Consolidated Financial Statement

31-12-2008

1208







- 2. Dati di rilievo Important figures
- 4. Struttura del Gruppo Group structure



5. Relazione sulla gestione del Gruppo Aquafil Aquafil Director's Report



15. Bilancio consolidato di Gruppo al 31/12/08 Consolidated Financial Statement 31-12-2008

INDICE INDEX



21. Nota integrativa
Notes to the Financial Statements



47. Rendiconto finanziario Cash Flow Statement



- 49. Relazione del Collegio Sindacale Report from the Board of Statutory Auditors
- 51. Relazione della Società di Revisione Report from the indipendent Auditing firm

Board of Directors

GIULIO BONAZZI President & CEO
CARLO BONAZZI Honorary President

BRUNO TORRESANI Director
ADRIANO VIVALDI Director
ANTONIO BONAZZI Director

Board of Statutory Auditors

PIETRO MONTI President

PAOLO NICOLAI Standing member
MARIO ZAMBOTTI Standing member
ANTONIO ZACCARIA Alternate member
FRANCESCO LENTINI Alternate member

Indipendent Auditor

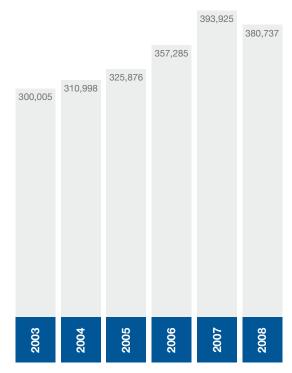
PRICEWATERHOUSECOOPERS



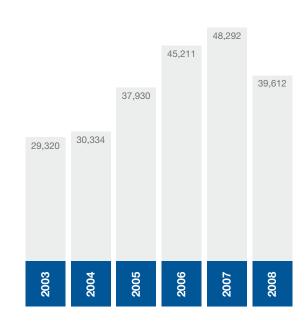
Consolidated Financial

Important figures

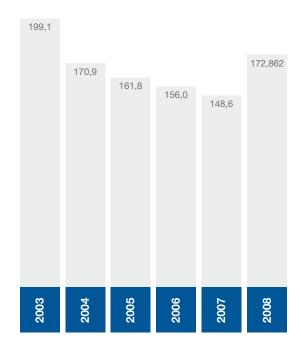
consolidated turnover (in € million)



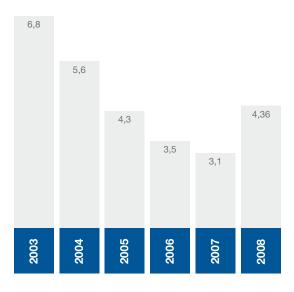
ebitda (in € million)



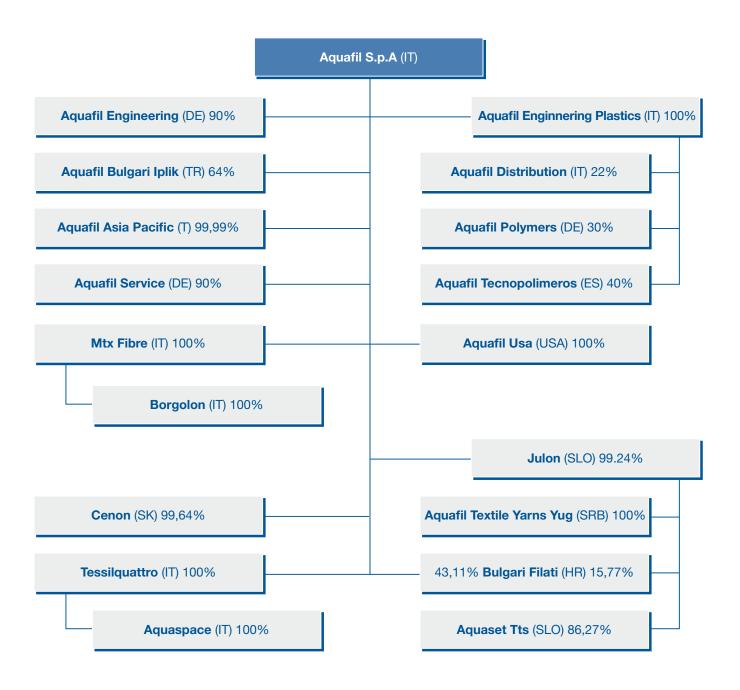
net financial position (in € million)

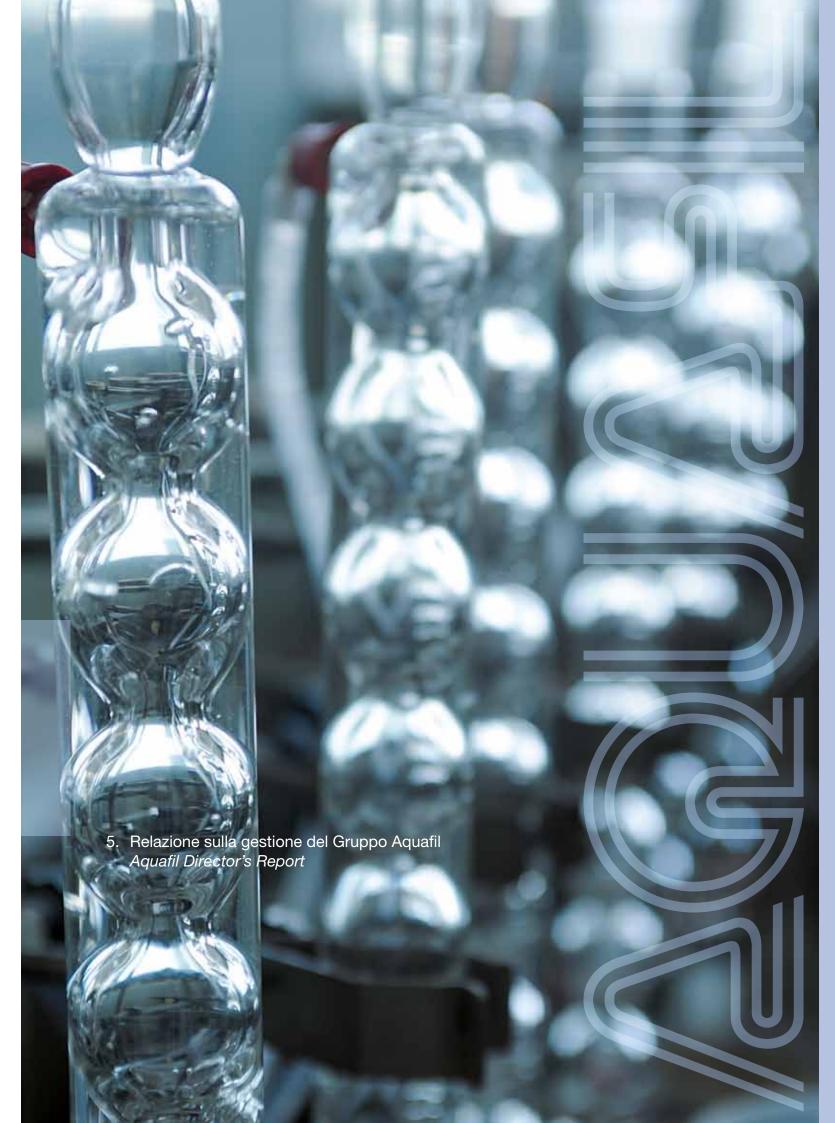


nfp/ebitda (in € million)



Group structure





Directors' report - Aquafil Group

The Board of Directors of the parent company Aquafil S.p.A. prepared the consolidated financial statements of Aquafil Group for the financial year 2008 in accordance with the provisions set forth in Legislative Decree No. 127 of 9 April 1991 and Legislative Decree No. 32/2007.

MANAGEMENT AND CONTROL BODIES

The Board of Directors and the Board of Statutory Auditors of the Parent Company Aquafil S.p.A. are composed of these members:

Board of Directors:

Giulio Bonazzi Chairman and Managing Director

Carlo Bonazzi Honorary Chairman Bruno Torresani Managing Director Adriano Vivaldi Managing Director

Antonio Bonazzi Director

Board of Statutory Auditors:

Pietro Monti Chairman of the Board of Statutory Auditors

Paolo Nicolai Permanent statutory auditor
Mario Zambotti Permanent statutory auditor

The Board of Directors and the Board of Statutory Auditors will be in office until the approval of the financial statements for the year 2010.

The Independent Auditors appointed for the 2007-2009 period are PricewaterhouseCoopers S.p.A.

THE AQUAFIL GROUP

The Aquafil Group, through the Group companies, is engaged in the production and sale of synthetic fibres, polymers and engineering activities.

It is organised in these business units:

- BCF synthetic fibres for textile floor covering and system engineering activities
- synthetic fibres for textile uses
- technopolymers (engineering plastics) for plastics moulding
- energy and recycling

The Group business is carried out by 16 companies in 9 countries. Sales to third parties 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 non-EU companies for sales to local markets.

In the year 2008 the Group acquired 100% of the share capital in Borgolon S.p.A., specialising in the production and sale of solution dyed synthetic fibres for textile uses. Changes in 2008 items from 2007 items due to the change in the scope of consolidation as a result of the first-time consolidation of Borgolon are individually specified in the Notes.

GROUP CONSOLIDATED HIGHLIGHTS

Profit and loss account highlights (amounts in thousands of euros):

Description	2008	2007
Net revenues	380.737	393.925
EBITDA	39.612	48.292
EBIT	21.958	30.364
Net profit/ (loss) before taxes	4.952	10.138
Net profit/ (loss) attributable to minority interests	185	116
Net profit/ (loss) attributable to the Group	1.486	4.278

Consolidated balance sheet and cash flow statement highlights (amounts in thousands of euros):

Description	31/12/2008	31/12/2007
Net financial debt	- 172.862	- 146.087
Consolidated Shareholders' equity	83.023	63.362

EBITDA, EBIT and "Net financial debt" were determined on the basis of a reclassification of items according to the statements below with no adjustments.

GROUP PERFORMANCE AND 2008 RESULTS

Economic background

The aspect that mostly marked the year 2008 was undoubtedly the deep economic crisis that hit the entire world economy in the last part of the year, triggered by the US subprime mortgage crisis and emphasised by the serious crisis of some of the main US and European banking institutions. The recession in which the economies of the major industrialised countries plunged was also originated by real causes prior to autumn 2008, such as the commodities shock, the bursting of the housing bubble, the rise in interest rates, the revaluation of the euro/US dollar exchange rate. The crisis mostly hit countries whose real estate and financial segments are more exposed, such as Spain, Ireland and the United Kingdom, as well as the United States. The crisis also involved emerging countries, especially Asian and Eastern European countries, as these are more dependent on export, and reduced their role as boosters of the global growth.

The year 2008 overall ended with a slowdown in world commerce, which grew by 5% as compared with 7.2% in 2007 and 9.3% in 2006. US GDP rose by 1.2%, the euro area GDP grew by 1%, and Italy's GDP is expected to fall by 0.5%. In an effort to boost economy, the US and European central banks reduced the cost of money to an all-time low: the FED cut interest rates from 3.5% in January 2008 to 0.25% in December, with an inflation rate of 4% at year-end; the BCE, more preoccupied with inflation pressures, reduced the cost of money from 4.25% in July 2008 to 2.5% in December, with an inflation rate of 3.3% on an annual basis. As long as financial markets generally plunged, the euro/US dollar exchange rate revealed a continuous appreciation of the euro during the year, with a rate that was stable at 1.5 US dollars until September, and later dropped to 1.27 in November and went up to 1.35 in December. The annual average rate was 1.47 US dollar per euro, clearly higher than the 2007 average rate (1.37).

The price of oil certainly was one of the factors liable for the slowdown of real economy, before the outbreak of the financial crisis. The speculations that affected most of the raw materials listed in financial markets created a fictitious demand for oil as compared with real transactions, and this brought its price to the value of 147 US dollar per barrel. This rapidly affected the cost of energy, the cost of transportation and the cost of derived products, with consequences in all the economic sectors.

The price of benzene, an oil-derived product at the basis of the caprolactam production process, which is the basic raw material for the production processes of the Aquafil Group, revealed a trend that is little related to the performance of oil. This is because it is not listed in financial markets and thus followed the performance of its real demand/offer: since November 2008 the price dramatically dropped, essentially due to the decrease in demand not only from Europe, but mostly from the Southern-Eastern Asian countries. The performance of the price of caprolactam was the same as that of benzene, with high incidence on the cost of the finished product until October 2008, and a rapid decrease from November.

The cost of electric energy rapidly rose, especially in Eastern European countries, since January 2008 and maintained very high levels until October 2008, when it dramatically returned to the prices of the end of 2007.

Group economic performance

In this scenario of international sudden recession, the Aquafil Group posted limited decrease in consolidated revenues from sales, equal to 3.3% as compared with the previous year: the fall is due to the reduction in sales volumes – mostly in the last part of the financial year – that affected the BCF and Engineering Plastics business units, while the average selling price slightly grew over the previous year. In the last months of the year, some productions in the three business units were slowed down in order to reduce the levels of inventories of semifinished and finished goods, due to the ongoing rapid decrease in the prices of raw materials. Thanks to this, the value of goods produced at higher levels was recovered and supplies for new productions were bought at current prices. Below is an analysis of the profit and loss account:

Ref.	Description	2008	2007
A1	Revenues from sales and services	380.737	393.925
A2	Change in inventories	-8.704	8.147
A4	Capitalisation of internal construction costs	2.462	578
A5	Other revenues and income	7.659	3.307
A	Value of production	382.154	405.957
B6-B11	Purchase of raw materials, supplies and merchand	205.648	226.736
B7-8,B13-14	Cost of services and other operating costs	76.922	73.851
B9	Personnel costs	59.972	57.078
	EBITDA	39.612	48.292
B10a-b	Amortisation and depreciation	16.666	17.428
B10c-d,B12	Provisions and write-downs	988	500
A - B	EBIT	21.958	30.364
С	Net financial income and charges	11.199	15.703
D,E20-21	Net exceptional income and charges, write-downs and revaluations	5.807	4.523
	Net profit before taxes and minority interests	4.952	10.138
E22	Taxes	3.281	5.744
	Net profit before minority interests	1.671	4.394
23	Profit/ (loss) for the year attributable to minority interests	185	116
24	Profit/ (loss) attributable to the Group	1.486	4.278
	Cash Flow (profit + amortisation/ depreciation)	18.337	21.822

Group EBITDA fell from €48.3 million to €39.6 million. The decrease from the previous year is due to the rise in the cost of energy, in lower volumes sold, in operating costs connected with the investment in the Julon Slovenian plant and the transfer of some production phases, the appreciation of the euro against the US dollar on the part of sales to countries in the US dollar areas, and the increase in the cost of labour in Europe. The costs of the investment in the Julon plant, such as the greater cost of energy for the year were recovered in December, such as the euro/US dollar exchange rate, which returned to the levels of 2007.

Amortisation, depreciation and write-downs stood at the same figures for 2007, therefore operating profit (loss) went from €30.4 million to €22 million.

Despite the rise in interest rates, cash flow operations were slightly higher than the cost of borrowings in the previous year, which also included the anticipated settlement of the derivatives on interest rates, which closed in 2007 at €4.9 million.

Exceptional operations are the effect of the sale to third parties of the plant assets of the Slovakian company Cenon S.r.o., which involved the recognition of gains on the sale on one hand and the write-down of goodwill allocated to the company on the other hand. The details of these transactions are illustrated in the Notes.

The tax burden stems from the income taxes in the individual countries where income was realised and from the Italian IRAP tax (regional income tax on productive activities), which alone amounted to €1.5 million. Deferred taxation was also calculated.

Group balance sheet and financing

The table below summarises reclassified consolidated balance sheet items:

Ref.	Description	31/12/2008	31/12/2007
	Non-current assets		
BI (see Note)	Intangible assets	7.558	12.791
BII	Tangible assets	176.455	136.633
A,BIII (see Note)	Financial and other assets	285	2.568
, , ,	Total	184.298	151.992
	Net current assets		
CI	Inventories	93.090	85.245
CII1-4	Accounts receivables from customers	57.342	53.226
CII4bis-5, D	Other accounts receivable	18.188	15.366
	10 Accounts payable from suppliers	-59.330	-63.563
D12-14, E	Other accounts payable	-17.473	-15.989
	Total	91.817	74.285
	Provisions for liabilities and charges and staff termination pay		
С	Staff termination pay	-10.288	-10.339
В	Provisions for liabilities and charges	-9.942	-6.489
	Total	-20.230	-16.828
	Net invested capital	255.885	209.449
Ref.	Description	31/12/2008	31/12/2007
	Net financial debt		
CIII,CIV	Cash and cash equivalents and short-term securities	-20.373	-11.514
,	11 Net financial accounts receivable	-32.412	-15.665
D4 (see Note)	Short-term financial accounts payable to banks	69.010	51.532
D4 (see Note)	Medium/ long-term financial accounts payable to banks	112.771	75.699
D7 (see Note)	Accounts payable to leasing institutions	39.156	40.928
D1,5	Obligations and other financial accounts payable	4.710	5.107
,	Total	172.862	146.087
	Shareholders' equity		
Al	The state of the s	10.504	19.564
	Share capital	19.564	13.304
AII-VIII	Share capital Reserves	60.639	38.281
			38.281
AIX	Reserves	60.639	
AII-VIII AIX AX	Reserves Profit/ (loss) for the year	60.639 1.486	38.281 4.278

The Group balance sheet and financing, as compared with 2007, revealed growth in shareholders' equity due to the net profit for the year and mainly to the revaluation of the properties of the Italian companies Tessilquattro S.p.A. and Aquaspace S.p.A. made on the basis of Article 15 of Legislative Decree 185/2008, for a total amount of more than €18.2 million, less substitute tax of €431 thousand. The corresponding gross amount was posted as to increase tangible assets. After this revaluation, permitted under Italian regulations, the group maintains significant gains not posted as assets and shareholders' equity in relation with properties located in Italy and Slovenia for which fair value adjustments are not permitted under the accounting principles adopted.

Non-current assets significantly rose due to the above-said revaluation of properties, and also to investing activities, which are detailed in the Notes. The most significant investment was the construction of the new 6 and 6.6 nylon spinning plant, for an overall amount of €22 million, which brought an increase in production capacity aimed at the supply of specialised textile yarns for take-or-pay contracts covering several years, together with high automation of spinning units and internal handling. As part of the project, the plants for the texturization process were relocated to Croatia at the reworking site of Bulgari Filati D.o.o.. The other significant investment project made during the year was the extension of the spinning capacity in the plant of Aquafil USA. This was necessary to give more development possibilities to the company in the American market, in consideration of the excellent

results of market penetration achieved with special solution dyed yarns for textile floor covering, even in this period marked by a strong international crisis.

With regard to divestments, it must be reported that during the year the cyclohexanone production plant and part of the plants related to the Slovakian company Cenon S.r.o. were sold to third parties, as formerly described in the Directors' Report of the financial statements 2007. The entire transfer price was collected in 2008.

The performance of net current assets reflects the strategic decision of reducing inventories of semifinished and finished goods, which fell by €5.8 million, while raw materials grew overall by €13.7 million, thanks to the opportunities of raw materials at decreasing prices. Accounts payable to suppliers partially reflect this reduction in prices.

Net financial debt, calculated as in the table above, rose by €26.8 million, mainly as a result of investing activities and partly the increase in net current assets and Borgolon S.p.A.'s debt consolidation.

Thanks to the borrowings for the year the new assets acquired were fully hedged and the hedging index for non-current assets was further increased as a result of new medium-term financing transactions made prior to the outbreak of the financial crisis, i.e. at an adequate cost. Overall, Group medium/long-term accounts payable to banks went from €75.7 million to €112.8 million, while short-term accounts payable to banks went from €40 million to €48.6 million, and include self-liquidating loans. These are detailed in the Notes. Net financial debt includes the net accounts receivable from the Holding Company Gruppo Bonazzi S.p.A. and the associated company Bonazzi RE S.r.I. of €8.9 million and €18 million respectively (financial and interest-bearing accounts receivable), and the account receivable from Trentino Sviluppo of €5.5 million. The repayment of the account receivable from Bonazzi RE S.r.I. is connected to the realisation of the real estate assets it owns. These are more than sufficient to meet Aquafil's receivable as unoccupied properties not pledged to third parties; however, the timing of the sale is conditioned upon the present phase of recession of the real estate market. The amount of bank guarantees (€8.8 million) given by customers to secure the performance of the obligations in take-or-pay supply contracts is not considered for debt reduction since it cannot be turned into cash.

PERFORMANCE BY BUSINESS AND INTRA-GROUP TRANSACTIONS

Group activities are carried out in three major business areas, (a) BCF nylon yarns for textile floor covering, (b) textile yarns for specific uses in the clothing segment, and (c) technopolymers for plastics moulding, together with the traditional plant engineering business. A fourth business unit (d) was created during the year, the "Energy and Recycling" unit, which is commented on in the Environment section.

Business unit of yarns of 6 BCF polyamide for textile floor covering

With regard to the major and traditional business unit of the Aquafil Group, that of yarns of 6 BCF polyamide for textile floor covering, it is confirmed that the industrial structure is based on the productive sites of Aquafil S.p.A., Aquaspace S.p.A., Tessilquattro S.p.A., Julon d.d., Aquaset T.T.S. d.d., Aquafil USA Inc. and Aquafil Asia Pacific Co. Ltd..

The Group does not manufacture carpets, since it stands out for being a producer specialized in fibres not competing with its customers, but acting in close synergy with them with regard to the development of new products requested by the final operators of the contract, residential, automotive and furniture market. In 2008 the Group continued improving its market positioning, strengthening its leading position in Europe, particularly in the "High" section items for contract, in the "solution dyed Chroma" and in the solution dyed yarns. In the last part of the year, due to the international crisis, demand for items for residential use decreased moderately, especially those intended for automotive covering, whose impact is modest because car items now account for a limited portion of the group total turnover. In the year the spinning capacity of the US plant of Aquafil USA Inc. was strengthened to support the growth of special yarns in that market, which represent by far the major world market of textile floor covering and where Aquafil owns a reduced share, with remarkable growth opportunities. In the Asian Far East, Aquafil Asia Pacific Co. Ltd. fully achieved the objectives of the settlement project, not only with Thai customers, but also with the Australian market, to which it is able to give the best commercial responses in terms of selling service from Europe.

Engineering Plastics Business unit

The Engineering Plastic business unit, which operates in the market through Aquafil Engineering Plastics S.p.A., creates technical compounds for moulding, mainly based on 6 polyamide but also on the other main types of polymers. It is a business unit with very high growth potential, thanks to the combination of industrial synergies, R&D and logistics with the BCF business unit, which allows the availability of a very high quality raw material with features that are stable and constant over time. The growing acknowledgement of this quality and innovation capacity achieved on the market is a great commercial and economic satisfaction, which is confirmed by growing and important homologations of Aquafil's polymer formulations for the realisation of certified plastic components. The production integration also allows the full reutilization of spinning waste and re-processing rejects produced by the Group and the production of colouring and opaque masters for the production of yarns necessary in BCF and textile processes.

Business unit of yarns for textile use/clothing

The companies Aquafil S.p.A., Julon d.d., Aquaset T.T.S. d.d., Bulgari Filati d.o.o., Aquafil Textile Yarns Jug d.o.o., Aquafil Bulgari Iplik a.s., MTX Fibre S.p.A. and the newly-acquired Borgolon S.p.A., a well-known name in the coloured yarns for textile use, operate in the production of yarns for textile use/clothing. The business unit produces 6 and 66 polyamide yarns for men's and women's hosiery, knitwear and non-run fabrics in Slovenia, Croatia and Italy.

The economic results achieved in 2008 were lower than budget expectations but positive overall, in consideration of (a) the exceptional costs due to the plant structure reorganisation of Julon and Bulgari Filati doo, which involved a significant reorganisation and layout of the two plants mostly using process automation, (b) the selling potential obtained with the broadening of offers and customers served through new dyed items and (c) the improvement of the market share, thanks to the competitive advantages of production quality and reliability. The most relevant issue of the year was the completion of the industrial project which led to the reorganisation of textile productions in Slovenia and Croatia and the extension of spinning lines aiming at supplying new customers, which started on a test basis in the last part of the year and were fully operated since January 2009 for binding contracts covering several years. The investment totalled more than €22 million and was fully covered by medium-term sources of financing. To secure the fulfilment of product recall contractual obligations, advances of €5 million were obtained from customers by way of guarantee and bank guarantees of €8.8 million. The year 2008 was marked by the entire investment spending, while operating profitability has not benefited yet from the economic return of new supplies. These will bring results starting with 2009.

Other activities

With reference to the chemical activities of the subsidiary Cenon Sro, owner of the caprolactam and cyclohexanone plants and production licences, during the year a part of the plants for the cyclohexanone production process (€16 million) and other plants and equipment for the caprolactam production process were sold and consideration was collected.

Cenon Sro remains the owner of the land building lease covering several years, properties and non-specific plants, inventories and licences and know-how of the caprolactam and cyclohexanone production processes, whose total residual value is posted for an amount of €13.1 million.

The net carrying amount of non-current assets and inventories, which are expected to be sold in the years 2009 and ff. was €7.8 million and mainly relates to the real estate and service plant part. The estimated realisable value confirms the recoverability of the net carrying amount posted in the consolidated financial statements.

Aquafil Engineering G.m.B.H., together with the other subsidiary **Aquafil Service G.m.B.H.**, is in charge of plant engineering activities and acquired important engineering works for the construction of polyester polycondensation and nylon production plants in Europe and in Far Eastern countries, achieving positive earnings, up from 2007 figures.

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 Parent 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 activities between the Parent 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 Gruppo Bonazzi S.p.A., which some companies of the Aquafil Group opted for.

Aquafil S.p.A. performed limited commercial transactions, directly or through its subsidiaries, with other companies of the Bonazzi Group, Aquasava D.o.o. and Orofilum d.o.o., and financing transactions with Bonazzi RE S.r.l..

All transactions with related parties are detailed and commented on in the Notes.

RESEARCH AND DEVELOPMENT ACTIVITIES

Research and development activities for the year 2008 were marked by the continuation of the project for the implementation of a new fibre for the transport sector, financed pursuant to Provincial Law 6 of 13/12/99 and conducted in collaboration with Università degli Studi di Trento, which had important effects on several application for textile floor covering, with high covering features, easy cleaning, mechanic resistance and resistance to fire. In support of this project, which covers more financial years, the Autonomous Province of Trento resolved on 31 January 2008 a grant for research expenses pursuant to Provincial Law 6 of 13/12/99 which was already collected (€1.4 million), as permitted by provincial regulations.

The research project continued together with other industrial partners and important research bodies such as Università degli Studi di Venezia and Università degli Studi di Firenze, finalized to the study of mechanic, electric, thermal and chemical potentialities of the nanoparticles applied to the engineering of polymers and of the subsequent effects on the uses of the same with textile applications. During the year two new research projects were started on floor covering fibres, will continue in 2009 and aim at developing a polyamide yarn using a new spinning technology for new final uses.

In 2009 a project will also commence for a recycled fibre obtained through a new-concept production process based on a chemical transformation technology which, also with the know-how of the Group company Cenon S.r.o. regarding the chemical processes of cyclohexanone and caprolactam, has the objective of making a fibre suitable for floor covering obtained by recovering post-industrial and post-consumptions wastes.

In the specific Engineering Plastics sector, we have developed new compounds specifically studied to meet the requirements of the final users of plastic components, in the various final fields of application of electric, electronic, transport, leisure time, packaging and mechanic industry, a part of which obtained production homologations from the final users.

Within the textile business unit, by means of the research on the patented MTX® fibre, we improved certain features of fibres for bathroom and underwear, while research on conductive filaments and bi-components continued.

In the plant engineering sector, a new technology was developed for component separation which allows the differentiated recycling of waste plastic products, with several benefits in the recoverability and valorisation of the products obtained.

Regarding costs incurred for research and development activities, some Italian companies of the Group use the tax benefit under Law 244/07, Article 1, paragraphs 53 and 66, and the detaxation for IRAP purposes under Law 296/06, Article 1, paragraph 266.

INFORMATION ON ENVIRONMENT

Environment-friendliness is a key factor for the Group competitiveness and sustainability, and is represented by the compliance with environmental laws.

During the year a <u>business unit "Energy and Recycling"</u> was created to support the three traditional business units with the objective of promoting for the Aquafil Group:

- 1. the use of environmental low-impact energy in the Group production activities,
- 2. the use of recycling raw materials,
- 3. the culture of sustainability within the Group and in the relations with stakeholders.

The new business unit, through a dedicated specialised organisation, started two projects in the field of renewable energies, one for the production of photovoltaic energy and one for the production of hydro-electric energy: two specific companies were purchased in 2009 for the management of these projects by share capital increase, Aquafil Solaris S.r.l. and Aquafil Power S.r.l., whose business started in the first months of 2009.

The new business unit is also in charge of all the aspects connected with the compliance of the **REACH EC 1907/2006** regulation, through a dedicated organisation named Aquafil Reach Team. The application of this regulation requires a continuous exchange of information between customers and suppliers along the procurement chain in order to allow the proper recording of substances by those required to do so. In this context, the Aquafil Group established that the products marketed by its individual legal entities do not contain the SVCH substances in the list published by the ECHA on 28/10/2008. Being a downstream user, the Group created a close collaboration with its suppliers, providing them with all the information on the use of the substances, in order to ensure that the raw materials used are recorded properly and that its own production process is maintained to protect the production continuity of its customers' processes.

Finally, as regards the continuous improvement of territory protection policies and the management of environmental issues, the Group is preparing for the second year the **Sustainability Annual Report**, where sustainable development objectives are presented, the present situation is analysed and working groups and actions for the improvement cycle for the sustainability profiles of individual companies of the Aquafil Group are permanently monitored.

There are no environmental pending lawsuits or disputes.

HUMAN RESOURCES

The total number of employees of the Group in 2008 was unchanged from 2007, because the total increase of 49 people from 1,829 in 2007 to 1,878 at 31/12/2008 is due to the entry of Borgolon S.p.A. into the scope of consolidation with 76 employees. A breakdown is provided in the Notes.

During the year the constant dialogue with the Trade unions and the workers' representatives continued, in order to manage in the best way possible the consequences on workers of the measures necessary to timely respond to the worsening of the general market conditions in the last part of the year. Aquafil S.p.A., Aquaspace S.p.A., Tessilquattro S.p.A. and Borgolon S.p.A., in order to anticipate the effects on the value of the stocks deriving from the rapid decrease in the price of raw materials in the last months of the year, have started a strong reduction in the levels of inventories of semifinished and finished goods since October 2008, and productions were slowed down accordingly, using ordinary wage guarantee funds for 22,070 hours in total.

Industrial relations activities included the opening of a concertation round-table with unitary workplace union structure and the trade unions of Group companies, with the support of category associations for the revision of performance bonuses based on efficiency and quality parameters. New organisation structures were introduced for workers' turnover in Tessilquattro and a new flexibility agreement was made in Aquafil Engineering Plastics.

The Group adopts mechanisms of variable remuneration to link the remuneration dynamics of the various employees' categories to the achievement of productivity, economicity and quality objectives and provides certain additional healthcare benefits to its employees compared with those envisaged under category contracts.

In the second half of the year, new specialised information systems were implemented for the processing of employees' pays and presence. This enables better control services, management of remuneration issued, and management control support, as well as electronic data filing.

Workplace safety and healthcare are values shared by all the human resources of the Group. To that end, the Parent company and its Italian subsidiaries prepared the "Risk assessment document" under Legislative Decree no. 81/2008.

There are no pending lawsuits for significant events, such as deaths, serious injuries and/or occupational illnesses.

RISK MANAGEMENT

Risks connected with the economy general conditions

The Group's state of affairs is affected by various factors which form the macro-economic scenario of the several countries in which the Group operates. The weakness of the economic general conditions and the progressive worsening of the credit market, together with the fact that there is no certainty as to the timing of the measures implemented by Governments and monetary authorities in response to this general crisis lead to the belief that, should this situation of marked weakness and uncertainty continue for a significant period of time, the Group's activities and strategies might be conditioned with a possible impact on the Group's state of affairs.

Liquidity risks connected with net cash requirements

The liquidity risk can materialise through the incapacity of finding, under good economic conditions, the financial resources necessary to the investments planned. Despite the present economic and financial context described above, the Group believes that it can maintain sufficient capacity to generate financial resources through its operations. The Group companies adopted, both individually and as a Group, a number of policies and processes aimed at optimising the management of financial resources by reducing the liquidity risk, including the increase of the hedging degree of non-current assets by finding medium-term resources, obtaining adequate credit lines in relation with the business growth objectives, and regularly monitoring the liquidity outlook. As of today, the Group continues to have full support from banks, but should the credit squeeze continue for a long time, investing activities might be affected by slow-downs and financial charges might increase.

Strategic risks

Strategic risks include factors affecting opportunities for and threats to the Group business. In particular, the Aquafil Group has these objectives:

- catching new business opportunities in terms of geographic areas and business segments;
- fairly 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

The Group operates on more worldwide markets and is naturally exposed to the risks connected with fluctuations in exchange and interest rates. 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 euro area to the other currency areas (mainly US dollar and British Pound Sterling). 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 occasionally hedges of forward contracts in foreign currency.

With regard to the interest rate risk, the Group will continue to assess the opportunity to meet the risks connected with changes in interest rates by using hedging financial instruments.

Credit risk

The credit risk is covered 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. Customer loan expenditure is specifically assessed through complex credit lines systems. Trade accounts receivable are written down if there are objective conditions of partial or total non-recovery, to the extent of the portion not covered by credit insurance policies. Specific provisions for bad debts are accrued to cover credit risk.

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 slowdown in business.

Risks connected with the importance of certain key resources

The success of the Group was also built on the professional support of some key resources who helped its development. 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' going concern.

Risks relating to the environment and compliance with applicable regulations

The Group products and activities are subject to very complicated and complex regulations and authorisation and environmental rules, with specific issues in every country in which it operates. To minimise the risk deriving from these activities, the Aquafil Group

has created specific company and group coordination organisations which see to 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/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 Group also sets the objective to manage adequately the risks relevant to the compliance with safety and privacy rules and to tax and regulatory risks imposed by the Italian and foreign laws and rules to which it is subject.

Process risk deriving from Information Technology

The business operativity is supported by complex integrated information systems underlying the technical, commercial, logistic and administrative issues. In order to limit the risk of business stoppage due to a system black-out, the Aquafil Group has highly-reliable hardware and software configuration architectures for all the applications supporting critical activities. Moreover, as part of the services rendered by the outsourcer, the disaster recovery service ensures recovery times consistent with the levels of security required by business activities.

DIRECTION AND COORDINATION ACTIVITIES

In the shareholding structure of Aquafil S.p.A. the controlling shareholder Gruppo Bonazzi S.p.A. holds 98.65 % of the share capital. Gruppo Bonazzi S.p.A. does not perform direction or coordination activities over Aquafil S.p.A. under Article 2497 of the Italian Civil Code, as the majority shareholder, an investment holding company, only exercises shareholder's rights and claims and is not in charge of the company's management because it does not have a structure suitable to that purpose. The company's management is entirely entrusted to the independent decisions of the Board of Directors of Aquafil S.p.A.

OTHER INFORMATION

Personal data security and protection

The Italian companies of the Group updated the "Security Policy Document" envisaged under Article 26, attachment B of Legislative Decree 196 dated 30 June 2003 (Personal Data Protection Code).

Treasury shares

Under Article 2428 of the Italian Civil Code, paragraph 2, nos. 3 and 4, the Parent Company 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. and Tessilquattro S.p.A. opted for the group taxation procedure as chosen by Gruppo Bonazzi S.p.A. for the 2007-2009 three-year period in accordance with Article 177 and ff. of the Income Tax Code. 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.

AEO certifications

During the year Aquafil S.p.A. and Aquafil Engineering Plastics S.p.A. obtained the AEO certification (Operatore Economico Autorizzato, Authorised Economic Operator) of the "full" type, which is the acknowledgement by the national Customs Office of the status of European legal person with such organisation, control system and procedures as to ensure compliance with customs regulations and with the rules for product safety required under Community laws. This certification, which was introduced in our system since 1 January 2008, qualifies the two main Italian companies of the Group operating in the market as reliable operators in the logistic chain of the supply of goods, in consideration of the strengthening of customs control activities and products safety which will be introduced in the near future in the Community, based on the partial adoptions of the US control counterparties.

Secondary offices

No secondary offices were established.

SUBSEQUENT EVENTS

At the beginning of January the new release of the ECC 6.0 Group integrated information system was fully operative. The transition to the new version did not generate negative consequences for the Group business activities or the accounting and management control system of individual companies, which now can have a more recent integrated information system that can be more easily developed and is better supported by the SAP maintenance technical service.

In February 2009 the Parent company acquired, at equity value, an additional 31% in the Turkish subsidiary Aquafil Bulgari Iplik, increasing the company control from 64% to 95%.

BUSINESS OUTLOOK

The economic and financial events will also affect the year 2009 and this makes it more difficult than usual to prepare reliable outlooks for the year. The widespread worsening of market conditions mostly in the economic sectors and geographic areas added up to the strict credit squeeze that affected all the major markets in the last few months. This squeeze brought a lack of liquid assets which will indirectly affect most of the production sectors.

In this particularly delicate and uncertain scenario, the Aquafil Group in the first months of 2009 confirms the positive economic performance of its ordinary activities in all of its businesses. This adds up to the financial benefits from the reduction in the cost of money.

Thanks to the significant investments made, the flexibility of its production system, the technical skills of its organisation and its innovation capacity, the Aquafil Group is in good conditions to address this difficult market phase and will limit to the maximum extent the possible reduction in turnover, still being determined as usual in pursuing the goal of increasing its businesses in the emerging markets of the Asian Far East, but mostly in strengthening its market share in Europe and the USA, reinforcing at the same time the excellent relationship with its traditional customers.

Arco, 28 March 2009

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





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ASSETS		
A) SUBSCRIBED CAPITAL UNPAID		
TOTAL	0	(0)
B) NON-CURRENT ASSETS		
I) INTANGIBLE ASSETS		
Formation, start-up and similar costs	60	90
Research, development and advertising costs	29	0
3) Patent and intellectual property rights	5.276	5
4) Concessions, licenses, trademarks and similar rights	856	1.086
5) Goodwill	0	0
5) bis. Consolidation difference	252	9.266
6) Assets under development and payments on account	66	0
7) Other intangible assets	1.019	2.344
TOTAL	7.558	12.791
II) TANCIDI E ASSETS		
II) TANGIBLE ASSETS 1) Land and buildings	87.657	66.791
2) Plant and machinery	72.949	50.389
Industrial and sales equipment	2.115	1.240
4) Other tangible assets	1.052	856
5) Assets under construction and payments on account	12.682	17.357
TOTAL	176.455	136.633
III) NON-CURRENT FINANCIAL ASSETS		
1) Investments in:		
a) Subsidiaries	0	0
b) Associated companies	37	35
c) Parent companies	0	0
d) Other companies TOTAL	12 49	14 49
2) Accounts receivable:	49	49
a) Subsidiaries		
due within 12 months	0	0
due after 12 months	0	0
Total	0	0
b) Associated companies	_	
due within 12 months	0	0
due after 12 months	0	0
Total	0	0
c) Parent companies		
due within 12 months	3.050	0
due after 12 months	7.892	13.852
Total	10.942	13.852
d) Other accounts receivable		
d.1) other Group companies		
due within 12 months	18.000	2.152
due after 12 months	0	0
Total	18.000	2.152
d.2) other debtors		
due within 12 months	5.508	4
due after 12 months	228	5.863
Total	5.736	5.867
3) Other securities	0	0
4) Own shares	0	0
	34.727	21.920
TOTAL NON-CURRENT ASSETS	218.740	171.344
C) CURRENT ASSETS		
I) INVENTORIES		
Raw materials, supplies and consumable stores	40.155	27.701
2) Products in course of manufacture and semifinished goods	1.618	369

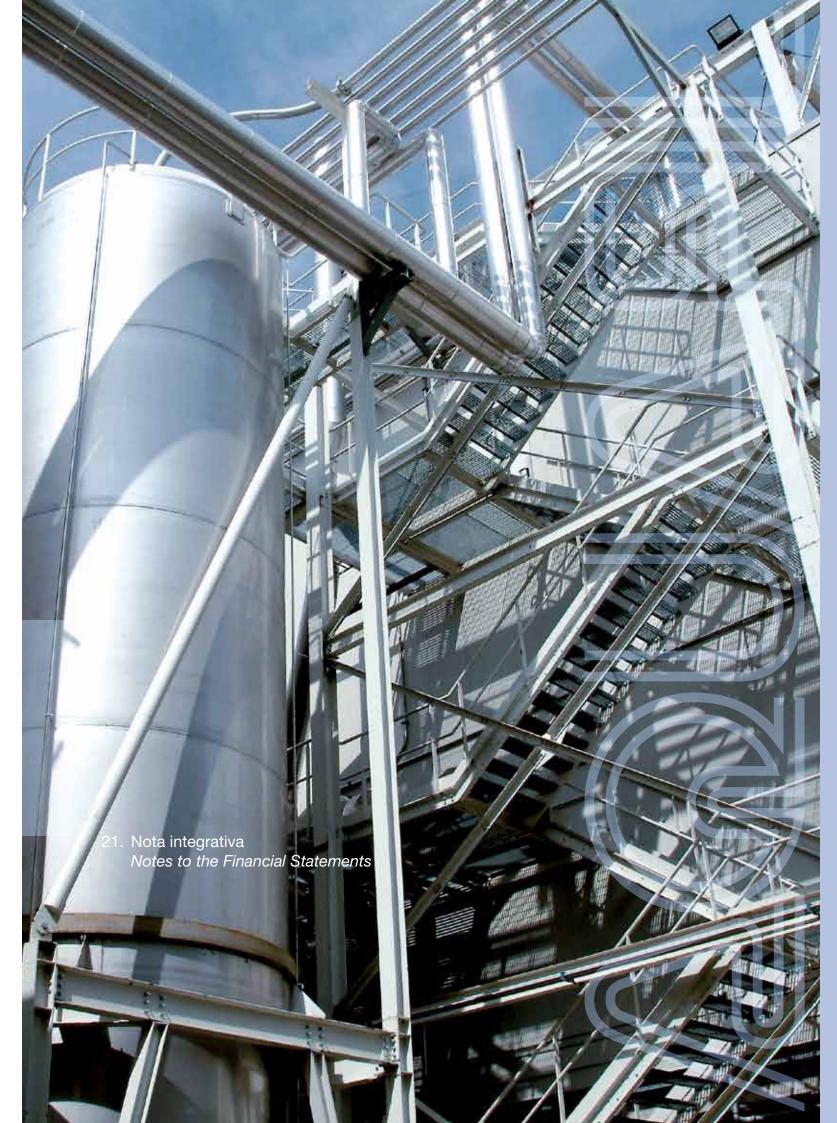
BALANCE SHEET (thousands of euros)	31-12-2008	31-12-2007
ASSETS		
3) Contract work in process	0	0
4) Finished goods and merchandise	50.094	57.166
5) Advances	1.223	9
TOTAL	93.090	85.245
II) CURRENT ACCOUNTS RECEIVABLE		
1) Customers		
due within 12 months	55.978	52.422
due after 12 months	92	92
less: allowance for doubtful receivables	(1.088)	(913)
Total	54.982	51.601
2) Subsidiaries due within 12 months	0	(0)
due after 12 months	0	(0)
Total	0	(O)
3) Associated companies		(0)
due within 12 months	2.336	1.545
due after 12 months	0	0
Total	2.336	1.545
4) Parent companies		
due within 12 months	24	80
due after 12 months	0	627
Total	24	707
4-bis) Tax receivables	4.750	0.000
due within 12 months due after 12 months	4.758	2.623
Total	4.758	2.623
4-ter) Deferred tax assets	4.750	2.020
due within 12 months	1.773	1.239
due after 12 months	8.199	4.930
Total	9.972	6.169
5) Others		
5. a) other Group companies		
due within 12 months	936	2.389
due after 12 months	0	0
Total	936	2.389
5. b) other debtors	1.704	2 120
due within 12 months due after 12 months	1.794 0	3.139
Total	1.794	3.139
TOTAL RECEIVABLES	74.802	68.173
UN CURRENT FINANCIAL ACCETO		
III) CURRENT FINANCIAL ASSETS	0	0
Investments in subsidiaries Investments in associated companies	0	0
3) Investments in associated companies	0	0
Investments in parent companies Investments in other companies	0	0
5) Own shares	0	0
6) Other securities	381	0
TOTAL	381	0
IV) CASH AND CASH EQUIVALENTS		
Cash at banks and post offices	19.381	11.014
2) Cheques	578	481
3) Cash and cash equivalents on hand	33	19
Total	19.992	11.514
TOTAL CURRENT ASSETS	188.265	164.932
D) ACCRUED INCOME AND PREPAID EXPENSES		
- Other accrued income and prepaid expenses	728	1.046
- Issue discounts and other expenses	0	0
TOTAL ACCRUED INCOME AND PREPAID EXPENSES	728	1.046
TOTAL ASSETS	407.733	337.322

BALANCE SHEET (thousands of euros)	31-12-2006	31-12-2007
LIABILITIES AND EQUITY		
A) SHAREHOLDERS' EQUITY		
I. SHARE CAPITAL	19.564	19.564
II. SHARE PREMIUM RESERVE	9.250	9.250
III. REVALUATION RESERVES	41	41
IV. LEGAL RESERVE	1.548	1.548
V. RESERVE FOR OWN SHARES IN PORTFOLIO	0	0
VI.STATUTORY RESERVES	0	0
VII. OTHER RESERVES	49.802	27.442
VIII.PROFIT (LOSS) FOR THE YEAR	1.486	4.278
GROUP SHAREHOLDERS' EQUITY	81.691	62.123
IX.NET EQUITY ATTRIBUTABLE TO MINORITY INTERESTS	1.334	1.239
Minority interests	1.334	1.239
TOTAL GROUP AND MINORITY SHAREHOLDERS' EQUITY	83.025	63.362
B) PROVISIONS FOR LIABILITIES AND CHARGES		
1) Pension funds and similar charges	0	0
2) Provision for taxes	6.072	3.855
3) Other provisions	3.870	2.634
Total provisions for liabilities and charges	9.942	6.489
C) STAFF TERMINATION PAY	10.288	10.339
D) ACCOUNTS PAYABLE		
1) Bonds		
due within 12 months	144	584
due after 12 months	3.300	3.256
Total bonds	3.444	3.840
2) Convertible bonds		
due within 12 months	0	0
due after 12 months	0	0
Total convertible bonds	0	0
3) Shareholders financial payables		
due within 12 months	0	1.377
due after 12 months	0	0
Total shareholders financial payables	0	1.377
4) Amounts due to banks		
due within 12 months	91.837	63.350
due after 12 months	89.944	63.881
Total amounts due to banks	181.781	127.231
5) Amounts due to other lenders due within 12 months	1.266	0
due after 12 months	0	1.266
Total amounts due to other lenders	1,266	1.266
6) Advances	1.200	1.200
due within 12 months	2.895	4.683
due after 12 months	0	0
Total advances	2.895	4.683
7) Suppliers		
due within 12 months	62.112	63.813
due after 12 months	33.343	35.732
Total suppliers	95.455	99.545
8) Debt instruments payable		
due within 12 months	0	0
due after 12 months	0	0
Total debt instruments payable	0	0

BALANCE SHEET (thousands of euros)	31-12-2008	31-12-2007
LIABILITIES AND EQUITY		
9) Subsidiaries		
due within 12 months	0	(0)
due after 12 months	0	0
Total subsidiaries	0	(0)
10) Associated companies		
due within 12 months	136	114
due after 12 months	0	0
Total associated companies	136	114
11) Parent companies		
due within 12 months	1.738	152
due after 12 months	292	2.936
Total Parent companies	2.030	3.088
12) Taxes payable		
due within 12 months	2.199	2.415
due after 12 months	287	0
Total taxes payable	2.486	2.415
13) Accounts payable to social security inst.		
due within 12 months	2.392	2.294
due after 12 months	0	0
Total accounts payable to social security inst.	2.392	2.294
14) Other accounts payable		
14. a) other Group companies		
due within 12 months	53	48
due after 12 months	0	0
Total other Group companies	53	48
14. b) other creditors		
due within 12 months	5.769	6.194
due after 12 months	5.048	2.500
Total other creditors	10.817	8.694
TOTAL ACCOUNTS PAYABLE	302.755	254.595
E) ACCRUED LIABILITIES AND DEFERRED INCOME		
- Other accrued liabilities and deferred income	1.723	2.537
- Issue premiums	0	0
TOTAL ACCRUED LIABILITIES AND DEFERRED INCOME	1.723	2.537
TOTAL LIABILITIES AND EQUITY	407.733	337.322
MEMORANDUM ACCOUNTS		
RISK OF RECOURSE OF EU CHEQUES	2.502	3.464
RISK OF RECOURSE ON RECEIVABLES SOLD	3.323	0
GUARANTEES TO PARENT COMPANIES	13.015	13.015
GUARANTEES RECEIVED		
BANK GUARANTEES FROM THIRD PARTIES	10.150	0

PROFIT AND LOSS ACCOUNT		
A) VALUE OF PRODUCTION		
1) REVENUES FROM SALES AND SERVICES	380.737	393.925
2) CHANGE IN INVENTORIES OF PROD. IN COURSE OF MANUFACTURE, SEMIFINISHED AND FINISHED GOO	DS (8.704)	8.147
3) CHANGE IN INVENTORIES OF CONTRACT WORK IN PROCESS	0	0
4) CAPITALISATION OF INTERNAL CONSTRUCTION COSTS	2.462	578
5) OTHER REVENUES AND INCOME:		
- grants related to income	896	1.722
- other revenues and income	6.763	1.585
Total other revenues and income	7.659	3.307
TOTAL VALUE OF PRODUCTION	382.154	405.957
B) COSTS OF PRODUCTION		
6) PURCHASE OF RAW MATERIALS, SUPPLIES, CONSUMABLE STORES AND MERCHANDISE	(216.625)	(224.447)
7) COST OF SERVICES	(72.110)	(68.947)
8) RENT, LEASING AND SIMILAR COSTS	(2.475)	(2.562)
9) PERSONNEL COSTS		
a) salaries and wages	(46.157)	(44.170)
b) social security	(11.832)	(10.822)
c) staff termination pay	(1.983)	(2.061)
d) pension and similar costs	0	0
e) other costs	0	(25)
Total personnel costs	(59.972)	(57.078)
10) AMORTISATION, DEPRECIATION AND WRITE-DOWNS		
a) amortisation of intangible assets	(1.882)	(3.314)
b) depreciation of tangible assets	(14.784)	(14.114)
c) write-down of intangible and tangible assets	(234)	0
d) write-down of current accounts receivable and of cash and cash equivalents	(625)	(364)
Total amortisation, depreciation and write-downs	(17.525)	(17.792)
11) CHANGES IN INVENTORIES OF RAW MATERIALS, SUPPLIES, CONSUMABLE STORES AND MERCHAND	DISE 10.977	(2.289)
12) PROVISION FOR RISKS	(129)	(136)
13) OTHER PROVISIONS	(860)	(1.082)
14) SUNDRY OPERATING COSTS	(1.477)	(1.260)
TOTAL COSTS OF PRODUCTION	(360.196)	(375.593)
OPERATING PROFIT (A-B)	21.958	30.364
C) FINANCIAL INCOME AND CHARGES 15) INCOME FROM INVESTMENTS:		
- in subsidiaries	161	2.332
- in associated companies	0	0
- in other companies	0	0
Total income from investments	161	2.332
16) Other financial income:		
a) from non-current accounts receivable:		
- from subsidiaries	0	0
- from associated companies	0	0
- from parent companies	1.336	1.297
- other companies	332	569
Total from non-current accounts receivable	1.668	1.866
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	(
- interest and commission income from associated companies	0	(
- interest and commission income from parent companies	9	5
- interest and commission income from others Total other financial income	549	368
	558	42
17) INTEREST EXPENSE AND OTHER FINANCIAL CHARGES	0	,
- subsidiaries	0	(
associated companies	(47)	(6.542
parent companies others	(15.649)	
	,	(14.027
Total interest expense and other financial charges	(15.696)	(20.569
17-bis) GAIN/LOSS ON CURRENCY EXCHANGE	2.100	243
TOTAL FINANCIAL INCOME AND CHARGES	(11.199)	(15.703
D) VALUE AD HISTMENTS TO FINANCIAL ASSETS		
D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS 18) REVALUATIONS:		
a) of investments	4	1:
b) of non-current financial assets other than shares	0	
c) of current securities other than shares	0	
Total revaluations	4	1
19) WRITE-DOWNS		
a) of Group companies investments	(3)	(1.713
o) of non-current financial assets other than shares	0	(11112
c) of current securities other than shares	0	(
Total write-downs	(3)	(1.713
TOTAL VALUE ADJUSTMENTS TO FINANCIAL ASSETS	1	(1.702
E) EVOEDTIONAL INCOME AND QUADOES		
E) EXCEPTIONAL INCOME.		
20) EXCEPTIONAL INCOME:	4.198	,
- gains on disposals - other exceptional income	734	1.478
Total Exceptional income	4.932	1.476
21) EXCEPTIONAL CHARGES	4.332	1.47
- losses on disposals	(2)	(3.091
- prior years' taxes	(4)	(89)
- other extraordinary charges	(10.734)	(1.119
Total exceptional charges	(10.740)	(4.299
Total extraordinary income and charges	(5.808)	(2.821
PROFIT BEFORE TAXES (A-B+-C+-D+-E)	4.952	10.13
22) INCOME TAXES FOR THE YEAR		
- current taxes	(4.039)	(7.486
· deferred taxes	758	1.74
Total income taxes for the year	(3.281)	(5.744
RESULT FOR THE YEAR INCLUDING THE PORTION ATTRIBUTABLE TO MINO		4.39
23) PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO MINORITY INTERESTS	185	116
23) PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	1.486	4.278



Notes to the financial statements at 31.12.2008

Structure and content of the financial statements

The consolidated financial statements of Gruppo Aquafil 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 Group parent Aquafil SpA and all the Italian and foreign companies in which the Group parent holds the majority of voting rights, whether directly or indirectly.

Shareholders of each company have approved the financial statements used to prepare the consolidated accounts, and for some company the statements have been drafted by Directors for approval at shareholders' meetings, and adjusted, where necessary, to conform to the valuation methods of the Group parent.

The financial statements included in the consolidated accounts are dated 31 December 2008, which is the year-end date for the Group parent.

The Notes include disclosures as required by Article 2427 of the Civil Code, and other provisions of Legislative Decree No. 6 of 17 January 2003 and previous legislation. The Notes also provide additional information deemed necessary for a true and fair view, even if not specifically required by the law.

The Directors' Report provides details of post-period events, relations with subsidiaries and other related parties belonging to Gruppo Bonazzi, and activities carried out by companies belonging to Gruppo Aquafil.

The companies included in the consolidation area at 31 December 2008 were the following:

	Share	% of	Additional shares	% of	total	%
Company name and registered office	capital at	direct	held indirectly	indirect	%	voting
	31 Dec.2008	ownership	through:	ownership	ownership	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%
Aquaspace S.p.A.,						
Via Linfano, 9 - Arco (TN)	2.600.000	0,00%	Tessilquattro	100,00%	100,00%	100,00%
Aquafil USA Inc., 10 Commerce Drive,						
Cartersville - Georgia GA (USA)	5.101.674	100,00%			100,00%	100,00%
Julon d.d.,						
Letaliska Cesta, 15 - Ljubljana (Slovenia)	13.135.728	99,24%			99,24%	99,24%
Aquaset TTS d.d.,						
Letaliska Cesta, 15 - Ljubljana (Slovenia)	496.578	0,00%	Julon	86,27%	85,61%	85,61%
Aquafil Textile Yarns Jug D.o.o.,						
Beograd - Zvena (Repubblica Jugoslava)	3.589	0,00%	Julon	100,00%	99,24%	99,24%
Bulgari Filati d.o.o., Milana Prpiča 114						
49243 Oroslavje (Croazia) (1)	3.090.205	84,23%	Julon	15,77%	99,88%	99,88%
Aquafil Bulgari Iplik Tekstil Sanayi						
Ve Ticaret A.S Turgutreis Mah.						
Giyimkent-Atisalani-Eseler-Istanbul (Turch	nia) 139.613	64,00%			64,00%	64,00%
Mtx Fibre S.r.I.,						
Via Linfano, 9 - Arco (TN)	90.000	100,00%			100,00%	100,00%
Borgolon S.p.A.,						
S.S. 32 "Ticinese" nr. 12 - Varallo Pombia (NC	0) 7.590.000	0,00%	Mtx Fibre	100,00%	100,00%	100,00%
Aquafil Engineering GmbH,						
Duester haupt strasse, 13 - Berlino (Germania	a) 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 - 900 Rma IV Roa	ad					
Silom 10500 Bangkok Tailandia	786.269	99,99%			99,99%	99,99%
Capro Services GmbH						
Duester haupt strasse, 13 - Berlino (Germania	a) 2.325.000	90,00%			90,00%	90,00%

^{*} amounts translated at the exchange rates prevailing at 31 December 2008.

The changes occurred in the consolidation area are the following:

⁽¹⁾ please refer to the paragraph "Shareholdings in Bulgari Filati d.o.o"

• Aquafil Service Gmbh.:

In the course of the financial year, Aquafil Service GmbH, based in Düsterhauptstraße 13, 13469 Berlin (Germany) changed its corporate name from Capro Services G.m.b.H to Aquafil Service G.m.B.H..

During the financial year under review Aquafil S.p.A sold a 10% interest of the same for an amount of Euro 232,500.= recording a capital gain of Euro 161,080.=.

• Borgolon S.p.A.:

On 17 January 2008, Mtx Fibre S.r.l. purchased the entire share capital of Borgolon S.p.A. based in Strada Statale 32 "Ticinese" nr. 12, Varallo Pombia (NO). The share capital of the company is equal to Euro 7,590,000.=, divided into shares having a nominal value of Euro 1.=.

The purchase price of the equity investment amounts to Euro 1,540 thousand, against a net equity at current values at the purchase date of Euro 4,099 thousand, made up by:

- net equity at book values equal to Euro 3,435 thousand.
- higher value of leased assets on the basis of the finance method, net of the tax effect, equal to Euro 1,244 thousand.
- consolidation provision for future risks and charges of Euro 837 thousand against which a deferred tax effect of Euro 257 thousand was recorded. The provision under review has been utilised in the financial year since it had been recorded to cover liabilities that emerged in 2008 and for which the accrual has already been made in the financial statements of Borgolon SpA closed at 31 December 2008.

By comparing the price paid and the net equity at current values, it results a difference of Euro 2,558 thousand.

This difference has been prudentially allocated as a reduction of the subsidiary's tangible assets. The decrease in the tangible assets of Borgolon SpA is equal to Euro 3,730 thousand against which a tax effect of Euro 1,171 thousand was recorded.

In the course of the financial year, the parent company MTX Fibre S.r.I. paid-in Euro 3.5 million to Borgolon S.p.A. to cover losses from past periods.

• Julon d.d.:

In the course of the financial year Aquafil S.p.A. increased its shareholding in Julon d.d. for the purchase from third parties of No. 50 shares for nominal Euro 2,427.34.=. After this transaction, Aquafil S.p.A. holds No. 312,387 shares, corresponding to 99.24% of the share capital of Julon d.d. for a total of Euro 13,135,728.=.

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

For the purposes of more detailed disclosure of the Group's financial situation, assets on finance lease are recognised under "Tangible assets" at their original purchase cost; the relevant amount payable to the leasing companies is recorded as a liability. Depreciation is calculated over the useful life of the assets.

CONSOLIDATION PRINCIPLES

The applied consolidation principles are the following.

CONSOLIDATION METHODS

The financial statements of the consolidated companies, listed in the table above are consolidated line-by-line. According to this method, the assets, liabilities, costs and revenues of each single company are recognised in full, while the portion of equity of the companies (whether held by the Group parent and other companies within the scope of consolidation) is cancelled so that the net income attributable to the Group excludes the value of the net equity and net income for the year attributable to the minority interests. 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 a period ranging between 10 and 15 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 scope of consolidation are eliminated.

The following companies are valued using the equity method:

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

Translation into euros 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 so obtained and the one deriving from the translation of the same items at the current exchange rate is recorded in a specific item of the shareholders' equity.

The exchange rates applied are as follows:

	December 2008	2008
	31.12	Average
US Dollar	1,3917	1,4708
Slovak Koruna	30,1260	31,2617
Croatian Kuna	7,3555	7,2239
Serbian Dinar	89,3912	81,4325
Turkish Lira	2,1488	1,9064
Bath	48,2850	48,4754

ACCOUNTING POLICIES

Pursuant to law, the company has complied with obligations of clarity, truth and accuracy in its reporting as well as with the principles set out by the Article 2423-bis of the Italian Civil Code:

- items have been valued prudently in the expectation that business activities will continue;
- only profits realised at year-end have been recorded;
- 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 reflected in the financial statements;
- dissimilar components of individual items are valued separately.

VALUATION METHODS

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

INTANGIBLE ASSETS

These are stated at purchase or production cost, including any related charges, and are amortised over their estimated useful life. Formation, start-up and similar costs are stated in the financial statements with the approval of the Board of Statutory Auditors.

TANGIBLE 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 purchase cost is inclusive of auxiliary acquisition costs.

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 life.

It should be pointed out that for some machines of the company Borgolon, 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 in the process of capitalisation and advance payments are not depreciated.

Ordinary maintenance costs are charged to the profit and loss account. Maintenance costs that have been sustained in order to extend the estimated useful life of assets are incorporated into the value of the relevant assets and depreciated over their estimated residual useful life.

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 life.

The depreciation rates applied to the assets are as follows:

Description of asset	Rates			
1. Buildings and light constructions	3% - 6% - 10%			
2. General equipment and machinery	6,67% - 7,5% - 10% -12,5% - 14% - 15%			
3. Industrial and sales equipment	12,5% - 25 % - 40%			
4. Other goods:				
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%			

Non-current investments and securities

Investments in unconsolidated companies, in which the Group parent holds significant equity interest, are valued using the equity method, unless the companies are newly formed and/or inoperative. 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 writedown no longer exist.

Inventories

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

Single items making up inventories are valued at their average weighted cost for the period, except for the long-term engineering orders that are valued in relation to the percentage-of-completion basis at the reference date of the financial statements.

Up to the consolidated financial statements ended as at 31 December 2007, the engineering orders have been valued at cost. The change in the criterion has not produced effects on the consolidated net equity as at 1 January 2008, but has determined an increase in the result for the period and in the net equity attributable to the Group of Euro 890 thousand, and an increase in the result for the period and in the net equity attributable to minority interests of Euro 100 thousand.

Semi-finished and finished goods include the direct and indirect costs of their manufacture. Finished goods include inventories of 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 scope of consolidation have been eliminated.

Accounts receivable

Accounts receivable are stated at their estimated realisable value.

Accruals and deferrals

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

Provisions for liabilities and charges

These provisions are accrued to cover losses and debts that are either certain or likely to be incurred, but whose amounts and dates were still undetermined at year-end.

The accruals reflect the best estimate based on available information.

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.

Revenue recognition

Revenues from sale of products are recognised at the moment of transfer of ownership, which generally coincides with shipment. Revenues from services are recognised at the time the service is rendered.

Income taxes for the year

Income taxes are determined by the prudent application of applicable statutory laws.

Deferred tax assets and liabilities are calculated with reference to temporary differences between statutory and fiscal evaluations of assets and liabilities.

TRANSLATION OF AMOUNTS DENOMINATED IN FOREIGN CURRENCIES

Accounts receivable and accounts payable originally denominated in foreign currencies are translated into euros at the rate in force at the end of the financial year, and any positive or negative difference is carried to the profit and loss account. Exchange gains/losses earned/incurred on collection/payment of receivables/payables in a foreign currency are entered in the profit and loss account.

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.

GROUP SHAREHOLDINGS IN THE SUBSIDIARY BULGARI FILATI D.o.o.

At year-end, the shareholding composition of the subsidiary Bulgari Filati d.o.o. included Simest S.p.A. with 41.12% of share capital, with which Aquafil Divisione Bulgari Filati S.p.A. - merged into Aquafil S.p.A. in the course of 2006 - executed specific contracts providing in short the following:

- Simest SpA will exercise its rights as shareholder of the subsidiaries, as prescribed by Aquafil S.p.A. for an agreed recompense;
- Aquafil S.p.A. has undertaken in future years to purchase Simest SpA's equity interests for an agreed recompense.

On the basis of these contractual agreements, the percentage holding of Aquafil S.p.A. in Bulgari Filati d.o.o., for the purposes of drawing up the consolidated financial statements has been calculated by considering the shares formally held by Simest S.p.A. as if they were held by Aquafil S.p.A.. The cost associated with the purchase of the shares in subsequent years is carried as an account payable to other lenders, while the costs incurred in the year in relation to Simest SpA's waiver of its shareholder rights were recognised as "Cost of services".

Notes to the main balance sheet assets

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/amortization, revaluations and write-downs of each asset, along with changes in the course of 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 advertis- ing costs	Patent and intellectual property rights	4) Concessions, licences, trademarks and similar costs	5) Goodwill	6) Assets under development and payments on account	7) Other intangible assets	Goodwill arising on consolidation	TOTAL
Previous financial year									
Gross value	412	0	2.888	2.897	71	0	5.858	16.349	28.475
Accumulated amortization	322	0	2.883	1.811	71	0	3.514	7.083	15.684
Total previous financial year	90	0	5	1.086	0	0	2.344	9.266	12.791
Increases	0	0	5.081	472	0	66	222	0	5.841
Mergers	0	0	0	0	0	0	0	0	0
Decreases	0	0	0	0	0	0	-9	0	-9
Reclassifications	0	0	0	29	0	0	1.938	0	-1.909
Write-downs	0	0	0	0	0	0	0	-8.559	-8.559
Change in the consolidation area	0	70	34	0	0	0	6	0	110
Exchange differences	0	0	284	23	0	0	9	0	316
Total historical cost at 31.12.2008	412	70	8.287	3.421	71	66	4.148	7.790	24.265
Increases	30	14	12	770	0	0	300	455	1.581
Mergers	0	0	0	0	0	0	0	0	0
Decreases	0	0	0	11	0	0	0	0	11
Reclassifications	0	0	0	-47	0	0	-692	0	-739
Write-downs	0	0	0	0	0	0	0	0	0
Change in the consolidation area	0	27	23	0	0	0	4	0	54
Exchange differences	0	0	93	20	0	0	3	0	116
Total accumulated amortization at 31.12.2008	352	41	3.011	2.565	71	0	3.129	7.538	16.707
Residual value at 31.12.2008	60	29	5.276	856	0	66	1.019	252	7.558

Formation, start-up and similar costs include costs (whose benefits span several years) incurred in the previous years. Amortisation is made on a straight-line basis over a five-year period.

The item **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.

The increases in **Patent and intellectual property rights** reflect the reversal of impairment of the licences and know-how relating to the production process carried out by the cyclohexanone plant of Cenon S.r.o., that after the productive suspension in 2003, had been completely written-down. The reversal of impairment is justified by the decision to use the know-how in an important already-started R&D project, directed to develop an innovatory thread from the scraps of mix processes with virgin polymer for carrying additives and pigments. The use of know how and licences in this project has removed the grounds that had brought the Group in 2003 to write-down the related net book value.

Concessions, licences, trademarks and similar rights include the cost of software programs purchased from third parties. The increase of Euro 472 thousand mainly refers to the costs borne by Aquafil S.p.A. for the implementation of the logistics application systems.

Other intangible assets mainly refer to the capitalization of the costs sustained on buildings owned by third parties.

The increase for the period of Euro 222 thousand is composed of the costs borne in the financial year under review by Aquafil S.p.A. for the feasibility project of the Gruppo Aquafil S.p.A. companies, in addition to the capitalization of the costs incurred in connection with the financing granted by the Credit Institutes and for the improvement works on the leased Arco factory building.

The charges capitalized in the previous financial years by the company Aquafil USA Inc. for the installation of the plants acquired through finance lease contracts have been reclassified under item "Plant and machinery".

At 31 December 2008, **Goodwill arising on consolidation** amounted to Euro 252 thousand and refers to the following companies (in thousands of euros):

	December 2008	December 2007	
Aquafil S.p.A.	0	308	
Aquafil Engineering Plastics S.p.A.	252	399	
Cenon S.r.o.	0	8.559	
Total	252	9.266	

The goodwill of Euro 252 thousand attributed to Aquafil Engineering Plastics S.p.A. is the net residual value of an original consolidation goodwill of Euro 433 thousand recognised in 2000 after Aquafil Special Polimers Srl (incorporated into Aquafil Engineering Plastics S.p.A. in a successive merger) acquired the remaining 30% of the shares of Aquafil Polimers Due Srl and of an original consolidation goodwill of Euro 1,041 thousand paid by the Group for the purchase of the business of Sebi Srl (in 2003 the business of Sebi Srl was transferred to Aquafil Engineering Plastics S.p.A. before the disposal of Sebi Srl). The goodwill is amortised on the straight-line method over 10 years, and the amortisation charge in 2008 amounted to Euro 148 thousand.

The consolidation goodwill, attributed to Aquafil S.p.A. and, that at the end of the current financial year results completely amortized, refers to the net book value of an original consolidation goodwill of Euro 3,078 thousand recognised in 1999 following the acquisition and subsequent incorporation of Marc Fil SpA into Aquafil Divisione Bulgari Filati S.p.A., now incorporated into Aquafil S.p.A.. This consolidation goodwill is amortised on a straight-line method over 10 years and the amortisation accrual for 2008 was of Euro 308 thousand.

With reference to the chemical activities carried out by the subsidiary Cenon Sro, owner of the plants and licences to produce caprolactam and cyclohexanone, it should be reported that part of the plants for the production of cyclohexanone have been sold, with collection of the related consideration, for some Euro 16 million, as well as other plant and machinery for the production of caprolactam.

Cenon Sro remains the owner of the multiyear right of common of the land, of the real estate assets and non specific plants, of the inventories, as well as the licenses and know-how relating to the production processes of caprolactam and cyclohexanone, whose residual value is recorded in the consolidated financial statements for some Euro 13,1 million.

The net book value of non-current assets and of inventories, whose sale is expected in the financial year 2009 and subsequent years, results to be equal to Euro 7.8 million and is mainly relative to the real estate part and utility system. The estimate of the related presumable realizable value confirms the recoverability of their net book value recorded in the consolidated financial statements. The goodwill, attributed to Cenon S.r.o. and related to the purchase in the financial year 2001 of the Slovak company, following the sale to third parties in the course of the financial year of part of the plants for the production of cyclohexanone - ordinary activity of the company -, has been completely written-down.

The excess of the consideration paid by the Group over the net equity upon the purchase of Cenon S.r.o. amounted to Euro 15,733 thousand. Such an amount was allocated as follows:

- Euro 6,114 thousand to the increase in the value of plant and machinery. The residual value at 31 December 2008 is equal to Euro 527 thousand
- Euro 17,119 thousand to goodwill arising on consolidation
- Euro 7,500 thousand to the creation of a consolidation provision to cover contingent liabilities and charges, used in the financial years 2001 and 2002.

[&]quot;Net change in the consolidation area" of Euro 56 thousand is referable to the company Borgolon S.p.A.

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	88.276	229.009	8.960	5.755	17.357	349.359
Revaluations	838	1.237	15	7	0	2.097
Accumulated depreciation	0	-2.015	0	0	0	-2.015
Total historical cost at 31 December 2007	89.114	228.231	8.975	5.763	17.357	349.441
Accumulated depreciation at 31 Dec. 2007	22.324	177.842	7.735	4.907	0	212.808
Net value at 31 December 2007	66.791	50.389	1.240	856	17.357	136.633
Mergers	0	0	0	0	0	0
Increases	3.571	7.004	403	384	32.397	43.759
Decreases	-1.010	-19.878	-274	-1.012	-3.579	-25.753
Reclassifications	1.643	32.600	1.113	103	-33.500	1.960
Revaluations	18.212	0	0	0	0	18.212
Write-downs	0	0	0	0	-234	-234
Change in the consolidation area	4	16.504	668	347	0	17.522
Exchange differences	858	1.399	0	58	241	2.555
Total historical cost at 31 December 2008	112.392	265.861	10.885	5.643	12.682	407.462
Depreciation	2.218	12.098	478	291	0	14.784
Utilizations	-132	-10.036	-68	-944	0	-11.181
Reclassifications	250	541	3	-7	0	786
Change in the consolidation area	2	12.141	623	310	0	13.075
Exchange differences	73	326	0	34	0	434
Total Accumulated depreciation at 31 Dec. 2008	24.735	192.912	8.770	4.591	0	231.008
Residual value at 31 December 2008	87.657	72.949	2.115	1.052	12.682	176.455

Non-current tangible assets belonging to companies based in Italy and included in the scope of consolidation are stated at their purchase cost increased in accordance with revaluation laws. The positive balances resulting from revaluation, after the deduction of applicable taxation charges, are carried to a specific reserve under Shareholders' Equity.

The additions for the year totalled Euro 43,759 thousand, with net disposals for Euro 14,572 thousand, of which historical value amounts to Euro 25,753, and are composed of as follows:

land and buildings

Increases: amounting to Euro 3,571 thousand, these break down as follows:

- a. Julon d.d.: the increase of Euro 3,403 thousand reflects the purchase of an industrial building at Ajdovscina Slovenia, used as warehouse
- b. The remaining part of investments refers to the improvements to the real estate assets of the other companies included in the consolidation area.

Net decreases: amounting to Euro 878 thousand are mainly relative to the sale of structures no longer needed to the production departments of the company Cenon S.r.o..

Revaluations: The companies Aquaspace S.p.A. and Tessilquattro S.p.A., pursuant to Law Decree no. 185 of 29 November 2008 Art. 15 paragraphs 16-23, availed itself of the possibility to revalue land and buildings. After submitting to the appraisal of specialized experts the real estate assets, the Directors have adopted the following revaluation criteria:

- the revaluation method of the historical cost only has been applied, keeping unchanged the depreciation process. The amount of revaluations is equal to Euro 18,212 thousand;
- the method of revaluation of the assets has been the same for all the real estate assets belonging to the category, revaluing the land separately;
- the adopted revaluation method is based on the current value, determined on the basis of the market quotations;
- the revalued value of the factory buildings does not exceed the replacement value;
- the credit balance resulting from the revaluation will be released by means of the payment of the substitute tax as provided by Law Decree 185/08; the substitute tax amounts to Euro 431 thousand and has been reflected as reduction of the revaluation reserve.

plant and machinery, equipment, other tangible assets and assets under construction

Increases: amounting to Euro 40,188 thousand, these break down as follows:

a. Aquafil S.p.A.: the overall increase is equal to Euro 7 million, of which Euro 5.9 million refer to the item "Assets under construction and payments on account". Investments are mainly relative to the purchase of machinery for the spinning department, to other improvement actions on the existing plants, from both production and environmental point of view, as well as to the design and creation of new offices.

- b. Julon d.d.: the overall increase amounts to Euro 22.5 million mainly recorded under item "Assets under construction and payments on account"; investments are relative to the purchase of plants for the extension of the spinning department that started in the previous financial year, to the extension of the warping department, to the automation of the bobbins movement plant, in addition to the upgrade of the existing plants;
- c. Aquafil Engineering Plastics S.p.A.: the overall increase is equal to Euro 1.9 million for technological improvements on existing lines and the purchase of a plant for thread grinding and extrusion.
- d. Aquafil Usa Inc.: the overall increase is equal to Euro 4.6 million and is mainly relative to the extension of the spinning department, already started in the previous financial year.
- e. Bulgari Filati d.o.o.: the overall increase is equal to Euro 2 million, of which Euro 1.4 million recorded under item "Assets under construction and payments on account" relatively to the purchase of new machinery for the texturizing and conventional covering department.
- f. Tessilquattro S.p.A.: the overall increase is equal to Euro 0.6 million, of which Euro 0.2 million recorded under "Assets under construction and payments on account"; investments are relative to the purchase of machinery for air-entangling and to other improvements to the existing plants.
- g. The remaining part of investments refers to improvements made on the existing plants of other companies included in the consolidation area.

<u>Net decreases:</u> net decreases amount to Euro 13.7 million and mainly refer to the disposal of the plants for the production of cyclohexanone and caprolactam of the company Cenon S.r.o. to third parties.

Write-downs: The write-down of Euro 234 thousand has been made by Aquafil on assets under construction no longer capitalized relating to projects not completed yet.

<u>Reclassifications:</u> 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.

"Net change in the consolidation area": is fully referable to the company Borgolon S.p.A..

NON-CURRENT FINANCIAL ASSETS

a) Investments in associated companies

Investments in associated companies at 31 December 2008 totalled Euro 37 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 19.2 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 4,000 which is included in the consolidated accounts on an equity basis for Euro 10.2 thousand. The company is based in Castellar del Vallè, Priorat 56-58 Pol. Ind. Can Carner (Spain) and its corporate purpose consists of the distribution of polymers onto the Spanish market;
- a 30% interest in Aquafil Polymers Gmbh with a share capital of Euro 25,000 which is accounted for in the financial statements using the equity method for Euro 7.2 thousand. The company is based in Buchholz, Kanaplatz 6 Germany.

b) Other investments

Investments in other companies are stated at cost and are composed of as follows (amounts in euros):

for Euro	11.994	TOTAL
for Euro	107	Abanka Vipa d.d., Slovenska cesta 58, 1517 Ljubljana
for Euro	650	Banca di Verona, Via Forte Tomba, Verona
for Euro	3.000	Form.A.T. soc.cons.a.r.l., Via Degasperi 77, Trento
for Euro	4.648	Confidi, Via Degasperi 77, Trento
for Euro	181	Banca Cooperativa del Carso
for Euro	2.614	Trentino Export S.c.a.r.I., Via Degaspari, 77 Trento
for Euro	793	Consorzio Nazionale Imballaggi, Via del Vecchio Politecnico

Accounts receivable

The Company had no accounts receivable after 5 years.

Parent companies

The following table shows the movement of financial transactions:

	Opening balance	Increases	Decreases	Closing balance
within 12 months:				
Gruppo Bonazzi S.p.A.	0	3.050	0	3.050
after 12 months:				
Gruppo Bonazzi S.p.A.	13.852	17.869	23.829	7.892
Total	13.852	20.919	23.829	10.942

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..

At year-end, in order to guarantee the collection of the receivable, Aquafil S.p.A. and Bonazzi R.E., real estate company controlled by Gruppo Bonazzi S.p.A., entered into a contract whereby Bonazzi R.E. has acquired part of these receivables for Euro 18,000 thousand. The value of the real estate assets of Bonazzi R.E. largely exceeds the value of the debt acquired.

Other accounts receivable

- d1) "other Group companies" for Euro 18,000 thousand represent the receivable from Bonazzi R.E. in relation to the transaction commented in the previous paragraph.
- d2) "other debtors" refer for Euro 5,500 thousand to the guarantee deposit paid to Trentino Sviluppo S.p.A. upon the stipulation of the finance lease agreement for the real estate complex in Arco, Via Linfano 9, whose collection is expected in the course of the financial year 2009, to other guarantee deposits for Euro 141 thousand, to tax receivables for advances on Employees' termination pay for Euro 61 thousand and to financing to employees for the remaining part.

CURRENT ASSETS

INVENTORIES

Inventories at 31 December 2008 were made up of the following (in thousands of euros):

	December 2008	December 2007
1) Raw materials, supplies and consumable stores	40.155	27.701
2) Products in course of manufacture and semifinished goods	1.618	369
4) Finished goods and merchandise	50.094	57.166
5) Advances	1.223	9
Total	93.090	85.245

As reported in the first part of these notes, for the products in course of manufacture relative to the plant engineering contracts of the German company Aquafil Engineering G.m.B.H., the valuation criterion has been changed, passing from the method of cost to the percentage-of-completion method as at 31 December 2008. The change in the valuation method generated an increase in the profit for the year and in the shareholders' equity attributable to the Group of Euro 890 thousand.

CURRENT ACCOUNTS RECEIVABLE

Current accounts receivable were made up of the following (in thousands of euros):

	December 2008	December 2007
1) Customers	54.982	51.601
3) Associated companies	2.336	1.545
4) Parent companies	24	707
4) BIS Tax receivables	4.758	2.623
4) TER Deferred tax assets	9.972	6.169
5) a) Other Group companies	936	2.389
5) b) Other debtors	1.794	3.139
Total	74.802	68.173

Analysis per geographical area (in thousands of euros):

Total	36.015	20.342	3.829	14.616	74.802	
5) b) Other debtors	1.534	132	45	83	1.794	
5) a) Other Group companies	40	896	0	0	936	
4) TER Deferred tax assets	6.529	3.018	425	0	9.972	
4) BIS Tax receivables	2.546	2.153	52	7	4.758	
4) Parent companies	24	0	0	0	24	
3) Associated companies	853	1.483	0	0	2.336	
1) Customers	24.489	12.660	3.307	14.526	54.982	
	Italy	Europe	North America	Rest of the world	TOTAL	

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 1,088 thousand was set aside. The allowance for doubtful receivables recorded at 31 December 2007 for Euro 913 thousand was utilised for Euro 450 thousand in relation to write-offs and increased by Euro 625 thousand after an accrual for the year.

Receivables from customers at 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 (in thousands of euros):

	December 2008	December 2007
Aquafil Polymers GmBH	101	159
Aquafil Tecnopolimeros S.I.	1.381	669
Aquafil Distribution S.r.I.	854	718
Total	2.336	1.545

Receivables from parent companies

These include a receivable of Euro 24 thousand due within 12 months from the Parent company Gruppo Bonazzi S.p.A. deriving from ordinary commercial transactions.

Tax receivables

This aggregate breaks down as follows (in thousands of euros):

	December 2008	December 2007
From tax authorities for income taxes	1.171	482
VAT receivable	3.033	1.446
Withheld taxes	171	84
Tax receivable for interests	76	76
Other tax receivables	1	137
Other tax credits	0	93
VAT receivable relating to bad debts	305	305
Total	4.758	2,623

Deferred tax assets

This aggregate breaks down as follows (in thousands of euros):

	December 2008	December 2007
Deferred tax assets within 12 months		
Expenses for maintenance and entertainment	102	94
Losses carried forward	1.256	649
Capital gains	236	236
Inventory write-downs	179	260
Total	1.773	1.239

Total	8.199	4.930
Non-deductible interest	1.487	0
Inventory write-downs	167	0
Risks on derivatives	43	0
Depreciation on assets write-down	949	0
Staff	62	161
Reversal of depreciation on tangible assets revaluation reserve	1.345	1.422
Supplementary indemnity provision for agents	410	356
Intercompany capital gains	1.302	1.480
Amortization, depreciation, rental costs	221	148
Exchange differences	0	45
Expenses for maintenance and entertainment	199	188
Other provisions	268	289
Allowance for doubtful receivables	171	111
Losses carried forward	1.573	730
Deferred tax assets after 12 months		

Specifically, deferred tax assets have been accounted for and their recognition is based on the reasonable certainty of future profitability in the years to come:

- on tax losses of Cenon S.r.o. and Borgolon S.p.A. for a total of Euro 1,428 thousand;
- on non-deductible interest of Aquafil S.p.A. calculated pursuant to Art. 96 of TUIR for Euro 1,487 thousand;
- on the reduction in the value of the tangible assets of Borgolon S.p.A. made at the time of the allocation of the consolidation difference, equal to Euro 1,171 thousand, of which Euro 222 thousand reversed in the financial year.

Others

Other Group companies due within 12 months.

This item includes receivables from other Group companies for the following amounts (in thousands of euros):

	December 2008	December 2007
within 12 months		
Aquafabric S.r.I.	39	9
Aqualys S.A.	4	0
Italedil S.r.I.	0	1.376
Orofilum d.o.o.	0	263
Sebi S.r.l.	0	30
Aquasava doo	893	711
Total	936	2.389

Receivables from others within 12 months.

	December 2008	December 2007
Receivables from others within 12 months:		
Sundry advances	4	0
Employees	6	11
Other receivables	57	41
Pension and social security institutes	58	46
Receivables from Treasury	1.418	2.835
Advances to suppliers	41	28
Other advances	157	179
Earnings equalization fund	53	0
Total	1.794	3.139

In particular, receivables from Treasury refer to grants resolved in accordance with Provincial Law 6/99 for a research project on innovative fibres for textile floor covering. 50% of the contribution was cashed in the first semester, while the remaining part will be granted after the conclusion of the project.

OTHER SECURITIES

This item is composed of:

BOT (Treasury bills) - Nominal value of Euro 396,000.= duration 15/04/2008 - 15/04/2009, rate 3.7%

These are tied up until 30 April 2009 as contractual guarantee in favour of third parties.

CASH AND CASH EQUIVALENTS

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

Total	19.992	11.514
3) Cash and cash equivalents on hand	33	19
2) Cheques	578	481
1) Cash at banks and post offices	19.381	11.014
	December 2008	December 2007

The item mainly relates to the balance at year-end of the Group companies current accounts. The increase compared with the 2007 financial year is due to the liquidity in Aquafil S.p.A. bank accounts that was utilised for the payments falling due in January 2009.

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 2008	December 2007
Accrued income:		
Interest on other receivables	1	(
Other	12	4
Total	13	4
Accrued income for Group:		
Gruppo Bonazzi S.p.A.	0	4
Total	0	4
Prepaid expenses:		
Insurance premiums	12	4
Sundry	346	638
Fairs and exhibitions	31	12
Inail	0	10
ICT Consulting	155	233
Maintenance fees	156	87
Other	15	8
Total	715	1.038
Total accrued income and prepaid expenses	728	1.046

Notes to liabilities and equity

NET CONSOLIDATED SHAREHOLDERS' EQUITY ATTRIBUTABLE TO GROUP

The total of Euro 83,025 thousand breaks down as follows (in thousands of euros):

Changes in the year	C	ha	na	es	in	the	vear
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Item	31.12.2007	Profit from previous year	Change in consolida- tion area.	Translation difference	Real estate revaluations	Other changes	Profit (loss) for the year	31.12.2008
			arca.					
I. Share capital	19.564							19.564
II. Share premium reserve	9.250							9.250
III. Revaluation reserves	41							41
IV. Legal reserve	1.548							1.548
V. Reserve for own shares in portfolio	0							-
VI. Statutory reserves	0							-
VII. Other reserves	27.442	4.278	(63)	306	17.781	58		49.802
VIII. Profit (loss) carried forward	0							-
IX. Profit (loss) for the year	4.278	(4.278)					1.486	1.486
Group shareholders' equity	62.123	0	(63)	306	17.781	58	1.486	81.691
Profit (loss) for the year attribut. to min. interests	115	(115)					185	185
Net equity attribut. to minority interests	1.123	115	63	(28)		(124)		1.149
Minority interests	1.239	0	63	(28)	0	(124)	185	1.334
Total Group and minority shareholders' equity	63.362	0	0	278	17.781	(66)	1.671	83.025

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

SHARE CAPITAL

The share capital as at 31 December 2008 has been entirely subscribed and paid-in. It is represented by no. 19,564,000 shares with a nominal value of Euro 1 each.

SHARE PREMIUM RESERVE

At year-end, this reserve amounts to Euro 9,250 thousand.

LEGAL RESERVE

The reserve remains 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 49,298 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.

NET EQUITY AND RESERVES ATTRIBUTABLE TO MINORITY INTERESTS

The balance of Euro 1,334 thousand refers to profit for the year attributable to minority interests and net equity attributable to minority interests.

RECONCILIATION OF GROUP PARENT AQUAFIL SPA'S FINANCIAL STATEMENTS AND CONSOLIDATED ACCOUNTS AT 31 DECEMBER 2008

Below we reconcile the net equity and profit for the year of the Group parent Aquafil SpA with the analogous results in the consolidated financial statements for the year ended 31 December 2008 (figures in thousands of euros):

	Profit (loss) for year	Shareholders' equity
Shareholders' equity and result of financial year as stated in annual		
finaancial statements of the Group parent	1.351	83.245
Difference for equity investments carried at cost in the Group parent's accounts	365	0
Leasing recognition under the finance method applied by Aquafil S.p.A.	273	1.173
Elimination of effects on infragroup operations	323	(1.612)
Difference from the consolidation of Bulgari Filati d.o.o.	(607)	(699)
Other	(219)	(416)
Shareholders' equity and results for year as reported in consolidated financia	al accounts 1.486	81.691
Shareholders' equity and results for year attributable to minority interests	185	1.334
Shareholders' equity and results for year attributable to Group	1.671	83.025

It is specified that the book values relative to the subsidiary Julon d.d. are net of the monetary revaluation required by the Slovenian legislation until the financial year 2002 and accumulated since the date of its first consolidation.

PROVISIONS FOR LIABILITIES AND CHARGES

Provision for taxes

This item includes taxes on income components liable to deferred taxation (in thousands of euros):

	December 2008	December 2007
Extraordinary gains on disposal of assets	800	753
Leasing	2.739	1.972
Elimination of tax interferences and accumulated depreciation	610	659
Other adjustments due to the application of the Group accounting principles	920	471
On reversal of impairment relating to patents	1.002	0
Total	6.072	3.855

Other provisions

Other provisions amount to Euro 3,870 thousand. They include Euro 1,684 thousand in a supplementary indemnity provision for agents, and Euro 1,690 thousand in a guarantee provision on engineering contracts. The remaining amount is composed of provisions held by other consolidated companies for sundry charges and liabilities.

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, pursuant to Article 2120 of the Civil Code and tax regulations. 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 (in thousands of euros):

	December 2008	December 2007
Opening balance	10.339	10.611
Change in the consolidation area	721	0
Accruals	272	499
Utilizations	(1.044)	(771)
Closing balance	10.288	10.339

The final balance is fully adequate to our contractual and legal obligations.

ACCOUNTS PAYABLE

Accounts payable total Euro 302,755 thousand and do not include amounts due after 5 years, except for the quota relating to the new loans raised and to bonds. The analysis is provided below.

Bonds

Bonds are relative to a bonded loan with a nominal value of USD 5,000,000, issued by Aquafil USA Inc., guaranteed by a letter of credit issued by the financial institute Branch Banking & Trust Co. Capital Markets Inc. – Atlanta (Georgia) entrusted with the placing on the market of the bonds. The loan has duration of 18 years, is redeemable starting from 2007 and expires on 2 January 2023, based on a floating rate. The residual debt is equal to Euro 2,587 thousand and expires after five years.

Amounts due to banks

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

Balances at December 2008

	within 12 months	1-5 years	after 5 years	Total	Balances at December 2007
Current account liabilities	2.809			2.809	834
Advances on export transactions	26.337			26.337	12.880
Advances on invoices	39.864			39.864	36.937
Sundry advances	0			0	881
·	69.010	0	0	69.010	51.532
Loans:					
EBRD	0	0	0	0	667
I.M.I.	64	0	0	64	190
Abanka	7.500	31.250	0	38.750	28.500
HVB Splitska banca	182	2.005	0	2.187	0
SKB banca	2.654	5.231	0	7.885	10.538
Cassa Centrale Casse Rurali Trentine	833	3.769	1.632	6.234	6.980
Banca di Verona	3.343	857	0	4.200	2.682
Gorenjska Banka	0	18.983	0	18.983	17.998
Mediocredito Trentino Alto Adige	383	1.741	1.011	3.136	3.500
Cassa Rurale Valsabbia Paganella	596	1.495	0	2.090	2.644
Cassa Rurale Rovereto	224	1.002	571	1.797	2.000
Banca Popolare di Novara	28	0	0	28	0
Banca Sella	212	337	0	550	0
Eurobanca del Trentino	502	218	0	720	0
Deutsche Bank	857	1.714	0	2.571	0
Fortis Bank	1.455	2.182	0	3.636	0
Credito Valtellinese	1.812	7.606	0	9.419	0
Biverbanca	317	632	0	949	0
Cassa Risparmio di Bolzano	1.865	7.707	0	9.572	0
Total loans	22.827	86.729	3.214	112.771	75.699
Total amounts due to banks	91.837	86.729	3.214	181.781	127.231

With reference to the loans allocated, company assets have been mortgaged to the value of Euro 100,641 thousand.

Amounts due to other lenders

Amounts due to other lenders refer to an outstanding payable to Simest S.p.A. for the repurchase of a 41.12 interest in Bulgari Filati d.o.o. equal to Euro 1,266 thousand, with option to buy expiring on 30 June 2009 and backed by a guarantee issued by the Parent company Gruppo Bonazzi S.p.A..

Advances

This item includes advance payments received from customer for supplies not yet delivered for Euro 2,895 thousand and refer for Euro 2,871 thousand to the company Aquafil Engineering G.m.b.H..

Amounts due to suppliers

	December 2008	December 2007
within 12 months		
Trade payables	56.266	58.452
Leases - due within 12 months	5.846	5.361
Total	62.112	63.813

after 12 months		
Trade payables	33	165
Leases - due after 12 months	33.310	35.567
Total	33.343	35.732
Total	95.455	99.545

Amounts due to associated companies

These amount to Euro 136 thousand and refer to (in thousands of euros):

	December 2008	December 2007
Aquafil Polymers GmBH	45	33
Aquafil Tecnopolimeros S.I.	44	37
Aquafil Distribution S.r.I.	47	44
Total	136	114

Amounts to parent companies

Amounts payable within 12 months amount to Euro 2,030 thousand and for Euro 7 thousand are relative to debts of commercial nature and for Euro 2,023 thousand relative to the transfer of the tax debit of the companies included in the system of taxability on a consolidation basis to the holding company Gruppo Bonazzi S.p.A..

Specifically (in thousands of euros):

	December 2008	December 2007
within 12 months		
Tessilquattro S.p.A.	622	-8
Aquafil S.p.A.	292	139
Aquaspace S.p.A.	179	-2
Aquafil Engineering Plastics S.p.A.	937	22
Aquafil Asia Pacific Co. Ltd	0	1
	2.030	152
after 12 months		
Tessilquattro S.p.A.	0	1.134
Aquafil S.p.A.	0	0
Aquaspace S.p.A	0	663
Aquafil Engineering Plastics S.p.A.	0	1.138
	0	2.936

Taxes payable

Taxes payable total Euro 2,486 thousand. They are due within 12 months and break down as follows (in thousands of euros):

	December 2008	December 2007
within 12 months		
Payables to tax office for IRAP	665	222
Payables to tax office for taxes withheld at source	1.148	1.182
VAT payables	66	900
Due to tax office for other payables	168	88
Due to tax office for other taxes	152	22
Total	2.199	2.415

		December 2008	December 2007
aft	ter 12 months		
Oth	her	287	0
ТО	TAL	287	0

Accounts payable to social security institutes

These total Euro 2,392 thousand and include the amount owed by the Group companies and their employees at year-end for social security dues from wages for December 2007 and for the extra "13th-month" pay packet.

Other accounts payable

Other Group companies

The item includes the following payables towards Gruppo Bonazzi companies (in thousands of euros):

	December 2008	December 2007
Montebello S.r.I.	24	0
Aquafabric S.r.l.	6	10
Aquasava doo	16	33
Bonazzi R.E. S.r.I.	7	5
Total	53	48

Other creditors

Payables due within 12 months amount to Euro 5,769 thousand and mainly consist of payables to employees.

Payables due after 12 months amount to Euro 5,048 thousand and refer to guarantee deposits of customers.

The following table shows the break-down of item "Payables" by geographic area (in thousands of euros):

	Italy	Europe	North America	Rest of the world	Total
1) Bonds	3.444	0	0	0	3.444
4) Amounts due to banks	111.304	67.805	2.672	0	181.781
5) Amounts due to other lenders	1.266	0	0	0	1.266
6) Advances	0	2.878	0	17	2.895
7) Amounts due to suppliers	48.774	31.981	9.735	4.965	95.455
10) Amounts due to associated companies	47	89	0	0	136
11) Amounts due to parent companies	2.030	0	0	0	2.030
12) Taxes payable	1.707	754	0	25	2.486
13) Accounts payable to social security institutes	1.917	385	87	3	2.392
14) a) Other Group companies	37	16	0	0	53
14) b) Other creditors	9.699	1.117	0	1	10.817
TOTAL	180.225	105.025	12.494	5.011	302.755

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 2008	December 2007
Accrued expenses:		
Interest charges on loans and financing	422	341
Interest charges on bonds	0	10
Insurance premiums	42	18
Other	267	294
Commissions	3	3
Total	734	666
Group accrued expenses:		
Gruppo Bonazzi S.p.A.	0	Ç
Total	0	Ç
	December 2008	December 2007
Deferred income:		
Grants for plant and machinery	551	644
Other	33	
Grants ex provincial law 6/99	405	1.215
Total	989	1.862
Total accrued expenses and deferred income	1.723	2.537

MEMORANDUM ACCOUNTS

Bills in circulation

These consist of Euro 2,502 thousand for bills of exchange and checks presented to banks by the Group parent and still outstanding at year-end.

Collateral and bank guarantees issued in favour of Parent company

These refer for Euro 13,015 thousand to mortgages and guarantees with banks on behalf of the Parent company for lines of credit from banks, whose residual debt at 31 December 2008 amounts to Euro 2,433 thousand.

Risk of recourse on assigned receivables

Assigned receivables, for which the assignee may exercise the right of recourse, amounted in the course of the financial year 2008 to Euro 3,323 thousand.

Guarantees received

Guarantees for Euro 10,150 thousand were given as warranty for the return of products in relation to commercial contracts.

Notes to profit and loss account

VALUE OF PRODUCTION

Revenues from sales and services

Revenues from sales and services break down as follows (in thousands of euros):

	December 2008	December 2007
by business line		
Polyamide, polypropylene and other polymers	364.690	377.382
Engineering	11.861	12.277
Other revenues	4.186	4.266
	380.737	393.925

by geographical location

	380.737	393.925
Abroad	293.383	308.848
Italy	87.354	85.077

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

Total	4.477
Aquafil Polymers GmBH	506
Aquafil Tecnopolimeros S.I.	1.905
Aquafil Distribution S.r.l.	2.066

Capitalisation of internal construction costs

The aggregate, which amounts to Euro 2,462 thousand, is mainly made up of the costs incurred within the Group for the construction of machinery and equipment.

Other revenues and income

This item is composed of as follows (in thousands of euros):

	December 2008	December 2007
Grants related to income		
Leasing	0	71
Other grants	896	1.651
Grants related to income	896	1.722
Other revenues and income		
Rental income	63	23
Gains on fixed assets disposal	233	237
Insurance compensation payments	219	47
Recovery of expenses	131	150
Rounding	1	(
Other income	912	638
Utilization of other provisions	100	186
Revenues from sale of energy	0	40
Revenues from software fees	0	(
Recharge of tax and administrative consulting	20	(
Contribution for technical assistance from distributors	0	36
Consulting fees from group companies	0	25
Commissions earned	0	200
Grants for plant and machinery	3	3
Reversal of impairment relating to patents	5.081	(
Other revenues and income	6.763	1.586
Grand total	7.659	3,308

Grants ex Provincial Law 6/99, equal to Euro 896, mainly refer to research grants commented under item "Other debtors due within 12 months".

With regard to "reversal of impairment relating to patents", please refer to the comments on "Intangible assets". Gains on assets disposal have been realised towards third parties.

Costs of production

Raw materials, supplies, consumable stores and merchandise:

This item is composed of as follows (in thousands of euros):

Total	216.625	224,447
Other purchases and merchandise	7.092	8.512
Supplies and consumable stores	21.718	22.598
Raw materials and semifinished goods	187.816	193.338
	December 2008	December 2007

Services

This item breaks down as follows (in thousands of euros):

	December 2008	December 2007
External processing	4.519	3.571
Transport of purchases	726	2.499
Electricity, propulsive energy, water and gas	27.547	24.710
Maintenance	4.298	4.470
Warehousing, management of external deposits	2.289	2.371
Cleaning and security	718	733
Waste disposal	549	572
Stationery	197	183
Post and telephone charges	460	469
Insurance	961	842
Services for staff	207	163
Technical consultancy	940	908
Fees for technical assistance	114	81
Commercial consultancy	227	279
Legal, tax and administrative consultancy	1.060	1.375
Company expenses	24	17
Membership fees	218	178
Newspapers and magazines	31	18
Enasarco commissions and contributions	4.580	4.672
Travelling	1.293	1.268
Commercial information	46	54
Fairs and exhibitions	318	370
Advertising expenses	959	638
Insurance credits	922	1.108
Entertainment expenses	476	346
Transport of purchases	11.064	10.673
Other sale expenses	1.275	1.604
Other services	259	252
Emoluments for Statutory Auditors	173	147
Emoluments for Directors	1.944	86
Temporary work	365	530
Commissions on equity investments	78	70
Canteen	451	430
Supplementary indemnity provision for agents	0	
Non-bank charges and commissions	127	146
Consulting and rental costs ICT assist.	2.698	2.339
	72.110	68.947

We report that the total value of emoluments for the directors and statutory auditors of the Group parent Aquafil SpA for the fulfilment of their functions amounted to Euro 1,593 thousand and Euro 105 thousand respectively.

Rent, leasing and similar costs

This item is composed of as follows (in thousands of euros):

	December 2008	December 2007
Rent	658	431
Industrial rent	1.440	1.550
Operating leasing	643	581
Commercial rent	34	0
	2.475	2.562

Personnel costs

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

Below we show the number of staff divided by category:

	December 2008	December 2007	Average
Production workers	1 .414	1.373	1 .394
Office staff	395	389	392
Middle managers	38	41	40
Managers	31	26	29
	1 .878	1.829	1 .854

The number of staff is in line with 31 December 2007. The inclusion in the Group of the company Borgolon S.p.A. brought an increase of 76 units.

Personnel costs at 31 December 2008 amount to Euro 59,972 thousand with an increase of Euro 2,894 thousand compared with the previous financial year, mainly ascribable to the company Borgolon S.p.A..

Amortization, depreciation and write-down

This item is composed of as follows (in thousands of euros):

	17.525	17.792
d) Writedowns of current accounts receivable and cash and cash equivalents	625	364
c) Other writedowns of assets	234	0
b) Depreciation of tangibles	14.784	14.114
a1) Amortisation of intangibles	1.882	3.314
	December 2008	December 2007

Provisions for risks

The provision amounts to Euro 129 thousand and refers to the supplementary indemnity provision for agents.

Other provisions

Other provisions total Euro 860 thousand and refer almost exclusively to the accruals made to guarantee provisions of Aquafil Engineering GmbH.

Sundry operating costs

These are made up of the following (in thousands of euros):

	December 2008	December 2007
Non-deductible VAT	32	45
ICI (Council tax)	626	596
Various taxes	79	178
Capital losses on disposal of assets	97	124
Losses on receivables	124	3
Rounding	1	0
Bonuses to customers	2	1
Other costs	448	248
Scholarships	29	24
Sanctions and fines	40	39
	1.477	1.260

FINANCIAL INCOME AND CHARGES

INCOME FROM INVESTMENTS

Income from investments in subsidiaries amounts to Euro 161 thousand and refers to the capital gain resulting from the sale of a 10% interest in Aquafil Service GmbH.

OTHER FINANCIAL INCOME

Income from non-current accounts receivable total Euro 1,668 thousand and refer to interest income on loans, of which Euro 1,336 thousand are from the Parent company Gruppo Bonazzi, Euro 43 thousand from the related party Italedil S.r.I and Euro 289 thousand from Trentino Sviluppo S.p.A..

Income other than above is composed of interest income of Euro 9 thousand from the Parent company Gruppo Bonazzi S.p.A. and other income consisting of (in thousands of euros):

	December 2008	December 2007
Miscellaneous interest	10	30
Interest income on bank accounts	523	267
Interest income from customers	16	71
	549	368

INTEREST EXPENSE AND OTHER FINANCIAL CHARGES

Parent companies

This item is made up by interest expense on amounts due to the Parent company Gruppo Bonazzi S.p.A. for Euro 47 thousand and by other interest and charges composed of as follows (in thousands of euros):

	December 2008	December 2007
Interest expense on bond loans	5	21
Interest expense on current accounts with banks	450	457
Interest on mortgage loans	4.257	3.431
Interest on bank borrowings	108	359
Interest expense on export advances	1.875	2.316
Interest expense on import loans	204	358
Discounts on commercial bills	2.322	2.160
Factoring expense	362	286
Interest expense on commercial operations	15	7
Interest payable to leasing companies	2.291	1.006
Bank expenses and commissions	1.004	634
Cash discounts	2.712	2.989
Swap contracts expense	43	0
Other charges	4	3
Leasing contributions	-3	0
	15.649	14.027

GAIN/LOSS ON CURRENCY EXCHANGE

This item included the gain and losses on currency exchange for the year. The item also included the gain and losses as result of the translation of the items expressed in foreign currency to the exchange rates at year-end, which resulted in gains higher than losses of Euro 507 thousand.

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 charge deriving from the valuation of investments in associated companies based on the net equity method.

EXTRAORDINARY INCOME AND CHARGES

EXTRAORDINARY INCOME

This item is composed of as follows (in thousands of euros):

	December 2008	December 2007
Gains on assets disposal	4.198	0
Overaccruals	283	830
Other extraordinary income	278	639
Collection of bad debts	173	9
	4.932	1.478

Specifically:

- "Gains on assets disposal" reflect the disposal of the plants described in the section relating to Non-current assets of Cenon S.r.o..

EXTRAORDINARY CHARGES

This item is composed of as follows (in thousands of euros):

	December 2008	December 2007
Losses on disposal of assets	0	3.091
Losses on disposal of investments	2	0
Deferred tax liabilities	4	89
Underaccruals	282	516
Other extraordinary income	1.422	560
Costs relating to staff transfers/temporary outplacement	470	45
Write-down of goodwill arising on consolidation	8.559	0
	10.739	4.301

In particular:

- "other extraordinary income" mainly refers to the costs sustained by the company Julon d.d. deriving from the plants re-adjustment of textile production in synergy with Bulgari Filati d.o.o..
- "costs relating to staff transfers/temporary outplacement" have been borne by the companies Aquafil S.p.A., Aquaspace S.p.A. and Julon d.d. and are relative to incentive departures for corporate restructuring;
- the write-down is commented in the section relating to Non-current assets.

INCOME TAXES FOR THE YEAR

This item is composed of as follows (in thousands of euros):

	December 2008	December 2007
Current taxes:		
Current taxes - Ires	2.024	3.801
Current taxes - Irap	1.408	2.826
Other taxes	607	859
Total	4.039	7.486

Deferred taxes:

Grand total	3.281	5.744
Total	(758)	(1.742)
Other deferred tax assets and liabilities	1.068	0
Irap - Deferred tax assets and liabilities	76	(446)
Ires - Deferred tax assets and liabilities	(1.902)	(1.296)

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

Decen	nber 2008	D	ecember 2007	
Current taxes:		4.039		7.486
Temporary differences from statutory financial statements	Taxes		Taxes	
tax losses carried forward	(843)		1.154	
deferred gains on disposal of non-current assets	0		(1.450)	
write-off of the allocation for merger deficit	0		(2.533)	
elimination of tax interferences	(37)		(55)	
write-down of investments	0		2.002	
supplementary indemnity provision for agents	(55)		(16)	
non-deductible interest	(1.487)		0	
other	88		264	
Consolidation transactions:				
IAS 17	197		(2.625)	
depreciation/gains	210		(179)	
tax losses	(585)		1.466	
other transactions for conformity to accounting principle	es 1.754		230	
		(758)		(1.742)
Grand total	·	3.281		5.744

Aquafil S.p.A., Aquafil Engineering Plastics S.p.A., Aquaspace S.p.A. and Tessilquattro S.p.A. adhered to the consolidated taxability system chosen by Gruppo Bonazzi S.p.A. for the three-year period 2007-2009 pursuant to Art. 117 and subsequent of T.U.I.R.. In preparing the financial statements, the effects of the transfers of the tax positions resulting from the "system of taxability on a consolidation basis" were taken into account, and in particular, the related credit/debit amounts towards the holding company were recorded.

Arco, 28 March 2009

The Chairman of the Board of Directors of Aquafil S.p.A. Mr. Giulio Bonazzi

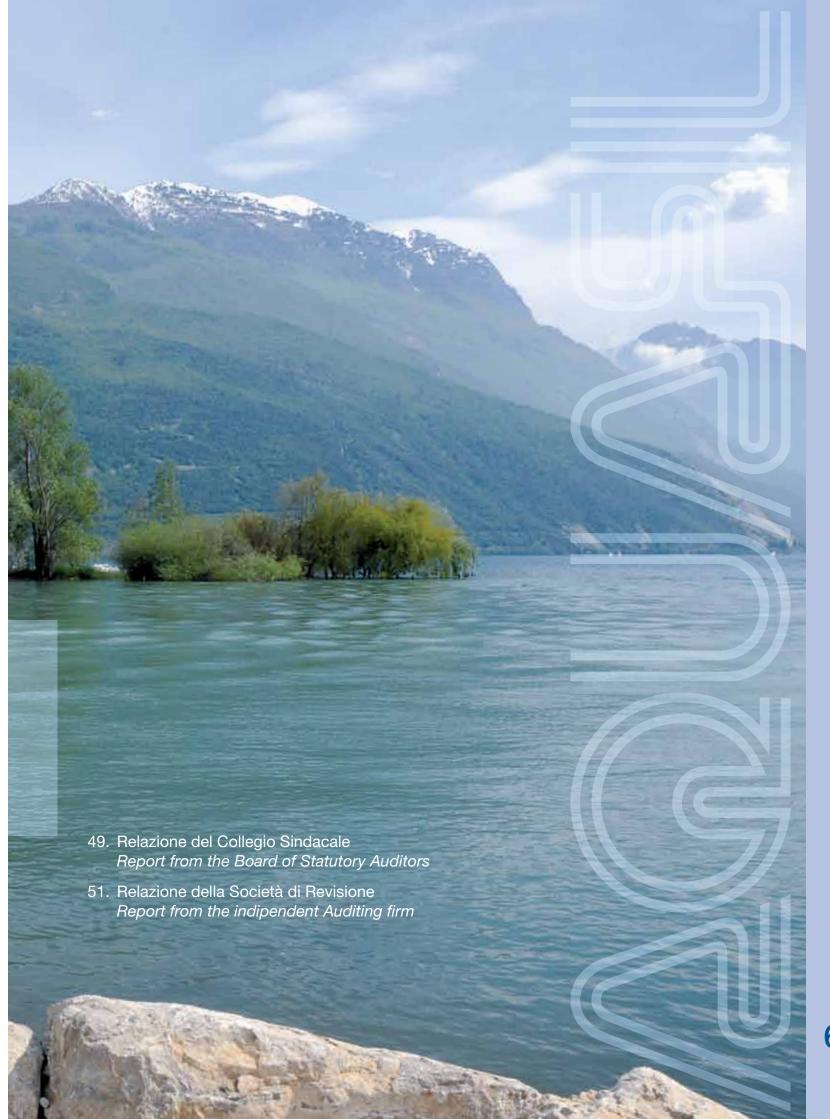






CASH FLOW STATEMENT (in thousands of euros)	31-12-2008	31-12-2007
Cash flow from operations		
Profit (Loss) for the Year	1.671	4.394
Amortisation, depreciation	16.666	17.428
Net effect of write-down/revaluation of fixed assets	8.793	(29)
Net change in provision for staff termination pay	(51)	(272)
Net change in provisions for risks	3.453	(2.216)
(Increase) / Decrease in inventories	(2.886)	(4.564)
(Increase) / Decrease in inventories due to change in consolidation area	(4.959)	0
(Increase) / Decrease in accounts receivables from customers	283	26.303
(Increase) / Decrease in accounts receivables from customers due to change in consolidation area	(3.664)	166
(Increase) / Decrease in accounts receivables from associated companies	(791)	280
(Increase) / Decrease in accounts receivables from parent companies	683	1.514
(Increase) / Decrease in others accounts receivables	2.798	(1.546)
(Increase) / Decrease in tax receivables	(2.135)	(460)
Increase) / Decrease in deferred tax assets	(3.803)	381
(Increase) / Decrease in accrued income and prepaid expenses	318	(263)
Increase / (Decrease) in advance payments	(1.788)	1.416
ncrease / (Decrease) in accounts payable to suppliers	(8.713)	21.784
Net change in accounts payable to suppliers due to change in consolidation area	4.622	(15)
Increase / (Decrease) in accounts payable to associated companies	22	(54)
ncrease / (Decrease) in taxes payable	(360)	151
Increase / (Decrease) in accounts payable to social security institutions	98	350
Increase / (Decrease) in other accounts payables	2.128	2.709
Increase / (Decrease) in accrued expenses and deferred income	(811)	1.025
Total	11.574	68.482
Investments		
Investments in tangible assets	(43.759)	(46.857)
(Increase) / Decrease in tangible assets due to change in consolidation area	(4.449)	2.118
Investments in intangible assets	(5.842)	(2.325)
Increase in intangible assets due to change in consolidation area	(55)	0
Disposal of tangible assets	14.572	12.338
Disposal of intangible assets	22	99
Net effect in tangible / intangible assets due to exchange rates differences	(2.323)	591
Total	(41.834)	(34.048)

CASH FLOW STATEMENT (in thousands of euros)	31-12-2007	31-12-2006
Borrowings and lendings		
(Increase) / Decrease in financial accounts receivable from parent companies	2.910	2.157
(Increase) / Decrease in other financial accounts receivable	(15.715)	(122)
Net effect in other financial accounts payable due to exchange rates differences	(2)	9
Increase / (Decrease) in amounts due other lenders	0	(924)
Increase in amounts due to banks	48.602	37.658
Increase in amounts due to other lenders due to change in consolidation area	580	0
Reimbursement of loans	0	(10.000)
Financing and transfer of short term banks' loans	(23.058)	(11.817)
Net effect in amounts due to banks due to exchange rates differences	(61)	(1)
Reimbursement of bonds	(585)	(591)
Exchange differences on bonds	188	(394)
Increase / (Decrease) in accounts payable to parent companies	(2.436)	(2.335)
Other changes in reserves	(69)	0
Net effect of translation differences	278	(502)
Total	10.632	13.138
Total cash flow	(19.628)	47.572
Cash and banks - opening balance (*)	(51.837)	(99.409)
Cash and banks - closing balance (*)	(71.465)	(51.837)
(*) total of cash and cash equivalent, other securities in current assets and amounts due to banks within 12 months		



Report from the Board of Statutory Auditors to the financial statement at 31 december 2008.

Report of the Board of Statutory Auditors on the consolidated financial statements for the year ended 31 December 2008

(Art. 2429, Paragraph II, Italian Civil Code)

To the Shareholders' Meeting of Aquafil S.p.A.

Shareholders,

The consolidated financial statements as at 31 December 2008 prepared by the Directors of your Company comprise the balance sheet, profit and loss account and the related notes and are accompanied by the report on operations presented by the Board of Directors.

The consolidated financial statements, like the statutory accounts, are audited by PricewaterhouseCoopers S.p.A. who issued their unqualified report on 30 April 2009.

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

In brief, the consolidated financial statements at 31 December 2008 show a net profit for the year attributable to the Group of Euro 1,486 thousand, total assets amounting to Euro 407,733 thousand and Group shareholders' equity of Euro 81,691 thousand.

The scope of consolidation, the consolidation principles and the accounting policies adopted for valuing each individual item are detailed in the Notes to the financial statements.

We agree with the above-said principles which comply with the provisions of law and the accounting standards.

Arco, 30 April 2009 The Board of Statutory Auditors

Mario Za

Pietro Mon

Paolo Micolai

Report

from the indipendent Auditing firm.

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 2409-TER OF THE CIVIL CODE

AQUAFIL GROUP

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2008

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 2409-TER OF THE CIVIL CODE

To the Shareholders of AQUAFIL S.p.A.

- 1 We have audited the accompanying consolidated financial statements of the AQUAFIL Group as at 31 December 2008. AQUA-FIL SpA's Directors are responsible for the preparation of these financial statements in compliance with the laws governing the criteria for preparation. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with Italian standards on auditing. 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.

The audit of the financial statements of certain subsidiaries, which represent approximately 45.5 per cent of consolidated assets and approximately 14 per cent of consolidated revenues, is the responsibility of other auditors.

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 28 April 2008.

- 3 In our opinion, the consolidated financial statements of the AQUAFIL Group as at 31 December 2008 comply with the laws governing the criteria for their preparation; accordingly, they give a true and fair view of the financial position and of the results of operations of the Group.
- 4 For a better insight into the consolidated financial statements of AQUAFIL SpA at 31 December 2008 we point out the following:
- a) the company modified the criterion for the valuation of contract work in process from the cost method to the percentage of completion method. The effects on the net result for the year and on shareholders' equity arising from this change are illustrated in the notes to the consolidated financial statements;
- b) as illustrated in the notes to the consolidated financial statements, the production activity of the subsidiary Cenon Sro has been suspended since the first quarter of 2003. During 2008 Cenon Sro sold a portion of its properties, plant and equipment realizing a gain carried within Extraordinary income. As a consequence of these disposals the residual value of goodwill arising on consolida-

tion referred to Cenon Sro was written down and recorded among Extraordinary charges. Other revenues and income also include the reversal of the impairment of licenses and trademarks of Cenon Sro; this value was fully written down in 2003 in the aftermath of the production halt. The reversal of the impairment stems from the decision of the Aquafil Group to utilise the licenses and knowhow for an important R&D project. The Directors, on the basis of the estimated realizable value, believe the net book value of the residual asset items (i.e. non-current assets and inventories totalling Euro 7.8 million which are expected to be sold off during 2009 and in subsequent years) to be recoverable.

5 The Directors of AQUAFIL SpA are responsible for the preparation of the report on operations in accordance 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 art. 2409-ter, paragraph 2, letter e), of the Italian Civil Code. For this purpose, we have performed the procedures required under Auditing Standard no. 001 issued by the Italian Accounting Profession (CNDCEC). In our opinion the report on operations is consistent with the consolidated financial statements of the AQUAFIL Group as at 31 December 2008.

Trento, 30 April 2009

PricewaterhouseCoopers SpA

ha Ill.

Signed by

Maria Teresa Bernelli

(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."

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