

**Consolidated financial
statements**

at 31 december 2010

1210

AQUAFIL 
synthetic fibres and polymers





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- 4. Group structure



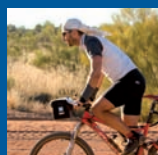
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Board of Directors

GIULIO BONAZZI	Chairman and Managing Director
CARLO BONAZZI	Honorary Chairman
BRUNO TORRESANI	Managing Director
ADRIANO VIVALDI	Managing Director
ANTONIO BONAZZI	Director
MAURO MORETTI	Director
RAFAEL TORRES BOULET	Director

Board of Statutory Auditors

PIETRO MONTI	Chairman of the Board of Statutory Auditors
PAOLO NICOLAI	Permanent Statutory Auditor
ANDREA FASAN	Permanent Statutory Auditor

Independent Auditors

PRICEWATERHOUSECOOPERS S.p.A.

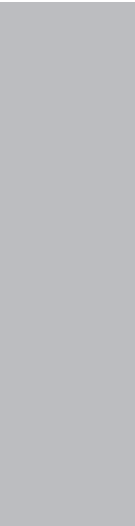




2. Group Consolidated Highlights

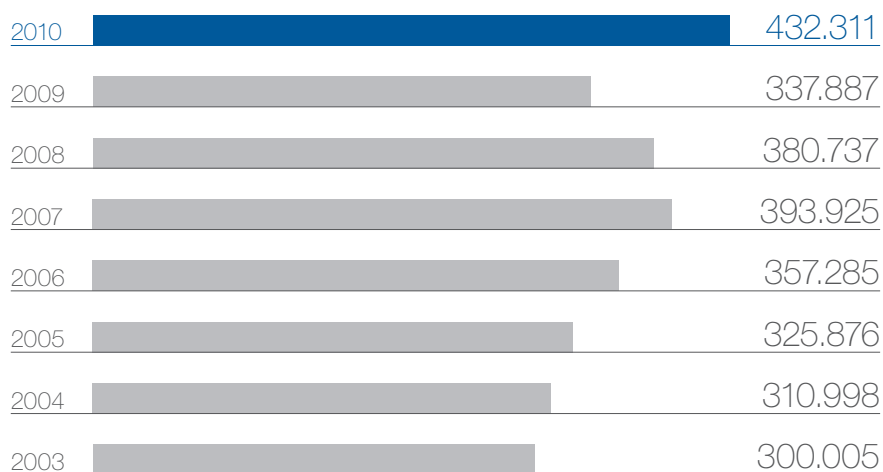
4. Group structure

Consolidated Financial Statements

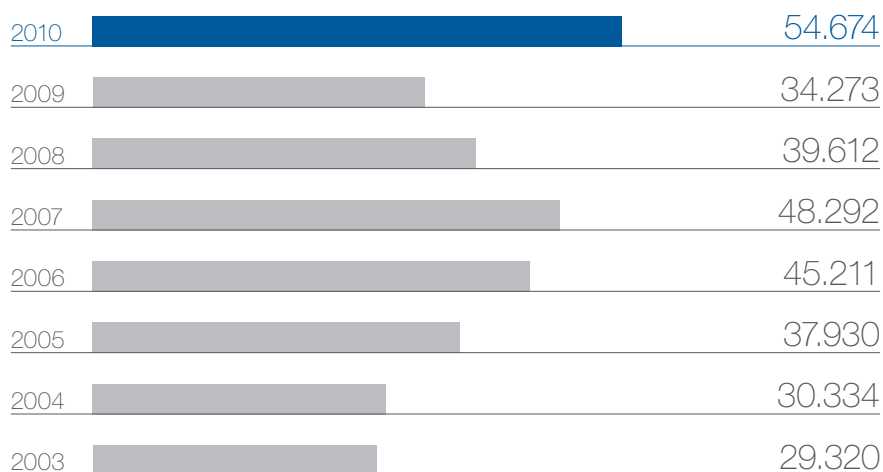


Group Consolidated Highlights

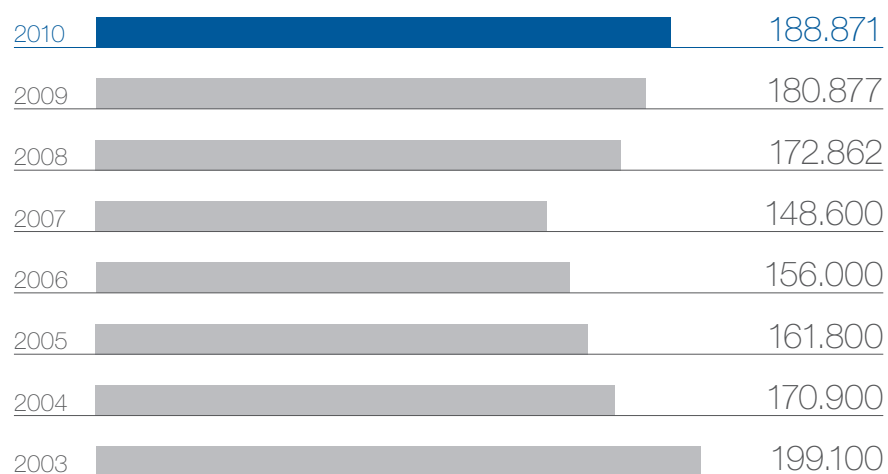
Net revenues (amounts in million of Euros)



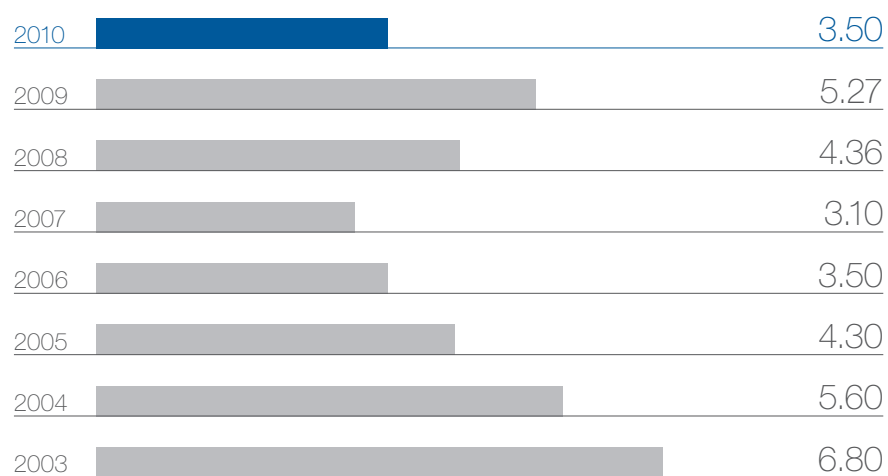
EBITDA (amounts in million of Euros)



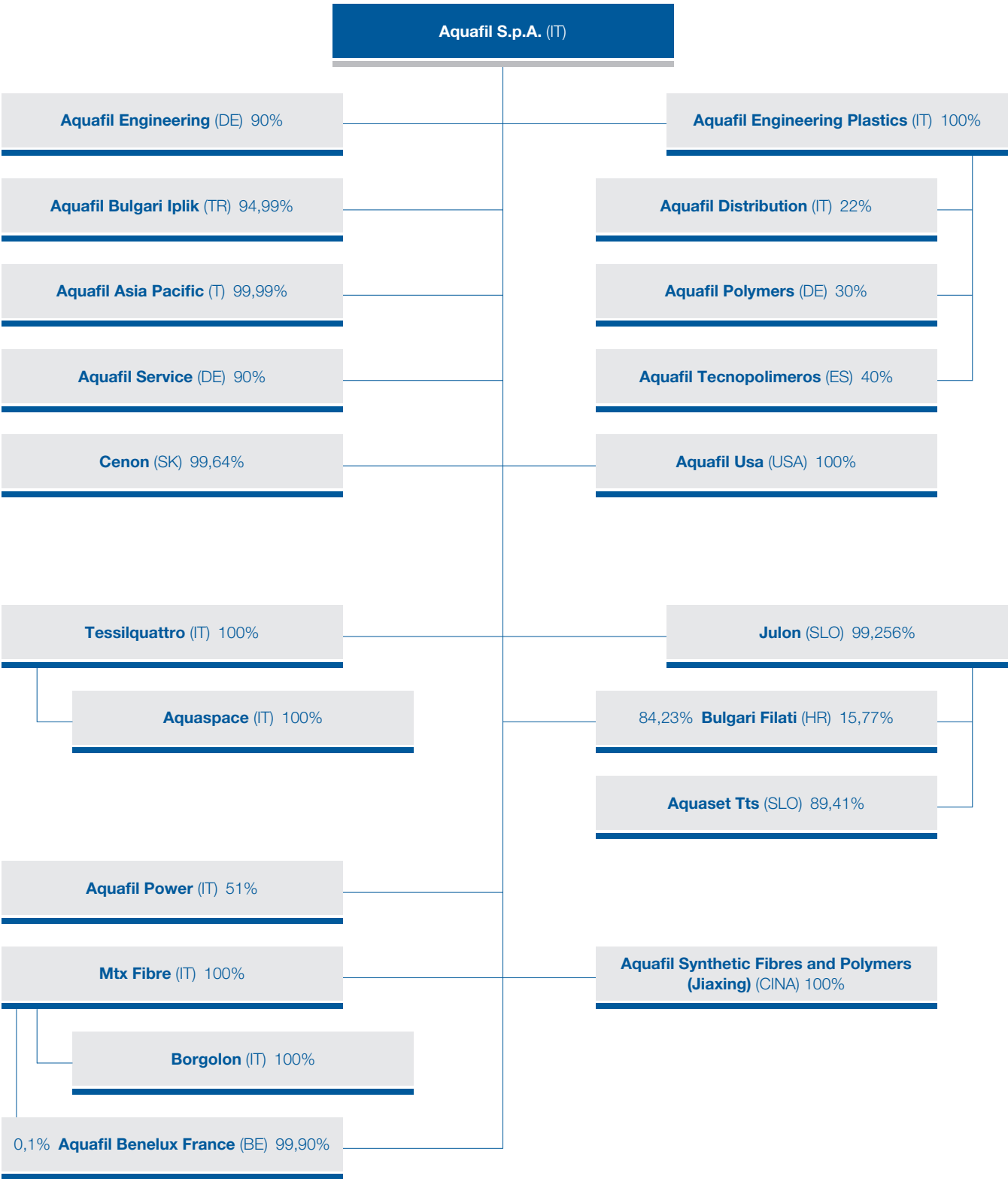
Total net financial debt (amounts in million of Euros)



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



Group structure







9. Directors' report on operations – Aquafil Group

Directors' report on operations – Aquafil Group

The Board of Directors of the parent company Aquafil S.p.A. prepared the consolidated financial statements of the Aquafil Group for the financial year 2010 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

Board of Directors:

Giulio Bonazzi	Chairman and Managing Director
Carlo Bonazzi	Honorary Chairman
Bruno Torresani	Managing Director
Adriano Vivaldi	Managing Director
Antonio Bonazzi	Director
Mauro Moretti	Director
Rafael Torres Boulet	Director

Board of Statutory Auditors:

Pietro Monti	Chairman of the Board of Statutory Auditors
Paolo Nicolai	Permanent Statutory Auditor
Andrea Fasan	Permanent Statutory Auditor

Independent Auditors:

PricewaterhouseCoopers S.p.A.

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

CORPORATE DATA OF THE PARENT COMPANY

Registered office and corporate details:

Aquafil S.p.A.
Via Linfano, 9
38062 Arco (TN) – Italy
Tel: +39 0464 581111
Fax: +39 0464 532267
Share capital: Euro 19,678,000.00
Fiscal Code and VAT IT00123150229
www.aquafil.com

THE AQUAFIL GROUP

The Aquafil Group, through the 18 Group companies included in the consolidation area located in 10 countries in Europe, North America and Asia, carries out activities for the production and sale of polymers and nylon synthetic fibres, as well as system engineering activities.

It is organised in these business units:

- synthetic fibres for textile floor covering and engineering of chemical and textile facilities ("BCF");
- synthetic fibres for textile uses ("NTF");
- technopolymers for plastics moulding ("Engineering Plastics");
- energy and recycling.

Production is carried out in 13 production facilities spread over three continents, while sales to the end market are mainly made by the Parent company Aquafil S.p.A., by Aquafil Engineering Plastics S.p.A., Aquafil Engineering G.m.b.H., and, for the main non-EU markets, by the local manufacturing companies Aquafil USA Inc. (USA), Aquafil Asia Pacific Co., Ltd (Thailand) and Aquafil Synthetic Fibres and Polymers (Jiaxing) Co., Ltd. (China).

Changes in the scope of consolidation are detailed in the Notes.

GROUP CONSOLIDATED HIGHLIGHTS

Definition of indicators:

- **EBITDA**: defined as the difference between revenues from sales and the costs for the consumption of materials, cost of services, personnel cost and other monetary operating costs. It represents the margin realised before amortisation, depreciation, cash flow operations, extraordinary items and taxes.
- **EBIT**: defined as the difference between EBITDA and the value of amortisation, depreciation and impairment. It represents the margin realised before cash flow operations, extraordinary items and taxes.
- **Net financial debt**: represents the algebraic sum of cash and cash equivalents and current and non-current financial accounts receivable and payable. The indicators were determined on the basis of a reclassification of items according to the statements in the section below with no adjustments.

Main economic indicators (amounts in thousands of Euros):

Description	2010		2009		Change	
Net revenues	432,311	100%	337,887	100%	94,424	28%
EBITDA	54,674	12.6%	34,273	10.1%	20,401	60%
EBIT	31,703	7.3%	10,367	3.1%	21,336	206%

Main financial indicators (amounts in thousands of Euros):

Description	12/31/2010	12/31/2009	Change
Net financial debt:			
<i>third parties</i>	(175,712)	(172,567)	(3,145)
<i>shareholders</i>	(13,159)	(8,310)	(4,849)
Total net financial debt	(188,871)	(180,877)	(7,994)
P.F.N. / EBITDA	(3.5)	(5.3)	
Consolidated shareholders' equity	(82,476)	(70,928)	(11,548)

GROUP PERFORMANCE AND 2010 RESULTS

In 2010, a recovery at a global level was seen in the demand for synthetic fibres and technopolymers compared to the situation of recession that marked 2009. The recovery appears driven mainly by consumption in Asia but in Europe too, 2010 showed an overall recovery in all types of fibres and polymers, sustained above all by technical applications; in particular the German market, which is confirmed as one of Aquafil's main markets, showed a steady rate of growth. The automotive sector had a positive influence on demand whereas furnishing and construction remained in difficulty and the trend for these is expected to be negative also in 2011.

As well as the restocking process, which has favoured above all the first months of the year, the contribution of a weak euro was important for the recovery which encouraged domestic production over imports and supported exports. At a global level there were shortages in intermediate chemicals against an increased demand for polymers and fibres. A number of things propped up demand for synthetic fibres including the shortage of cotton and its high prices, which played a favourable role and induced a process of replacement in textile uses. The prices of almost all raw materials of fibres and polymers for applications other than fibres have shown strong increases. These price rises have driven businesses to transfer the increased costs to the sales prices, helped in this by the recovery in downstream demand. For 2011, growth rates are expected to be positive but more moderate than in 2010, in a context of uncertainty on the general economic scenario, while the prices of raw materials will continue to be a critical issue with it being considered that they will continue to rise at least in the first half of 2011. In this international context, the Aquafil Group has achieved considerable financial results, in terms of both consolidated turnover and profitability. The robust financial position of the Group, the high reliability and the distinctive position of its business activities have contributed to strengthening its leadership role at a European level and improve its positioning to a significant extent also in the large North-American market and in the Far-East; in Europe, the Group has been able to derive benefit and increase its commercial presence with clients due to several operators in difficulty leaving the market which led to demand being reallocated to more reliable established manufacturers.

Group economic performance

The Group's consolidated revenues from sales and services increased by € 94.4 million compared to 2009, up by 27.9%, due to an increase of about 60% in sales volumes and to the increase in sale prices for the residual part.

All three business units showed a trend of expansion.

The trend of the average purchase price of the raw material caprolactam, which affects all three business areas of the Group, has been exactly opposite to that of 2009; the average annual price of caprolactam in 2010 was almost 30% higher than the average for the previous period and

reached the average levels of 2008. In this way, the effect caused by the undervaluation of the value of the closing inventories for the period which had adversely affected the 2009 financial result and which had been recognised in the financial statements for the previous year through the normalisation of the financial results was fully reabsorbed; the condensed income statement below shows the "normalised" EBITDA, i.e. the result for the 2009 and 2010 years deriving, respectively, from the write-down and revaluation of the opening inventories for the year, due to the difference of the average purchase price of raw materials.

At a mere valuation level, in 2010 this effect was equal to € 8.9 million.

Variable costs recorded a general increase connected with the higher volumes produced and sold. Personnel costs increased by 14.9%, while the impact on the consolidated turnover decreased from 17.9% in 2009 to 16.1%. Workforce recorded a total increase of 210 units from 1,816 to 2,026 employees, as detailed in the Notes.

Any allowance for doubtful receivables takes into account the credit risk situation in relation to clients and the amount of credit risk not covered by the relative insurance policies. The cost of financial management has been in line with that of the previous period, taking account of the impact of various forms of financing, as resulting from the breakdown reported 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, and includes the recognition of deferred tax assets and liabilities.

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

Ref.	Description	2010	2009
A1	Revenues from sales and services	432,311	337,887
A2	Change in inventories	16,258	(1,630)
A4	Capitalisation of internal construction costs	2,898	242
A5	Other revenues and income	3,595	4,489
A	Value of production	455,062	340,988
B6 B11	Purchase of raw materials, supplies and merchandise	(251,619)	(175,123)
B7-8,B13-14	Cost of services and other operating costs	(79,315)	(71,119)
B9	Personnel costs	(69,454)	(60,473)
	EBITDA	54,674	34,273
	Normalised EBITDA	45,775	43,143
B10a-b	Amortisation and depreciation	(21,346)	(21,675)
B10c-d,B12	Provisions and write-downs	(1,625)	(2,231)
A - B	EBIT	31,703	10,367
C	Net financial income and charges	(13,954)	(10,757)
D,E20-21	Net exceptional income and charges, write-downs and revaluations	(712)	(1,753)
	Net profit/(loss) before taxes and minority interests	17,037	(2,143)
E22	Taxes	(6,094)	(1,894)
	Net profit/(loss) before minority interests	10,943	(4,037)
23	Profit/(loss) for the year attributable to minority interests	55	239
24	Profit/(loss) for the year attributable to the Group	10,888	(4,276)
	Group Cash Flow [profit/(loss) + amortisation/depreciation]	32,234	17,399

Group balance sheet and financing

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

Ref.	Description	31/12/2010	31/12/2009
Non-current assets:			
BI	Intangible assets	12,328	12,624
BII	Tangible assets	178,272	162,510
A,BIII1, BIII2a,BIII2d	Financial and other assets	1,369	1,250
	1. Total	191,969	176,384
Net current assets:			
CI	Inventories	103,380	80,372
CII1,CII3	Accounts receivable from customers	76,063	74,816
CII4bis-5,CIII,D	Other accounts receivable	15,197	15,697
D6,D7 (v. N.I.),D9,D10	Accounts payable from suppliers	(73,901)	(57,954)
D12-14, E	Other accounts payable	(26,616)	(18,605)
	2. Total	94,123	94,326
Provisions for liabilities and staff termination pay			
C	Accumulated staff termination pay	(8,541)	(9,895)
B	Provisions for liabilities and charges	(6,204)	(9,010)
B, C	3. Total provisions for liabilities and charges and staff termination pay	(14,745)	(18,905)
	(1+2+3) = 4. Net invested capital	271,347	251,805
Net financial debt			
<i>Net financial debt to third parties</i>			
CIII,CIV,BIII2 (v. N.I.)	Cash and cash equivalents, securities and loans to third parties (short term)	51,081	33,639
D4 (v. N.I.)	Short-term financial accounts payable to banks	(78,919)	(73,736)
D4 (v. N.I.)	Medium/long-term financial accounts payable to banks	(118,723)	(95,677)
D7 (v. N.I.)	Accounts payable to leasing institutions	(29,152)	(33,605)
D1,5	Obligations and other financial accounts payable	(0)	(3,188)
	(a) Total net financial debt to third parties	(175,712)	(172,567)
<i>Net financial debt to shareholders</i>			
BIII2c, CII4, D11	Net accounts receivable from parent company	36,944	38,197
D3	Long-term amounts due to shareholders	(50,103)	(46,507)
	(a) Total net financial debt to shareholders	(13,159)	(8,310)
	(a+b) = 1. Total net financial debt	(188,871)	(180,877)
Shareholders' equity:			
AI	Share capital	(19,678)	(19,678)
AII-VIII	Reserves	(50,866)	(54,111)
AIX	Profit/(loss) for the year	(10,888)	4,276
AX	Net equity attributable to minority interests	(1,044)	(1,415)
	2. Total shareholders' equity	(82,476)	(70,928)
	(1+2) = 3. Total sources of financing	(271,347)	(251,805)

The reclassified non-current assets recorded a net increase of € 15.5 million from € 176 million to € 192 million, as a result of the investments made, equal to € 37.5 million, specified in the Notes, as well as of the decrease in disposals by € 0.7 million and of amortisation and depreciation charges of € 21.3 million for the period. The components of the net working capital were affected by the increase in the prices of the products purchased and sold, as well as by the increase in volumes produced and sold, which specifically entailed an increase in inventories and amounts due to suppliers. The Group balance sheet recorded an increase in shareholders' equity arising from the result for the year.

From a financial point of view, note the repayment of the debenture debt of € 3.2 million of Aquafil USA Inc. and the increase in the shareholders' loan of HC Romeo S.a.r.l. as a result of interest due in the first 12 months; if 2009 includes the receivable of € 18 million claimed from Bonazzi R.E. S.r.l. which was acquired by Gruppo Bonazzi S.p.A. in 2010, the net balance of the financial receivable from the shareholder Gruppo Bonazzi S.p.A. decreased by € 1.3 million, as reported in the Notes. The short-term bank debt (current accounts receivable minus short-term overdrawn accounts) decreased from € -40 million to -28 million; the medium/long-term bank debt increased by € -23 million from € -96 million to € -119 million, as a

result of the execution of new loan agreements of € 47 million and of the reduction due to the repayment of the instalments for € 24 million. The debt relating to lease agreements in place passed from € -34 million to € -29 million as a result of the execution of new lease agreements for € 1 million and of the repayment of instalments for € 5 million. In short, the net financial debt, calculated as in the following table, increased by € -8.0 million, reflecting a net increase of € -4.8 million in the financial debt to shareholders and an increase of € -3.1 million in the debt to third parties. 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 net financial 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:

- BCF** nylon yarns for textile floor covering,
- textile yarns for specific uses in the clothing segment ("**NTF**"),
- technopolymers for plastics moulding ("**EP**")

Also note the plant designing and chemical-textile engineering business activities carried out by the German companies Aquafil Engineering G.m.b.H. and Aquafil Service G.m.b.H. and supporting activities provided by the "Energy and Recycling" unit to the business areas for environmental and sustainability issues. The distribution of the 2010 consolidated turnover towards third parties in the three business units is represented in the chart below:

Consolidated turnover for 2010 by B.U.



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

It is the major and traditional business unit of the Aquafil Group which manages the production and sale of yarns of 6 BCF polyamide for textile floor covering with the companies Aquafil S.p.A. - Arco (I), Aquaspace S.p.A. - Rovereto (I), Tessilquattro S.p.A. - Cares (I), Julon d.d. - Ljubljana (SLO), Aquaset T.T.S. d.d. - Store (SLO), Aquafil USA Inc. - Cartersville (USA), Aquafil Asia Pacific Co. Ltd. - Rayong (T), Aquafil Synthetic Fibres and Polymers Co. Ltd. - Jiaxing (CN) and Aquafil Benelux-France BVBA - Harelbeke (B).

Aquafil is the leading manufacturer in the market in Europe in the sale of polyamide yarns for textile floor covering and its business strategy is based on the principles of:

- close cooperation with clients and constant synergy in the development of the new products required by end users of the contract, residential, automotive and furnishing markets;
- great attention to continuous technological innovation;
- positioning of product in the specialities with high value added;
- commitment to increase the use of recycled raw materials, thanks to collections based on Econyl® yarns, the quality and technical performance of which is absolutely identical to those of products obtained from virgin material.

The 2010 financial year, in a sector which despite the international crisis has in general substantially maintained the level of consumption of textile floor covering, has been marked by the closure of the European activities of several large manufacturers of synthetic fibres for floor covering, which has gradually led to their collections being moved to and spread across more reliable manufacturers that are technically able to reproduce them, and the Aquafil Group has certainly gained an advantage from this among others. Overall, the turnover of the business unit has grown by around 30% compared to the 2009 financial year, around two thirds of which was due to the increase in the volumes sold, while the residual share was due to the increase in sale prices. The increase in production was achieved thanks to the opening of new production lines and the saturation of the existing plants, obtained by reducing the periods of scheduled shutdown and optimising the production mixes.

In the summer of 2010, the production activity of Aquafil Synthetic Fibres and Polymers Co. Ltd was launched in the Jiaxing plant, in the People's Republic of China, with the interlacing phase of synthetic fibres, while the launch of the BCF yarning activities is expected in spring 2011. The production unit is intended to satisfy the increasing need for fibres for floor covering for the Chinese local market, for use in offices, hotels, public premises and for high residential uses, on the model of internationalisation that has already been successfully tested in the United States market with Aquafil USA. The overall investment when completed will amount to around € 12 million. The Chinese company has been integrated into the Group IT system ERP SAP ECC 6.0 and all its functional areas are now managed through the standard Group operating and management control procedures, although with the specific operational particularities imposed by Chinese local regulations.

As regards the North American market, against the positive growth in 2010 and the greater commercial penetration of Aquafil USA, which in the 2010 financial year increased its turnover by over 25% compared to 2009 as a result of an equivalent rise in volumes and prices, the project to boost the BCF yarning system in Cartersville was stepped up, aimed at satisfying the demand for special BCF yarns and Econyl-based yarns in the local market; it is expected to be launched during the first four-month period of 2011, with an overall investment when operational of around € 8 million. The performance was also very positive for the company Aquafil Asia Pacific Co. Ltd (Thailand), a reprocessing and sales unit dedicated to the Far

East (excluding China) and Australian markets. Finally, as a major investment to serve the BCF business unit but also the two minor ones NTF and EP, the new production plant using Econyl recycled raw materials is being launched in the first months of 2011. It was planned by the Aquafil research group and is situated in the new structure built on the Ljubljana site of Julon d.d., which, amongst other things, partially makes use of the chemical know-how of the Slovakian company Cenon S.r.o.. The overall investment will be equal to around 16 million euro and when operational will be able to cover a significant portion of the Group's raw material requirements.

Business unit of yarns for textile use/clothing

The companies Aquafil S.p.A. – Arco (I), Julon d.d. – Ljubljana (SLO), Aquaset T.T.S. d.d. – Senožece (SLO), Bulgari Filati d.o.o. – Oroslavje (HR), Aquafil Bulgari Iplik a.s. – Istanbul (TR), MTX Fibre S.p.A. – Arco (I) and Borgolon S.p.A. – Varallo Pombia (I) operate in the production of “NTF” (Nylon Textile Filament) 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 2010 consolidated turnover of the business unit was higher than that recorded in 2009 by over 30%, mainly as a result of increased volumes. This market has also been affected by significant reorganisations of competitors, with the shutdown of some activities which led to reallocating demand to more reliable manufacturers capable of acquiring market shares from a qualitative point of view. In addition, a more general, gradual and constant recovery is being noted in the European textile market for polyamide synthetic fibres, which is due to the gradual loss of competitiveness in the Far East linked to its internal production costs on the one hand, and, on the other, to the fact that synthetic fibres are replacing natural fibres, due to both the acknowledgment of the environmental advantages of the production system of the man-made products with respect to cotton and wool, and the increases in prices of natural fibres recorded in the last year and in early 2011.

Business unit Engineering Plastics

The business unit operates in the market through Aquafil Engineering Plastics S.p.A. – Arco (I), manufacturing technopolymers for moulding, in polyamide 6, 66 and, to a lower extent, in other types of synthetic resin. The most part of polyamide 6 is provided by the polymerisation plants of Aquafil S.p.A. and of Julon d.d., but the business unit also uses the residual products of BCF and NTF yarning and reworking processes which can ensure an accurate product selection of waste and a constant attention to quality deriving from the sophisticated qualitative needs of textile processes. It can also rely on important industrial and R&D synergies with the other two business units, also in the development of Econyl®-based products. During the year the business unit recorded an increase of about 40% in turnover compared to 2009 as a result of an increase in the volumes sold and sale prices, which have passed increases in raw material prices through to the downstream market. The end sectors are mainly electric, electronic, automotive and leisure markets, which are entered indirectly through homologation processes of specific polymeric formulations for certified plastic components.

Other activities

The Slovakian company Cenon S.r.o. (Slovakia) does not carry out production activities, because its entire production facility was sold to third parties in 2008. The company is the owner of the land building lease covering several years and of some properties and non-specific plants which have remained available at the site after the disassembly of the specific chemical plants sold; during the year the company transferred to Julon d.d. the licences, know-how and some specific plants of the caprolactam and cyclohexanone production processes which have been used by the Slovakian Group company in the Econyl plant project.

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

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

TRANSACTIONS WITH THE PARENT COMPANY AND RELATED PARTIES

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

	Revenue	Costs	Financial receivables	Trade receivables	Financial payables	Trade payables
Montebello S.r.l.	0.0	74.8	0.0	0.0	0.0	0.0
Tessilquattro S.p.A.	56,729.0	70,965.1	0.0	1,573.6	0.0	4,338.9
Aquafabric S.r.l.	0.0	8.8	0.0	0.0	0.0	7.5
Aquafil Engineering G.m.b.H.	2.7	27.6	0.0	0.0	0.0	58.1
Aquafil S.p.A.	235,678.8	245,694.8	14,069.3	12,772.2	7,945.9	35,067.3
Bulgari Filati d.o.o.	483.7	8,965.7	0.0	394.5	0.0	2,301.0
Aquafil Polymers G.m.b.H.	555.4	307.1	0.0	160.2	0.0	60.3
Aquaspace S.p.A.	14,533.9	21,718.9	0.0	1,269.8	0.0	2,921.2
Aqualys S.A.	0.0	0.0	0.0	3.6	0.0	0.0
Aquafil Engineering Plastics S.p.A.	53,194.4	18,487.0	0.0	19,972.9	4,069.3	8,353.4
Aquafil Tecnopolimeros S.l.	1,739.6	36.1	0.0	1,972.8	0.0	38.6
Aquafil Bulgari Iplik A.S.	3,123.3	72.5	0.0	1,568.4	0.0	29.9
MTX Fibre S.r.l.	20,398.5	32.8	830.0	6,844.8	0.0	202.5
Capro Services G.m.b.H.	0.0	2.2	0.0	0.0	0.0	0.0
Aquafil Distribution S.r.l.	2,892.6	135.7	0.0	1,366.8	0.0	35.5
Gruppo Bonazzi S.p.A.	1,717.9	0.0	39,317.5	3,768.8	0.0	6,141.9
Aquafil USA Inc	17,653.9	3,438.3	0.0	10,662.9	0.0	4.9
Aquasava d.o.o.	0.0	576.0	0.0	0.0	0.0	60.0
Textilna Tovarna Senozece d.d.	12,230.5	15,826.8	0.0	5,633.5	0.0	984.4
Julon d.d.	128,400.2	169,206.3	7,000.0	5,224.1	10,000.0	18,442.0
Aquafil Asia Pacific Co. Ltd	9,094.5	39.0	449.1	2,742.6	0.0	39.7
Bonazzi R.E. S.r.l.	0.0	0.0	0.0	0.0	0.0	7.3
Borgolon S.p.A.	6,410.1	4,258.5	0.0	2,027.0	830.0	1,751.4
Cenon S.r.o.	35.0	2.6	0.0	0.0	0.0	2.6
Aquafil Solaris S.r.l.	0.0	0.0	300.0	0.0	0.0	0.0
Aquafil Power S.r.l.	0.1	0.0	0.0	6.2	0.0	0.0
HC Romeo S.a.r.l.	0.0	5,858.2	0.0	0.0	50,103.0	0.0
Aquafil Jiaxing Co. Ltd	1,386.1	1.5	500.0	3,985.5	0.0	0.0
Metexa BVBA	0.0	590.8	0.0	0.0	0.0	129.4
Aquafil Jiaxing1 Co. Ltd	0.0	0.0	0.0	0.0	0.0	407.9
Total	566,260.2	566,327.1	62,465.9	81,952.7	72,948.2	81,385.7

RESEARCH AND DEVELOPMENT ACTIVITIES

In 2010 research and development activities were mainly focused on the recycling of post-industrial and post-consumption rejects.

Specifically, Aquafil S.p.A. continued its research activities on the "NextOr" project which was started at the end of 2009 and which was aimed at setting up an innovative and economically competitive production process of polymers and nylon 6 fibres originating from a raw material obtained from the recovery of post-industrial and post-consumption rejects.

Given the scientific value of research also in view of the consequent positive environmental effects, the project has been found eligible for grants from the Autonomous Province of Trento by decision dated December 2010 pursuant to Provincial Law 6 of 13.12.1999.

Research and development on products obtained from the recycling of semi-finished goods and raw materials involved all the business units and was carried out with the help of national and international research centres including the University of Trento, the Fire Studies and Tests Lab of Como, the University of Maribor (Slo) and the Chemical Institute of Ljubljana (Slo). During the year the Slovenian Ministry of Economy approved the Slovenian financial support to research and development activities on the Econyl recycling processes carried out at Julon d.d..

During the year Aquafil S.p.A. started cooperation for a European research project, in partnership with other companies in the production chain of products for textile floor covering, in order to identify and implement a production methodology which would allow fully recyclable and sustainable products to be obtained in all their components. A grant for research is expected to be issued by the European Union in 2011 in support of project activities.

During the year cooperation was started between Aquafil USA and the Georgia Institute of Technology with the aim of jointly considering the possibilities of recycling post-consumption textile clothing.

In July 2010 a research project was started by Aquafil S.p.A. jointly with the Italian research branch of an important international group active in the sector of filtering systems, which is aimed at developing a nano-reinforced polyamide-based polymer applicable to filters for cars. For this project, an application for grant under Provincial Law no. P. 6 of 13/12/99 was submitted to Autonomous Province of Trento.

PRINCIPLES OF SUSTAINABILITY

The Aquafil group has been engaged for some time in promoting an increasingly sustainable development, being convinced that growth creates value only if it is responsible. The integration of social and environmental sustainability into the company's strategy affects all the Group's strategic choices and is based on the following principles, which are shared by all business units and operating companies:

- a) by complying with applicable laws in the different Countries in which the Group operates;
- b) developing of products obtained by the recycle of polyamide 6 (Econyl);
- c) involving customers in the procurement of reject products and in co-marketing and awareness-raising actions (Aquafil Reclaiming Program);
- d) training of internal staff on environmental sustainability;
- e) self-producing energy from renewable and low emission sources of carbon dioxide.

The Environmental Team, which is coordinated by the business unit "Energy & Recycling", has adopted and set up a valid methodology for gathering data and monitoring the different areas pertaining to the Group, which supports the drafting and publication, together with the 2010 Consolidated Financial Statements, of the fourth Sustainability Report of the Aquafil Group targeted at all stakeholders, including specifically customers, suppliers, employees and local communities; the consolidated environmental report describes the environmental investments and the results obtained in the areas of energy, waste, emissions, water, safety and commitment to collaborators and local communities. In this regard no disputes or litigation are reported which arose in the year and/or which are pending on environmental issues.

The self-production of power supply from renewable sources saw the start of the first photovoltaic roof project at the plant of Arco of Aquafil S.p.A., while in early 2011 Aquafil Solaris S.r.l., which is engaged in the construction of two 1-Mw photovoltaic plants in the province of Brindisi, was transferred to third parties, thus realising a capital gain, given the deferment of construction times and given the uncertainty of national regulations governing the energy account. Again in 2011 Aquafil S.p.A. subscribed units in an investment fund specialized in energy projects from renewable sources for a total value of € 250 thousand.

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

HUMAN RESOURCES

The Group's organizational structure, governance and human resources management were characterised, also in 2010 by soundness and continuity with the previous year, with some changes in the organisation of some of the Group companies aimed at strengthening and replacing skills in certain corporate functions.

The increased production volumes recorded by all the Group's plants compared to 2009 entailed a total increase of 210 units in staff, of which 85 are connected to the production increases at the plants in China and the USA, while 125 are connected to the increases recorded at the other Group plants. Due to production flexibility needs, the Italian companies Tessilquattro S.p.A. and Aquaspace S.p.A. used a total of 11,421 hours of Cassa Integrazione Ordinaria (Ordinary Redundancy Fund), against a total of about 67 thousand hours used in the previous year at the different Italian plants of the Group.

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

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

The Group operates in compliance with national and international best practices, in accordance with risk prevention policies and has always paid particular attention and devoted its efforts to workers' safety and security. Also committed to it, the Holding Company and its Italian subsidiaries use the analysis instrument under Legislative Decree no. 81/2008, the "Risk assessment document".

Some Italian Group companies joined the bilateral bodies for training and safety at work within the respective chemical, textile and plastic-rubber Confederations, joint committees for the updating, consultation and correct application of regulations governing safety at work. No significant disputes are reported, such as deaths, serious injuries and/or occupational illnesses.

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

MAIN FACTORS OF RISK AND UNCERTAINTIES

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

- risks connected with the economy general conditions
- liquidity risks connected with net cash requirements
- strategic risks
- risks connected with fluctuations in exchange and interest rates

- credit risk
- risks connected with the importance of certain key resources
- risks relating to the environment and compliance with applicable regulations
- process risk deriving from IT systems

Likewise, additional risks and uncertain events, which cannot be currently foreseen or which are unlikely to occur at present, may affect the Group's business, economic and financial conditions and prospects.

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. During 2010 the world economy continued to be affected by the effects of the international crisis which commenced in 2008 even if showing very different trends in emerging economies with respect to Europe and the USA. In this economic instability and within the persistent worsening of the credit market, every macro-economic event, such as an increase in energy prices, significant changes in the prices of raw materials, fluctuations in specific factors, such as interest rates and exchange rates, and changes in government policies (including environmental rules) might adversely affect the Group prospects and activity, and the economic and financial results.

Liquidity risks connected with net cash requirements

The situation of uncertainty of the world financial system continues to cause general difficulty in obtaining credit from the financial system. In 2010 the Group was not affected by credit restrictions, thanks to third-party sources of financing (HC Romeo S.a.r.l.), the flows arising from operating activities, the available funds and the renewal of accrued medium-term bank loans obtained in 2009. The group has adopted measures aimed at maintaining adequate levels of working capital and liquidity, but any possible significant falls in sales volumes may adversely affect the operating activities' ability to generate cash in a manner suitable to the growth needs of the same. In order to limit this risk, the Group, which has been using daily financial planning instruments for a long time and through the centralised treasury management it has optimised consolidated cash and cash equivalents and financial requirements, continued its diversification policy for the portfolio of financial partners. The Group believes it can continue also independently to finance investments in future years and to maintain an adequate capacity to generate financial resources from operations. As of today, the Group continues to keep full support from banks, but should the credit squeeze continue for a long time, finding medium-term net cash might be difficult and financial charges might increase.

Strategic risks

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

- catching new business opportunities in terms of geographic areas and business segments, also relating to the procurement of raw materials;
- 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 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, Thailand Baht and Chinese Yuan). To address this risk the Group uses forms of financing in foreign currency aimed at hedging and credit financing to its non-EU customers and hedges of forward contracts in foreign currency.

With regard to the interest rate risk, the Group considers the opportunity to meet the risks connected with changes in interest rates by using hedging financial instruments. Notwithstanding these transactions, unexpected fluctuations in exchange rates and interest rates may adversely affect the Group's profitability.

Credit risk

The management of the risk of insolvency on trade accounts receivable is managed through an organisation structure dedicated to credit management, equipped with instruments suitable to carry out a constant, daily monitoring of the customers' conduct and credit merit.

The Group covers the credit risk through specific insurance policies on customer exposure taken out with primary credit insurance companies and managed through specific organisation functions of credit management which operate in close collaboration with the commercial network, regularly using commercial information gathered by specialised agencies.

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 negative impact on the growth prospects of the businesses and on the Group's economic results.

Risks connected with the importance of certain key resources

The success of the Group largely depends on the capacity of its executive directors and of the other members of the management to manage the group and the individual business areas efficiently. The loss of the services provided by an executive director, senior manager or any other key resource without any adequate replacement, as well as the difficulty in attracting and retaining new and qualified resources, may adversely affect the group's business prospects, economic results and/or financial position. To protect the risk connected to these resources, the Group believes it has

created an operating and managerial structure that is able to ensure continuity in the management of the company affairs, also through the adoption of organisation methods for sharing strategic decisions to protect the business as a going concern.

Risks relating to the environment and compliance with applicable regulations

The Group 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 and economic standpoint, every significant environmental impact and risk for the health of its own employees and the parties concerned during the production activity, their use and subsequent disposal;
- preventing to any extent possible potential and significant pollutions, environmental damages, accidents/injuries, as well as reducing the consumption of non-renewable resources;
- continuing the effort to train all the people in charge of company processes in order to widespread safety and sustainability.

International presence exposes the Group to the different fiscal rules and local specific regulations of individual Countries: the development of the relevant rules might expose the Group to non-compliance risks. The Group 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 IT systems

The Group business operations are supported by integrated information systems underlying the technical, commercial, logistic and administrative issues. In order to limit the risk of business stoppage due to a temporary system black-out, which may adversely affect business prospects, as well as economic results, the Group uses highly-reliable hardware and software configuration architectures for all the applications supporting critical activities, and also uses disaster recovery services to retrieve data rapidly and consistently with the levels of security required by business activities, which were further upgraded in December 2010 for all critical IT systems, including non-SAP systems.

DIRECTION AND COORDINATION ACTIVITIES

In the shareholding structure of Aquafil S.p.A. the controlling shareholder Gruppo Bonazzi S.p.A. holds 76.2% of the share capital. Gruppo Bonazzi S.p.A. does not perform direction or coordination activities to Aquafil S.p.A. under Article 2497 of the Italian Civil Code, he only exercises shareholder's rights and claims and is not in charge of any management activity of the company which is entirely entrusted to the independent determinations 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 "Data Security Policy Document" envisaged under Article 26, attachment B of Legislative Decree 196 dated 30 June 2003 (Personal Data Protection Code). This document describes the security measures adopted by the companies in order to reduce to the minimum the risks of destruction or loss, even accidental, of personal data, of unauthorised access or unpermitted processing or processing not consistent with collection purposes.

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., Tessilquattro S.p.A., MTX Fibre S.r.l. and Borgolon S.p.A. use the group taxation procedure as chosen by Gruppo Bonazzi S.p.A. for the 2010-2012 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.

Secondary offices

No secondary offices were established.

SUBSEQUENT EVENTS

In early 2011 a significant increase was applied to the prices of the raw material caprolactam by all European manufacturers, as a result of the strong demand from Far East markets; commercial actions are being implemented in the various business areas to pass these increases through to downstream markets.

The start-up is being completed for the new production plants of the US factories Aquafil USA Inc. and Aquafil Synthetic Fibres and Polymers (Jiaxing) Co., Ltd., which are expected to enter into full operation in April 2011; the new recycling plant of polyamide 6-based plants of Julon d.d. is gradually entering into full operation in Ljubljana and it is expected to be fully started up in the first half of 2011.

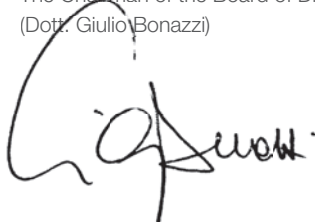
In early 2011 Aquafil S.p.A. transferred Aquafil Solaris S.r.l. to third parties, thus realizing a capital gain, and subscribed units in an investment fund specialised in energy from renewable sources for a total value of € 250 thousand.

BUSINESS OUTLOOK

Notwithstanding a general international context of uncertainty due to the prolonged weakness of the economy, in particular in Europe, the markets where the Group operates are still characterized by a good level of demand; prices of raw materials are expected to stabilize in the current half-year, even if times and dynamics of international markets are difficult to foresee, and this should return stability to sales and margins of the different business areas. On the basis of these assumptions, the Aquafil Group, thanks to high investments in production capacity and technology upgrading made in the last few years, the strengthening of the economic balance, the flexibility of its own production system and innovatory ability, believes it is in a good condition to also strengthen its position in the new year in its position of competitive advantage, with the goal of confirming the good consolidated turnover and profitability results in 2010, thus expanding its activities in the emerging markets of the Far East, and strengthening its market share in Europe and the USA.

Arco, 31 March 2011

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





BCF

(yarn for carpet flooring)

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



23. Consolidated Financial Statements
at 31 december 2010

BALANCE SHEET**December 2010****December 2009****ASSETS**

(euros/1000)

(euros/1000)

A) SUBSCRIBED CAPITAL UNPAID

- Amount called up	0	0
- Amount not called up	0	0
TOTAL RECEIVABLES FROM SHAREHOLDERS	0	0

B) ASSETS**I) INTANGIBLE ASSETS**

1) Formation, start-up and similar costs	26	124
2) Research, development and advertising costs	1	15
3) Patent and intellectual property rights	4,355	4,746
4) Concessions, licenses, trademarks and similar rights	691	832
5) Goodwill	0	0
5-bis) Consolidation difference	1,189	288
6) Assets under development and payments on account	484	1,241
7) Other intangible assets	5,582	5,378
	12,328	12,624

II) TANGIBLE ASSETS

1) Land and buildings	86,503	84,974
2) Plant and machinery	60,241	65,540
3) Industrial and sales equipment	2,901	3,027
4) Other tangible assets	1,043	1,064
5) Assets under construction and payments on account	27,584	7,905
	178,272	162,510

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

a) Subsidiaries	651	650
b) Associated companies	189	179
c) Parent companies	0	0
d) Other companies	22	22
	862	851

2) Accounts receivable:

a) Subsidiaries		
due within 1 year	300	0
due after 1 year	0	0
	300	0
b) Associated companies		
due within 1 year	0	0
due after 1 year	0	0
	0	0
c) Parent companies		
due within 1 year	6,941	7,105
due after 1 year	32,377	13,770
	39,318	20,875
d) Other accounts receivable		
d.1) other Group companies		
due within 1 year	0	0
due after 1 year	0	18,000
	0	18,000
d.2) other debtors		
due within 1 year	28	403
due after 1 year	179	196
	207	599

3) Other securities

	0	0
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4) Own shares

	0	0
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	40,687	40,325
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TOTAL NON-CURRENT ASSETS**231,287****215,459****C) CURRENT ASSETS****I) INVENTORIES**

1) Raw materials, supplies and consumable stores	36,775	30,596
2) Products in course of manufacture and semifinished goods	290	0

BALANCE SHEET**December 2010****December 2009**

ASSETS	(euros/1000)	(euros/1000)
3) Contract work in process	0	0
4) Finished goods and merchandise	66,282	49,770
5) Advances	33	6
	103,380	80,372
II) CURRENT ACCOUNTS RECEIVABLE:		
1) Customers		
due within 1 year	74,302	74,912
due after 1 year	241	60
less: allowance for doubtful receivables	(1,980)	(2,780)
	72,563	72,192
2) Subsidiaries		
due within 1 year	0	0
due after 1 year	0	0
	0	0
3) Associated companies		
due within 1 year	3,500	2,608
due after 1 year	0	0
	3,500	2,608
4) Parent companies		
due within 1 year	3,769	2,499
due after 1 year	0	0
	3,769	2,499
4-bis) Tax receivables		
due within 1 year	3,769	3,934
due after 1 year	0	0
	3,769	3,934
4-ter) Deferred tax assets		
due within 1 year	960	1,518
due after 1 year	5,689	6,652
	6,649	8,170
5) Others		
5. a) other Group companies		
due within 1 year	6	936
due after 1 year	0	0
	6	936
5. b) other debtors		
due within 1 year	1,463	1,900
due after 1 year	1,500	0
	2,963	1,900
TOTAL RECEIVABLES	93,219	92,239
III) CURRENT FINANCIAL ASSETS		
1) Investments in subsidiaries	1,086	0
2) Investments in associated companies	0	0
3) Investments in parent companies	0	0
4) Investments in other companies	0	0
5) Own shares	0	0
6) Other securities	0	0
	1,086	0
IV) CASH AND CASH EQUIVALENTS:		
1) Cash at banks and post offices	49,913	32,080
2) Cheques	1,145	1,328
3) Cash and cash equivalents on hand	23	31
	51,081	33,439
TOTAL CURRENT ASSETS	248,766	206,050
D) ACCRUED INCOME AND PREPAID EXPENSES		
- Other accrued income and prepaid expenses	724	757
- Issue discounts and other expenses	0	0
Total accrued income and prepaid expenses	724	757
TOTAL ASSETS	480,777	422,266

BALANCE SHEET**December 2010****December 2009****LIABILITIES AND EQUITY**

(euros/1000)

(euros/1000)

A) SHAREHOLDERS' EQUITY

I) SHARE CAPITAL	19,678	19,678
II) SHARE PREMIUM RESERVE	0	0
III) REVALUATION RESERVES	41	41
IV) LEGAL RESERVE	3,913	3,913
V) RESERVE FOR OWN SHARES IN PORTFOLIO	0	0
VI) STATUTORY RESERVES	0	0
VII) OTHER RESERVES	46,912	50,157
VIII) PROFITS (LOSSES) CARRIED FORWARD	0	0
IX) PROFIT (LOSS) FOR THE YEAR	10,888	(4,276)
GROUP SHAREHOLDERS' EQUITY	81,432	69,513

X) NET EQUITY ATTRIBUTABLE TO MINORITY INTEREST	1,044	1,415
Minority interest	1,044	1,415
TOTAL GROUP AND MINORITY SHAREHOLDERS' EQUITY	82,476	70,928

B) PROVISIONS FOR LIABILITIES AND CHARGES

1) Pension funds and similar charges	0	0
2) Provision for taxes	4,667	6,297
3) Other provisions	1,537	2,713
TOTAL PROVISIONS FOR LIABILITIES AND CHARGES	6,204	9,010

C) STAFF TERMINATION PAY	8,541	9,895
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D) ACCOUNTS PAYABLE

1) Bonds		
due within 1 year	0	3,188
due after 1 year	0	0
	0	3,188
2) Convertible bonds		
due within 1 year	0	0
due after 1 year	0	0
	0	0
3) Shareholders financial payables		
due within 1 year	0	0
due after 1 year	50,103	46,507
	50,103	46,507
4) Amounts due to banks		
due within 1 year	122,446	102,029
due after 1 year	75,196	67,384
	197,642	169,413
5) Amounts due to other lenders		
due within 1 year	0	0
due after 1 year	0	0
	0	0
6) Advances		
due within 1 year	1,194	2,038
due after 1 year	0	0
	1,194	2,038
7) Suppliers		
due within 1 year	76,685	61,167
due after 1 year	24,632	28,205
	101,317	89,372
8) Debt instruments payable		
due within 1 year	0	0
due after 1 year	0	0
	0	0
9) Subsidiaries		
due within 1 year	408	0
due after 1 year	0	0
	408	0

BALANCE SHEET**December 2010****December 2009****LIABILITIES AND EQUITY**

(euros/1000)

(euros/1000)

10) Associated companies		
due within 1 year	134	125
due after 1 year	0	0
	134	125
11) Parent companies		
due within 1 year	6,142	3,185
due after 1 year	0	0
	6,142	3,185
12) Taxes payable		
due within 1 year	3,245	2,058
due after 1 year	0	144
	3,245	2,202
13) Accounts payable to social security institutions		
due within 1 year	2,736	2,554
due after 1 year	0	0
	2,736	2,554
14) Other accounts payable		
14. a) other Group companies		
due within 1 year	75	332
due after 1 year	0	0
	75	332
14. b) other creditors		
due within 1 year	9,083	6,185
due after 1 year	3,340	5,300
	12,423	11,485
TOTAL ACCOUNTS PAYABLE	375,419	330,401

E) ACCRUED LIABILITIES AND DEFERRED INCOME

- Other accrued liabilities and deferred income	8,137	2,032
- Issue premiums	0	0
Total accrued liabilities and deferred income	8,137	2,032

TOTAL LIABILITIES AND EQUITY	480,777	422,266
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MEMORANDUM ACCOUNTS

RISK OF RECOURSE OF EU CHEQUES	1,554	1,498
RISK OF RECOURSE ON RECEIVABLES SOLD	0	0
SECURED GUARANTEES TO PARENT COMPANIES	16,630	16,630

GUARANTEES RECEIVED

BANK GUARANTEES FROM THIRD PARTIES	8,800	8,800
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BALANCE SHEET**December 2010****December 2009****PROFIT AND LOSS ACCOUNT**

(euros/1000)

(euros/1000)

A) VALUE OF PRODUCTION

1) REVENUES FROM SALES AND SERVICES	432,311	337,887
2) CHANGE IN INVENTORIES OF PRODUCTS IN COURSE OF MANUFACTURE, SEMI AND FINISHED GOODS	16,258	(1,630)
3) CHANGE IN INVENTORIES OF CONTRACT WORK IN PROCESS	0	0
4) CAPITALISATION OF INTERNAL CONSTRUCTION COSTS	2,898	242
5) OTHER REVENUES AND INCOME:		
- grants related to income	1,466	967
- other revenues and income	2,129	3,522
	3,595	4,489
TOTAL VALUE OF PRODUCTION	455,062	340,988

B) COSTS OF PRODUCTION

6) PURCHASE OF RAW MATERIALS, SUPPLIES, CONSUMABLE STORES AND MERCHANDISE	(257,154)	(165,695)
7) COST OF SERVICES	(75,407)	(66,063)
8) RENT, LEASING AND SIMILAR COSTS	(2,554)	(2,456)
9) PERSONNEL COSTS		
a) salaries and wages	(54,939)	(46,543)
b) social security	(12,495)	(11,881)
c) staff termination pay	(2,020)	(2,049)
d) pension and similar costs	0	0
e) other costs	0	0
	(69,454)	(60,473)
10) AMORTISATION, DEPRECIATION AND WRITE-DOWNS		
a) amortisation of intangible assets	(2,766)	(2,548)
b) depreciation of tangible assets	(18,580)	(19,127)
c) write-down of intangible and tangible assets	0	0
d) write-down of current accounts receivable and of cash and cash equivalents	(1,498)	(2,133)
	(22,844)	(23,808)
11) CHANGES IN INVENTORIES OF RAW MATERIALS, SUPPLIES, CONSUMABLE STORES AND MERCH	5,535	(9,428)
12) PROVISION FOR RISKS	(127)	(98)
13) OTHER PROVISIONS	0	(1,321)
14) SUNDRY OPERATING COSTS	(1,354)	(1,279)
TOTAL COSTS OF PRODUCTION	(423,359)	(330,621)

OPERATING PROFIT (A-B)**31,703****10,367****C) FINANCIAL INCOME AND CHARGES**

15) INCOME FROM INVESTMENTS		
- in subsidiaries	0	0
- in associated companies	0	15
- in other companies	0	0
	0	15
16) OTHER FINANCIAL INCOME		
a) from non-current accounts receivable		
- from subsidiaries	7	0
- from associated companies	0	0
- from parent companies	1,718	778
- other companies	28	946
	1,753	1,724
b) from non-current securities other than shares	0	0
c) from current securities other than shares	0	4
d) income other than the above:		
- interest and commission income from subsidiaries	0	0
- interest and commission income from associated companies	0	0
- interest and commission income from parent companies	0	0
- interest and commission income from others	281	279
	281	279
17) INTEREST EXPENSE AND OTHER FINANCIAL CHARGES		
- subsidiaries	0	0
- associated companies	0	0
- parent companies	0	0
- others	(16,198)	(12,553)
	(16,198)	(12,553)

BALANCE SHEET**December 2010****December 2009****PROFIT AND LOSS ACCOUNT**

(euros/1000)

(euros/1000)

17-bis) GAIN/LOSS ON CURRENCY EXCHANGE

210

(225)

TOTAL FINANCIAL INCOME AND CHARGES**(13,954)****(10,756)****D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS**

18) REVALUATIONS

a) of investments

13

24

b) of non-current financial assets other than shares

0

0

c) of current securities other than shares

0

0

13**24**

19) WRITE-DOWNS

a) of Group companies investments

(6)

0

b) of non-current financial assets other than shares

0

0

c) of current securities other than shares

0

0

(6)**0****TOTAL VALUE ADJUSTMENTS TO FINANCIAL ASSETS****7****24****E) EXCEPTIONAL INCOME AND CHARGES**

20) EXCEPTIONAL INCOME

- gains on disposals

8

93

- other exceptional income

365

440

373**533**

21) EXCEPTIONAL CHARGES

- losses on disposals

(245)

(677)

- prior years' taxes

(17)

(72)

- other exceptional charges

(830)

(1,562)

(1,092)**(2,311)****Total exceptional income and charges****(719)****(1,778)****PROFIT BEFORE TAXES****17,037****(2,143)**

21) INCOME TAXES FOR THE YEAR

- current taxes

(5,624)

(3,695)

- deferred taxes

(470)

1,801

Total income taxes for the year**(6,094)****(1,894)****RESULT FOR THE YEAR INCLUDING THE PORTION ATTRIBUTABLE TO MINORITY INTEREST****10,943****(4,037)**

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

55

239

23) PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP**10,888****(4,276)**



Engineering Plastics

The engineering plastics we produce range from simple moulded polymers to applications with high added value for the electrical, electronic, automotive and other sectors.

33. Notes to the Consolidated Financial Statements



Notes to the consolidated financial statements

Structure and content of the financial statements

The consolidated financial statements of the Aquafil Group consist of the Balance Sheet, Profit and Loss Account (both prepared in compliance with Articles 2425 and 2425-bis of the Italian Civil Code) and the accompanying Notes, and include the financial statements of the Group parent Aquafil S.p.A. 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 companies 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 2010, which is the year-end date for the Group parent.

The Notes include disclosures as required by Article 38 of Legislative Decree 127/91, 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 the Aquafil Group.

CONSOLIDATION AREA

In addition to the group parent Aquafil S.p.A., the companies included in the consolidation area at 31 December 2010 were the following:

COMPANIES CONSOLIDATED ON A LINE-BY-LINE BASIS (* amounts translated at the exchange rates prevailing at 31 December 2010)

Name and offices of the company	Share capital at 31-Dec-2010 Euro	% of direct ownership	Additional indirect shareholding through	% of indirect ownership	% of total ownership	% of voting rights
Aquafil Engineering Plastics S.p.A., Via Linfano, 9 - Arco (Trento, Italy)	5,000,000	100.00%			100.00%	100.00%
Tessilquattro S.p.A., Via Linfano, 9 - Arco (Trento, Italy)	3,380,000	100.00%			100.00%	100.00%
Aquafil Power S.r.l., Via Linfano, 9 - Arco (Trento, Italy)	25,000	51.00%			51.00%	51.00%
Aquaspace S.p.A., Via Linfano, 9 - Arco (Trento, Italy)	2,600,000	0.00%	Tessilquattro	100.00%	100.00%	100.00%
Aquafil USA Inc., 1 Aquafil Drive, Cartersville - Georgia GA (USA)	5,313,576	100.00%			100.00%	100.00%
Julon d.d., Letaliska Cesta, 15 - Ljubljana (Slovenia)	13,135,728	99.26%			99.26%	99.26%
Aquaset TTS d.d.- Letaliska Cesta, 15 - Ljubljana (Slovenia)	496,230	0.00%	Julon	90.08%	89.41%	89.41%
Bulgari Filati d.o.o., Milana Prpic'a 114 - 49243 Oroslavje (Croatia)	3,078,694	84.23%	Julon	15.77%	99.88%	99.88%
Aquafil Bulgari Iplik Tekstil Sanayi Ve Ticaret A.S. - Turgutreis Mah. Giyimkent-Atisalani-Eseler-Istanbul (Turkey)	144,970	94.99%			94.99%	94.99%
Mtx Fibre S.r.l., Via Linfano, 9 - Arco (Trento, Italy)	90,000	100.00%			100.00%	100.00%
Borgolon S.p.A. Strada Statale 32 "Ticinese" nr. 12 - Varallo Pombia (Novara, Italy)	7,590,000	0.00%	Mtx Fibre	100.00%	100.00%	100.00%
Aquafil Engineering G.m.b.H., Duester haupt strasse, 13 Berlin (Germany)	255,646	90.00%			90.00%	90.00%
Cenon Sro - M.R. Stefanika 71 Zilina (Slovakia)	26,472,681	99.64%			99.64%	99.64%
Aquafil Asia Pacific Co. Ltd - 300/31 Moo 1 Eastern Seaboard Insustrial Estate-Rayong (Thailand)	1,343,415	99.99%			99.99%	99.99%

Aquafil Services G.m.b.H. Duester haupt strasse, 13 Berlin (Germany)	2,325,000	90.00%			90.00%	90.00%
Aquafil Synthetic Fibres and Polymers (Jiaxing) Co. Ltd No 338 North Changsheng Road, Jiaxing 314033 - People's Republic of China	6,877,908	100.00%			100.00%	100.00%
Aquafil Benelux-France B.V.B.A. Kortrijksesteenweg 321/4 8530 Harelbeke (Belgium)	20,000	99.90%	Mtx Fibre	0.10%	100.00%	100.00%

COMPANIES CONSOLIDATED AT EQUITY

The following companies are entered in the consolidated financial statements according to the equity method:

- Shareholdings held by Aquafil Engineering Plastics S.p.A.:
 - Aquafil Distribution S.r.l.- Via della Tecnica, 11/A - Correggio (Reggio Emilia, Italy) – 22%-owned;
 - Aquafil Tecnopolimeros S.l. – Priorat, 56-58 Pol. Ind. Can Carner - Castellar del Vallès (Spain) – 40%-owned;
 - Aquafil Polymers G.m.b.H. – Muellersstrasse, 13 -Buchholz (Germany) – 30%/owned.
- Shareholdings held by Aquafil S.p.A.:
 - Aquafil Fibres and Polymers (Jiaxing) Co. Ltd – People's Republic of China – 100%-owned.

The changes occurred in the consolidation area are the following:

Companies included in the consolidation area:

• Aquafil Synthetic Fibres and Polymers (Jiaxing) Co. Ltd.:

In December 2009 Aquafil S.p.A. established the Chinese company Aquafil Fibres and Polymers (Jiaxing) Co. Ltd, located in a leased building in the industrial district of Jiaxing, People's Republic of China, for the reworking of BCF yarns, provided with a fully paid-up share capital of \$ 1 million, corresponding to € 650 thousand.

In early 2010 Aquafil S.p.A. resolved to extend the corporate purpose by introducing yarning activities, as well as the production of technopolymers for plastics moulding for a total investment of € 13.5 million in a newly-established company named Aquafil Synthetic Fibres and Polymers (Jiaxing) Co. Ltd., which it acquired near the first factory in the industrial district of Jiaxing, a real estate complex and the right of use of the area. During the 2010 financial year, Aquafil S.p.A. paid to the company a total amount corresponding to € 6,758,478.79=, for 100% of the share capital equivalent to CNY (Renminbi) 60,676,901.44. The company established in 2009 was put into liquidation in early 2011.

• Aquafil Benelux-France B.v.b.a.:

In March 2010 Aquafil S.p.A. acquired 99.9% of the share capital of Metexa BVBA, Kortrijksesteenweg 321/4, B-8530, Harelbeke (Belgium); 0.1% was acquired by the subsidiary MTX Fibre S.r.l.. The total purchase price was € 1,470,000.=. The share capital of Aquafil Benelux-France BVBA is € 20,000.= and is made up of no. 1,000 shares with a par value of € 20.= each. The company carries out agency activities for the products of Aquafil S.p.A. which are mainly sold in the area including Belgium, the Netherlands and France. During the financial year, the company changed its name to Aquafil Benelux-France BVBA.

Companies excluded from the consolidation area:

• Aquafil Solaris S.r.l.:

Following the purchase offer submitted by ReEnergy Capital s.c.a., a limited partnership with shares incorporated under Luxembourg law, which is an open-end investment fund active in the sector of renewable energy and environment, in November 2010 the Board of Directors of Aquafil S.p.A. resolved to transfer the shareholding in Aquafil Solaris S.r.l..

As the agreement provided for the purchase of 100% of the company, in December Aquafil S.p.A. acquired the residual 15% of the quotas held by third parties, at a price of € 150 thousand, increasing its ownership percentage up to 100% of the share capital of the same.

At the end of December, ReEnergy Capital s.c.a. and Aquafil S.p.A. signed a preliminary contract for the sale of the quotas of Aquafil Solaris S.r.l. at a price of € 1,400 thousand and of the financial receivable of € 300 thousand claimed by Aquafil S.p.A. from Aquafil Solaris S.r.l. at the face value of the same.

An advance payment of € 1,000 thousand was received at the end of December, while the balance of € 400 thousand, together with the repayment of the financial receivable, was received in early February 2011. In March 2011, Aquafil S.p.A. subscribed 250,000 shares with a par value of € 1.= each of the share capital of ReEnergy Capital s.c.a..

Therefore, the transfer of the company has been substantially completed and, accordingly it has been excluded from the consolidation area at 31 December 2010.

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

CONSOLIDATION PRINCIPLES

The applied consolidation principles are the following.

CONSOLIDATION METHODS

Consolidation on a line-by-line basis

The financial statements of the subsidiary companies, listed in the table above are consolidated on a line-by-line basis. 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 in 5 years. If the remainder is negative, it is taken to “Consolidation reserve” under “Other reserves” in the Shareholders’ Equity, or else, if the lower price refers to expected losses, to the “Consolidation provision for contingent liabilities and charges”.

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

Consolidation at equity

The financial statements of associated companies, which were previously included in the consolidation area, are consolidated according to the equity method, that is a “one-line” consolidation method which adjusts the value of the shareholding to reflect the investee’s portion of equity recognising the annual effect in a single line of the profit and loss account.

Translation into 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 2010 Year-end exchange rate	2010 Average exchange-rate
USD	US Dollar	1.3362	1.32572
HRK	Croatian kuna	7.3830	7.28906
CNY	Chinese Yuan	8.8220	8.97123
TRL	Turkish lira	2.0694	1.99655
THB	Baht	40.1700	42.01448

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 and on a going concern basis;
- 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 consolidated financial statements of the Aquafil Group, which are made up of the Balance Sheet, the Profit and Loss Account and these accompanying Notes, were prepared in accordance with the provisions governing consolidated accounts laid down under Legislative Decree no. 127 of 9 April 1991, as interpreted and supplemented by the accounting standards issued by the Consiglio Nazionale dei Dottori Commercialisti ed Esperti Contabili (National Council of Professional and Chartered Accountants) and by the Organismo Italiano di Contabilità (Italian Accounting Board) and, where required, by the International Accounting Standards Committee (IASC) as approved in Italy by the Commissione nazionale per le società e la

borsa (Consob, Italian Securities and Exchange Commission). The financial statements of the companies included in the consolidation area and used for consolidation purposes are prepared by the Boards of Directors for the approval by the Shareholders' Meetings of the individual companies, as appropriately adjusted, if required, to bring them into line with the accounting policies under article 2426 of the Italian Civil Code and the Italian accounting standards adopted by the Group parent. 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 lives. 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 and direct and indirect costs for the amount that is reasonably attributable to the asset.

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

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

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

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

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

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

The depreciation rates applied to the assets are as follows:

Asset description	Rates
1. Buildings and light constructions	3% - 6% - 10%
2. Generic equipment and machinery	7,5% - 10% - 12,5% - 14% - 15%
3. Industrial and sales equipment	12,5% - 25 % - 40%
4. Other assets:	
4.1. Vehicles	25%
4.2. Vehicles for internal use	20%
4.3. Furniture and ordinary office equipment	12% - 20%
4.4. Electronic office machines	20%

Leased assets

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

Non-current investments 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 write-down cease to obtain.

Current financial assets

Shareholdings which are classified under this category are valued at the lower of cost and their market value or estimated realizable value.

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.

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.

Cash and cash equivalents

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

Accruals and 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.

Costs and revenues

These are reported according to the principle of prudence and on an accruals basis, recognizing the related accruals and deferrals. Revenues from sale of products are recognised at the moment of transfer of ownership, which generally coincides with delivery or shipment of the goods.

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

Revenues and income, costs and charges are entered net of returns, discounts, allowances and premiums, as well as taxes directly connected with the sale of the products. Revenues from services are recognised on the basis of the period when services are rendered, while financial income is recognised on an accruals basis.

Extraordinary income and charges

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

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. Deferred tax assets are allocated if and insofar as there is reasonable possibility of them being recovered.

OTHER INFORMATION

TAX CONSOLIDATION

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

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

TRANSLATION OF 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.

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 advertising costs	3) Patent and intellectual property rights	4) Concessions, licences, trademarks and similar costs	6) Assets under development and payments on account	7) Other intangible assets	Goodwill arising on consolidation	TOTAL
Previous year								
Gross amount	282	70	5,291	3,844	1,241	7,277	8,019	26,024
Accumulated amortization	158	55	545	3,012	0	1,899	7,731	13,400
Total previous financial year	124	15	4,746	832	1,241	5,378	288	12,624
Increases	22	0	0	173	54	838	1,416	2,503
Decreases	0	0	-772	-75	0	-3	-110	-960
Reclassifications	-86	-63	-2	76	-812	1,146	0	260
Write-downs	0	0	0	0	0	0	0	0
Change in the consolidation area	-23	0	0	0	0	0	-26	-49
Exchange differences	0	0	0	-3	0	20	0	16
Total historical cost at 31 Dec 2010	195	7	4,517	4,015	484	9,278	9,299	27,794
Increases	32	14	147	390	0	1,777	406	2,766
Decreases	0	0	-527	-75	0	-3	0	-605
Reclassifications	-17	-63	-2	0	0	17	0	-65
Write-downs	0	0	0	0	0	0	0	0
Change in the consolidation area	-4	0	0	0	0	0	-26	-30
Exchange differences	0	-1	0	-3	0	6	-1	-1
Total accumulated amortization at 31 December 2010	169	5	162	3,324	0	3,696	8,110	15,466
Residual value at 31 December 2010	26	1	4,355	691	484	5,582	1,189	12,328

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

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 item **Patent and intellectual property rights** mainly reflects licences and know-how transferred by Cenon Sro to Julon d.d. during the financial year and used for the Econyl project which is being started. The transfer entailed a capital loss of € 245 thousand. The amortisation period was determined to be 5 years.

Concessions, licences, trademarks and similar rights include the cost of software programs purchased from third parties. The increase of € 173 thousand mainly refers to the costs borne by Aquafil S.p.A. for the implementation of the logistics application systems and the renewal of the existing trademarks.

Other intangible assets mainly refer to the capitalization of the costs sustained on buildings owned by third parties. The increase for the period of € 838 thousand includes costs incurred by Aquafil S.p.A. during the year for the capitalisation of stamp duties, substitute tax and information-gathering activity costs paid for raising new loans, leasehold improvements to the building located in Arco and for the implementation of the information system.

At 31 December 2010, **Goodwill arising on consolidation** amounted to € 1,189 thousand and refers to the following companies (in thousands of Euros):

	December 2010	December 2009
Aquafil Engineering Plastics S.p.A.	0	104
Aquafil Solaris S.r.l.	0	110
Aquafil Power S.r.l.	56	74
Metexa BVBA	1,133	0
TOTAL	1,189	288

The goodwill attributed to **Aquafil Engineering Plastics S.p.A.**, which was fully amortised, relates to the sale to the subsidiary Aquafil Engineering Plastics S.p.A. in 2003 of the business of Sebi S.r.l. (the sale was made before Sebi S.r.l. was no longer included in the consolidation area), with an original consolidation goodwill of € 1,041 thousand paid by the Group. The goodwill was amortised on the straight-line method over 10 years and the amortisation accrual for 2010 was € 104 thousand.

The consolidation goodwill attributed to **Aquafil Solaris S.r.l.** for € 110 thousand and referred to the difference between the purchase cost and the net equity of the company acquired during the year 2009, was reversed since, as previously commented, the company has been excluded from the consolidation area as it was transferred in early February 2011.

The consolidation goodwill of € 56 thousand attributed to **Aquafil Power S.r.l.** relates to the difference between the purchase cost and the net equity of the company acquired in 2009 for an initial amount of € 93 thousand. This consolidation goodwill is amortised on a straight-line method over 5 years and the amortisation accrual for 2010 was of € 19 thousand.

The consolidation goodwill of an initial amount of € 1,416 thousand attributed to **Metexa Bvba** refers to the difference between the purchase cost and the net equity of the company acquired during the year. This consolidation goodwill is amortised on a straight-line method over 5 years and the amortisation accrual for 2010 was € 283 thousand.

TANGIBLE ASSETS (in thousands of Euros)

	1) Land and buildings	2) Plant and machinery	3) Industrial and sales equipment	4) Other tangible assets	5) Assets under construction and payments on account	TOTAL
Previous financial year						
Historical cost	93,922	275,900	8,800	5,720	7,904	392,247
Revaluations	19,050	1,237	15	7	0	20,309
Accumulated depreciation	0	-7,302	0	0	0	-7,302
Total historical cost at 31 December 2008	112,972	269,835	8,815	5,727	7,904	405,254
Accumulated depreciation at 31 December 2009	27,998	204,295	5,788	4,663	0	242,744
Net value at 31 December 2009	84,974	65,540	3,027	1,064	7,904	162,510
Increases	3,496	3,364	234	287	27,221	34,602
Decreases	0	-4,974	-76	-323	-286	-5,659
Reclassifications	559	4,944	290	4	-6,122	-325
Revaluations	0	0	0	0	0	0
Write-downs	0	0	0	0	0	0
Change in the consolidation area	0	0	0	174	-1,182	-1,008
Exchange differences	635	1,310	19	58	49	2,071
Total historical cost at 31 December 2010	117,662	274,479	9,282	5,927	27,584	434,935
Depreciation	3,122	14,444	656	358	0	18,580
Utilizations	0	-4,973	-70	-300	0	-5,343
Reclassifications	0	-1	1	0	0	0
Change in the consolidation area	0	0	0	137	0	137
Exchange differences	39	473	6	26	0	544
Total Accumulated depreciation at 31 December 2010	31,159	214,238	6,381	4,884	0	256,662
Residual value at 31 December 2010	86,503	60,241	2,901	1,043	27,584	178,272

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 € 34,602 thousand, with net disposals for € 316 thousand, of which historical value amounts to € 5,659 thousand, and are composed of as follows:

- **Land and buildings**

Increases: amounting to € 3,496 thousand. These break down as follows:

- a) Aquafil Synthetic Fibres and Polymers (Jiaxing) Co. Ltd.: the increase of € 3,174 thousand is made up of the acquisition of the industrial building located in Jiaxing.
- b) The remaining portion of investments relates to improvements to the real estate assets of the other companies included in the consolidation area.

- **Plant and machinery, equipment, other tangible assets and assets under construction**

Increases: amounting to € 31,106 thousand. These break down as follows:

- a) Aquafil S.p.A.: the overall increase is equal to € 2.6 million, of which € 1.7 million refer to the item "Assets under construction and payments on

account". Investments are mainly relative to the purchase of machinery for the upgrading of the spinning department and improvement actions on the existing plants.

- b) Julon d.d.: the overall increase amounts to € 12.7 million mainly recorded under item "Assets under construction and payments on account"; investments are relative to the purchase and installation of new plants for the Econyl project.
- c) Aquafil Engineering Plastics S.p.A.: the overall increase is equal to € 2.3 million of which € 1.5 million relates to "Assets under construction and payments on account". Investments mainly relate to technological improvements on existing lines and actions aimed at increasing the production capacity of the compound activities of di technopolymers.
- d) Aquafil Usa Inc.: the overall increase is equal to € 6.5 million of which € 5.9 million refer to the item "Assets under construction and payments on account", mainly for the expansion of the yarning systems.
- e) Aquafil Synthetic Fibres and Polymers (Jiaxing) Co. Ltd.: the overall increase is equal to € 5.9 million, of which € 4.9 million recorded under "Assets under construction and payments on account". Investments are relative to the setting-up of the new production plant for yarning and to machines for the reworking of BCF fibres.
- f) The remaining part of investments refers to improvements made on the existing plants of other companies included in the consolidation area.

Net decreases: net decreases amount to € 0.4 thousand.

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

A net amount of € 325 thousand was reclassified from "Assets under construction and payments on account" of tangible assets to various items of Intangible assets.

Mortgages are registered on corporate assets for a total amount of € 123,139 to secure the loans granted and broken down under item "Amounts due to banks", in addition to the shares owned by Aquafil USA Inc. and pledged to secure the loan raised by it with Regions Bank.

With reference to the chemical activities of the subsidiary Cenon S.r.o., owner of the caprolactam and cyclohexanone plants and production licences, the specific plants and the licences relating to the production processes of caprolactam and cyclohexanone were sold during the years 2008, 2009 and 2010, and the related considerations were collected. At 31 December 2010 the net carrying amount of non-current assets and inventories, as confirmed by a third-party expert's report, was equal to € 6.9 million and was made up of the real estate and service plant part.

NON-CURRENT FINANCIAL ASSETS

a) Investments in subsidiaries

Investments in subsidiaries not included in the consolidation area at 31.12.2010 and recognised under the equity method totalled € 651 thousand.

b) Investments in associated companies

Investments in associated companies at 31.12.2010 totalled € 189 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 € 101,490 – which is accounted for in the financial statements using the equity method for € 32.6 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.l. – with a share capital of € 300 thousand - which is included in the consolidated accounts on an equity basis for € 132.4 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 G.m.b.H. – with a share capital of € 25 thousand – which is accounted for in the financial statements using the equity method for € 24.3 thousand. The company is based in Buchholz, Kanaplatz 6 – Germany.

c) Other investments

Investments in other companies are stated at cost for an overall amount of € 22 thousand.

Accounts receivable

The Company had no accounts receivable after 5 years.

Parent companies

The following table shows the movement of financial transactions:

	Opening balance	Reclassifications	Closing balance
within 12 months			
Gruppo Bonazzi S.p.A.	7,105	(164)	6,941
after 12 months			
Gruppo Bonazzi S.p.A.	13,770	18,607	32,377
TOTAL	20,875	18,443	39,318

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. in the amount of € 28,867 thousand and by Julon d.d. in the amount of € 3,510 thousand. The reclassification of € 18,607 thousand (from other group companies to subsidiary companies) relates to the execution of the contract between the parent company Gruppo Bonazzi S.p.A. and Bonazzi R.E. S.r.l., by which Gruppo Bonazzi S.p.A. acquired the financial receivable claimed from Aquafil S.p.A. by Bonazzi R.E. S.r.l., while the reclassification of € 164 thousand relates to the transfer of the receivable from Gruppo Bonazzi to current assets.

Other accounts receivable

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

CURRENT ASSETS

INVENTORIES

Inventories at 31.12.2010 were made up of the following (in thousands of Euros):

	December 2010	December 2009
1) Raw materials, supplies and consumable stores	36,775	30,596
2) Products in course of manufacture and semifinished goods	290	0
4) Finished goods and merchandise	66,282	49,770
5) Advances	33	6
TOTAL	103,380	80,372

The increased value is due to a higher quantity of stocks of finished products, in addition to the impact on the valuation at average prices made in the year because of the considerable increase in raw materials with respect to the previous financial year.

CURRENT ACCOUNTS RECEIVABLE

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

	December 2010	December 2009
1) Customers	72,563	72,192
2) Subsidiaries	0	0
3) Associated companies	3,500	2,608
4) Parent companies	3,769	2,499
4) BIS Tax receivables	3,769	3,934
4) TER Deferred tax assets	6,649	8,170
5) a) Other Group companies	6	936
5) b) Other debtors	2,963	1,900
TOTAL	93,219	92,239

Analysis per geographical area (in thousands of Euros):

	Italy	Europe	North America	Rest of the world	TOTAL
1) Customers	31,848	29,427	4,008	7,280	72,563
2) Subsidiaries	0	0	0	0	0
3) Associated companies	1,367	2,133	0	0	3,500
4) Parent companies	3,769	0	0	0	3,769
4) BIS Tax receivables	1,431	1,554	127	657	3,769
4) TER Deferred tax assets	4,010	2,403	236	0	6,649
5) a) Other Group companies	2	4	0	0	6
5) b) Other debtors	2,186	293	231	253	2,963
TOTAL	44,612	35,815	4,602	8,190	93,219

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 € 1,980, thousand was set aside. The allowance for doubtful receivables recorded at 31 December 2009 for € 2,780 thousand was utilised for € 2,309 thousand in relation to write-offs and increased by € 1,498 thousand after an accrual for the year. The effect of exchange rates was equal to € 11 thousand.

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

Receivables from associated companies

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

	December 2010	December 2009
Aquafil Polymers G.m.b.H.	160	147
Aquafil Tecnopolimeros S.l.	1,973	1,520
Aquafil Distribution S.r.l.	1,367	941
TOTAL	3,500	2,608

Receivables from parent companies

These include a receivable due within 12 months from the parent company Gruppo Bonazzi S.p.A. equal to € 3,769 thousand, deriving from ordinary commercial transactions for € 33 thousand, interest on the loans of Aquafil S.p.A. and Julon dd for € 1,110 thousand and tax receivables of € 2,626 thousand of some companies which opted for the consolidated taxation mechanism.

Tax receivables

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

	December 2010	December 2009
From tax authorities for income taxes	397	151
VAT receivable	2,541	2,829
Withheld taxes	251	180
Tax receivable for interests	76	76
Tax receivables Law 296/09	4	353
Other tax receivables	221	56
VAT receivable relating to bad debts	279	290
TOTAL	3,769	3,934

Deferred tax assets

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

	December 2010	December 2009
Deferred tax assets within 12 months		
Losses carried forward	18	895
Expenses for maintenance and entertainment	96	166
Capital gains	295	236
Exchange differences	127	0
Personnel	262	0
Inventory write-downs	161	220
TOTAL	960	1,518
Deferred tax assets after 12 months		
Losses carried forward	1,208	1,284
Allowance for doubtful receivables	369	584
Other provisions	240	274
Expenses for maintenance and entertainment	204	197
Exchange differences	560	390
Amortization, depreciation, rental costs	1,288	1,475
Intercompany capital gains	125	140
Supplementary indemnity provision for agents	975	1,270
Reversal of depreciation on tangible assets revaluation reserve	0	108
Staff	629	766
Depreciation on assets write-down	0	20
Risks on derivatives	92	144
TOTAL	5,689	6,652

Specifically, deferred tax assets fell by € 953 thousand as a result of the positive economic results of Cenon Sro e Borgolon S.p.A.

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 2010	December 2009
within 12 months		
Aqualys S.A.	4	4
Italedil S.r.l.	2	2
Aquasava d.o.o.	0	930
TOTAL	6	936

Other debtors due within 12 months.

	December 2010	December 2009
Receivables from others within 12 months:		
Sundry advances	2	2
Employees	38	11
Other receivables	660	42
Pension and social security institutes	42	61
Receivables from Treasury	0	1,418
Advances to suppliers	78	72
Other advances	643	249
Earnings equalization fund	0	45
TOTAL	1,463	1,900
Receivables from others after 12 months:		
Receivables from Treasury	1,500	0
TOTAL	1,500	0

Receivables from the Autonomous Province of Trento due within 12 months, which amounted to € 1,418 thousand at 31 December 2009, were collected during the year.

Receivables from the Autonomous Province of Trento due after 12 months, in accordance with Provincial Law 6/99, refer to the new grant for a research project for manufacturing a fibre suitable for textile flooring obtained from the recovery of post-industrial and post-consumption rejects. This receivable is equal to 50% of the grant (Euro 3 million), whose residual amount (Euro 1.5 million) will be collected in the year 2012.

The grant has been recognised in the profit and loss account in proportion to the costs incurred so far for the project. In 2010 the amount recognised in the profit and loss account was equal to about € 0.8 million.

CASH AND CASH EQUIVALENTS

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

	December 2010	December 2009
1) Cash at banks and post offices	49,913	32,080
2) Cheques	1,145	1,328
3) Cash and cash equivalents on hand	23	31
TOTAL	51,081	33,439

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

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 2010	December 2009
Accrued income:		
Interest on other receivables	0	0
Other	21	1
TOTAL	21	1

Prepaid expenses:

Insurance premiums	136	116
Other	338	302
Fairs and exhibitions	50	44
ICT Consulting	47	163
Maintenance fees	99	83
Tax and administrative consulting	33	48
TOTAL	703	756
TOTAL ACCRUED INCOME AND PREPAID EXPENSES	724	757

Notes to liabilities and equity

NET CONSOLIDATED SHAREHOLDERS' EQUITY ATTRIBUTABLE TO GROUP

The total of € 81,432 thousand breaks down as follows (in thousands of Euros):

Balance sheet items	31.12.2009	Changes for the period						31.12.2010
		Destination profit previous period	Change in consolidation area	Translation difference	Dividends and reclassification distribution	Other changes	Period profit	
I. Share Capital	19,678							19,678
II. Share premium reserve	0							-
III. Revaluation reserves	41							41
IV. Legal reserve	3,913							3,913
VII. Other reserves	50,157	(4,276)	37	981		13		46,912
VIII. Profits (losses) carried forward	0							-
IX. Profit (loss) for the year	(4,276)	4,276					10,888	10,888
Total Group shareholders' equity	69,513	0	37	981	0	13	10,888	81,432
Profit (loss) for the year to minority interest	239	(239)					55	55
Minority interest	1,176	239	(183)	3	(250)	4		989
Total minority interest	1,415	0	(183)	3	(250)	4	55	1,044
Total group and minority shareholders' equity	70,928	0	(146)	984	(250)	17	10,943	82,476

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

SHARE CAPITAL

At 31 December 2010 the share capital was fully paid-up and was made up as follows:

- no. 19,642,000 Class A shares
- no. 5,702,520 Class B shares

of no explicit par value and for a total value of € 19,678,000.=

LEGAL RESERVE

The reserve remained unchanged.

OTHER RESERVES

Other reserves include the difference between the purchase cost and the net equity value of consolidated companies (net of the result for the year), retained profits or losses, and all other reserves held by the consolidated companies at the date of the current financial statements. The shareholders' equity of the consolidated companies includes reserves that, if distributed, would become taxable as income. No plans exist to distribute the reserves, which amount to € 69,811 thousand, nor to use them in any manner that might alter their current non-taxable status. Accordingly, no provision was made in the consolidated accounts relating to their deferred tax liability. Pursuant to paragraph 5 of Article 2426 of the Civil Code, a portion of the other reserves must be set aside to cover non-amortisable costs relating to formation and start-up. The obligation refers to Italian companies only.

CHANGE IN THE CONSOLIDATION AREA

The amount reported in the table mainly relates to the effect generated by the exit of Aquafil Solaris S.r.l. from the consolidation area for the reasons already described above.

CAPITAL AND RESERVES ATTRIBUTABLE TO MINORITY INTERESTS

The balance of € 1,044 thousand refers to net equity attributable to minority interests, including the net profit for the year attributable to minority interests.

RECONCILIATION OF GROUP PARENT AQUAFIL S.P.A.'S FINANCIAL STATEMENTS AND CONSOLIDATED ACCOUNTS AT 31 DECEMBER 2010

Below is the reconciliation of the net equity and profit for the year of the Group parent Aquafil S.p.A. with the analogous results in the consolidated financial statements for the year ended 31 December 2010 (figures in thousands of Euros):

	Period Result	Shareholders' equity
Shareholders' equity and result as reported in the annual accounts of Parent company	10,370	82,033
Lease accounting according to Aquafil S.p.A. financial method	173	1,282
Derecognition of effects on intergroup operations	326	(997)
Different valuation of investment in Bulgari Filati d.o.o in consolidated accounts	18	(546)
Other	0	(341)
Shareholders' equity and result for the year attributable to the Group	10,888	81,432
Shareholders' equity and result for the year attributable to the minority	55	1,044
Shareholders' equity and result as reported in the consolidated balance sheet	10,943	82,476

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 2010	December 2009
Extraordinary gains on disposal of assets	574	621
Leasing	2,581	2,598
Elimination of tax interferences and accumulated depreciation	387	471
Other adjustments due to the application of the Group accounting principles	1,125	1,704
On reversal of impairment relating to patents	0	902
TOTAL	4,667	6,297

Other provisions

Other provisions amount to € 1,537 thousand. They include € 827 thousand in a supplementary indemnity provision for agents and € 710 thousand in a guarantee provision relating to engineering contracts.

STAFF TERMINATION PAY

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

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

	December 2010	December 2009
Opening balance	9,895	10,288
Accruals	295	246
Utilizations	1,649	639
CLOSING BALANCE	8,541	9,895

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

ACCOUNTS PAYABLE

Accounts payable total € 375,419 thousand. The amounts due after 5 years are broken down specifically. The analysis is provided below.

	December 2010	December 2009
1) Bonds	0	3,188
3) Amounts due to shareholders	50,103	46,507
4) Amounts due to banks	197,642	169,413
6) Advances	1,194	2,038
7) Amounts due to suppliers	101,317	89,372
9) Amounts due to subsidiaries	408	0
10) Amounts due to associated companies	134	125
11) Amounts due to parent companies	6,142	3,185
12) Taxes payable	3,245	2,202
13) Accounts payable to social security institutes	2,717	2,554
14) b) Other Group companies	75	332
14)a) Other creditors	12,442	11,485
TOTAL	375,419	330,401

Analysis per geographical area (in thousands of Euros):

	Italy	Europe	North America	Rest of the world	TOTAL
3) Amounts due to shareholders	0	50,103	0	0	50,103
4) Amounts due to banks	133,677	54,381	9,578	6	197,642
6) Advances	55	1,101	0	37	1,194
7) Amounts due to suppliers	44,573	46,572	7,661	2,511	101,317
9) Amounts due to subsidiaries	0	0	0	408	408
10) Amounts due to associated companies	35	99	0	0	134
11) Amounts due to parent companies	6,142	0	0	0	6,142
12) Taxes payable	2,491	246	440	68	3,245
13) Accounts payable to social security institutes	2,260	449	5	3	2,717
14) a) Other Group companies	15	60	0	0	75
14) b) Other creditors	11,021	1,410	0	11	12,442
TOTAL	200,269	154,420	17,685	3,045	375,419

Bonds

The bonded loan issued by the subsidiary company Aquafil USA Inc. and guaranteed by Branch Banking & Trust Co. Capital Markets Inc. - Atlanta (Georgia) was transformed into a loan with Regions Bank that may be repaid in 15 years.

Amounts due to shareholders

The loan granted by the Luxembourg company HC Romeo S.a.r.l. on 25 September 2009 for an initial amount of € 45,000,000.=, secured by pledge on the Italian and EC registered trademarks "Aquafil" and "Econyl", was renewed for an amount of € 50,103,000.=. The amount includes accrued interest of € 5,103,000.=, net of the withholding tax of € 567,000.=. paid to the Tax Office.

The conditions governing the loan are the following ones:

interest: 12.60% p.a;

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

repayment: one payment at maturity.

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

Amounts due to banks

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

	Balances at December 2010				Balances at December 2009
	within 12 months	after 12 months within 5 years	after 5 years	Total	
Current account liabilities	519			519	2,090
Advances on export transactions	35,735			35,735	28,000
Loans on import transactions	0			0	7,622
Advances on invoices	39,633			39,633	36,016
Sundry advances	3,033			3,033	9
	78,920	0	0	78,920	73,737
Loans:					
Abanka	7,500	22,250	0	29,750	31,250
VUB	0	0	0	0	0
HVB Splitska banca	366	1,190	0	1,556	1,924
SKB banca	2,577	0	0	2,577	5,231
Cassa Centrale Casse Rurali Trentine	940	3,500	0	4,440	5,361
Banca di Verona	2,457	340	0	2,797	2,630
Gorenjska Banka	16,001	4,000	0	20,001	20,503
Mediocredito Trentino Alto Adige	424	1,926	0	2,350	2,752
Cassa Rurale Valsabbia Paganella	645	219	0	864	1,490
Cassa Rurale Rovereto	592	2,547	2,175	5,314	1,563
Banca Sella	115	0	0	115	337
Eurobanca del Trentino	0	0	0	0	218
Deutsche Bank	857	0	0	857	1,714
Fortis Bank	727	0	0	727	2,182
Credito Valtellinese	2,743	4,886	0	7,629	7,606
Biverbanca	621	621	0	1,242	632
Cassa Risparmio di Bolzano	1,179	4,693	0	5,872	7,657
Cassa Risparmio di Ferrara	169	87	0	256	420
Postna Banka Slovenije	0	2,000	0	2,000	2,000
Veneto Banka	203	0	0	203	205
Cassa Rurale Raiffeisen Alto Adige	608	1,593	0	2,201	0
Banca Popolare di Sondrio	326	594	0	920	0
Banca Popolare di Milano	1,000	8,000	1,000	10,000	0
Banca Antonveneta	1,800	7,200	0	9,000	0
Cassa Rurale Alto Garda	292	608	0	900	0
Regions Bank	984	5,567	0	6,551	0
Credito Piemontese	400	200	0	600	0
Total loans	43,526	72,021	3,175	118,722	95,675
Total amounts due to banks	122,446	72,021	3,175	197,642	169,412

With reference to the loans allocated, company assets have been mortgaged to the value of € 123,139 thousand, in addition to the shares owned in Aquafil USA Inc. and pledged to secure the loan raised by it with Regions Bank.

Advances

This item includes advance payments received from customer for supplies not yet delivered for € 1,194 thousand and refer for € 1,042 thousand to the company Aquafil Engineering G.m.b.H..

Amounts due to suppliers

	December 2010	December 2009
within 12 months		
Trade payables	72,165	55,767
Leases - due within 12 months	4,520	5,400
TOTAL	76,685	61,167
after 12 months		
Trade payables	0	0
Leases - due after 12 months	24,632	28,205
TOTAL	24,632	28,205
TOTAL	101,317	89,372

The increase in amounts due to third-party suppliers is closely correlated to the increase in the production and sales volumes recorded in the year. Amounts due for leases due after 5 years amounted to € 16.5 million.

Amounts due to subsidiary companies

The item relates to the receivable claimed by Aquafil Synthetic Fibres and Polymers (Jiaxing) Co. Ltd.. from Aquafil Fibres and Polymers (Jiaxing) Co. Ltd for which the liquidation procedure is being carried out.

Amounts due to associated companies

These amount to € 134 thousand and relate to (in thousands of Euros):

	December 2010	December 2009
Aquafil Polymers G.m.b.H.	60	56
Aquafil Tecnopolimeros S.l.	39	33
Aquafil Distribution S.r.l.	36	37
TOTAL	134	125

Amounts due to parent companies

Amounts payable within 12 months amount to € 6,142 thousand and relate to payables for taxes for the option made by some Italian companies of the Aquafil Group to use the consolidated taxation mechanism of Gruppo Bonazzi S.p.A.. Specifically (in thousands of Euros):

	December 2010	December 2009
within 12 months		
Tessilquattro S.p.A.	2,047	1,049
Aquafil Engineering Plastics S.p.A.	4,095	2,112
TOTAL	6,142	3,185

Taxes payable

Taxes payable totalled € 3,245 thousand and break down as follows (in thousands of Euros):

	December 2010	December 2009
within 12 months		
Payables to tax office for IRAP	698	50
Payables to tax office for taxes withheld at source	1,303	1,283
VAT payables	343	293
Due to tax office for other payables	159	185
Due to tax office for other taxes	742	247
TOTAL	3,245	2,058
after 12 months		
Other	0	144
TOTAL	0	144

Accounts payable to social security institutes

These total € 2,736 thousand and include the amount owed by the Group companies and their employees at year-end for social security dues from wages for the month of December and for the "13th-month" pay.

Other accounts payable

Other Group companies

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

	December 2010	December 2009
Montebello S.r.l.	0	6
Aquafabric S.r.l.	8	3
Aquasava d.o.o.	60	316
Bonazzi R.E. S.r.l.	7	7
TOTAL	75	332

Other creditors

Payables due within 12 months amount to € 9,083 thousand and consist of payables to employees for € 7,339 thousand, the advance payment of € 1,000 thousand received for the transfer of the shareholding in Aquafil Solaris S.r.l. which was completed on 9 February 2011, the payable of € 280 thousand paid in instalments for the purchase of the shareholding of the subsidiary company Metexa Bvba expiring on 31 March 2011, as well as insurance payables for the residual amount.

Payables due after 12 months amount to € 3,340 thousand and refer to guarantee deposits of customers of € 2,500 thousand and to the payable for the purchase of the shareholding of the subsidiary Metexa Bvba to be paid in instalments on 31 March 2012-2013-2014 for a total amount of € 840 thousand.

There are no payables due after 5 years.

ACCRUED EXPENSES AND DEFERRED INCOME

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

	December 2010	December 2009
Accrued expenses:		
Interest charges on loans and financing	1,855	228
Insurance premiums	24	7
Other	800	529
Commissions	0	1
TOTAL	2,679	765
Deferred income		
Grants for plant and machinery	3,018	453
Other	231	814
Grants ex provincial law 6/99	2,209	0
TOTAL	5,458	1,267
TOTAL ACCRUED EXPENSES AND DEFERRED INCOME	8,137	2,032

- Interest payable on mortgages and loans include accrued interest on shareholders loan, as calculated from 25 September 2010 to 31 December 2010, equal to € 1,695 thousand.

- Deferred income relating to set-up grants of € 3,018 thousand relates to grants mainly granted on the recycling project Econyl being implemented at the Slovenian company Julon d.d.. Grants have been granted by the Slovenian Ministry of Economy and have been fully collected.

- Deferred income of provincial grants disbursed pursuant to Provincial Law 6/99 relate to the research project previously commented in the paragraph dedicated to receivables from others.

MEMORANDUM ACCOUNTS

Bills in circulation

These consist of € 1,554 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 € 16,630 thousand to mortgages and guarantees with banks on behalf of the Parent company for lines of credit from banks, whose residual debt at 31 December 2010 amounts to € 3,438 thousand.

Guarantees received

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

Derivative financial instruments

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

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 2010	December 2009
by business line		
Polyamide, polypropylene and other polymers, ammonium sulphate and other chemical derivatives	423,745	312,785
Engineering	1,723	18,024
Other revenues	6,843	7,078
TOTAL	432,311	337,887
by geographical location		
Italy	112,719	87,666
Abroad	319,592	250,220
TOTAL	432,311	337,887

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

Aquafil Distribution S.r.l.	2,893
Aquafil Tecnopolimeros S.l.	1,740
Aquafil Polymers G.m.b.H.	555
TOTAL	5,188

Capitalisation of internal construction costs

The aggregate, which amounts to € 2,898 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 2010	December 2009
Grants related to income	1,466	967
Grants related to income	1,466	967
Other revenues and income		
Rental income	84	92
Gains on fixed assets disposal	94	108
Insurance compensation payments	37	84
Recovery of expenses	155	132
Rounding	0	2
Overaccruals	3	5
Other income	307	646
Utilization of other provisions	1,446	2,439
Recharge of tax and administrative consulting	0	11
Grants for plant and machinery	3	3
Other revenues and income	2,129	3,522
GRAND TOTAL	3,595	4,489

Grants related to income of € 1,466 thousand relate to grants given for the research project under "Accounts receivable to others after 12 months" of € 791 thousand, to grants given for the "Fondo Olivi" of € 610 thousand, and to other minor amounts for the difference.

The income for the use of provision for risks of € 1,446 thousand relates to the release of the provisions for risks of Aquafil Engineering G.m.b.H..

Costs of production

Raw materials, supplies, consumable stores and merchandise

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

	December 2010	December 2009
Raw materials and semifinished goods	231,086	139,036
Supplies and consumable stores	18,018	21,941
Other purchases and merchandise	8,050	4,718
TOTAL	257,154	165,695

Services

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

	December 2010	December 2009
External processing	3,187	2,962
Transport of purchases	1,904	1,393
Electricity, propulsive energy, water and gas	27,758	25,778
Maintenance	4,641	4,226
Warehousing, management of external deposits	2,669	1,920
Cleaning and security	978	824
Waste disposal	679	530
Stationery	242	204
Post and telephone charges	514	481
Insurance	1,110	1,051
Services for staff	239	122
Technical consultancy	1,444	1,058
Fees for technical assistance	118	146
Commercial consultancy	180	221
Legal, tax and administrative consultancy	1,089	821
Company expenses	20	24
Membership fees	227	215
Newspapers and magazines	37	23
Enasarco commissions and contributions	3,971	4,112
Travelling	1,720	1,222
Commercial information	74	59
Fairs and exhibitions	210	279
Advertising expenses	577	499
Insurance credits	1,412	1,157
Entertainment expenses	826	700
Transport of sales	12,296	10,055
Other sale expenses	735	530
Other services	314	288
Emoluments for Statutory Auditors	189	175
Emoluments for Directors	1,980	1,361
Temporary work	796	126
Commissions on equity investments	0	44
Canteen	613	408
Non-bank charges and commissions	72	144
Consulting and rental costs ICT assist.	2,586	2,904
TOTAL	75,407	66,063

We report that the total value of emoluments for the directors and statutory auditors of the Group parent Aquafil S.p.A. and for the independent auditors for the fulfilment of their functions, including for other companies included in the consolidation area, amounted to € 1,586 thousand and € 76 thousand respectively.

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

Company	Activity	Annual Fees
Aquafil S.p.A.	Statutory audit of separate accounts	79
Aquafil S.p.A.	Statutory audit of consolidated accounts	15
Aquafil Engineering Plastic S.p.A.	Statutory audit of separate accounts	30
Aquaspace S.p.A.	Statutory audit of separate accounts	8
Borgolon S.p.A.	Statutory audit of separate accounts	15
MTX Fibre S.r.l.	Statutory audit of separate accounts	8
Tessilquattro S.p.A.	Statutory audit of separate accounts	10
TOTAL		165

Rent, leasing and similar costs

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

	December 2010	December 2009
Rent	683	699
Industrial rent	1,120	1,044
Operating leasing	678	658
Leasing fees	0	-1
Commercial rent	73	56
TOTAL	2,554	2,456

Personnel costs

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

Below we show the number of staff divided by category:

	December 2010	December 2009
Production workers	1,546	1,372
Office staff	401	374
Middle managers	46	42
Managers	33	28
TOTAL	2,026	1,816

Amortization, depreciation and writedown

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

	December 2010	December 2009
a) Amortisation intangible assets	2,766	2,548
b) Depreciation	18,580	19,127
c) Other writedowns of assets	0	0
d) Writedowns of current accounts receivable and cash and cash equivalents	1,498	2,133
TOTAL	22,844	23,808

Change in inventories of raw materials, supplies and consumable stores

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

Provisions for risks

The provision amounts to € 127 thousand and refers to the supplementary indemnity provision for agents.

Sundry operating costs

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

	December 2010	December 2009
Non-deductible VAT	38	42
ICI (Council tax)	639	633
Various taxes	92	115
Capital losses on disposal of assets	41	82
Losses on receivables	125	10
Rounding	0	1
Bonuses to customers	2	3
Other costs	380	349
Scholarships	26	28
Sanctions and fines	11	16
TOTAL	1,354	1,279

FINANCIAL INCOME AND CHARGES

Other financial income

Income from non-current accounts receivable total € 1,753 thousand and refer to interest income on loans for € 1,718 thousand towards the Parent company Gruppo Bonazzi, of which € 606 thousand were transferred by the related company Bonazzi RE S.r.l. following the assignment of the financial debt of € 18 million commented under item "Financial receivables from parent companies, receivables from the subsidiary Aquafil Solaris for € 7 thousand and receivables from others for € 28 thousand.

Income other than above consists of (in thousands of Euros)::

	December 2010	December 2009
Miscellaneous interest	67	100
Interest income on bank accounts	163	160
Interest income from customers	50	18
Interest income from VAT receivables	0	1
Financial discounts receivable	1	0
TOTAL	281	279

Interest expense and other financial charges

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

	December 2010	December 2009
Interest expense on HC Romeo S.a.r.l. loan	5,858	1,507
Interest expense on current accounts with banks	268	299
Interest on mortgage loans	2,824	3,780
Interest on bank borrowings	0	50
Interest expense to other lenders	423	1
Interest expense on export advances	637	859
Interest expense on import loans	210	346
Discounts on commercial bills	871	1,030
Factoring expense	51	0
Interest expense on commercial operations	21	19
Interest payable to leasing companies	1,066	1,628
Bank expenses and commissions	679	494
Cash discounts	3,285	2,176
Swap contracts expense	0	364
Other charges	5	1
Leasing contributions	0	-1
TOTAL	16,198	12,553

The increase in interest on the HC Romeo loan is only due to the length of the period when interest accrues: in 2009 interest was calculated from 25 September 2009 to 31 December 2009, while in 2010 it related to the entire financial year.

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 € 519 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

The item relates to the cost arising from the valuation of shareholdings in associated companies according to the equity method for € 2 thousand and to the write-down of the shareholding of the liquidated company Aquafil Textile Yarns Jug d.o.o. for € 4 thousand.

EXTRAORDINARY INCOME AND CHARGES

Extraordinary income

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

	December 2010	December 2009
Gains on assets disposal	8	93
Overaccruals	285	400
Prior years' taxes	6	0
Other extraordinary income	70	3
Collection of bad debts	4	37
TOTAL	373	533

Extraordinary charges

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

	December 2010	December 2009
Losses on disposal of assets	245	677
Deferred tax liabilities	17	72
Underaccruals	215	311
Other extraordinary charges	182	413
Costs relating to staff transfers/temporary outplacement	433	837
TOTAL	1,092	2,311

Specifically:

- "losses on disposal of assets", as already commented under item "Patent and intellectual property rights" relate to the sale of the licences of Cenon S.r.o.;
- "costs relating to staff transfers/temporary outplacement" have been borne by the companies Aquafil S.p.A., Cenon S.r.o. and Julon d.d. and are relative to incentive departures for corporate restructuring made in 2009 for the part of staff leaving the company in early 2010.

INCOME TAXES FOR THE YEAR

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

	December 2010	December 2009
Current taxes:		
Current taxes - Ires	2,992	1,513
Current taxes - Irap	1,763	1,041
Other taxes	869	1,141
TOTAL	5,624	3,695
Deferred taxes:		
Ires - Deferred tax assets and liabilities	82	(1,953)
Irap - Deferred tax assets and liabilities	34	(81)
Other deferred tax assets and liabilities	354	233
Total	470	(1,801)
GRAND TOTAL	6,094	1,894

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

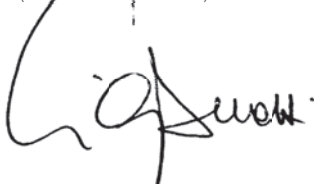
	December 2010	December 2009
Current taxes:	5,624	3,695
Temporary differences from statutory financial statements		
Taxes	Taxes	
tax losses carried forward	180	(1,721)
amortisation and depreciation	(169)	(31)
elimination of tax interferences	(74)	(139)
write-down of receivables	215	(440)
supplementary indemnity provision for agents	(25)	270
other	(125)	(220)
Consolidation transactions:		
IAS 17	(24)	(137)
depreciation/gains	570	(102)
tax losses	607	649
other transactions for conformity to accounting principles	(685)	70
	470	(1,801)
GRAND TOTAL	6,094	1,894

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

In preparing these financial statements, 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.

Arco, 31 March 2011

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



NTF

(yarn for clothing)

4.767 km travelled wearing technical garments in Dryarn. Aldo Mazzocchi went from one end of Australia to the other, from Keppel Bay to Geraldton, riding his mountain bike through the most remote territories.





61. Cash Flow Statement

AQUAFIL GROUP - CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2010
CASH FLOW STATEMENT

(in thousands of euros)

2010
2009
Cash flow from operations

Profit (Loss) for the Year	10,943	(4,037)
Amortisation, depreciation	21,346	21,675
Net change in provision for staff termination pay	(1,354)	(394)
Net change in provisions for risks	(2,806)	(932)
(Increase) / Decrease in inventories	(23,008)	13,461
(Increase) / Decrease in accounts receivables from customers	(398)	(17,210)
(Increase) / in inventories due to change in consolidation area	27	0
(Increase) / Decrease in accounts receivables from associated companies	(892)	(271)
(Increase) / Decrease in accounts receivables from parent companies	(1,270)	(2,475)
(Increase) / Decrease in others accounts receivables	(133)	(106)
(Increase) / Decrease in tax receivables	165	824
(Increase) / Decrease in deferred tax assets	1,521	1,804
(Increase) / Decrease in accrued income and prepaid expenses	33	(30)
Increase / (Decrease) in advance payments	(844)	(857)
Increase / (Decrease) in accounts payable to suppliers	11,891	(6,083)
Net change in accounts payable to suppliers due to change in consolidation area	54	0
Increase / (Decrease) amounts due to subsidiaries	408	0
Increase / (Decrease) in accounts payable to associated companies	9	(11)
Increase / (Decrease) in taxes payable	1,043	(284)
Increase / (Decrease) in accounts payable to social security institutions	182	162
Increase / (Decrease) in other accounts payables	681	947
Increase / (Decrease) in accrued expenses and deferred income	6,105	310
	23,703	6,493

Investments

Investments in tangible assets	(34,602)	(11,459)
(Increase) / Decrease in tangible assets due to change in consolidation area	1,145	0
Revaluation tangible assets	0	0
Investments in intangible assets	(2,503)	(4,970)
Increase in intangible assets due to change in consolidation area	18	0
Disposal of tangible assets	316	2,324
Disposal of intangible assets	355	108
Adjustment of accumulated amortization	0	0
Net effect in tangible / intangible assets due to exchange rates differences	(1,540)	456
Increase in equity investments	(11)	(802)
	(36,822)	(14,343)

AQUAFIL GROUP - CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2010
CASH FLOW STATEMENT

(in thousands of euros)

2010
2009
Borrowings and lendings

(Increase) / (Decrease) in financial accounts receivable from subsidiaries	(300)	0
(Increase) / Decrease in financial accounts receivable from parent companies	(18,443)	(9,933)
(Increase) / Decrease in other financial accounts receivable	18,393	5,136
Effect of exchange rate differences on amounts due to others	(2)	1
Increase / (Decrease) in amounts due to other lenders	0	(1,266)
Increase in amounts due to banks	46,917	2,725
Reimbursement of loans	0	(117)
Loans and short-term transfer of amounts due to banks	(39,048)	(25,190)
Exchange rate differences on loans	(57)	22
Reimbursement of bonds	(3,465)	(143)
Exchange differences on bonds	277	(112)
Increase / (Decrease) in accounts payable to parent companies	2,957	1,154
Increase / (Decrease) in amounts due to shareholders financial payables	3,596	46,507
Payments for share capital increase	0	114
Distribution of dividends	0	(8,045)
Other changes in reserves	(233)	43
Other changes in reserves due to change in consolidation area	(146)	0
Net effect of translation differences	984	(171)
	11,430	10,725

Total cash flow
(1,689)
2,875
Cash and banks - opening balance (*)
(68,590)
(71,465)
Cash and banks - closing balance (*)
(70,279)
(68,590)

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





67. Report of the Board of Statutory Auditors

68. Auditors' report

Report of the board of statutory auditors on the consolidated financial statements for the year ended 31 december 2010

Dear Shareholders,

We have examined the group's Consolidated Financial Statements at 31 December 2010, as prepared by the directors and notified to the Board of Statutory Auditors, together with the Directors' report on Operations.

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

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

The consolidation area was extended by introducing Aquafil Synthetic Fibres and Polymers Co.Ltd., Aquafil Benelux-France B.v.b.a. as correctly reported in the Notes to the Financial Statements.

The consolidated Balance Sheet shows a consolidated net profit for the year for the group of € 10,888 thousand and is summarised in the following values in €/000.

BALANCE SHEET

Assets	480,777
Liabilities	398,301
Shareholders' equity	82,476
- of which Capital and Profit attributable to minority interests	1,044
- of which Capital and Profit attributable to the Group	81,432
Total Liabilities and Shareholders' Equity	480,777
Accounts, commitments, risks and other memorandum accounts	26,984

The consolidated Profit and Loss account is summarised as follows:

PROFIT AND LOSS ACCOUNT

A) Value of production	455,062
B) Costs of production	-423,359
Difference A) - B)	31,703
C) Financial income and charges	-13,954
D) Value adjustments to financial assets	7
E) Extraordinary income and charges	-719
Pre-tax result	17,037
Income taxes for the year	-6,094
Profit for the year	10,943
Profit for the year attributable to minority interests	55
Profit for the year attributable to the Group	10,888

From an overall examination we note that the financial statements have been prepared in accordance with the provisions of the Italian Civil Code introduced by Legislative Decree no. 127/1991 implementing the VII EEC Directive, as interpreted and supplemented by the Principles issued by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (Italian Accounting Profession). Therefore, we agree on the determination of the consolidation area, the consolidation principles and the procedures adopted, as described in detail in the Notes.

Arco, 14 April 2011
The Board of Statutory Auditors

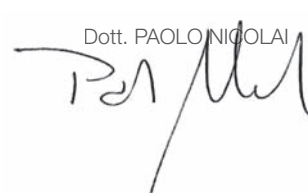
Dott. PIETRO MONTI



Dott. ANDREA FASAN



Dott. PAOLO NICOLAI





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

To the shareholders of
Aquafile SpA

1. We have audited the consolidated financial statements of Aquafile Group as of 31 December 2010. The directors of Aquafile SpA are responsible for the preparation of these financial statements in compliance with the laws governing the criteria for their preparation. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes as required by law, reference is made to our report dated 13 April 2010.
3. In our opinion, the consolidated financial statements of Aquafile Group as of 31 December 2010 comply with the laws governing the criteria for their preparation; accordingly, they have been prepared clearly and give a true and fair view of the financial position and result of operations of the Group.
4. The directors of Aquafile SpA are responsible for the preparation of a report on operations in compliance with the applicable laws. Our responsibility is to express an opinion on the consistency of the report on operations with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard No. 001 issued by Consiglio Nazionale dei Dottori Commercialisti e degli Esperti

PricewaterhouseCoopers SpA

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Contabili and recommended by CONSOB. In our opinion, the report on operations is consistent with the consolidated financial statements of Aquafil Group as of 31 December 2010.

Trento, 14 April 2011

PricewaterhouseCoopers SpA

Signed by

Maria Teresa Berneli
(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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