchandise	85,468	66,282
5) Advances	92	33
	135,246	103,380
 II) CURRENT ACCOUNTS RECEIVABLE:		
1) Customers		
due within 1 year	60,477	74,302
due after 1 year	393	241
less: allowance for doubtful receivables	(1,746)	(1,980)
	59,124	72,563
2) Subsidiaries		
due within 1 year	0	0
due after 1 year	0	0
	0	0
3) Associated companies		
due within 1 year	2,910	3,500
due after 1 year	0	0
	2,910	3,500
4) Parent companies		
due within 1 year	2,239	3,769
due after 1 year	0	0
	2,239	3,769
4-bis) Tax receivables		
due within 1 year	5,181	3,769
due after 1 year	0	0
	5,181	3,769
4-ter) Deferred tax assets		
due within 1 year	1,514	960
due after 1 year	4,907	5,689
	6,421	6,649
5) Others		
5. a) other Group companies		
due within 1 year	6	6
due after 1 year	0	0
	6	6
5. b) other debtors		
due within 1 year	1,230	1,463
due after 1 year	1,502	1,500
	2,732	2,963
TOTAL RECEIVABLES	78,613	93,219
 III) CURRENT FINANCIAL ASSETS		
1) Investments in subsidiaries	0	1,086
2) Investments in associated companies	0	0
3) Investments in parent companies	0	0
4) Investments in other companies	0	0
5) Own shares	0	0
6) Other securities	0	0
	0	1,086
 IV) CASH AND CASH EQUIVALENTS:		
1) Cash at banks and post offices	39,459	49,913
2) Cheques	1,425	1,145
3) Cash and cash equivalents on hand	23	23
	40,907	51,081
TOTAL CURRENT ASSETS	254,766	248,766
 D) ACCRUED INCOME AND PREPAID EXPENSES		
- Other accrued income and prepaid expenses	1,364	724
- Issue discounts and other expenses	0	0
Total accrued income and prepaid expenses	1,364	724
TOTAL ASSETS	488,270	480,777

BALANCE SHEET**December 2011****December 2010****LIABILITIES AND EQUITY**

(Euros/1000)

(Euros/1000)

A) SHAREHOLDERS' EQUITY

I) SHARE CAPITAL	19,686	19,678
II) SHARE PREMIUM RESERVE	0	0
III) REVALUATION RESERVES	41	41
IV) LEGAL RESERVE	3,914	3,913
V) RESERVE FOR OWN SHARES IN PORTFOLIO	0	0
VI) STATUTORY RESERVES	0	0
VII) OTHER RESERVES	48,630	46,912
VIII) PROFITS (LOSSES) CARRIED FORWARD	0	0
IX) PROFIT (LOSS) FOR THE YEAR	5,941	10,888
GROUP SHAREHOLDERS' EQUITY	78,212	81,432

X) NET EQUITY ATTRIBUTABLE TO MINORITY INTEREST	613	1,044
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Minority interest	613	1,044
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TOTAL GROUP AND MINORITY SHAREHOLDERS' EQUITY	78,825	82,476
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B) PROVISIONS FOR LIABILITIES AND CHARGES

1) Pension funds and similar charges	0	0
2) Provision for taxes	5,757	4,667
3) Other provisions	1,650	1,537
TOTAL PROVISIONS FOR LIABILITIES AND CHARGES	7,407	6,204

C) STAFF TERMINATION PAY	8,371	8,541
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D) ACCOUNTS PAYABLE

1) Bonds		
due within 1 year	0	0
due after 1 year	0	0
	0	0
2) Convertible bonds		
due within 1 year	0	0
due after 1 year	0	0
	0	0
3) Shareholders financial payables		
due within 1 year	0	0
due after 1 year	55,785	50,103
	55,785	50,103
4) Amounts due to banks		
due within 1 year	126,731	122,446
due after 1 year	83,143	75,196
	209,874	197,642
5) Amounts due to other lenders		
due within 1 year	0	0
due after 1 year	0	0
	0	0
6) Advances		
due within 1 year	2,866	1,194
due after 1 year	0	0
	2,866	1,194
7) Suppliers		
due within 1 year	74,452	76,685
due after 1 year	22,992	24,632
	97,444	101,317
8) Debt instruments payable		
due within 1 year	0	0
due after 1 year	0	0
	0	0
9) Subsidiaries		
due within 1 year	0	408
due after 1 year	0	0
	0	408

BALANCE SHEET**December 2011****December 2010****LIABILITIES AND EQUITY**

(Euros/1000)

(Euros/1000)

10) Associated companies		
due within 1 year	145	134
due after 1 year	0	0
	145	134
11) Parent companies		
due within 1 year	2,592	6,142
due after 1 year	0	0
	2,592	6,142
12) Taxes payable		
due within 1 year	2,534	3,245
due after 1 year	0	0
	2,534	3,245
13) Accounts payable to social security institutions		
due within 1 year	2,856	2,736
due after 1 year	0	0
	2,856	2,736
14) Other accounts payable		
14. a) other Group companies		
due within 1 year	299	75
due after 1 year	0	0
	299	75
14. b) other creditors		
due within 1 year	8,736	9,083
due after 1 year	3,080	3,340
	11,816	12,423
TOTAL ACCOUNTS PAYABLE	386,211	375,419

E) ACCRUED LIABILITIES AND DEFERRED INCOME

- Other accrued liabilities and deferred income	7,456	8,137
- Issue premiums	0	0
Total accrued liabilities and deferred income	7,456	8,137

TOTAL LIABILITIES AND EQUITY	488,270	480,777
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MEMORANDUM ACCOUNTS

RISK OF RECOURSE OF EU CHEQUES	797	1,554
SECURED GUARANTEES TO PARENT COMPANIES	16,630	16,630

GUARANTEES RECEIVED

BANK GUARANTEES FROM THIRD PARTIES	8,800	8,800
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BALANCE SHEET**December 2011****December 2010****PROFIT AND LOSS ACCOUNT**

(Euros/1000)

(Euros/1000)

A) VALUE OF PRODUCTION

1) REVENUES FROM SALES AND SERVICES	495,302	432,311
2) CHANGE IN INVENTORIES OF PRODUCTS IN COURSE OF MANUFACTURE, SEMI AND FINISHED GOODS	18,957	16,258
3) CHANGE IN INVENTORIES OF CONTRACT WORK IN PROCESS	0	0
4) CAPITALISATION OF INTERNAL CONSTRUCTION COSTS	1,684	2,898
5) OTHER REVENUES AND INCOME:		
- grants related to income	2,329	1,466
- other revenues and income	2,149	2,129
	4,478	3,595
TOTAL VALUE OF PRODUCTION	520,421	455,062

B) COSTS OF PRODUCTION

6) PURCHASE OF RAW MATERIALS, SUPPLIES, CONSUMABLE STORES AND MERCHANDISE	(313,847)	(256,970)
7) COST OF SERVICES	(84,352)	(75,591)
8) RENT, LEASING AND SIMILAR COSTS	(2,718)	(2,554)
9) PERSONNEL COSTS		
a) salaries and wages	(60,128)	(54,939)
b) social security	(13,872)	(12,495)
c) staff termination pay	(2,526)	(2,020)
d) pension and similar costs	0	0
e) other costs	0	0
	(76,526)	(69,454)
10) AMORTISATION, DEPRECIATION AND WRITE-DOWNS		
a) amortisation of intangible assets	(2,961)	(2,766)
b) depreciation of tangible assets	(21,957)	(18,580)
c) write-down of intangible and tangible assets	0	0
d) write-down of current accounts receivable and of cash and cash equivalents	(920)	(1,498)
	(25,838)	(22,844)
11) CHANGES IN INVENTORIES OF RAW MATERIALS, SUPPLIES, CONSUMABLE STORES AND MERCH	11,921	5,535
12) PROVISION FOR RISKS	(132)	(127)
13) OTHER PROVISIONS	0	0
14) SUNDRY OPERATING COSTS	(1,498)	(1,354)
TOTAL COSTS OF PRODUCTION	(492,990)	(423,359)

OPERATING PROFIT (A-B)**27,431****31,703****C) FINANCIAL INCOME AND CHARGES**

15) INCOME FROM INVESTMENTS		
- in subsidiaries	0	0
- in associated companies	67	0
- in other companies	315	0
	382	0
16) OTHER FINANCIAL INCOME		
a) from non-current accounts receivable		
- from subsidiaries	1	7
- from associated companies	0	0
- from parent companies	1,915	1,718
- other companies	0	28
	1,916	1,753
b) from non-current securities other than shares	0	0
c) from current securities other than shares	10	0
d) income other than the above:		
- interest and commission income from subsidiaries	0	0
- interest and commission income from associated companies	0	0
- interest and commission income from parent companies	0	0
- interest and commission income from others	306	281
	306	281
17) INTEREST EXPENSE AND OTHER FINANCIAL CHARGES		
- subsidiaries	0	0
- associated companies	0	0
- parent companies	0	0
- others	(19,498)	(16,198)
	(19,498)	(16,198)

BALANCE SHEET**December 2011****December 2010****PROFIT AND LOSS ACCOUNT**

(Euros/1000)

(Euros/1000)

17-bis) GAIN/LOSS ON CURRENCY EXCHANGE

1,172

210

TOTAL FINANCIAL INCOME AND CHARGES**(15,712)****(13,954)****D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS**

18) REVALUATIONS

a) of investments

14

13

b) of non-current financial assets other than shares

0

0

c) of current securities other than shares

0

0

14**13**

19) WRITE-DOWNS

a) of Group companies investments

(3)

(6)

b) of non-current financial assets other than shares

0

0

c) of current securities other than shares

0

0

(3)**(6)****TOTAL VALUE ADJUSTMENTS TO FINANCIAL ASSETS****11****7****E) EXCEPTIONAL INCOME AND CHARGES**

20) EXCEPTIONAL INCOME

- gains on disposals

0

8

- other exceptional income

439

365

439**373**

21) EXCEPTIONAL CHARGES

- losses on disposals

(168)

(245)

- prior years' taxes

(11)

(17)

- other exceptional charges

(1,463)

(830)

(1,642)**(1,092)****Total exceptional income and charges****(1,203)****(719)****PROFIT BEFORE TAXES****10,527****17,037**

21) INCOME TAXES FOR THE YEAR

- current taxes

(4,199)

(5,624)

- deferred taxes

(387)

(470)

Total income taxes for the year**(4,586)****(6,094)****RESULT FOR THE YEAR INCLUDING THE PORTION ATTRIBUTABLE TO MINORITY INTEREST****5,941****10,943**

23) PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO MINORITY INTEREST

0

55

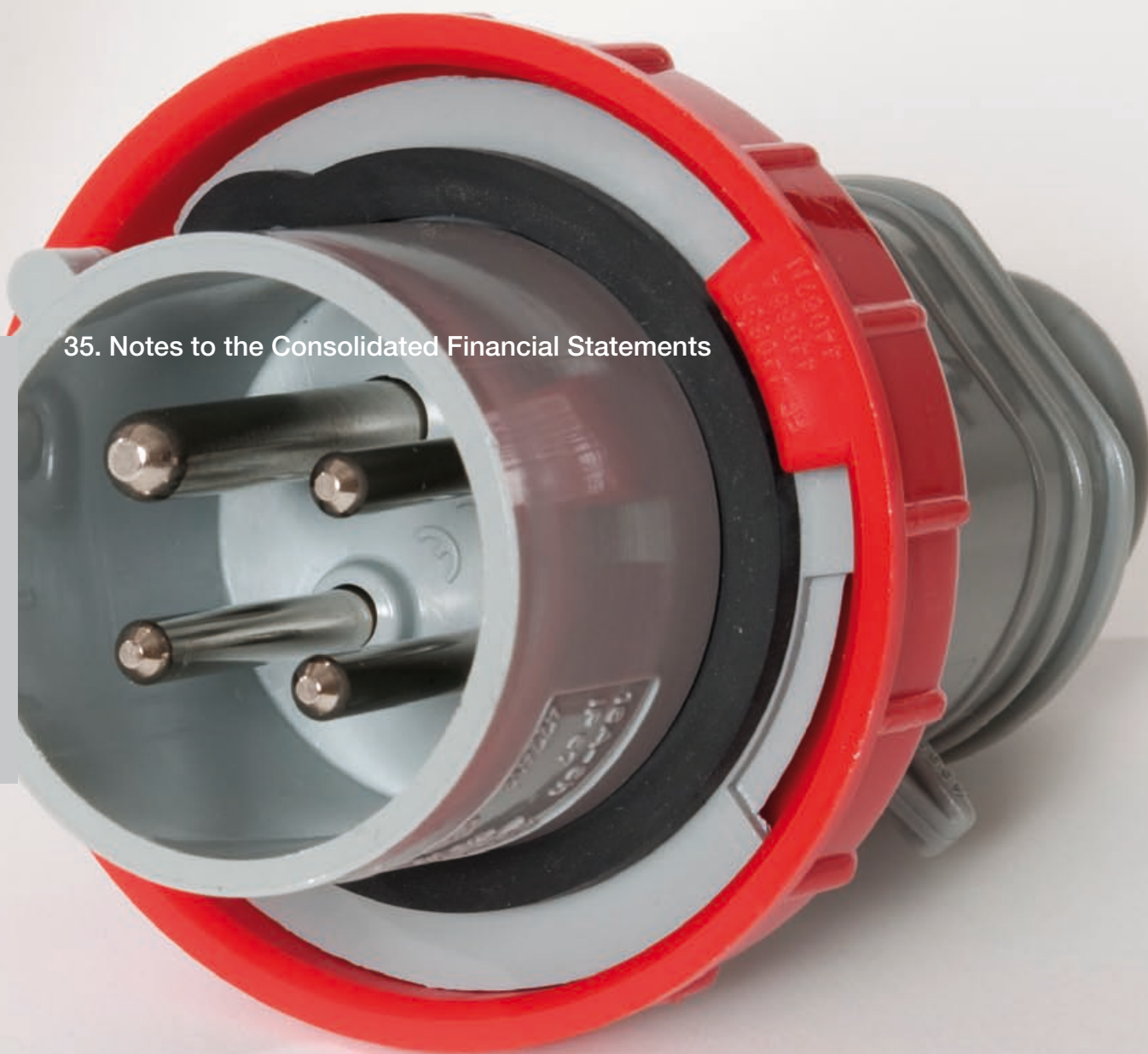
23) PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP**5,941****10,888**



Engineering Plastics

The Engineering Plastics Business Unit produces range from simple moulded polymers to applications with high added value for the electrical, electronic, automotive and other sectors.

35. Notes to the Consolidated Financial Statements



Notes to the financial statements

Form and content of the consolidated financial statements

The consolidated financial statements of the Aquafil Group consist of the Balance Sheet, Profit and Loss Account (both prepared in compliance with Articles 2425 and 2425 bis of the Italian Civil Code) and the accompanying Notes, and include the financial statements of the Parent Company Aquafil S.p.A. and all the Italian and foreign companies in which it holds the majority of voting rights, whether directly or indirectly.

The financial statements used to prepare the consolidated accounts have been approved by the Shareholders' Meeting of the individual companies, and for some companies the financial statements have been drafted by the Directors for approval at shareholders' meetings, and adjusted, where necessary, in line with the accounting principles utilised by the Parent Company.

The financial statements included in the consolidated accounts are prepared as at December 31, 2011, which is the year-end of Parent Company financial statements.

The Notes include disclosures as required by Article 38 of Legislative Decree 127/91, and other provisions of Legislative Decree No. 6 of January 17, 2003 and previous legislation. Additional information is also provided when deemed necessary to present a true and fair view, even if such disclosures are not required by specific legislation.

The Parent Company Gruppo Bonazzi S.p.A. changed the name of the company to Aquafin Holding S.p.A.

The Directors' Report highlights subsequent events to the year end, transactions with subsidiaries and other related parties belonging to the Aquafin Holding S.p.A. Group, and activities carried out by companies belonging to the Aquafil Group.

CONSOLIDATION SCOPE

In addition to the Parent Company Aquafil S.p.A., the companies included in the consolidation scope at December 31, 2011 were the following:

COMPANIES CONSOLIDATED LINE-BY-LINE (*amounts translated at the exchange rates prevailing at December 31, 2011)

Name and offices of the company	Share capital at 31-Dec-2011 Euro	% of direct ownership	Additional indirect shareholding through	% of indirect ownership	% of total ownership	% of voting rights
Aquafil Engineering Plastics S.p.A., Via Linfano, 9 - Arco (TN)	5,000,000	100.00%			100.00%	100.00%
Tessilquattro S.p.A., Via Linfano, 9 - Arco (TN)	3,380,000	100.00%			100.00%	100.00%
Aquafil Power S.r.l., Via Linfano, 9 - Arco (TN)	25,000	51.00%			51.00%	51.00%
Aquaspace S.p.A., Via Linfano, 9 - Arco (TN)	2,600,000	0.00%	Tessilquattro	100.00%	100.00%	100.00%
Aquafil USA Inc., 1 Aquafil Drive, Cartersville - Georgia GA (USA)	5,313,576	100.00%			100.00%	100.00%
Julon d.d., Letaliska Cesta, 15 - Ljubljana (Slovenia)	13,135,728	99.90%			99.90%	99.90%
Aquaset TTS d.d. - Letaliska Cesta, 15 - Ljubljana (Slovenia)	496,578	0.00%	Bulgari Filati doo	91.34%	91,33%	91,33%
Bulgari Filati d.o.o., Milana Prpic'a 114 - 49243 Oroslavje (Croazia)	3,078,694	84.23%	Julon	15.77%	99.88%	99.88%
Aquafil Bulgari Iplik Tekstil Sanayi Ve Ticaret A.S. - Turgutreis Mah. Giyimkent-Atisalani-Eseler-Istanbul (Turchia)	144,970	99.99%			99.99%	99.99%
Mtx Fibre S.r.l., Via Linfano, 9 - Arco (TN)	90,000	100.00%			100.00%	100.00%
Borgolon S.p.A. Strada Statale 32 "Ticinense" nr. 12 - Varallo Pombia (NO)	7,590,000	0.00%	Mtx Fibre	100.00%	100.00%	100.00%
Aquafil Engineering G.m.b.H., Duester haupt strasse, 13 Berlino (Germania)	255,646	90.00%			90.00%	90.00%

Cenon Sro - M.R. Stefanika 71 Zilina (Slovacchia)	26,472,681	99.64%			99.64%	99.64%
Aquafil Asia Pacific Co. Ltd - 300/31 Moo 1 Eastern Seaboard Industrial Estate-Rayong (Thailand)	1,343,415	99.99%			99.99%	99.99%
Aquafil Services G.m.b.H. Duester haupt strasse, 13 Berlino (Germania)	2,325,000	90.00%			90.00%	90.00%
Aquafil Synthetic Fibres and Polymers (Jiaxing) Co. Ltd No 338 North Changsheng Road, Jiaxing 314033 - Repubblica Popolare Cinese	6,877,908	100.00%			100.00%	100.00%
Aquafil Benelux-France B.V.B.A. Kortrijksesteenweg 321/4 8530 Harelbeke (Belgio)	20,000	99.90%	Mtx Fibre	0.10%	100.00%	100.00%

COMPANIES CONSOLIDATED USING THE EQUITY METHOD

The following companies are consolidated under the equity method:

- Investments held by Aquafil Engineering Plastics S.p.A.:
- Aquafil Distribution S.r.l. – Via della Tecnica, 11/A - Correggio (RE) – 22% held;
- Aquafil Tecnopolimeros S.l. – Priorat, 56-58 Pol. Ind. Can Carner - Castellar del Vallès (Spagna) – 40% held;
- Aquafil Polymers GmbH – Muellersstrasse, 13 -Buchholz (Germany) – 30 % held;

The company Aquafil Fibres and Polymers (Jiaxing) Co. Ltd – Republic of China, held 100% by Aquafil S.p.A., consolidated in 2010 under the equity method, was liquidated during the year. The liquidation resulted in a loss of Euro 168 thousand.

Compared to 2010 the consolidation scope did not change in the number of companies within the consolidation as no new companies entered the consolidation and no companies were deconsolidated, however the following changes took place:

- Aquafil Bulgari Iplik Textil Sanayi Ve Ticaret AS.:

During the year, the company increased its interests in Aquafil Bulgari Iplik due to the purchase from third parties of 15,000 shares for a nominal value of Euro 60,000, corresponding to 5% of the share capital. After this operation, Aquafil S.p.A. holds 99.99% of the share capital of Aquafil Bulgari Iplik Textil Sanayi Ve Ticaret AS which amounts to Turkish Lira 1,074,000, after the shareholders' meeting of April 15, 2011 approved its increase through the utilisation of retained earnings for Turkish Lira 774,000. After this increase, the nominal value of each share increased from Turkish Lira 1 to Turkish Lira 3.58, while the total number of shares of 300,000 remained unchanged.

- Julon d.d.:

During the year, the company increased its interests in Julon d.d. due to the purchase from third parties of 2,014 shares for a nominal value of Euro 172,095. After this operation, Aquafil S.p.A. holds 314,451 shares, corresponding to 99.896% of the share capital of Julon d.d. totalling Euro 13,135,728.

- Aquaset TTS d.d.:

In December 2011, Julon d.d. sold to Bulgari Filati doo the shareholding held in the company, amounting to 91.341% of the share capital, corresponding to 108,696 shares of the total shares issued of 119,000, after having acquired a further 1,500 shares for a nominal value of Euro 15,000 during the year.

No derogations as permitted by paragraph 4 of Article 2423 of the Italian Civil Code were adopted for these financial statements.

CONSOLIDATION PRINCIPLES

The consolidation principles utilised are described below.

CONSOLIDATION METHODS

Line-by-line consolidation

The financial statements of the subsidiary companies, listed in the table above are consolidated on a line-by-line basis. Assets, liabilities, costs and revenues are included for their full amount, regardless of the size of the equity investment held in the companies concerned, with minority shareholders being attributed (under specific captions in the accounts) the share of equity and results for the year which pertain to them. These items are shown as specific items on the consolidated balance sheet and in the profit and loss account.

The difference between the purchase cost and the net equity of the acquired companies is, if possible, recognised as a specific asset or liability for the investees. The remaining portion, if positive, is carried as an asset in the consolidated financial statements under "Goodwill arising on consolidation" and is amortised over 5 years. If the remainder is negative, it is taken to "Consolidation reserve" under "Other reserves" in the Shareholders' Equity, or else, if the lower price refers to expected losses, to the "Consolidation provision for contingent liabilities and charges".

Unrealised payables and receivables, costs and revenues, profits and losses incurred between companies within the consolidation scope are eliminated.

Equity method consolidation

The financial statements of associated companies, as previously listed above, are consolidated according to the equity method, that is a "one-line" consolidation method which adjusts the value of the shareholding to reflect the investee's portion of equity recognising the annual effect in a single line of the profit and loss account.

Translation into Euro of the financial statements of foreign companies

Assets and liabilities on the balance sheets of foreign subsidiaries are translated at the year-end exchange rate. The profit and loss accounts of foreign subsidiaries are translated at the average exchange rate for the year. The shareholders' equity accounts, opening balance and the subsequent changes including the profit for the year, are stated at historical rates i.e. the exchange rates prevailing at the transaction date. The difference between the value thus obtained and that deriving from the translation of the same items at the current exchange rate is recorded in a specific reserve of the shareholders' equity.

The exchange rates applied are as follows:

		December 2011	2011
		Year-end exchange rate	Average exchange-rate
USD	US Dollar	1.2939	1.39196
HRK	Croatian kuna	7.5370	7.43904
CNY	Chinese Yuan	8.1588	8.99600
TRL	Turkish lira	2.4432	2.33781
THB	Baht	40.9910	42.42879

ACCOUNTING POLICIES

Pursuant to law, the company has complied with obligations of clarity, true and fair reporting as well as with the principles set out by Article 2423 bis of the Civil Code:

- the financial statement items have been valued in accordance with the general criteria of prudence and on a going concern basis;
- the profits realised at the closing date of the fiscal year were exclusively included;
- all income and charges for the year, regardless of when they were received or incurred, are reported in the financial statements;
- any risks and losses pertaining to the year, which became known after the year ended, are included in the financial statements;
- dissimilar components of individual items are valued separately.

ACCOUNTING PRINCIPLES

The consolidated financial statements of the Aquafil Group, which are made up of the Balance Sheet, the Profit and Loss Account and these accompanying Notes, were prepared in accordance with the provisions governing consolidated accounts laid down under Legislative Decree no. 127 of April 9, 1991, as interpreted and supplemented by the accounting standards issued by the Consiglio Nazionale dei Dottori Commercialisti ed Esperti Contabili (National Council of Professional and Chartered Accountants) and by the Organismo Italiano di Contabilità (Italian Accounting Board) and, where

required, by the International Accounting Standards Committee (IASC) as approved in Italy by the Commissione nazionale per le società e la borsa (Consob, Italian Securities and Exchange Commission).

The financial statements of the companies included in the consolidation scope and used for consolidation purposes are prepared by the Boards of Directors for the approval by the Shareholders' Meetings of the individual companies, as appropriately adjusted, if required, to bring them into line with the accounting policies under article 2426 of the Italian Civil Code and the Italian accounting standards adopted by the Parent Company.

The following are the most significant accounting principles adopted in drawing up the consolidated financial statements, in accordance with Article 2426 of the Italian Civil Code.

INTANGIBLE ASSETS

They are recorded at purchase or production cost, including any incidental charges, and amortised on a straight line basis over their estimated useful lives. Formation, start-up and similar costs are stated in the financial statements with the approval of the Board of Statutory Auditors.

FIXED ASSETS

These are stated at purchase or construction cost, less accumulated depreciation, which, in the case of some assets, may be adjusted to comply with specific revaluation laws. The positive balances resulting from such revaluations, net of any taxes paid, are carried as reserves in Shareholders' Equity. No further taxes on these assets are foreseen because no taxable transactions are envisaged for them. The cost includes any related charges and direct and indirect costs reasonably attributable to the asset.

The value attributed to some land and buildings, and some plant and machinery of certain consolidated companies reflects the partial allocation of the premium paid over the book value of the companies.

Tangible assets are depreciated on the straight-line method over their residual estimated useful lives.

It should be noted that for some machines of the company Borgolon S.p.A., having specific productive features, the estimated useful life is higher than that of other machines of the same company and of other companies belonging to the textile sector.

Land, assets under construction and advance payments are not depreciated.

Ordinary maintenance costs are fully charged to the income statement. Incremental maintenance costs are attributed to the asset concerned and depreciated over the residual useful life of the asset.

Assets purchased under financial lease contracts are recognised as tangible assets at the original purchase cost; the amount payable to the leasing companies is carried as a liability. Depreciation of these assets, in common with the other tangible assets, is calculated over their useful lives.

In detail, the depreciation rates used for fixed assets are indicated below and unchanged compared to the previous year:

Asset description	Rates
1. Buildings and light constructions	3% - 6% - 10%
2. Generic equipment and machinery	7.5% - 10% - 12.5% - 14% - 15%
3. Industrial and sales equipment	12.5% - 25 % - 40%
4. Other assets:	
4.1. VEHICLES	25%
4.2. Vehicles for internal use	20%
4.3. Furniture and ordinary office equipment	12% - 20%
4.4. Electronic office machines	20%

Leased assets

In order to provide better information on the group's equity and financial position, assets purchased under financial lease contracts are recognised as tangible assets at the original purchase cost; the amount payable to the leasing companies is carried as a liability. Depreciation of these assets is calculated over their useful lives.

Non-current investments

Investments in unconsolidated companies, in which the Parent Company holds significant equity interest, are valued using the equity method, unless the companies are newly formed and/or inoperative and in such cases. The investments are stated at cost and decreased in case of permanent impairment. The cost is reduced due to permanent impairment if the investee companies do not expect to realise sufficient profits in the near future to cover losses; the original value is written back in subsequent years, if the reasons for the write-down cease to exist.

Securities in non-current assets

The securities are recorded at cost and written down in the case of permanent impairment in value.

Current financial assets

Investments classified under this category are valued at the lower of cost and market value or realisable value.

Inventories

Inventories, which consist of fungible assets, are valued at the lower of purchase cost and current value (i.e. market value/replacement cost).

Single items making up inventories are valued at their average weighted cost for the period.

Semi-finished and finished goods include the direct and indirect costs of their manufacture. Finished products include goods under production if the stage of production reached is such that the goods are partially available for sale on the market as independent items.

Stores are valued at their weighted historical cost.

Profits and losses arising from transactions relating to inventory goods between companies included in the consolidation have been eliminated.

Receivables

Receivables are recorded at their realisable value.

Cash and cash equivalents

As cash and cash equivalents, including cash at banks and post offices, cheques (personal cheques, banker's drafts and cheques treated as such) constitute receivables, they are valued according to the general principle of their realisable value. This value normally coincides with their nominal value; cash and revenue stamps in hand are valued at their nominal value; cash in foreign currency is valued at the exchange rate prevailing at the closing date of the financial year.

Accruals and prepayments

These relate to portions of costs and income common to two or more years, determined on the accrual method of accounting.

Provisions for risks and charges

Provisions for risks and charges are provided to cover known or probable losses or liabilities whose amount and effective date are not determinable at the year-end.

Provisions reflect the best estimate based on the information available.

Staff termination pay

The provision for staff termination pay covers the entire accrued liabilities payable to employees, pursuant to current laws and collective labour agreements negotiated at national and company-specific level.

The item is subject to index-linked revaluation. Since 1 January 2007, the portions accrued of the staff termination pay have been transferred to social security funds.

Accounts payable

Accounts payable are stated at their nominal value.

Costs and revenues

They are recorded in the financial statements in accordance with the prudence and accruals concepts. Revenues from the sale of goods are recognised on the transfer of the goods. This normally takes place when the goods are shipped or delivered.

Revenues from services are recognised at the time the service is rendered.

Revenues and income, costs and charges are recorded net of returns, discounts, allowances and premiums, as well as taxes directly connected with the sale of the products.

Revenues from services are recognised on the basis of the period when services are rendered, while financial income is recognised on an accruals basis.

Extraordinary income and charges

This item includes non-recurring income and charges, either foreseeable or unforeseeable, with respect to the normal course of business of the company and also includes income and charges relating to transactions in previous financial years.

Income taxes for the year

Income taxes are determined based on a conservative application of current statutory laws.

Deferred tax assets and liabilities are calculated with reference to temporary differences between statutory and fiscal evaluations of assets and liabilities. Deferred tax assets are allocated if and insofar as there is reasonable possibility of them being recovered.

OTHER INFORMATION

FISCAL CONSOLIDATION

It should be noted that the company joined again the group taxation procedure according to the option exercised by Aquafin Holding S.p.A. for the three-year period 2010-2012 pursuant to article 117 and ff. of the Income Tax Code. In addition to Aquafil S.p.A., the tax consolidation procedure includes Aquafil Engineering Plastics S.p.A., Tessilquattro S.p.A., Aquaspace S.p.A., Borgolon S.p.A. and Mtx Fibre S.r.l..

Therefore, the financial statements take account of the effects of the transfer of tax positions arising from the "tax consolidation" and specifically recognise the consequent credit/debt relationships towards the consolidating company.

TRANSLATION OF FOREIGN CURRENCY ACCOUNTS

Accounts receivable and accounts payable originally denominated in foreign currencies are translated into Euro at the rate at the end of the financial year, and any positive or negative difference is carried to the profit and loss account. The differences arising on the receipt of receivables and payment of payables in foreign currencies are recorded in the income statement.

DEROGATIONS PURSUANT TO PARAGRAPH 4 – ARTICLE 29 OF LEGISLATIVE DECREE 127/91

No derogations from Article 29 paragraph 4 of Legislative Decree 127/91 have been made in these financial statements.

Notes to the main asset captions

NON-CURRENT ASSETS

Non-current tangible and intangible assets are illustrated in the relevant tables in the pages that follow. Each table shows the historical cost, prior depreciation/amortisation, revaluations and write-downs of each asset, along with changes in the financial year, final balances and revaluations. Non-current financial assets are dealt with in a separate section.

INTANGIBLE ASSETS (in thousands of Euros)

	1) Formation, start-up and similar costs	2) Research, development and advertising costs	3) Patent and intellectual property rights	4) Concessions, licences, trademarks and similar costs	6) Assets under development and payments on account	7) Other intangible assets	Goodwill arising on consolidation	TOTAL
Previous year								
Gross amount	196	7	4,516	4,015	484	9,278	9,326	27,821
Accumulated amortization	169	6	162	3,324	0	3,697	8,137	15,495
Total previous financial year	27	1	4,354	691	484	5,581	1,189	12,327
Increases	224	0	160	54	365	815	0	1,618
Decreases	0	0	0	-170	0	0	0	-170
Reclassifications	0	-7	-2	24	-336	359	0	38
Write-downs	0	0	0	0	0	0	0	0
Change in the consolidation area	0	0	0	0	0	0	0	0
Exchange differences	24	0	0	-8	0	10	0	26
Total historical cost at 31 Dec 2011	444	0	4,674	3,915	513	10,462	9,326	29,334
Increases	4	1	503	382	0	1,769	302	2,961
Decreases	0	0	0	-166	0	0	0	-166
Reclassifications	0	-7	-2	0	0	0	0	-9
Write-downs	0	0	0	0	0	0	0	0
Change in the consolidation area	0	0	0	0	0	0	0	0
Exchange differences	0	0	0	-7	0	11	0	4
Total accumulated amortization at 31 December 2011	173	0	663	3,533	0	5,477	8,439	18,285
Residual value at 31 December 2011	271	0	4,011	382	513	4,985	887	11,049

Formation, start-up and similar costs include costs (whose benefits cover several years) capitalised with the consent of the Board of Statutory Auditors.

Research, development and advertising costs mainly includes the costs incurred for projects of prototyping, experimentation and development of both new types of threads and new production techniques.

Industrial patents and intellectual property rights principally refer to licenses and know-how utilised in the Econyl project. The asset was amortised over 5 years. The increase of Euro 160 thousand refers to the purchase of patents by Aquafil S.p.A. relating to a method for the recover of polyamide fibres contained in elasticised textiles.

Concessions, licences, trademarks and similar rights include the cost of software programs purchased from third parties. The increase of Euro 54 thousand mainly refers to the costs borne by Aquafil S.p.A. for the renewal of the existing trademarks.

Other intangible assets mainly refer to leasehold improvements. The increase for the period of Euro 815 thousand includes costs principally incurred by Aquafil S.p.A. during the year for the capitalisation of stamp duties, substitute tax and information-gathering activity costs paid for raising new loans, leasehold improvements to the building located in Arco and for the implementation of the IT system.

At December 31, 2011, Goodwill arising on consolidation amounted to Euro 887 thousand and refers to the following companies (in thousands of Euros):

	December 2011	December 2010
Aquafil Power S.r.l.	37	56
Metexa BVBA	850	1,133
Total	887	1,189

- The consolidation goodwill of Euro 37 thousand attributed to Aquafil Power S.r.l. relates to the difference between the purchase cost and the net equity of the company acquired in 2009 for an initial amount of Euro 93 thousand. This consolidation goodwill is amortised on a straight-line method over 5 years and the amortisation for 2011 was Euro 19 thousand.
- The consolidation goodwill of an initial amount of Euro 1,416 thousand attributed to Metexa Bvba refers to the difference between the purchase cost and the net equity of the company acquired during the year. This consolidation goodwill is amortised on a straight-line method over 5 years and the amortisation for 2011 was of Euro 283 thousand.

TANGIBLE ASSETS (in thousands of Euros)

	1) Land and buildings	2) Plant and machinery	3) Industrial and sales equipment	4) Other tangible assets	5) Assets under construction and payments on account	TOTAL
Previous financial year						
Historical cost	98,612	280,544	9,267	5,920	27,584	421,927
Revaluations	19,050	1,237	15	7	0	20,309
Accumulated depreciation	0	-7,302	0	0	0	-7,302
Total historical cost at 31 December 2010	117,662	274,479	9,282	5,927	27,584	434,935
Accumulated depreciation at 31 December 2010	31,159	214,238	6,381	4,884	0	256,662
Net value at 31 December 2010	86,503	60,241	2,901	1,043	27,584	178,272
Increases	998	9,369	239	436	12,896	23,938
Decreases	0	-1,176	-2	-146	-989	-2,313
Reclassifications	4,496	28,749	137	-60	-33,369	-47
Revaluations	0	0	0	0	0	0
Write-downs	0	0	0	0	0	0
Change in the consolidation area	0	0	0	0	0	0
Exchange differences	528	1,734	-2	46	-305	2,001
Total historical cost at 31 December 2011	123,684	313,155	9,654	6,203	5,817	458,514
Depreciation	3,361	17,467	761	369	0	21,958
Utilizations	0	-1,066	-3	-120	0	-1,189
Reclassifications	0	7	0	-7	0	0
Change in the consolidation area	0	0	0	0	0	0
Exchange differences	35	453	0	23	0	511
Total Accumulated depreciation at 31 December 2011	34,555	231,099	7,139	5,149	0	277,942
Residual value at 31 December 2011	89,129	82,056	2,515	1,054	5,817	180,571

The tangible fixed assets relating to Italian companies included in the consolidation scope are recorded at historical purchase cost increased for any monetary revaluations permitted by law; the revalued amounts, net of any taxes where applicable, are recorded in a specific equity reserve.

The additions for the year totalled Euro 23,938 thousand, with net disposals for Euro 1,124 thousand, of which historical value amounts to Euro 2,313 thousand, and are composed of as follows:

• Land and buildings

Increases: amounting to Euro 998 thousand. These break down as follows:

- a. Aquafil USA Inc.: the increase of Euro 869 thousand relates to the expansion of the industrial building
- b. The remaining portion of investments relates to improvements to the real estate assets of the other companies included in the consolidation.

• Plant and machinery, equipment, other tangible assets and assets under construction

Increases: amounting to Euro 22,940 thousand. These break down as follows:

- a. Aquafil S.p.A.: the overall increase is equal to Euro 3.4 million, of which Euro 0.7 million refer to the item "Assets under construction and payments on account". Investments principally relate to the installation of a photovoltaic plant, the completion of a yarn line and plant modernisation.
- b. Julon d.d.: the overall increase amounts to Euro 7.6 million mainly recorded under the item "Assets under construction and payments on account"; investments concern the purchase and installation of new plants for the Econyl project and other investments to increase production capacity and plant modernisation.
- c. Aquafil Engineering Plastics S.p.A.: the overall increase is equal to Euro 1.7 million of which Euro 0.8 million relates to "Assets under construction and payments on account". The investments refer principally to the upgrading of existing production plant.
- d. Aquafil Usa Inc.: the overall increase is equal to Euro 4.7 million, mainly for the expansion of the yarning plant.
- e. Aquafil Synthetic Fibres and Polymers (Jiaxing) Co. Ltd.: the overall increase is equal to Euro 2.7 million, of which Euro 2.5 million recorded under "Assets under construction and payments on account". Investments are relative to the setting-up of the new production plant for yarning and to machines for the reworking of BCF fibres.
- f. The remaining part of investments refers to improvements made on the existing plants of other companies included in the consolidation.

Net decreases: net decreases amount to Euro 1.1 thousand.

Reclassifications: these refer to the reallocation from “Assets under construction and payments on account” to the other items for assets which came into operation in the course of the financial year.

A net amount of Euro 47 thousand was reclassified from “Assets under construction and payments on account” of tangible assets to various items of Intangible assets;

Mortgages are registered on corporate assets for a total amount of Euro 120,509 to secure the loans granted and broken down under item “Amounts due to banks”, in addition to the shares owned by Aquafil USA Inc. and pledged to secure the loan raised by it with Regions Bank.

With reference to the chemical activities of the subsidiary Cenon S.r.o., owner of the caprolactam and cyclohexanone plants and production licences, the specific plants and the licences relating to the production processes of caprolactam and cyclohexanone were sold in previous years, and the related considerations were collected. At December 31, 2011 the net book value of non-current assets, as confirmed by an independent expert's valuation report, was equal to Euro 6.5 million and was made up of the real estate and service plant part.

FINANCIAL ASSETS

1) Investments in associated companies

Investments in associated companies at 31/12/2011 totalled Euro 255 thousand and are composed of the following companies:

a) **Aquafil Engineering Plastics S.p.A.** holds the following minority interests:

- A 22% interest in Aquafil Distribution S.r.l. - with a share capital of Euro 101,490 - which is accounted for in the financial statements using the equity method for Euro 29.7 thousand. The company is based in Via della Tecnica 11/A, 42015 Correggio (RE) and its corporate purpose is the distribution of polymers mainly to Emilia-Romagna;
- A 40% interest in Aquafil Tecnopolimeros S.I. - with a share capital of Euro 300 thousand - which is included in the consolidated accounts on an equity basis for Euro 135 thousand. The company is based in Castellar del Vallè, Priorat 56-58 Pol. Ind. Can Carner (Spain) and its corporate purpose is the distribution of polymers on the Spanish market.
- A 30% interest in Aquafil Polymers GmbH - with a share capital of Euro 25 thousand - which is accounted for in the financial statements using the equity method for Euro 35.7 thousand. The company is based in Buchholz, Kanaplatz 6 - Germany.

b) **Borgolon S.p.A.** holds the following minority interests:

- A 50% interest in Xlance Fibres S.r.l. - with a share capital of Euro 100,000 - which is accounted for in the financial statements at cost for Euro 54.5 thousand. The company's registered office is in Arco, Via Linfano 9, with a corporate scope to produce and sell synthetic filaments and fibres, in addition to the research and development necessary for this activity. The company is not operative and the project is being implemented in order to develop an innovative elastomeric fibre called XLA, through a Joint Venture with a holding company of a leading Italian textile group.

2) Investments in other companies

Investments in other companies are stated at cost for an overall amount of Euro 797 thousand.

During the year Aquafil S.p.A. acquired:

- n. 250,000 shares for a nominal value of Euro 1 in the share capital of ReEnergy Capital s.c.a. for a nominal value of Euro 250,000.
- n. 350,000 shares for a nominal value of Euro 1, with share premium of Euro 175,000, in the share capital of La Finanziaria Trentina S.p.A. and therefore for a total Euro 525,000.

Receivables

The Company had no accounts receivable after 5 years.

Receivables from associated companies

This account relates to receivables over 12 months granted to Xlance Fibres S.r.l. by Borgolon S.p.A., in accordance with the contract signed between the parties.

Receivables from parent companies

The table below shows the movements in financial transactions

	Opening balance	Increases	Reclassifications	Closing balance
within 12 months				
Aquafil Holding S.p.A.	6,941	0	0	6,941
after 12 months				
Aquafil Holding S.p.A.	32,377	1,374	-2,943	30,807
TOTAL	39,318	1,374	-2,943	37,748

Receivables falling due within 12 months year have been granted by the company Julon d.d., while those falling due after 12 months have been granted by Aquafil S.p.A. for Euro 27,298 thousand and by Julon d.d. for Euro 3,509 thousand. During the year the balance increased by Euro 1.4 million due to the interest recorded in the period.

Following the contract signed between the parent company Aquafin Holding S.p.A. and the companies in the fiscal consolidation, Aquafil S.p.A. acquired the payable and/or receivable positions of the companies within the fiscal consolidation regime and offset, together with its own receivable, the net payable arising from the operation for Euro 2.9 million.

Other accounts receivable

d2) "other debtors" mainly refer to guarantee deposits paid to suppliers, tax receivables for advances on staff termination pay and employee loans.

Other securities

This accounts consists of:

Deposit Certificates from the Banco Popolare Emilia Romagna – Nominal value Euro 1 million, duration 29/08/2011 – 29/08/2014 at fixed rate 3%.

These securities are restricted until April 30, 2014 on an unsecured loan of Euro 3 million granted by the issuing bank to Aquafil S.p.A.

CURRENT ASSETS

INVENTORIES

Inventories at 31/12/2011 are composed of as follows (in thousands of Euros):

	December 2011	December 2010
1) Raw materials, supplies and consumable stores	49,262	36,775
2) Products in course of manufacture and semifinished goods	424	290
4) Finished goods and merchandise	85,468	66,282
5) Advances	92	33
TOTAL	135,246	103,380

The increase in inventories derives from the increase in quantities held principally due to the new production facilities and the average purchase price of raw materials compared to 2010. The account includes an obsolescence provision of Euro 505 thousand.

RECEIVABLES

Current account receivables are composed as follows (Euro thousands):

	December 2011	December 2010
1) Customers	59,124	72,563
2) Subsidiaries	0	0
3) Associated companies	2,910	3,500
4) Parent companies	2,239	3,769
4) BIS Tax receivables	5,181	3,769
4) TER Deferred tax assets	6,421	6,649
5) a) Other Group companies	6	6
5) b) Other debtors	2,732	2,963
TOTAL	78,613	93,219

Analysis by geographic region (Euro thousands):

	Italy	Europe	North America	Rest of the world	TOTAL
1) Customers	19,874	24,914	5,711	8,625	59,124
2) Subsidiaries	0	0	0	0	0
3) Associated companies	733	2,177	0	0	2,910
4) Parent companies	2,239	0	0	0	2,239
4) BIS Tax receivables	1,410	1,576	442	1,753	5,181
4) TER Deferred tax assets	3,240	2,335	846	0	6,421
5) a) Other Group companies	2	4	0	0	6
5) b) Other debtors	2,025	223	111	373	2,732
TOTAL	29,523	31,229	7,110	10,751	78,613

Receivables from customers

Receivables from customers, due within 12 months, derive from ordinary sales transactions.

To cover possible losses on these receivables, an allowance for doubtful receivables of Euro 1,746 thousand was set aside. The allowance for doubtful receivables recorded at December 31, 2010 for Euro 1,980 thousand was utilised for Euro 1,160 thousand in relation to write-offs and increased by Euro 920 thousand after a provision for the year. The effect of exchange rates was Euro 6 thousand.

The receivables from customers, except those for which there is no commercial risk, are insured with leading credit insurance companies.

Receivables from associated companies

These receivables are due within 12 months and refer to the following companies (Euro thousands):

	December 2011	December 2010
Aquafil Polymers G.m.b.H.	129	160
Aquafil Tecnopolimeros S.l.	2,049	1,973
Aquafil Distribution S.r.l.	732	1,367
TOTAL	2,910	3,500

Receivables from parent companies

These include a receivable due within 12 months from the parent company Aquafil Holding S.p.A. equal to Euro 2,239 thousand, deriving from ordinary commercial transactions for Euro 34 thousand, interest on the loans of Julon dd for Euro 1,082 thousand and tax receivables of Euro 1,123 thousand of some companies which opted for the consolidated taxation regime.

Tax Receivables

The breakdown is as follows (Euro thousands):

	December 2011	December 2010
From tax authorities for income taxes	58	397
VAT receivable	3,814	2,541
Withheld taxes	145	251
Tax receivable for interests	76	76
Tax receivables Law 296/09	4	4
Other tax receivables	824	221
VAT receivable relating to bad debts	259	279
TOTAL	5,181	3,769

Deferred tax assets

The breakdown is as follows (Euro thousands):

	December 2011	December 2010
Deferred tax assets within 12 months		
losses carried forward	827	18
expenses for maintenance and entertainment	105	96
capital gains	236	295
exchange differences	0	127
personnel	174	262
inventory write-downs	172	161
TOTAL	1,514	960
Deferred tax assets after 12 months		
losses carried forward	696	1,208
allowance for doubtful receivables	166	369
other provisions	212	240
expenses for maintenance and entertainment	221	204
amortization, depreciation, rental costs	1,848	1,809
supplementary indemnity provision for agents	241	164
reversal of depreciation on tangible assets revaluation reserve	924	975
depreciation on assets write-down	520	629
inventory write-downs	79	92
TOTAL	4,907	5,689

Specifically, deferred tax assets fell by Euro 312 thousand as a result of the profitability recorded by Borgolon S.p.A. and increased by Euro 610 thousand due to the provision by Aquafil USA Inc.

Other accounts receivable

Other Group companies due within 12 months

This account includes receivables from other group companies of the following amounts (Euro thousands):

	December 2011	December 2010
Within 12 months		
Aqualys S.A.	4	4
Italedil S.r.l.	2	2
TOTAL	6	6

Other debtors due within 12 months

	December 2011	December 2010
Receivables from others within 12 months		
Sundry advances	4	2
Receivables from insurance compensation claims	20	
Employees	18	38
Other receivables	252	660
Pension and social security institutes	132	42
Receivables from Treasury	158	0
Advances to suppliers	64	78
Other advances	481	643
Earnings equalization fund	101	0
TOTAL	1,230	1,463
Receivables from others after 12 months		
Receivable from building sale	2	0
Receivables from Treasury	1,500	1,500
TOTAL	1,502	1,500

Receivables from the Autonomous Province of Trento due after 12 months, in accordance with Provincial Law 6/99, refer to the technical/production grant for a research project for manufacturing a fibre suitable for textile flooring obtained from the recovery of post-industrial and post-consumption waste. This receivable is equal to 50% of the grant (Euro 3 million), whose residual amount (Euro 1.5 million) will be received in 2013. The grant has been recognised in the profit and loss account in proportion to the costs incurred so far for the project.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are composed of as follows (in thousands of Euros):

	December 2011	December 2010
1) Cash at banks and post offices	39,459	49,913
2) Cheques	1,425	1,145
3) Cash and cash equivalents on hand	23	23
TOTAL	40,907	51,081

The item mainly relates to the balance at year-end of the Group companies current accounts. Euro 906 thousand on the Banca Commerzbank current account is restricted of the company Aquafil Engineering GmbH as guarantee for advance payments on contracts in course.

ACCRUED INCOME AND PREPAID EXPENSES

Accrued income and prepaid expenses were reported in accordance with accounting regulations and with reference to the financial year in which they occur. They are composed of as follows (in thousands of Euros):

	December 2011	December 2010
Accrued income:		
Interest on securities	13	0
Grants	78	0
Other	154	21
TOTAL	245	21
Prepaid expenses:		
Insurance premiums	121	136
Other	772	338
Fairs and exhibitions	40	50
ICT Consulting	47	47
Maintenance fees	73	99
Tax and administrative consulting	66	33
TOTAL	1,119	703
TOTAL ACCRUED INCOME AND PREPAID EXPENSES	1,364	724

There is no accrued income and prepared expense with a duration over 5 years.

Notes to the main liability and equity accounts

CONSOLIDATED GROUP NET EQUITY

The total of Euro 78,212 thousand breaks down as follows (in thousands of Euros):

Balance sheet items	31.12.2010	Changes for the period						31.12.2011
		Destination profit previous period	Change in consolidation area	Translation difference	Capital increase	Dividends and reclassification distribution	Period profit	
I. Share Capital	19,678				8			19,686
II. Share premium reserve	0							-
III. Revaluation reserves	41							41
IV. Legal reserve	3,913							3,913
VII. Other reserves	46,912	10,888	163	668		(10,000)		48,631
VIII. Profits (losses) carried forward	0							-
IX. Profit (loss) for the year	10,888	(10,888)					5,941	5,941
Total Group shareholders' equity	81,432	0	163	668	8	(10,000)	5,941	78,212
Profit (loss) for the year to minority interest	55	(55)					0	-
Minority interest	989	55	(408)	(23)				613
Total minority interest	1,044	0	(408)	(23)	0	0	0	613
Total group and minority shareholders' equity	82,476	0	(245)	645	8	(10,000)	5,941	78,825

Below we comment on the chief components of the consolidated shareholders' equity of the Group.

SHARE CAPITAL

In March 2011, the extraordinary shareholders' meeting, based on agreements in place, resolved a share capital increase for a nominal value of Euro 7,556, through the issue of 1,197,480 new category B shares without nominal value, with regular rights, fully reserved for subscription in favour of the shareholder HC Romeo S.a.r.l.. The payment was made on April 4, 2011.

Following this capital increase, the share capital is comprised of 19,642,000 category A shares without nominal value, representing a share capital made of Euro 19,642,000, and 6,900,000 category B shares without nominal value, representing a share capital of Euro 43,556, for a total of Euro 19,685,556.

LEGAL RESERVE

The reserve remained unchanged.

OTHER RESERVES

Other reserves include the difference between the purchase cost and the net equity value of consolidated companies (net of the result for the year), retained profits or losses, and all other reserves held by the consolidated companies at the date of the current financial statements.

The shareholders' equity of the consolidated companies includes reserves that, if distributed, would become taxable as income. No plans exist to distribute the reserves, which amount to Euro 69,811 thousand, nor to use them in any manner that might alter their current non-taxable status. Accordingly, no provision was made in the consolidated accounts relating to their deferred tax liability.

Pursuant to paragraph 5 of Article 2426 of the Civil Code, a portion of the other reserves must be set aside to cover non-amortisable costs relating to formation and start-up. The obligation refers to Italian companies only.

MINORITY INTEREST CAPITAL AND RESERVES

The balance of Euro 613 thousand refers to net equity attributable to minority interests, including the net profit for the year attributable to minority interests.

RECONCILIATION BETWEEN THE PARENT COMPANY AQUAFIL S.P.A AND CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2011

The reconciliation of the net equity and profit for the year of the Parent Company Aquafil S.p.A. with the consolidated net equity and profit for the year ended December 31, 2011 (Euro thousands) is shown below:

	Period Results	Shareholders' equity
Shareholders' equity and result as reported in the annual accounts of Parent company	5,882	78,742
Lease accounting according to Aquafil S.p.A. financial method	-313	969
Derecognition of effects on intergroup operations	316	-681
different valuation of investment in Bulgari Filati d.o.o in consolidated accounts	18	-528
Other	39	-291
Shareholders' equity and result for the year attributable to the Group	5,941	78,212
Shareholders' equity and result for the year attributable to the minority	0	613
Shareholders' equity and result as reported in the consolidated balance sheet	5,941	78,825

PROVISIONS FOR RISKS AND CHARGES

Provision for taxes

This account includes deferred taxes on deferred income items and is comprised of (Euro thousands):

	December 2011	December 2010
Extraordinary gains on disposal of assets	740	574
Leasing	2,124	2,581
Elimination of tax interferences and accumulated depreciation	359	387
Other adjustments due to the application of the Group accounting principles	2,535	1,125
TOTAL	5,757	4,667

Other provisions

Other provisions amount to Euro 1,650 thousand. They include Euro 890 thousand for agents supplementary indemnity and Euro 760 thousand for other fiscal risks and charges.

STAFF TERMINATION PAY

The item refers to the accruals made by the Italian Group companies to provide for the indemnities to the employees after the termination of contracts. With the introduction of the supplementary social security reform, for the Italian companies, the portions accrued have been transferred to the Social Security Fund and therefore, for these companies, the provision has increased as a result of the revaluation of the existing staff provision at the closing of the previous financial year.

The changes in the staff termination provision in the course of the financial year are shown below (Euro thousands):

	December 2011	December 2010
Opening balance	8,541	9,895
Accruals	471	295
Utilizations	641	1,649
TOTAL	8,371	8,541

The total liability is fully in accordance with contractual and legal obligations.

The movements in the table above are shown net of transfers to the pension funds.

PAYABLES

Accounts payable total Euro 386,211 thousand. The amounts due after 5 years are indicated separately. The analysis is provided below.

	December 2011	December 2010
3) Amounts due to shareholders	55,785	50,103
4) Amounts due to banks	209,874	197,642
6) Advances	2,866	1,194
7) Amounts due to suppliers	97,444	101,317
9) Amounts due to subsidiaries	0	408
10) Amounts due to associated companies	145	134
11) Amounts due to parent companies	2,592	6,142
12) Taxes payable	2,534	3,245
13) Accounts payable to social security institutes	2,856	2,736
14) a) Other creditors	299	75
14) b) Other Group companies	11,816	12,423
TOTAL	386,211	375,419

Analysis per geographical area (in thousands of Euros):

	Italy	Europe	North America	Rest of the world	TOTAL
3) Amounts due to shareholders	0	55,785	0	0	55,785
4) Amounts due to banks	141,850	52,625	15,400	0	209,874
6) Advances	1,380	1,330	0	156	2,866
7) Amounts due to suppliers	42,166	42,353	10,490	2,435	97,444
10) Amounts due to associated companies	38	107	0	0	145
11) Amounts due to parent companies	2,592	0	0	0	2,592
12) Taxes payable	1,594	932	5	4	2,534
13) Accounts payable to social security institutes	1,955	437	285	179	2,856
14) a) Other Group companies	0	299	0	0	299
14) b) Other creditors	9,866	1,397	74	479	11,816
TOTAL	201,440	155,265	26,253	3,253	386,211

Payables for shareholders loans

The loan granted by the Luxembourg company HC Romeo S.a.r.l. on September 24, 2010 for an initial amount of Euro 50,103,000, secured by pledge on the Italian and EC registered trademarks "Aquafil" and "Econyl", was renewed on September 26, 2011. The current balance is Euro 55,784,680 thousand. The amount includes accrued interest in 2011 of Euro 6,312,978, net of the withholding tax of Euro 631,298 paid to the Tax Office.

The conditions governing the loan are the following ones:

interest: 12.60% p.a;

maturity: first anniversary of the payment, extendable on a yearly basis up to September 2016;

repayment: one payment at maturity.

On the basis of the repayment procedures set out as per the contract, the loan meets the requirements to be considered a long-term loan due within 5 years.

Amounts owing to banks

Amounts due to banks, detailed by maturity, are as follows (in thousands of Euros):

	Balances at December 2011				Balances at December 2010
	within 12 months	after 12 months within 5 years	after 5 years	Total	
Current account liabilities	1,094			1,094	519
Advances on export transactions	40,900			40,900	35,735
Loans on import transactions	12,059			12,059	0
Advances on invoices	29,406			29,406	39,633
Sundry advances	6,108			6,108	3,033
Total Group shareholders' equity	89,567	0	0	89,567	78,920
Loans:					
Abanka	8,500	13,750	0	22,250	29,750
HVB Splitska banca	366	823	0	1,189	1,556
SKB banca	3,500	0	0	3,500	2,577
Cassa Centrale Casse Rurali Trentine	962	2,543	0	3,505	4,440
Banca di Verona	1,369	0	0	1,369	2,797
Gorenjska Banka	3,748	15,000	0	18,748	20,001
Mediocredito Trentino Alto Adige	446	1,480	0	1,926	2,350
Cassa Rurale Valsabbia Paganella	219	0	0	219	864
Cassa Rurale Rovereto	602	4,124	0	4,726	5,314
Banca Sella	0	0	0	0	115
Deutsche Bank	0	0	0	0	857
Fortis Bank	0	0	0	0	727
Credito Valtellinese	2,883	2,003	0	4,886	7,629
Biverbanca	335	287	0	622	1,242
Cassa Risparmio di Bolzano	1,203	3,500	0	4,703	5,872
Cassa Risparmio di Ferrara	87	0	0	87	256
Postna Banka Slovenije	2,000	0	0	2,000	2,000
Veneto Banka	0	0	0	0	203
Cassa Rurale Raiffeisen Alto Adige	621	973	0	1,594	2,201
Banca Popolare di Sondrio	1,065	7,529	0	8,594	920
Banca Popolare di Milano	2,000	7,000	0	9,000	10,000
Banca Antonveneta	1,800	5,400	0	7,200	9,000
Cassa Rurale Alto Garda	300	309	0	609	900
Regions Bank	1,505	7,786	0	9,291	6,551
Credito Piemontese	704	129	0	833	600
Banca Popolare di Verona	625	4,375	0	5,000	0
Banca Popolare Emilia Romagna	967	1,721	0	2,688	0
Hypo Alpe Adria Bank	0	769	0	769	0
Sparkasse	500	1,500	0	2,000	0
Nova Ljubljanska Banka	857	2,142	0	2,999	0
Total loans	37,164	83,143	0	120,307	118,722
Total amounts due to banks	126,731	83,143	0	209,874	197,642

With reference to the loans allocated, company assets have been mortgaged to the value of Euro 120,095 thousand, in addition to the shares owned in Aquafil USA Inc. and pledged to secure the loan received from Regions Bank.

Advances

This item includes advance payments received from customer for supplies not yet delivered for Euro 2,866 thousand and principally refer for Euro 1,280 thousand to Aquafil Engineering G.m.b.H. and for Euro 1,517 thousand to Aquafil S.p.A..

Accounts payable to suppliers

	December 2011	December 2010
within 12 months		
Trade payables	70,645	72,165
Leases - due within 12 months	3,807	4,520
TOTAL	74,452	76,685
after 12 months		
Trade payables	187	0
Leases - due after 12 months	22,805	24,632
TOTAL	22,992	24,632
TOTAL	97,444	101,317

Amounts due for leases due after 5 years amounted to € 15.7 million.

Payables to associated companies

The total of Euro 145 thousand breaks down as follows (in thousands of Euros):

	December 2011	December 2010
Aquafil Polymers G.m.b.H.	58	60
Aquafil Tecnopolimeros S.l.	49	39
Aquafil Distribution S.r.l.	38	35
Metexa BVBA	0	0
TOTAL	145	134

Payables to parent companies

Payables within 12 months amount to Euro 2,592 thousand and relate to payables for taxes for the option made by some Italian companies of the Aquafil Group to use the consolidated taxation mechanism of Aquafin Holding S.p.A..

The breakdown (Euro thousands) by counterparty company is shown below:

	December 2011	December 2010
within 12 months		
Tessilquattro S.p.A.	1,194	2,047
Aquafil S.p.A.	10	0
Aquafil Engineering Plastics S.p.A.	1,297	4,095
MTX Fibre S.r.l.	9	0
Borgolon S.p.A.	81	0
TOTAL	2,592	6,142

Taxes payable

The total of Euro 2,534 thousand breaks down as follows (in thousands of Euros):

	December 2011	December 2010
within 12 months		
Payables to tax office for IRAP	56	698
Payables to tax office for taxes withheld at source	1,474	1,303
VAT payables	446	343
Due to tax office for other payables	190	159
Due to tax office for other taxes	368	742
TOTAL	2,534	3,245

Payables to social security institutions

These total Euro 2,856 thousand and include the amount owed by the Group companies and their employees at year-end for social security dues from wages for the month of December and for the "13th-month" pay.

Other payables

Other Group companies

The item includes the following payables towards the Aquafin Holding Group companies (in thousands of Euros):

	December 2011	December 2010
Aquafabric S.r.l.	0	8
Aquasava d.o.o.	299	60
Bonazzi R.E. S.r.l.	0	7
TOTAL	299	75

Other creditors

Payables due after 12 months amount to Euro 8,736 thousand and refer to employee payables of Euro 7,290 thousand, the payable for the purchase of the shareholding of the subsidiary Metexa Bvba to be paid on March 31, 2012, in addition to insurance payables.

Payables due after 12 months amount to Euro 3,080 thousand and refer to guarantee deposits of customers of Euro 2,520 thousand and to the payable for the purchase of the shareholding of the subsidiary Metexa Bvba to be paid in instalments on March 31, 2013-2014 for a total amount of Euro 560 thousand.

There are no payables due after 5 years.

ACCRUED EXPENSES AND DEFERRED INCOME

This item includes the following costs and revenues, adjusted to ensure they refer to the financial year under examination (in thousands of Euros):

	December 2011	December 2010
Accrued expenses:		
Interest charges on loans and financing	2,364	1,855
Insurance premiums	59	24
Other	721	800
Commissions	0	0
TOTAL	3,144	2,679
Deferred income:		
Grants for plant and machinery	3,234	3,018
Other	113	231
Grants ex provincial law 6/99	965	2,209
TOTAL	4,312	5,458
TOTAL ACCRUED EXPENSES AND DEFERRED INCOME	7,456	8,137

- Interest payable on mortgages and loans include accrued interest on shareholders loan, as calculated from November 25, 2011 to December 31, 2011, equal to Euro 1,887 thousand.
- Deferred income relating to set-up grants of Euro 3,018 thousand relates to grants mainly granted on the recycling project Econyl being implemented at the Slovenian company Julon d.d.. Grants have been received from the Slovenian Ministry of Economy and have been fully collected.
- Deferred income of provincial grants disbursed pursuant to Provincial Law 6/99 relate to the research project previously commented in the paragraph dedicated to receivables from others.

MEMORANDUM ACCOUNTS

Bills in circulation

These consist of Euro 797 thousand for bills of exchange and cheques presented to banks by the Parent Company and still outstanding at year-end.

Collateral and bank guarantees issued in favour of Parent Company

These refer for Euro 16,630 thousand to mortgages and guarantees with banks on behalf of the Parent Company for lines of credit from banks, whose residual debt at December 31, 2011 amounts to Euro 2,020 thousand.

Guarantees received

Guarantees for Euro 8,800 thousand were given as warranty for the return of products in relation to commercial contracts.

Derivative financial instruments

In June 2009 Aquafil S.p.A. signed a forward contract for 13,000 Certified Emission Reductions (CERs) with Fortis Bank at a price of Euro 11.77 each. The contract expires in December 2012. The fair value of the contract is not significant.

Notes to the profit and loss account

VALUE OF PRODUCTION

Revenues from sales and services

Revenues from sales and services consist of (Euro thousands):

	December 2011	December 2010
by business line		
Polyamide, polypropylene and other polymers, ammonium sulphate and other chemical derivatives	477,140	423,745
Engineering	2,615	1,723
Other revenues	15,547	6,843
TOTAL	495,302	432,311
by geographical location		
Italy	124,401	112,719
abroad	370,901	319,592
TOTAL	495,302	432,311

Revenues from sales and services included revenues from the following unconsolidated Group's subsidiaries (in thousands of Euros):

	December 2011	December 2010
Aquafil Distribution S.r.l.	2,841	2,893
Aquafil Tecnopolimeros S.l.	1,558	1,740
Aquafil Polymers GmbH	575	555
TOTAL	4,974	5,188

Capitalisation of internal construction costs

The aggregate, which amounts to Euro 1,684 thousand, is mainly made up of the costs incurred within the Group for the construction of machinery and equipment.

Other revenues and income

The account is comprised as follows (in Euro thousands):

	December 2011	December 2010
Grants related to income	2,329	1,466
Grants related to income	2,329	1,466
Other revenues and income		
Rental income	62	84
Gains on fixed assets disposal	163	94
Insurance compensation payments	26	37
Recovery of expenses	143	155
Rounding	4	0
Overaccruals	12	3
Other income	1,265	307
Utilization of other provisions	474	1,446
Grants for plant and machinery	0	3
Other revenues and income	2,149	2,129
GRAND TOTAL	4,478	3,595

Grants relating to income of Euro 2,329 thousand relates to the grant received on the research project referred to in the account "Receivables from others over 12 months" of Euro 1,244 thousand, to the grant received from the "Olivi Fund" for Euro 150 thousand, to the grant of Euro 235 thousand equivalent on the incentive tariffs relating to construction and running costs and for the production of energy from the photovoltaic plant installed in the year, and Euro 566 thousand received by Aquafil Jiaying relating to the investment project and other minor amounts.

Costs of production

Raw materials, supplies, consumable stores and merchandise

The account is comprised as follows (in Euro thousands):

	December 2011	December 2010
Raw materials and semifinished goods	285,057	231,086
Supplies and consumable stores	22,568	18,018
Other purchases and merchandise	6,222	7,866
TOTAL	313,847	256,970

Personnel costs in 2010 of Euro 184 thousand were reclassified to the account "Service costs".

Services

The breakdown is as follows (Euro thousands):

	December 2011	December 2010
External processing	3,606	3,187
Transport of purchases	1,134	1,904
Electricity, propulsive energy, water and gas	31,496	27,758
Maintenance	4,377	4,641
Warehousing, management of external deposits	4,148	2,669
Cleaning and security	1,042	978
Waste disposal	950	679
Stationery	276	242
Post and telephone charges	509	514
Insurance	1,220	1,110
Services for staff	609	423
Technical consultancy	1,420	1,444
Fees for technical assistance	204	118
Commercial consultancy	153	180
Legal, tax and administrative consultancy	974	1,089
Company expenses	24	20
Membership fees	252	227
Newspapers and magazines	37	37
Enasarco commissions and contributions	4,737	3,971
Travelling	1,984	1,720
Commercial information	88	74
Fairs and exhibitions	269	210
Advertising expenses	748	577
Insurance credits	1,127	1,412
Entertainment expenses	927	826
Transport of sales	13,346	12,296
Other sale expenses	877	735
Other services	419	311
Emoluments for Statutory Auditors	199	189
Emoluments for Directors	2,342	1,980
Temporary work	736	796
Canteen	684	613
Non-bank charges and commissions	162	72
Consulting and rental costs ICT assist.	3,277	2,586
TOTAL	84,352	75,591

We report that the total value of emoluments for the directors and statutory auditors of the Parent Company Aquafil S.p.A. for the fulfilment of their functions, including for other companies included in the consolidation area, amounted to Euro 1,857 thousand and Euro 92 thousand respectively.

Pursuant to paragraph 16-bis of article 2427 of the Italian Civil Code introduced by Legislative Decree 39/2010, below are broken down all the fees paid to the independent auditors who carry out statutory audit activities.

Company	Activity	Annual Fees
Aquafil S.p.A.	Statutory Audit	79
Aquafil S.p.A.	Audit of Consolidated Accounts	15
Aquafil Engineering Plastic S.p.A.	Statutory Audit	30
Aquaspace S.p.A.	Statutory Audit	8
Borgolon S.p.A.	Statutory Audit	15
MTX Fibre S.r.l.	Statutory Audit	8
Tessilquattro S.p.A.	Statutory Audit	10
TOTAL		165

The amounts refer to the proposals approved by the respective shareholders' meetings, in addition to expenses and inflation related increases, for the 3-year period 2010-2012, and include quarterly reviews.

Rents, leasing and similar costs

The breakdown is as follows (Euro thousands):

	December 2011	December 2010
Rent	747	683
Industrial rent	1,207	1,120
Operating leasing	702	678
Leasing fees	0	0
Commercial rent	62	74
TOTAL	2,718	2,554

Personnel costs

Personnel costs are broken down in the profit and loss account.

The number of employees at the end of the year, by category, is provided as follows:

	December 2011	December 2010	Average
Production workers	1,686	1,546	1,616
Office staff	438	401	420
Middle managers	42	46	44
Managers	31	33	32
TOTAL	2,197	2,026	2,112

Depreciation, Amortisation and write-downs

The account is comprised as follows (in Euro thousands):

	December 2011	December 2010
a) Amortisation intangible assets	2,961	2,766
b) Depreciation	21,957	18,580
d) Writedowns of current accounts receivable and cash and cash equivalents	920	1,498
TOTAL	25,838	22,844

Changes in raw materials, ancillary and consumables

Reference is made to the information reported in the previous paragraph dedicated to inventories.

Provision for risks

The provision amounts to Euro 132 thousand and refers to the supplementary indemnity provision for agents.

Other operating charges

The account is comprised as follows (in Euro thousands):

	December 2011	December 2010
Non-deductible VAT	45	38
ICI (Council tax)	705	639
Various taxes	65	92
Capital losses on disposal of assets	27	41
Losses on receivables	5	125
Rounding	0	0
Bonuses to customers	3	2
Other costs	565	380
Scholarships	31	26
Sanctions and fines	51	10
TOTAL	1,498	1,354

FINANCIAL INCOME AND CHARGES

INVESTMENT INCOME

Investment income from associated companies relates to dividends received by the company Aquafil Engineering Plastics S.p.A. from the associated companies Aquafil Distribution S.r.l. for Euro 51,920 and Aquafil Polimers GmbH for Euro 15,000.

Investment income from other companies relates to the gain realised from the sale of the investment in Aquafil Solaris Srl.

OTHER FINANCIAL INCOME

Income from non-current receivables amounts to Euro 1,915 thousand and relates to interests on loans to the parent company Aquafil Holding S.p.A.

Other income comprises (Euro thousands):

	December 2011	December 2010
Miscellaneous interest	56	67
Interest income on bank accounts	247	163
Interest income from customers	3	50
Financial discounts receivable	0	1
TOTAL	306	281

INTEREST EXPENSE AND OTHER FINANCIAL CHARGES

The account is comprised as follows (in Euro thousands):

	December 2011	December 2010
Interest expense on HC Romeo Srl loan	6,505	5,858
Interest expense on current accounts with banks	651	268
Interest on mortgage loans	3,756	2,824
Interest on bank borrowings	28	0
Interest expense to other lenders	125	423
Interest expense on export advances	1,159	637
Interest expense on import loans	325	210
Discounts on commercial bills	1,132	871
Factoring expense	244	51
Interest expense on commercial operations	10	21
Interest payable to leasing companies	875	1,066
Bank expenses and commissions	605	679
Cash discounts	3,944	3,285
Swap contracts expense	139	0
Other charges	0	5
TOTAL	19,498	16,198

The increase in the interest expense to HC Romeo is due to the increase in the payable for interest capitalised.

EXCHANGE GAINS AND LOSSES

This item included the gain and losses on currency exchange for the year. The account also includes the exchange differences not realised for the adjustments at year-end.

VALUE ADJUSTMENTS TO FINANCIAL ASSETS

REVALUATIONS

This item refers to the income deriving from the valuation of investments in associated companies based on the net equity method.

WRITE-DOWNS

This item refers to the cost deriving from the valuation of investments in associated companies based on the net equity method.

EXTRAORDINARY INCOME AND CHARGES

INCOME

The account is comprised as follows (in Euro thousands):

	December 2011	December 2010
Gains on assets disposal	-1	8
Overaccruals	327	285
Prior years' taxes	4	6
Other extraordinary income	109	70
Collection of bad debts	0	4
TOTAL	439	373

CHARGES

The account is comprised as follows (in Euro thousands):

	December 2011	December 2010
Losses on disposal of assets	0	245
Loss on sale of investments	168	0
Deferred tax liabilities	11	17
Underaccruals	680	215
Other extraordinary charges	374	180
Costs relating to staff transfers/temporary outplacement	409	435
TOTAL	1,642	1,092

Specifically:

- the "losses from investment sales" relates to the liquidation of the company Aquafil Fibres and Polymers (Jiaxing) Co. Ltd – Republic of China, held 100% by Aquafil S.p.A., consolidated in 2010 under the equity method.
- "costs relating to staff transfers/temporary outplacement" principally relate to the company Aquafil Engineering Plastics S.p.A. and are relate to leaving incentives for corporate restructuring made in 2011;

INCOME TAXES FOR THE YEAR

The breakdown is as follows (Euro thousands):

	December 2011	December 2010
Current taxes:		
Current taxes - Ires	2,586	2,992
Current taxes - Irap	1,788	1,763
Other taxes	(175)	869
TOTAL	4,199	5,624
Deferred taxes:		
Ires - Deferred tax assets and liabilities	(701)	82
Irap - Deferred tax assets and liabilities	19	34
Other deferred tax assets and liabilities	1,069	354
Total	387	470
GRAND TOTAL	4,586	6,094

The following table shows a break-down of the temporary differences which entailed the recognition of deferred tax assets and liabilities (in Euros):

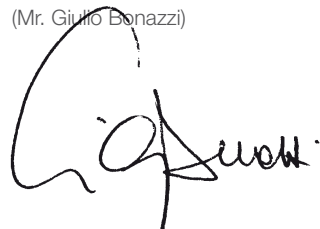
	December 2011	December 2010
Current taxes:	4,199	5,624
Temporary differences from statutory financial statements	Taxes	Taxes
tax losses carried forward	(1,291)	180
amortisation and depreciation	1,345	(169)
elimination of tax interferences	(28)	(74)
write-down of receivables		215
supplementary indemnity provision for agents	76	(25)
other	416	(125)
Consolidation transactions:		
IAS 17	(457)	(24)
depreciation/gains	403	570
tax losses	-	607
other transactions for conformity to accounting principles	(77)	(685)
Total	387	470
GRAND TOTAL	4,586	6,094

Aquafil S.p.A., Aquafil Engineering Plastics S.p.A., Aquaspace S.p.A., Tessilquattro S.p.A., MTX Fibre S.r.l. and Borgolon S.p.A. opted for the group taxation procedure as chosen by Aquafin Holding S.p.A. for the 2010-2012 three-year period in accordance with Article 177 and ff. of the Income Tax Code.

Therefore, the financial statements take account of the effects of the transfer of tax positions arising from the “tax consolidation” and specifically recognise the consequent credit/debt relationships towards the consolidating company.

Arco, March 29, 2012

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

A handwritten signature in black ink, appearing to read 'Giulio Bonazzi', written over the printed name.

NTF

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65. Cash Flow Statement



AQUAFIL GROUP - CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2011
CASH FLOW STATEMENT

(in thousands of Euros)

2011
2010
Cash flow from operations

Profit (Loss) for the Year	5,941	10,943
Amortisation, depreciation	24,918	21,346
Net change in provision for staff termination pay	(170)	(1,354)
Net change in provisions for risks	1,204	(2,806)
(Increase) / Decrease in inventories	(31,866)	(23,008)
(Increase) / Decrease in accounts receivables from customers	13,439	(397)
(Increase) / in inventories due to change in consolidation area	0	27
(Increase) / Decrease in accounts receivables from associated companies	591	(892)
(Increase) / Decrease in accounts receivables from parent companies	1,530	(1,270)
(Increase) / Decrease in others accounts receivables	231	(133)
(Increase) / Decrease in tax receivables	(1,412)	165
(Increase) / Decrease in deferred tax assets	227	1,521
(Increase) / Decrease in accrued income and prepaid expenses	(641)	33
Increase / (Decrease) in advance payments	1,673	(844)
Increase / (Decrease) in accounts payable to suppliers	(3,872)	11,891
Net change in accounts payable to suppliers due to change in consolidation area	0	54
Increase / (Decrease) amounts due to subsidiaries	(408)	408
Increase / (Decrease) in accounts payable to associated companies	10	9
Increase / (Decrease) in taxes payable	(711)	1,043
Increase / (Decrease) in accounts payable to social security institutions	120	182
Increase / (Decrease) in other accounts payables	(382)	681
Increase / (Decrease) in accrued expenses and deferred income	(680)	6,105
	9,742	23,703

Investments

Investments in tangible assets	(23,937)	(34,602)
(Increase) / Decrease in tangible assets due to change in consolidation area	0	1,145
Investments in intangible assets	(1,618)	(2,503)
Increase in intangible assets due to change in consolidation area	0	18
Disposal of tangible assets	1,128	316
Disposal of intangible assets	4	355
Net effect in tangible / intangible assets due to exchange rates differences	(1,514)	(1,540)
Increase in equity investments	(829)	(11)
Decrease in equity investments	650	0
	(26,128)	(36,822)

AQUAFIL GROUP - CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2011
CASH FLOW STATEMENT

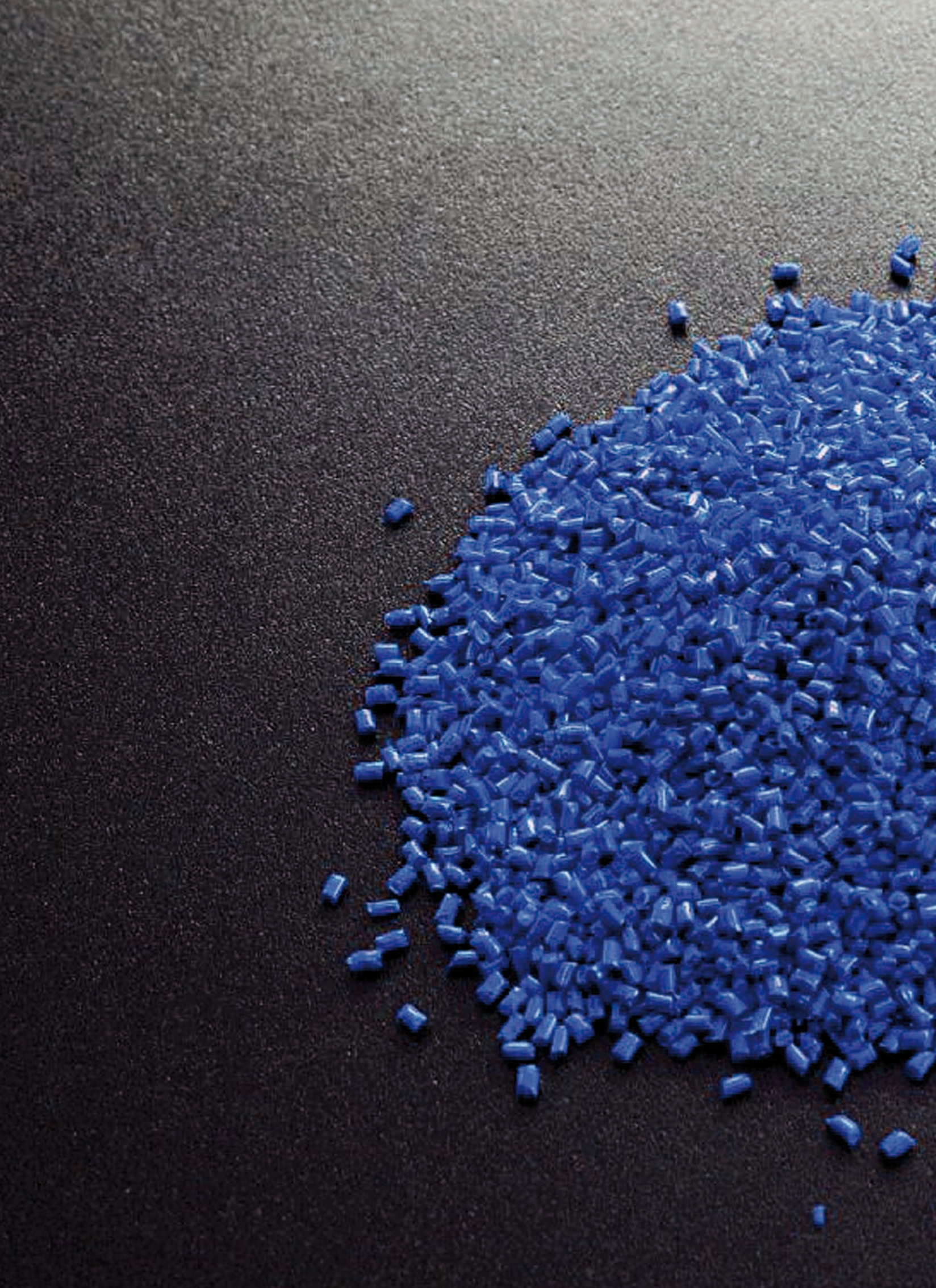
(in thousands of Euros)

2011
2010
Borrowings and lendings

(Increase) / (Decrease) in financial accounts receivable from subsidiaries	300	(300)
(Increase) / Decrease in financial accounts receivable from parent companies	(26)	(18,443)
Effect of exchange rate differences on amounts due to others	(4)	(2)
(Increase) / Decrease in other financial accounts receivable	0	18,393
Increase in amounts due to banks	27,653	46,917
Reimbursement of loans	(227)	0
Loans and short-term transfer of amounts due to banks	(20,798)	(39,048)
Exchange rate differences on loans	319	(57)
Reimbursement of bonds	0	(3,465)
Exchange differences on bonds	0	277
Increase / (Decrease) in accounts payable to associated companies	(484)	0
Increase / (Decrease) in accounts payable to parent companies	(3,550)	2,957
Increase / (Decrease) in amounts due to shareholders financial payables	5,682	3,596
Distribution of dividends	(10,000)	0
Other changes in reserves	6	(233)
Other changes in reserves due to change in consolidation area	(247)	(146)
Net effect of translation differences	649	984
	842	11,430

Total cash flow
(15,544)
(1,689)
Cash and banks - opening balance (*)
(70,279)
(68,590)
Cash and banks - closing balance (*)
(85,823)
(70,279)

(*) total of cash and cash equivalent, other securities in current assets and amounts due to banks within 12 months.



A large pile of blue, rectangular pellets, possibly representing data or a large volume of information, is scattered on a dark, textured surface. The pellets are concentrated in a large, irregular pile on the left side of the image, with some scattered individually or in small groups across the rest of the surface. The background is a dark, mottled grey or black with a fine, grainy texture.

71. Report of the Board of Statutory Auditors

72. Auditors' report

Board of Statutory Auditors' report on the Consolidated Financial Statements at December 31, 2011

Dear Shareholders,

We have examined the Group's Consolidated Financial Statements at December 31, 2011, as prepared by the directors and notified to the Board of Statutory Auditors, together with the Directors' Report.

The consolidated financial statements, like the statutory accounts, are audited by PricewaterhouseCoopers S.p.A. who issued today their report and do not highlight any significant issues.

The consolidation principles and the valuation methods applied are in line with those used in the previous financial year.

The consolidation scope did not change in 2011 as stated in the Notes to the Financial Statements.

The consolidated Balance Sheet shows a consolidated net profit for the year for the group of Euro 5,941 thousand and is summarised in the following values in Euro/000.

BALANCE SHEET

Assets	488,270
Liabilities	409,445
Shareholders' equity	78,825
- minority interest share	613
- Group share	78,212
Total Liabilities and Shareholders' Equity	488,270
Guarantees, commitments, risks and other memorandum accounts	26,227

The Consolidated Income Statement is summarised as follows:

INCOME STATEMENT

A) Value of production	520,421
B) Costs of production	-492,990
Difference A)-B)	27,431
C) Financial income and charges	-15,712
D) Adjustment to financial assets	11
E) Extraordinary income and charges	-1,203
Profit before taxes	10,527
Income taxes for the year	-4,586
Net profit for the year	5,941
Profit pertaining to minority interests	0
Profit pertaining to the Group	5,941

From an overall examination we note that the present consolidated financial statements have been prepared in accordance with the provisions of the Italian Civil Code introduced by Legislative Decree no. 127/1991 implementing the VII EEC Directive, as interpreted and supplemented by the Principles issued by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (Italian Accounting Profession).

Therefore, we agree on the determination of the consolidation scope, the consolidation principles and the procedures adopted, as described in detail in the Notes.

Arco, April 14, 2012

The Board of Statutory Auditors

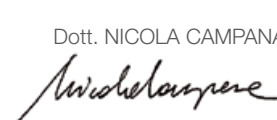
Dott. PIETRO MONTI



Dott. ANDREA FASAN



Dott. NICOLA CAMPANA





AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

To the shareholders of
Aquafile SpA

1. We have audited the consolidated financial statements of Aquafile Group as of 31 December 2011. The directors of Aquafile SpA are responsible for the preparation of these financial statements in compliance with the laws governing the criteria for their preparation. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes as required by law, reference is made to our report dated 14 April 2011.

3. In our opinion, the consolidated financial statements of Aquafile Group as of 31 December 2011 comply with the laws governing the criteria for their preparation; accordingly, they have been prepared clearly and give a true and fair view of the financial position and result of operations of the Group.
4. We wish to emphasise that significant transactions exist with other companies of the Aquafin Holding Group (formerly Bonazzi Group), of which the most significant are described by the Directors in the explanatory notes in chapter "Receivables from parent companies".

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n. 43 dell'Albo Consob - Altri Uffici: Bari 70124 Via Don Luigi Guanella 17 Tel. 0805640211 - Bologna Zola Predosa 40069 Via Tevere 18 Tel. 0516186211 - Brescia 25123 Via Borgo Pietro Wührer 23 Tel. 0303697501 - Catania 95129 Corso Italia 302 Tel. 095733231 - Firenze 50121 Viale Guasconi 15 Tel. 0552483811 - Genova 16121 Piazza Dante 7 Tel. 01029041 - Napoli 80121 Piazza dei Martiri 58 Tel. 08136181 - Padova 35138 Via Vicenza 4 Tel. 049873481 - Palermo 90141 Via Marchese Ugo 50 Tel. 091349737 - Parma 43100 Viale Tanara 20/A Tel. 0521242848 - Roma 00154 Largo Fochetti 29 Tel. 06570251 - Torino 10122 Corso Palestro 10 Tel. 011556771 - Trento 38122 Via Grazioli 73 Tel. 0461237004 - Treviso 31100 Viale Felissent 90 Tel. 0422696911 - Trieste 34125 Via Cesare Battisti 18 Tel. 0403480781 - Udine 33100 Via Poscolle 43 Tel. 043225789 - Verona 37135 Via Francia 21/C Tel. 0458263001

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5. The directors of Aquafil SpA are responsible for the preparation of a report on operations in compliance with the applicable laws. Our responsibility is to express an opinion on the consistency of the report on operations with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard No. 001 issued by Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili and recommended by CONSOB. In our opinion, the report on operations is consistent with the consolidated financial statements of Aquafil Group as of 31 December 2011.

Trento, 14 April 2012

PricewaterhouseCoopers SpA

Signed by

Alberto Michelotti
(Partner)

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



Aquafil S.p.A.

Via Linfano, 9

38062 Arco (Tn)

T +39 0464 581111

F +39 0464 532267

info@aquafil.com



www.aquafil.com