Consolidated financial statements

at 31 december 2012

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Board of Directors

GIULIO BONAZZI Chairman and CEO
CARLO BONAZZI Honorary Chairman
ADRIANO VIVALDI Executive Director
FABRIZIO CALENTI Executive Director

EDI KRAUS Director
MAURO MORETTI Director
RAFAEL TORRES BOULET Director

Board of Statutory Auditors

PIETRO MONTI Chairman

ANDREA FASAN Statutory Auditor NICOLA CAMPANA Statutory Auditor

Independent Auditors Firm

PRICEWATERHOUSECOOPERS S.p.A.





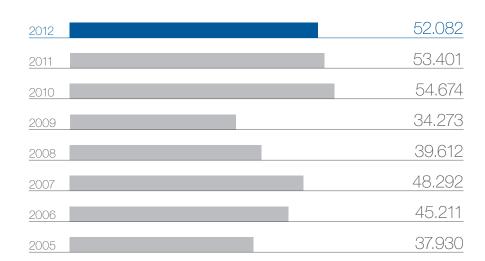
Consolidated Financial Statements

Group Consolidated Highlights

Net revenues (amounts in million of Euros)

2012		499.484
2011		495.302
2010		432.311
2009		337.887
2008		380.737
2007		393.925
2006		357.285
2005		325.876

EBITDA (amounts in million of Euros)



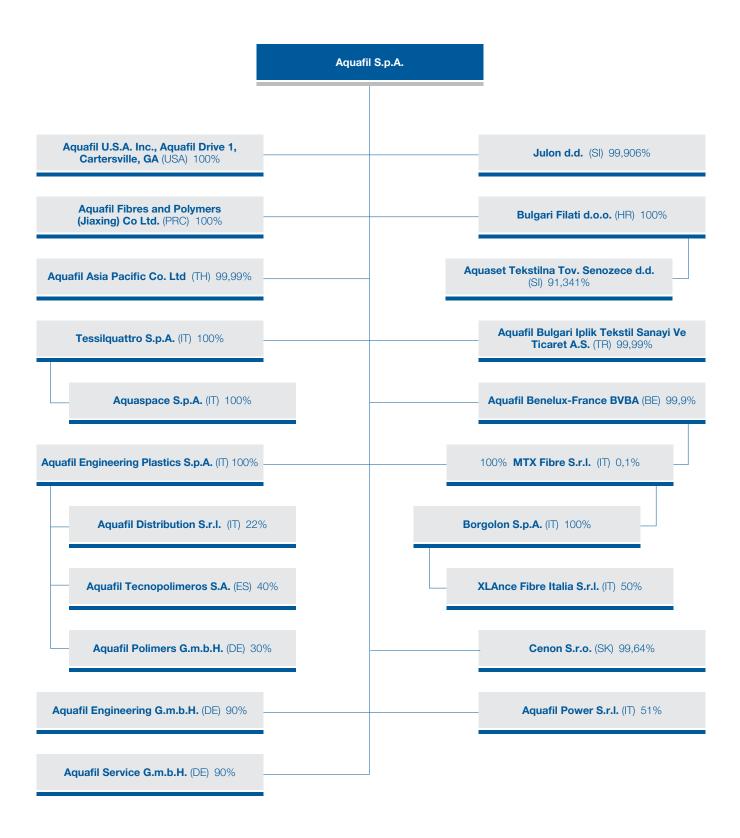
Total net financial debt (amounts in million of Euros)

2012		185.956
2011		212.969
2010		188.871
2009		180.878
2008		172.862
2007		148.600
2006		156.000
2005		161.800

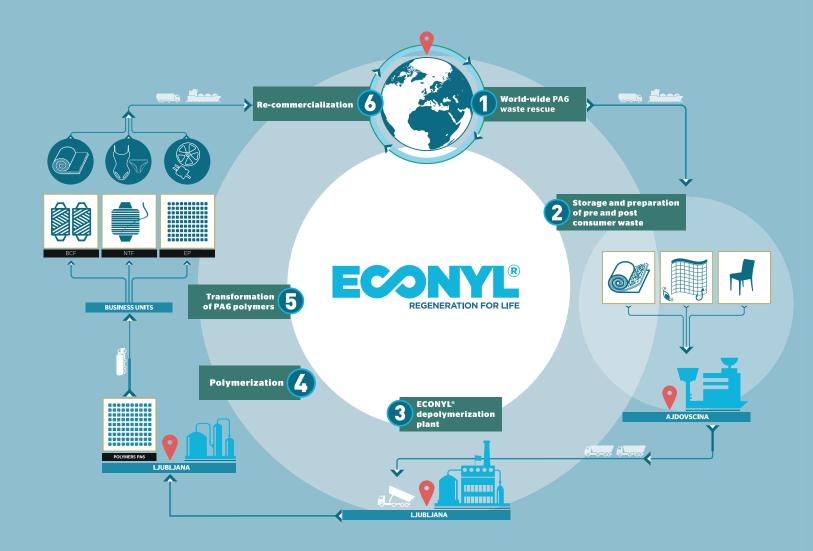
Total net financial debt / EBITDA (amounts in million of Euros)

2012		3.60
2011		4.00
2010		3.50
2009		5.30
2008		4.36
2007		3.10
2006		3.50
2005		4.30

Group structure



ECONYL® polyamide 6 Regeneration System



WE ARE **CLOSING THE LOOP**TO DELIVER PRODUCTS:

100% REGENERATED 100% PERFORMANCE







Directors' report on operations - Aquafil Group

Dear Shareholders,

the financial statements which we present for your approval report "Revenues from sales and services" of Euro 499.5 million and a Group Net Profit of Euro 1,195 thousand after income taxes and net deferred taxes of Euro 0.6 million. The Board of Directors of the Parent Company Aquafil S.p.A. prepared the consolidated financial statements of the Aquafil Group for the 2012 financial year in accordance with Legislative Decree No. 127 of April 9, 1991 and Legislative Decree No. 32/2007.

CORPORATE BOARDS

Board of Directors:

Giulio Bonazzi Chairman and CEO
Carlo Bonazzi Honorary Chairman
Adriano Vivaldi Executive Director
Fabrizio Calenti Executive Director

Edi Kraus Director Mauro Moretti Director Rafael Torres Boulet Director

Board of Statutory Auditors:

Pietro Monti Chairman

Andrea Fasan Statutory Auditor

Nicola Campana Statutory Auditor

Independent Audit Firm

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

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

COMPANY DETAILS

Aquafil S.p.A.

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

Tel: +39 0464 581111 - Fax: +39 0464 532267 Share capital: Euro 19,685,556.00 fully paid in

Tax and VAT number and Trento Company Registration Number: IT00123150229

Trento R.E.A. 74842 www.aquafil.com

INTRODUCTION

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

THE AQUAFIL GROUP

The Aquafil Group, through the 18 Group companies included in the consolidation in 7 countries (Italy, Germany, Slovenia, Croatia, USA, Thailand and China) carries out activities for the production and sale of polymers and nylon synthetic fibres, as well as system engineering activities. Sales to the end market are mainly made by the Parent Com¬pany 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 manufac-turing companies Aquafil USA Inc. (USA), Aquafil Asia Pacific Co., Ltd (Thailand) and Aquafil Synthetic Fibres and Polymers (Jiaxing) Co., Ltd. (China).

The Aquafil Group produces polyamide 6 fibres and polymers, special ECONYL® polyamide 6.6 fibres and polymers, special Dryam® and Microlon® microfibres for textile use and the new XLATM eleastic fibre. The final application of Group products ranges from textile flooring - principally the contract market - to technological components and car interiors and from underwear and sporting apparel to industrial components for the design and construction sectors and for electric and electronic applications.

Group activities are carried out in three major business areas:

- a) BCF (Bulk Continuous Filament): nylon yarns for textile floor covering
- b) NTF (Nylon Textile Fibres): textile yarns for specific uses in the clothing segment
- c) EP (Enginering Plastics): technopolymers for plastics moulding

In addition, we consider (d) the **industrial chemical plant engineering** activities carried out by the German companies Aquafil Engineering G.m.b.H. and Aquafil Service G.m.b.H. and (e) the "**Energy and Recycling**" support activities for the three business areas in relation to environ—mental and sustainability issues.

AQUAFIL GROUP CONSOLIDATED HIGHLIGHTS

Definition of indicators:

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

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

Key Financial Highlights: (Euro thousands):

Description		2012		2011	
Net revenues	499.484	100%	495.302	100%	
EBITDA	52.082	10,4%	53.401	10,8%	
EBIT	21.527	4,3%	27.431	5,5%	

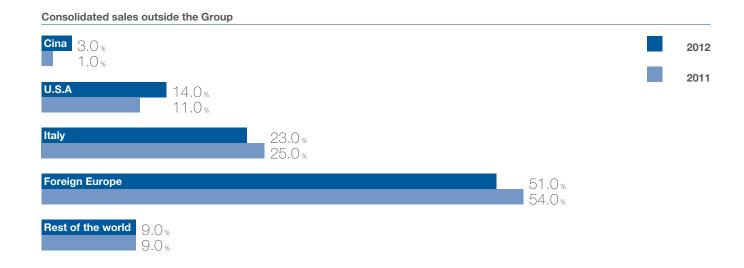
Key balance sheet and financial indicators (Euro thousands):

Description	31/12/2012	31/12/2011
Consolidated Net Equity	(72.061)	(78.825)
Consolidated Net Equity	(72.001)	(70.023)
Net Financial Position:		
N.F.P third parties	(154.122)	(194.579)
N.F.P shareholders	(31.834)	(18.390)
Totale P.F.N.	(185.956)	(212.968)
N.F.P. / EBITDA	(3,6)	(4,0)

ECONOMIC ENVIRONMENT, PERFORMANCE OF THE AQUAFIL GROUP AND 2012 RESULTS

International and Italian economy

The global economy further weakened in 2012 amid uncertainty and depressed confidence levels in the principal advanced economies, resulting in the postponement of expenditure and investment decisions by both households and businesses. The international economic fragility is due to the continued tightening of credit available, excess production capacity in many sectors, the difficulties in the construction sector, increasing unemployment and the return of public deficits in the most indebted European economies.



The recession has hit hardest in the Eurozone, with internal demand and production continuing to contract; Italy is weakened even further by specific structural problems - although the impact has been uneven - given that alongside businesses experiencing depressed levels of activity and revenues and difficulties in obtaining payment and credit, other companies relying on a consolidated and strategic international positioning are performing strongly. The focus on international markets leads to the establishment of internationalised production, localising manufacture in countries with high growth levels to service local consumption, which today is a central feature of the best performing companies, which can benefit from the opportunities presented by the US and BRIC markets - in particular China and the emerging markets.

The Aquafil Group is well placed as such a global producer and in 2012 further strengthened its presence on non-European markets, in particular the US and China, fully achieving the budget revenue and operating profit targets and significantly achieving the net debt reduction objective. The synthetic fibre sector, in which Aquafil is prevalently engaged, has not been impacted by the general economic downturn: while on the one hand the Group is partly exposed to the automotive and construction sectors, on the other the Group continued to benefit from the traditional textile flooring replacement demand, which comprises a significant proportion of "contract" installations. The Group also benefitted from strong demand for specialised high technological content and strongly innovative products in the environmental sustainability sector, in which Aquafil plays a consolidated and specialised role. In the synthetic resins sector, which in turn is affected by the general contraction in consumption and investment, the Group increased sales volumes, improving market share, however amid an increasingly marked shift of the customer base from the domestic market to the European market.

Operating performance

Consolidated sales and service revenues of the Group increased by Euro 4.2 million compared to 2011, with the breakdown by individual business area shown in the table below.

Consolidated sales outside the Group



The individual percentage shares remains substantially in line with the previous year, although the dynamics of the three business areas differed: (a) the "BCF" core business increased revenues principally due to the price effect; (b) the "NTF" business saw a reduction in revenues due to the lower amount of volumes produced and sold, against a slight increase in the average price; (c) the "EP" business did not report significant revenue changes.

The purchase price of the raw material caprolactam was at 2011 levels, supported by the price of oil, with a decrease taking hold in the final quarter related to the excess production capacity in Europe following reduced caprolactam demand in China. This issue may become structural due to the start-up of caprolactam production plant in China to service internal demand.

Sales volumes remain substantially unchanged compared to the previous year.

EBITDA decreased by Euro 1.3 million on 2011, but the results would have improved if not for the approximately Euro 5 million impact from the increase in the cost of energy.

Personnel costs increased overall by Euro 1,079 thousand due to the increase in employee numbers and higher salary commitments.

Depreciation increased by Euro 2.9 million, due to the new capital investments undertaken in previous years, principally in Slovenia, China and the US.

The doubtful debt provision 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 provision in the year increased by Euro 1.7 million on 2011, based on the potential risk level at year-end. Trade receivables of all the companies with sale on the final market are insured with leading debt insurance companies and the hedging of exposure is considered strong and substantially stable compared to the previous year.

Net financial charges increased due to the higher spread on new medium-term credit lines in the year and higher financial charges relating to shareholder loans, partially offset by income on liquidity held. Currency differences which were positive for Euro 1.2 million in 2011 were negative for Euro 169 thousand.

The tax burden stems from the income taxes in the individual countries where income was realised and includes the recognition of deferred tax assets and liabilities, amounting overall to Euro 0.6 million. Current taxes, despite the reduced gross profit in the year, increased from Euro 4.2 million to Euro 4.6 million, due to taxes and profits in foreign countries and the IRES and IRAP taxes on Italian income.

The Group Net Profit for the year was Euro 1,195 thousand.

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

Ref.	Description	2012	2011
		400.404	405.000
A1	Revenues from sales and services	499.484	495.302
A2	Change in inventories	(111)	18.957
A4	Capitalisation of internal construction costs	4.282	1.684
A5	Other revenues and income	4.691	4.478
Α	Value of production	508.346	520.421
B6 B11	Raw material, supplies, consumables and merchandise	(284.948)	(301.926)
B7-8,B13-14	Service and other operating costs	(93.711)	(88.568)
B9	Personnel costs	(77.605)	(76.526)
	EBITDA	52.082	53.401
B10a-b	Amortisation and Depreciation	(27.833)	(24.918)
B10c-d,B12	Provisions and write-downs	(2.722)	(1.052)
A - B	EBIT	21.527	27.431
С	Net financial income and charges	(18.926)	(15.712)
D,E20-21	Extraordinary income and charges	(699)	(1.192)
	Profit before taxes and minority interest	1.902	10.527
E22	Income tax	(645)	(4.586)
	Net profit before minority interest share	1.257	5.941
23	Minority interest profit	62	-
24	Group net profit	1.195	5.941
	Group Cash Flow (profit + deprec.)	29.028	30.859

GROUP BALANCE SHEET AND FINANCIAL POSITION

The table below reclassifies the consolidated balance sheet and financial position items:

Reclassified fixed a	ssets (Euro thousands)	31/12/2012	31/12/2011
	Fixed assets:		
BI	Intangible assets	11.443	11.049
BII	Property, plant & equipment	171.245	180.571
A,BIII (v. N.I.)	Financial and other Fixed Assets	4.351	1.772
, , ,	1. Fixed assets	187.039	193.392
	Net working capital:		
CI	Inventories	130.444	135.246
CII1-4	Trade receivables	45.876	62.034
CII4bis-5, D	Other receivables	17.402	15.704
D6,D7 (v. N.I.),D9-10	Trade payables	(84.338)	(73.843)
D12-14, E	Other payables	(23.219)	(24.961)
	2. Net working capital	86.165	114.180
C	Employee leaving indemnity provision	(7.981)	(8.371)
В	Provisions for risks and charges	(7.206)	(7.407)
B, C	3. Provisions	(15.187)	(15.778)
	(4 · 0 · 0)	050.047	291.794
Reclassified liabiliti	(1+2+3) = 4. Net capital employed es and net equity (Euro thousands)	258.017 31/12/2012	31/12/2011
Reclassified liabiliti			
Reclassified liabiliti Al	es and net equity (Euro thousands)		
Al	es and net equity (Euro thousands) Shareholders' equity:	31/12/2012	31/12/2011
AI AII-VIII	es and net equity (Euro thousands) Shareholders' equity: Share capital Reserve	31/12/2012 (19.686) (50.484)	31/12/2011 (19.686) (52.585)
AI AII-VIII	es and net equity (Euro thousands) Shareholders' equity: Share capital	31/12/2012	31/12/2011
AI AII-VIII AIX	es and net equity (Euro thousands) Shareholders' equity: Share capital Reserve Net profit for the year/(loss)	31/12/2012 (19.686) (50.484) (1.195)	31/12/2011 (19.686) (52.585) (5.941)
AI AII-VIII AIX	es and net equity (Euro thousands) Shareholders' equity: Share capital Reserve Net profit for the year/(loss) a)Group Net Equity	31/12/2012 (19.686) (50.484) (1.195) (71.365)	31/12/2011 (19.686) (52.585) (5.941) (78.212)
AII-VIII AIX AX	Shareholders' equity: Share capital Reserve Net profit for the year/(loss) a)Group Net Equity b) Minority interest equity 1. Total shareholders' equity Net financial position	31/12/2012 (19.686) (50.484) (1.195) (71.365) (696)	31/12/2011 (19.686) (52.585) (5.941) (78.212) (613) (78.825)
AI AII-VIII AIX AX CIII, CIV, BIII2	es and net equity (Euro thousands) Shareholders' equity: Share capital Reserve Net profit for the year/(loss) a)Group Net Equity b) Minority interest equity 1. Total shareholders' equity Net financial position Medium/long term securities, liquidity	31/12/2012 (19.686) (50.484) (1.195) (71.365) (696) (72.061)	31/12/2011 (19.686) (52.585) (5.941) (78.212) (613) (78.825)
AI AII-VIII AIX AX CIII, CIV, BIII2	es and net equity (Euro thousands) Shareholders' equity: Share capital Reserve Net profit for the year/(loss) a)Group Net Equity b) Minority interest equity 1. Total shareholders' equity Net financial position Medium/long term securities, liquidity Banks and financial institutions - short term	31/12/2012 (19.686) (50.484) (1.195) (71.365) (696) (72.061)	31/12/2011 (19.686) (52.585) (5.941) (78.212) (613) (78.825) 41.907 (89.567)
AI AII-VIII AIX AX CIII, CIV, BIII2 D4 (v. N.I.)	Shareholders' equity: Share capital Reserve Net profit for the year/(loss) a)Group Net Equity b) Minority interest equity 1. Total shareholders' equity Net financial position Medium/long term securities, liquidity Banks and financial institutions - short term Banks and financial institutions - medium/long term	31/12/2012 (19.686) (50.484) (1.195) (71.365) (696) (72.061) 50.091 (61.978) (118.978)	31/12/2011 (19.686) (52.585) (5.941) (78.212) (613) (78.825) 41.907 (89.567) (120.307)
AI AII-VIII AIX AX CIII, CIV, BIII2 D4 (v. N.I.)	Shareholders' equity: Share capital Reserve Net profit for the year/(loss) a)Group Net Equity b) Minority interest equity 1. Total shareholders' equity Net financial position Medium/long term securities, liquidity Banks and financial institutions - short term Banks and financial institutions - medium/long term Leasing payables	31/12/2012 (19.686) (50.484) (1.195) (71.365) (696) (72.061)	31/12/2011 (19.686) (52.585) (5.941) (78.212) (613) (78.825) 41.907 (89.567)
AI AII-VIII AIX AX CIII, CIV, BIII2 D4 (v. N.I.)	Shareholders' equity: Share capital Reserve Net profit for the year/(loss) a)Group Net Equity b) Minority interest equity 1. Total shareholders' equity Net financial position Medium/long term securities, liquidity Banks and financial institutions - short term Banks and financial institutions - medium/long term	31/12/2012 (19.686) (50.484) (1.195) (71.365) (696) (72.061) 50.091 (61.978) (118.978)	31/12/2011 (19.686) (52.585) (5.941) (78.212) (613) (78.825) 41.907 (89.567) (120.307)
AI AII-VIII AIX AX CIII, CIV, BIII2 D4 (v. N.I.) D4 (v. N.I.)	es and net equity (Euro thousands) Shareholders' equity: Share capital Reserve Net profit for the year/(loss) a)Group Net Equity b) Minority interest equity 1. Total shareholders' equity Net financial position Medium/long term securities, liquidity Banks and financial institutions - short term Banks and financial institutions - medium/long term Leasing payables a) Total net financial position - third parties Receivables from holding companies	31/12/2012 (19.686) (50.484) (1.195) (71.365) (696) (72.061) 50.091 (61.978) (118.978) (23.257)	31/12/2011 (19.686) (52.585) (5.941) (78.212) (613) (78.825) 41.907 (89.567) (120.307) (26.612)
AII-VIII AII-VIII AIX AX CIII, CIV, BIII2 D4 (v. N.I.) D7 (v. N.I.)	Shareholders' equity: Share capital Reserve Net profit for the year/(loss) a)Group Net Equity b) Minority interest equity 1. Total shareholders' equity Net financial position Medium/long term securities, liquidity Banks and financial institutions - short term Banks and financial institutions - medium/long term Leasing payables a) Total net financial position - third parties	31/12/2012 (19.686) (50.484) (1.195) (71.365) (696) (72.061) 50.091 (61.978) (118.978) (23.257) (154.122)	31/12/2011 (19.686) (52.585) (5.941) (78.212) (613) (78.825) 41.907 (89.567) (120.307) (26.612) (194.579)
	es and net equity (Euro thousands) Shareholders' equity: Share capital Reserve Net profit for the year/(loss) a)Group Net Equity b) Minority interest equity 1. Total shareholders' equity Net financial position Medium/long term securities, liquidity Banks and financial institutions - short term Banks and financial institutions - medium/long term Leasing payables a) Total net financial position - third parties Receivables from holding companies	31/12/2012 (19.686) (50.484) (1.195) (71.365) (696) (72.061) 50.091 (61.978) (118.978) (118.978) (23.257) (154.122) 30.980	31/12/2011 (19.686) (52.585) (5.941) (78.212) (613) (78.825) 41.907 (89.567) (120.307) (26.612) (194.579)
AII-VIII AII-VIII AIX AX CIII, CIV, BIII2 D4 (v. N.I.) D7 (v. N.I.)	Shareholders' equity: Share capital Reserve Net profit for the year/(loss) a)Group Net Equity b) Minority interest equity 1. Total shareholders' equity Net financial position Medium/long term securities, liquidity Banks and financial institutions - short term Banks and financial institutions - medium/long term Leasing payables a) Total net financial position - third parties Receivables from holding companies Shareholder payables - medium/long term	31/12/2012 (19.686) (50.484) (1.195) (71.365) (696) (72.061) 50.091 (61.978) (118.978) (118.978) (23.257) (154.122) 30.980 (62.814)	31/12/2011 (19.686) (52.585) (5.941) (78.212) (613) (78.825) 41.907 (89.567) (120.307) (26.612) (194.579) 37.395 (55.785)

The **net capital employed** decreased by Euro 33.8 million due to the reduction in the net balance of fixed assets for Euro 6.4 million and of net working capital for Euro 28.0 million.

In particular, non-current assets recorded an increase as a result of the investments made of Euro 19.8 million, specified in the Notes, the decrease for disposals of Euro 0.6 million and depreciation of Euro 27.8 million.

The <u>net working capital</u> decreased significantly in the year due to the inventory containment actions and the close control of client payment times: inventories decreased by Euro 4.8 million, trade receivables by Euro 16.2 million and trade payables to suppliers increased by Euro 10.5 million.

The **Net equity** decreased, for the Group share, by an excess of Euro 1.2 million over the result. The decrease also concerned the distribution of dividends of Euro 8 million for Class "A" shares, against which the parent company Aquafin Holding S.p.A. subsequently partially repaid the shareholder loan for Euro 8.1 million; the changes are detailed in the Notes.

The **net financial debt** decreased by Euro 27.0 million, based on the reduction of the net debt to third party lenders of Euro 40.5 million and the increase in the net debt to shareholders of Euro 13.4 million.

The increase in the <u>shareholder debt</u> derives principally from interest capitalised on the shareholder loan of H. C. Romeo S.a.r.I., while the receivable from the parent company Aquafin Holding, considering the repayment by the parent company, the offsetting with IRES taxes within the tax consolidation and the increase for the interest concerning the period, decreased overall by Euro 6.4 million.

The debt to third parties decreased in all of the short and medium-term components; the medium-term position of the total net debt to third parties increased from 73.6% and 91.3%. Short-term bank debt (net of current account balances) decreased from Euro 89.6 million to Euro 62.0 million and comprises self financing advances on invoices. The liquidity position of Euro 50.1 million represents funds available on current accounts, which are not restricted, except for some minor exceptions. Medium to long-term bank debt decreased due to the repayments during the year of Euro 40 million and for Euro 12 million of a short-term line transformed into a medium to long-term loan and increased for the new loans signed and issued in the year of Euro 40.9 million, of which Euro 12 million concerning the loan above. A medium-term loan was undertaken concerning specific international projects supported by a guarantee from SACE S.p.A.. Leasing debt decreased due to the payments made in the year of Euro 3.4 million.

The amount of bank guarantees (Euro 4.757 million) given by customers to secure the performance of the obligations in take-or-pay supply contracts is not considered for net financial debt reduction since it cannot be turned into cash.

PERFORMANCE BY BUSINESS AND INTRA-GROUP TRANSACTIONS

BCF Business Unit polyamide 6 yarns for textile floor covering

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

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

Thanks to a focused growth, diversification and international expansion strategy, the Aquafil Group in the year achieved a European leadership position and a central global role within the nylon 6 BCF textile carpeting sector. Commercial relations are principally B2B, therefore concerning a direct relationship with businesses which produce for the final markets - namely the "contract" market (hotels, offices and public environments), the automotive (internal upholstering for cars) sector and the residential sector.

This business unit is engaged in a high level of continuous product innovation, renewing each year a significant proportion of its products, thanks to the research and development at its style centre together with developers and the internal architecture studies of the fibre end users. An increasing proportion of finished products are created from regenerated and non-virgin raw material, therefore products deriving both from industrial recycling processes and from post-consumer recovery, thanks to the ECONYL® process technology.

In 2012 the revenues of the business unit increased by approx. 4% compared to the previous year, substantially due to the increase in sales prices achieved through a mix containing a higher proportion of ECONYL® products and the passing on to the final market of the increased production costs.

NTF Business Unit yarns for textile use/clothing

The production of fibres for textile/clothing use is carried out by the companies Aquafil S.p.A., Julon d.d., Aquaset T.T.S. d.d. with production site in Senozece (Slovenia), Bulgari Filati d.o.o., with production site in Oroslavje (Croatia), Aquafil Bulgari Iplik a.s., with registered office in Istanbul (Turkey), MTX Fibre S.p.A., with offices in Arco and Borgolon S.p.A., with production site in Varallo Pombia (Italy). The business unit produces polyamide 6 and 66 synthetic fibres and Dryarn® for men's and women's hosiery, knitwear and non-run fabrics, underwear, sportswear and special technical applications; the market concerns producers in the clothing, underwear and sportswear sectors.

2012 consolidated revenues of the business unit were lower than 2011 by approx. 6%, due to the decrease in sales volumes, at substantially stable sales prices. The contraction in volumes is related not just to a general contraction in European consumption, although recovering in the final part of the year and in the first months of 2013, but also a prudent final client selection policy, whose credit risk is constantly kept under control in coordination with the debt insurance companies.

The development project for XLA® elastomeric fibre, carried out by the company XLAnce Fibre Italia S.r.l., in the year saw the start-up of a yarn line at the Borgolon S.p.A. production site in Varallo Pombia (NO) with sampling production, in line with the projected times and qualitative results. The plant is expected to be fully operational in 2013.

Engineering Plastics Business Unit

The Engineering Plastics Business Unit manages the Aquafil Group activities in the technopolymer polyamide market, creating products for injection and moulding. The operating company is Aquafil Engineering Plastics S.p.A., with production site in Arco (Italy). The polyamide 6 production process utilises the polymer produced by the polymerisation plant of Aquafil S.p.A. and of Julon d.d., but utilises also the products of the BCF and NTF yarn reprocessing processes which guarantees accurate goods selection and high quality consistency.

Commercial relations are of a B2B nature, therefore directly with companies which produce for the final markets; the final sectors are the electric/electronic, automotive, design and furnishing and leisure markets. The principal products are Aquamid in polyamide 6 and 66, both natural and coloured, ECONYL® produced from post-industrial and post-consumption waste, the Aquarel products and the master colouring and opacified line for PA6 and PE mouldings.

During the year the business units did not see significant changes in revenues compared to previous year.

Energy & Recycling Business Unit

The Energy & Recycling Business Unit focuses on the research and development activities of the sustainability projects for all of the Group activities. The company carries out (a) the promotion of innovative technical projects for the production of electricity and heat from renewable sources or of a

low environmental impact, increasing the energy efficiency of the processes and allowing the Group production structure to reduce CO2 emissions, (b) the promotion of the use of recycled raw materials, designing at the same time products which are entirely recyclable once reaching the end of their lives and (c) the promotion of a culture of sustainability in the relationship with all stakeholders through ongoing training activity of group employees and partnerships with clients and suppliers.

During the year activities were completed concerning (a) the development of the pilot regeneration plant of Aquafil S.p.A. to achieve improvements in the chemical/mechanical processes of the polyamide 6 regeneration system, (b) the technological improvement of the tri-generation plant of Aquafil S.p.A., (c) the installation of a photovoltaic energy production plant on the roof of the production site of Tessilquattro S.p.A. in Cares (Italy) and (d) the launch of new projects for the reduction of energy consumption, atmospheric emissions, water consumption and for the increased differentiation of waste, as detailed in the Group Sustainability Report. The Italian factories of the Aquafil Group continued to use energy produced from renewable sources, whose source is guaranteed by the European certification RECS (Renewable Energy Certificate System).

Other activities

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

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

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

TRANSACTIONS WITH THE PARENT COMPANY AND RELATED PARTIES

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

During the year Aquafil S.p.A. distributed dividends to Class "A" shareholders for a total of Euro 8.1 million, of which Euro 8 million concerning Aquafin Holding S.p.A..

Transactions with the minority shareholders HC Romeo Sarl are set out in the comment on the net debt.

			Financial	Financial	Trade	Trade	Financial	Financial
(Euro thousands)	Revenue	Costs	Income	charges	receivables	payables	receivables	payables
Tessilquattro S.p.A.	112.578,3	84.455,5	2.500,0	0,0	6.787,9	9.474,8	0,0	0,0
Aquafabric S.r.l.	0,0	0,0	0,0	0,0	0,0	0,2	0,0	0,0
Aquafil Engineering GmBH	0,0	0,0	0,0	63,5	0,0	25,8	0,0	1.000,0
Aquafil S.p.A.	265.191,9	298.240,2	317,8	466,3	20.880,7	46.153,6	10.025,8	14.312,0
Bulgari Filati doo	246,0	8.557,2	1.307,9	0,0	0,0	1.003,2	0,0	0,0
Aquafil Polymers GmBH	574,9	237,4	0,0	0,0	83,1	60,4	0,0	0,0
Aquaspace S.p.A.	13.702,8	20.521,4	0,0	0,0	2.209,2	1.434,1	0,0	0,0
Aqualys S.A.	0,0	0,0	0,0	0,0	3,6	0,0	0,0	0,0
Aquafil Engineering Plastics S.p.A.	62.656,7	24.733,6	2.500,0	73,6	16.063,3	8.221,2	0,0	2.000,0
Aquafil Tecnopolimeros S.I.	1.773,5	65,0	0,0	25,0	698,8	19,5	1.175,0	0,0
Aquafil Bulgari Iplik A.S.	3.515,8	31,9	69,8	0,0	31,0	13,2	1.500,0	0,0
MTX Fibre S.r.I.	14.301,1	0,0	105,1	0,0	1.318,2	232,5	3.440,0	0,0
Capro Services Gmbh	0,0	8,0	0,0	0,0	30,0	0,0	0,0	0,0
Aquafil Distribution S.r.I.	2.660,4	64,8	36,2	0,0	724,7	18,6	0,0	0,0
Aquafin Holding S.p.A.	1,9	0,0	1.423,7	0,0	3.410,3	4.585,9	32.130,8	0,0
Sebi S.r.l.	0,0	0,0	0,0	9,2	0,0	0,0	0,0	0,0
Aquafil USA Inc	23.907,6	4.245,3	0,0	0,0	11.533,8	192,3	0,0	0,0
Textilna Tovarna Senozece d.d.	12.701,2	14.535,3	83,9	0,0	1.515,0	507,2	3.000,0	0,0
Julon d.d.	156.784,0	222.534,2	176,0	264,6	15.225,0	14.533,3	7.000,0	10.000,0
Aquafil Asia Pacific Co. Ltd	8.311,3	233,4	4.198,3	0,0	1.302,3	27,4	0,0	0,0
Borgolon S.p.A.	7.680,1	5.367,3	0,0	144,2	1.383,8	1.766,2	0,0	4.305,6
Aquafil Power S.r.I.	0,4	0,0	0,0	0,0	0,0	0,0	0,0	0,0
HC Romeo S.a.r.l.	0,0	0,0	0,0	7.260,9	0,0	0,0	0,0	62.813,5
Aquafil Jiaxing Co. Ltd	3.690,6	1.074,6	257,4	0,1	5.497,2	95,6	6.420,0	0,0
Aquafil Benelux-France BVBA	0,0	609,8	0,0	0,0	50,0	190,7	0,0	0,0
GB&P S.r.I.	0,3	704,5	0,0	0,0	25,1	0,0	0,0	0,0
Xlance Fibre Italia S.r.l.	1.201,8	0,0	17,7	0,0	19,5	0,0	1.936,0	0,0
Aquasava doo	0,0	1.350,0	0,0	0,0	0,0	75,0	0,0	0,0
Total	691.480,6	687.569,4	12.993,8	8.307,4	88.792,5	88.630,7	66.627,6	94.431,1

RESEARCH AND DEVELOPMENT ACTIVITY

The research and development activity in 2012 was focused principally on:

- refining and improvement of yields from the ECONYL® process regeneration of post-industrial and post-consumption waste materials for industrial application in the production of top grade fibres and polymers with a high raw material content from the regeneration process;
- research and bringing to the market of the new PA6 polymer for the production of BCF fibres for textile flooring, featuring improved dyeing characteristics:
- development of innovative BCF fibres, with anti-flame, anti-dirt and anti-bacterial characteristics;
- development of new BCF fibres with improved characteristics for the auto sector;
- optimisation of the energy return of the BCF production sites;
- technical design and industrial creation of the XLA fibre, through the activities carried out by the new joint venture XLAnce Fibre Italia S.r.I.;
- research of new polyamide fibres for specialised textile use, with optimisation of the physical heat transfer;
- study of fibres for water-resistant textiles;
- development of hyper-charged compound products for metal and structural parts replacement; optimisation of the relative production processes and release of the range in various colours;
- research of polymer formulations by compound which, at like-for-like technical/qualitative performance, enable higher competitivity in terms of
 product cost;
- optimisation of plastic products for extrusion processes capable of replacing monomer articles, and in some particular applications, also polyamide 12:
- standardisation for important client groups of compounds for polyamide 6-based products, glass fibre reinforced and modified on impact, based both on virgin polymers and eco-sustainable materials.

The research activity was carried out in collaboration with external research bodies, including the Trento University, the Maribor University (Slovenia), the Lubiana Chemical Institute (Slovenia) and the Georgia Institute of Technology (USA).

SUSTAINABILITY

The Aquafil Group has achieved, year after year, very strong results in the reduction of fossil fuel and water consumption, significantly reducing CO2 and climate changing gas emissions. Under its sustainability policy and the commitment of all employees, the Group has made its own contribution to environmental and social issues, in the belief that growth only has a value if it is responsible. The integration of social and environmental sustainability into the corporate 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. ongoing commitment to the reduction of the environmental impact of production activities;
- b. complying with applicable laws in the different Countries in which the Group operates;
- c. design of increasingly sustainable products;
- d. involving customers in the procurement of reject products and in co-marketing and awareness-raising actions (Aquafil Reclaiming Program);
- e. training of internal staff on environmental sustainability;
- f. self-producing energy from renewable and low emission sources of carbon dioxide.

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

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

In relation to the self-production of electricity from renewable sources, photovoltaic plant started production at Aquafil USA, in Cartersville (Georgia) and at Tessilquattro S.p.A. in Cares (Italy).

The project for the construction of a hydro-electric station on the Adige river in the province of Trento by the company Aquafil Power S.r.l. is in the authorisation request phase.

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

HUMAN RESOURCES

The organisational structure, the governance and the management of human resources of the Company and of the Group also in 2012 maintained a similar structure and focus to the previous year. A number of Group companies adopted organisational changes focused on a strengthening and a renewal of skill sets in certain departments: among these we highlight in particular the exit, having reached the age limit for a Director from the Board of Directors of the Parent Company and from a number of subsidiaries and the replacement with newly appointed Directors previously assigned to operating roles in various Group business activities.

Employees at 31.12.2012 numbered 2,138.

For production flexibility related to the production dynamics during the year, in the Italian companies Aquaspace S.p.A. and minimally in Aquafil S.p.A., Aquafil Engineering Plastics S.p.A. and Tessilquattro S.p.A., overall a total of 31,112 Temporary Lay-Off scheme hours were utilised, corresponding to 1.78% of the hours worked of the four companies.

The dialogue with the Trade Unions and workers' representatives at corporate level is based on collaboration and the attempt to reach an agree¬ment; 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. In support of this commitment, the Parent Company and its Italian subsidiaries utilised the analysis instrument "Risk valuation document" established by Legislative Decree No. 81/2008.

No significant dis-putes are reported, such as deaths, serious injuries and/or occupational illnesses. The accident risk indicators in the various Group factories remained contained and improved significantly on the previous year, both in terms of number and gravity.

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

MAIN FACTORS OF RISK AND UNCERTAINTIES

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

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

Risks connected with the economy general conditions

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

2012 saw a worsening of the global recession, with consequent impacts on the financial institutions, industrial enterprises and more in general on consumption. The restriction in consumer and business credit continued and uncertainty still pervades the capacity of governments and financial institutions to put in place sufficient corrective actions in the short-term. If these conditions of extensive weakness and uncertainty were to continue for a prolonged period, the activity, the strategies and the Group prospects may be negatively impacted. The Group is handling this situation through:

- a significant geographical diversification with sales distributed throughout the world (23% in Italy, the remainder in the principal countries of Central-North Europe, in the USA and in the Far East),
- a strong leadership position in its "core" sector,
- a constant innovation drive.

Liquidity risks connected with net cash requirements

Despite the continuation of restricted credit in the European financial system and in particular in Italy, during the year the Group comfortably achieved the medium-term operations planned within the budget and significantly improved the balance between short and medium-term sources of finance, also thanks to geographic diversification in the sourcing of funds for business development. The Group continues however to be fully supported by the banking system, both domestically and internationally and currently can rely on sufficient bank credit lines - both to satisfy current liquidity needs and for the payment of loan installments. The cost of new financing on average is slightly higher than the previous year and based on the Group rating improved slightly. Despite these actions, any significant contractions in sales volumes may have a negative impact on the capacity of operating activities to generate adequate cash for the growth needs and expose the Group to the risk of difficulty in obtaining the medium term sources of funds and an increase in charges on lending activity.

Strategic risks

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

- gaining new business opportunities in terms of geographic areas and business segments, also relating to the procurement of raw materials;
- · continually assessing new markets potential;
- in a global and complex market, choosing and integrating the methods of presence more suitable to each situation and local market;
- evaluating every initiative, also of strategic partnership, which may increase the value of the Group, through a reduction of the net debt and/or improvement of the cash generating capacity.

Risks connected with fluctuations in exchange and interest rates and prices

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

With regard to the interest rate risk, the Group offsets the risks connected with changes in interest rates by using traditional hedg-ing financial instruments. Despite these operations, movements in exchange and interest rates could negatively affect the financial results of the Group.

Industrial accident risks

In relation to the Group industrial production plant, damage may occur from fire, emissions and other unexpected and dangerous events. Significant accidents may have negative impacts on the balance sheet, income and financial situation of the Group, which are mitigated through plant management policies focused on ensuring adequate security levels and operational excellence in line with best industrial practices. The Group also obtains insurance coverage for its industrial risks and third party liability, ensuring a high level of protection for its structures, also in relation to an interruption in activity.

Credit risk

The exposure to credit risk relates to the possibility of insolvency (default) and/or in the deterioration of the credit rating of a counterparty, managed through adequate valuation instruments of all counterparties by a dedicated credit management department, utilising the appropriate instruments to carry out constant monitoring, on a daily basis, of the behaviour and credit rating of clients. The Group hedges its credit risk through insurance policies on the client exposure, undertaken with primary debt insurance companies. External companies providing commercial information are utilised both to initially evaluate reliability and for ongoing monitoring of the economic and financial situation of clients.

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

Risks connected with the importance of certain key resources

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

Risks relating to the environment and compliance with applicable regulations

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

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

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

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

Process risk deriving from IT systems

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

MANAGEMENT AND CO-ORDINATION ACTIVITY

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

OTHER INFORMATION

Treasury shares

Under Article 2428 of the Italian Civil Code, paragraph 2, nos. 3 and 4, Aquafil S.p.A. and the other companies of the Group do not own and did not own during the year treasury shares and/or shares of parent companies, in its portfolio or through trust companies or third parties, and no share purchase or sale was made.

Group IRES (Corporate Income Tax) taxation procedure

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

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

Authorised Economic Operator Certification

The post-audit activities of the companies Aquafil S.p.A. and Aquafil Engineering Plastics S.p.A. concerning confirmation of the Authorised Economic Operator (AEO) status were carried out successfully in relation to customs and security, with reconfirmation of the levels respectively of high reliability and reliability for the two companies.

The parent company Aquafil S.p.A. was positively assessed by the C-TPAT audit of the US customs authorities, with verification of the security aspects of the export of goods to the USA, within the C-TPAT certification of the US subsidiary Aquafil USA Inc..

Secondary offices

No secondary offices were established.

SUBSEQUENT EVENTS

In February 2013, the Brazilian registered company "Aquafil Do Brasil Comercio LTDA, Avenida do Berimbau 106, Pq Novo Mundo, São Paulo" was incorporated, held 99.99% by Aquafil S.p.A. and for 0.01% by a local shareholder. The new company was created to serve the synthetic fibres commercial activity in the Brazilian market.

Aquafil S.p.A. sold its 51% share of Aquafil Power Srl with registered office in Arco (TN) Via Linfano No. 9 to the parent company Aquafin Holding S.p.A..

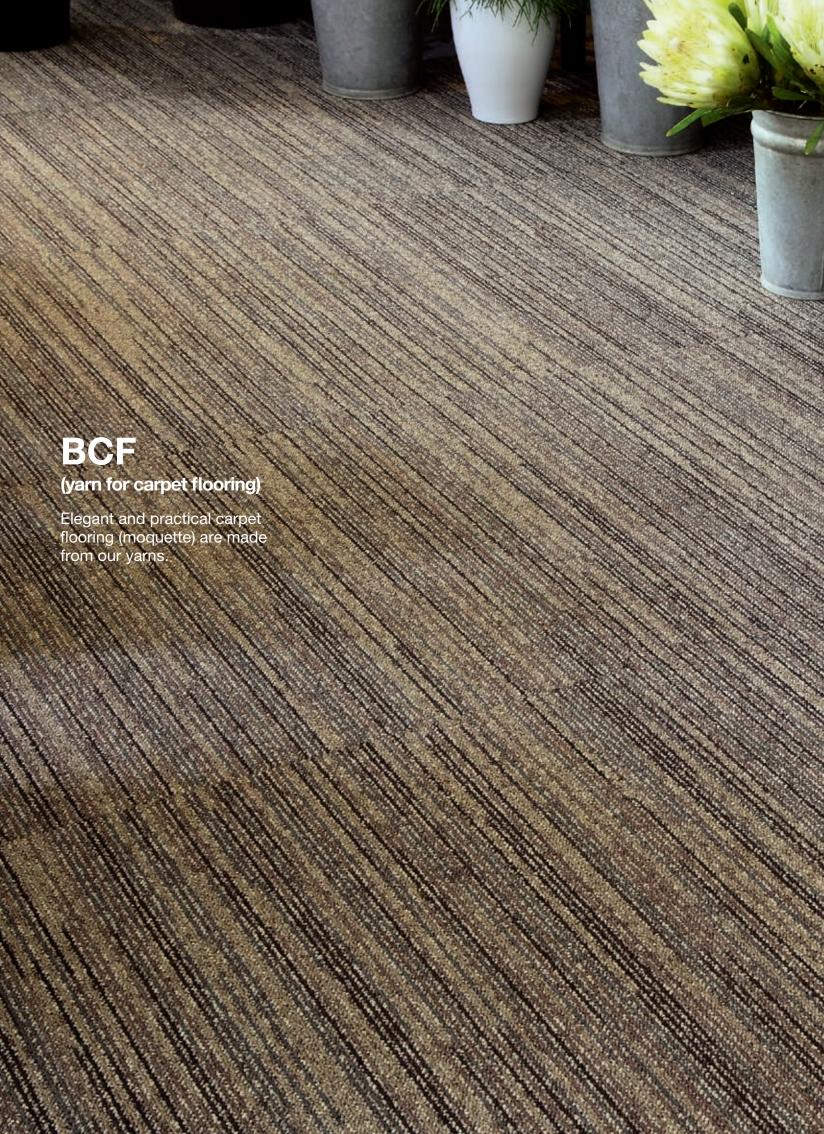
In addition, in the first months of 2013 an evaluation process by the parent company concerning the sale to third parties of a number of "non-core" business activities of the Aquafil Group began.

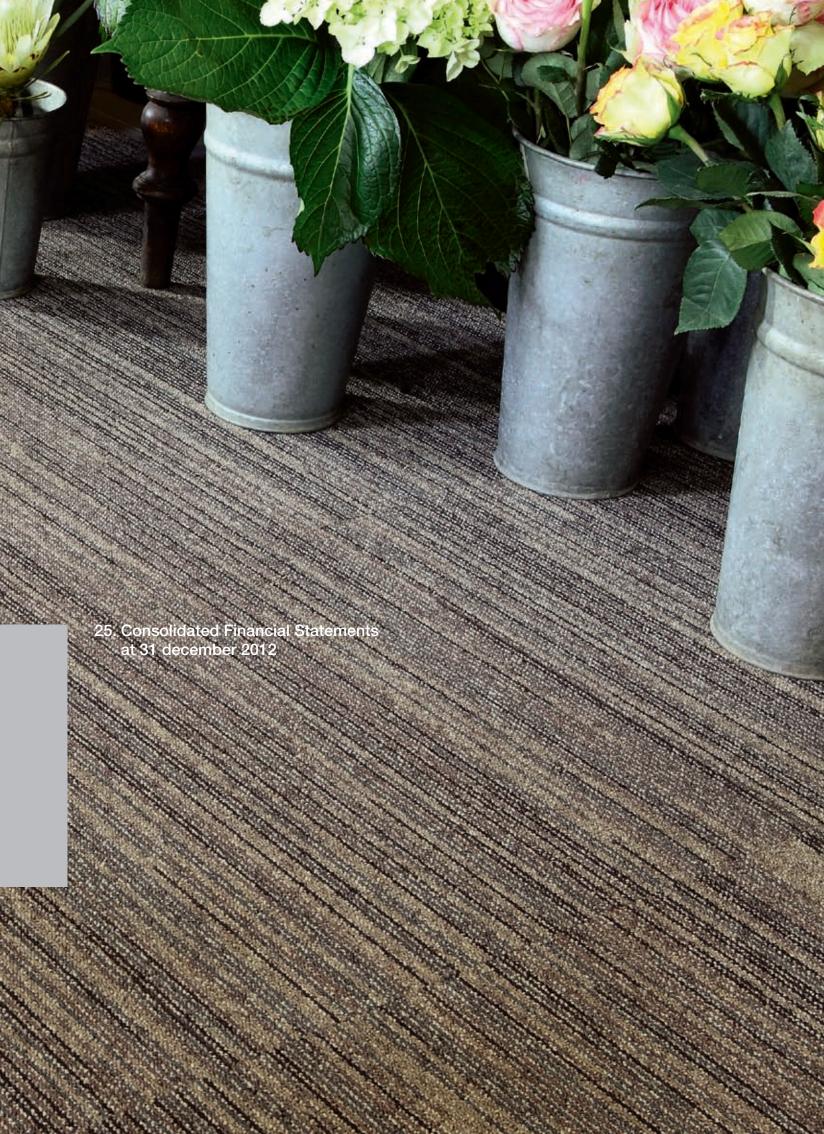
BUSINESS OUTLOOK

Although the uncertainty surrounding the continued weakness of the national and international economy continues, the markets in which the Company and the Group operate again present sustained demand levels - with growth seen in the US and China; raw material prices, in particular caprolactam, remain substantially stable compared to the end of 2012 and significant reductions - at least in the first half of 2013 - are not expected. On this basis, the Aquafil Group, thanks to the leadership position on the European market and the forecast growth on the US and Chinese markets, expects to grow its market share particularly in the traditional textile flooring fibres business, with the objective to improve upon the consolidated revenues and margins achieved in 2012.

Arco, March 29, 2013

The Chairman of the Board of Directors





BALANCE SHEET	December 2012	December 2011
ASSETS	(Euros/1000)	(Euros/1000)
A) SUBSCRIBED CAPITAL UNPAID		
- Called	0	0
- Not called	0	0
TOTAL SUBSCRIBED CAPITAL UNPAID	0	0
B) NON-CURRENT ASSETS		
I) INTANGIBLE ASSETS		
1) Formation, start-up and similar costs	265	271
2) Research, development and advertising costs	0	0
3) Patent and intellectual property rights	3.521	4.011
4) Concessions, licenses, trademarks and similar rights	555	382
5) Goodwil	0	0
5-bis) Consolidation difference 6) Assets in progress and payments on account	585 1.481	887 513
7) Other intangible assets	5.036	4.985
1) Other interigible assets	11.443	11.049
W TANGER 5 400570		
II) TANGIBLE ASSETS 1) Land and buildings	87.216	89.129
2) Plant and machinery	76.755	82.056
3) Industrial and sales equipment	1.883	2.515
4) Other tangible assets	1.075	1.054
5) Assets in progress and payments on account	4.316	5.817
	171.245	180.571
III) NON-CURRENT FINANCIAL ASSETS		
1) Investments in:		
a) Subsidiaries	0	0
b) Associated companies	283	255
c) Parent companies	0	0
d) Other companies	794	797
	1.077	1.052
2) Accounts receivable:		
a) Subsidiaries		
due within 1 year	0	0
due after 1 year	0	0
b) Associated companies	0	0
due within 1 year	300	0
due after 1 year	2.811	484
	3.111	484
c) Parent companies		
due within 1 year	2.523	6.941
due after 1 year	29.608 32.131	30.807 37.748
d) Other accounts receivable	02.101	01.140
d.1) other Group companies		
due within 1 year	0	0
due after 1 year	0	0
d.2) other debtors	0	0
due within 1 year	5	29
due after 1 year	158	207
	163	236
3) Other securities:	1.000	1.000
4) Own shares	0	0
	37.482	40.520
TOTAL NON-CURRENT ASSETS	220.170	232.140
C) CURRENT ASSETS		
I) INVENTORIES		
1) Raw materials, supplies and consumable stores	44.738	49.262
2) Products in course of manufacture and semifinished goods	309	424
<u> </u>		

BALANCE SHEET	December 2012	December 2011
ASSETS	(Euros/1000)	(Euros/1000)
3) Contract work in process	0	0
4) Finished goods and merchandise	85.287	85.468
5) Advances	110	92
	130.444	135.246
II) CURRENT ACCOUNTS RECEIVABLE:		
1) Customers		
due within 1 year	48.033	60.477
due after 1 year	212	393
less:allowance for doubtful receivables	(3.895)	(1.746)
2) Subsidiaries	44.350	59.124
due within 1 year	0	0
due after 1 year	0	0
O) Associated associated	0	0
3) Associated companies due within 1 year	1.526	2.910
due after 1 year	0	2.910
	1.526	2.910
4) Parent companies	0.405	0.000
due within 1 year due after 1 year	3.435	2.239
due alter i year	3.435	2.239
4-bis) Tax receivables		
due within 1 year	6.018	5.181
due after 1 year	96	0
4 toy Deferred toy agents	6.114	5.181
4-ter) Deferred tax assets due within 1 year	1.735	1.514
due after 1 year	5.420	4.907
	7.155	6.421
5) Others		
5. a) Other Group companies		
due within 1 year	4 0	6
due after 1 year	4	6
5. b) Other debtors		
due within 1 year	2.782	1.230
due after 1 year	0	1.502
TOTAL DECENTARIES	2.782	2.732
TOTAL RECEIVABLES	65.366	78.613
III) CURRENT FINANCIAL ASSETS		
1) Investments in subsidiaries	0	0
2) Investments in associated companies	0	0
3) Investments in parent companies	0	0
4) Investments in other companies	0	0
5) Treasury shares	0	0
6) Other securities	0	0 0
IV) CASH AND CASH EQUIVALENTS:		
Cash at banks and post offices	47.742	39.459
2) Cheques 3) Cash and cash equivalents on hand	1.330	1.425
oj Casti and Casti equivalents off hand	49.091	40.907
TOTAL CURRENT ASSETS	244.901	254.766
D) ACCRIED INCOME AND DDEDAID EVDENCES		
D) ACCRUED INCOME AND PREPAID EXPENSES - Other accrued income and prepaid expenses	1.347	1.364
- Issue discounts and other expenses	0	0
Total accrued income and prepaid expenses	1.347	1.364
TOTAL ASSETS	466.418	488.270

BALANCE SHEET	December 2012	December 2011
LIABILITIES AND EQUITY	(Euros/1000)	(Euros/1000)
A) SHAREHOLDERS' EQUITY		
I) SHARE CAPITAL	19.686	19.686
II) SHARE PREMIUM RESERVE	0	0
III) REVALUATION RESERVES	41	41
IV) LEGAL RESERVE	3.937	3.914
V) RESERVE FOR OWN TRASURY SHARES	0	0
VI) STATUTORY RESERVES VII) OTHER RESERVES	0 46.506	48.630
VIII) PROFITS (LOSSES) CARRIED FORWARD	40.300	46.030
IX) PROFIT (LOSS) FOR THE YEAR	1.195	5.941
GROUP SHAREHOLDERS' EQUITY	71.365	78.212
X) NET EQUITY ATTRIBUTABLE TO MINORITY INTEREST	696	613
Minority interest	696	613
TOTAL GROUP AND MINORITY SHAREHOLDERS' EQUITY	72.061	78.825
B) PROVISIONS FOR LIABILITIES AND CHARGES		
Pension funds and similar charges	0	0
2) Provision for taxes	5.498	5.757
3) Other provisions	1.708	1.650
TOTAL PROVISIONS FOR LIABILITIES AND CHARGES	7.206	7.407
O) EMPLOYEE TERMINATION DAY	7.004	0.074
C) EMPLOYEE TERMINATION PAY	7.981	8.371
D) ACCOUNTS PAYABLE:		
1) Bonds		
due within 1 year	0	0
due after 1 year	0	0
O O o o o l'Illa la coda	0	0
Convertible bonds due within 1 year	0	0
due after 1 year	0	0
due alter i year	0	0
3) Shareholders financial payables	•	
due within 1 year	0	0
due after 1 year	62.814	55.785
	62.814	55.785
4) Amounts due to banks		
due within 1 year	111.268	126.731
due after 1 year	69.688	83.143
5) Amounts due to other lenders	180.956	209.874
due within 1 year	0	0
due after 1 year	0	0
ado ano i your	0	0
6) Advances		
due within 1 year	5.754	2.866
due after 1 year	<u> </u>	<u> </u>
7) Suppliers	0.704	2.000
due within 1 year	79.978	74.452
due after 1 year	21.764	22.992
	101.742	97.444
8) Debt instruments payable		2
due within 1 year	0	0
due after 1 year	O	<u>0</u>
9) Subsidiaries	· ·	Ü
due within 1 year	0	0
due after 1 year	0	0
	0	0

BALANCE SHEET	December 2012	December 2011
LIABILITIES AND EQUITY	(Euros/1000)	(Euros/1000)
10) Associated companies		
due within 1 year	99	145
due after 1 year	0	0
	99	145
11) Parent companies	4.500	0.500
due within 1 year	4.586	2.592
due after 1 year	0 4.586	<u> </u>
12) Taxes payable	4.360	2.592
due within 1 year	3.887	2.534
due after 1 year	0	0
- ado artor i your	3.887	2.534
13) Accounts payable to social security institutions		
due within 1 year	2.846	2.856
due after 1 year	0	0
	2.846	2.856
14) Other accounts payable		
14. a) Other Group companies		
due within 1 year	75	299
due after 1 year	0	0
	75	299
14. b) other creditors		
due within 1 year	7.012	8.736
due after 1 year	2.780	3.080
TOTAL ACCOUNTS PAYABLE	9.792 372.551	11.816 386.211
TOTAL ACCOUNTS PATABLE	372.331	300.211
E) ACCRUED LIABILITIES AND DEFERRED INCOME		
- Other accrued liabilities and deferred income	6.619	7.456
- Issue premiums	0	0
TOTAL ACCRUED LIABILITIES AND DEFERRED INCOME	6.619	7.456
TOTAL LIABILITIES AND EQUITY	466.418	488.270
MEMORANDUM ACCOUNTS		
RISK ON EU CHEQUES RECOURSE	0	797
SECURED GUARANTEES TO PARENT COMPANIES	13.015	16.630
GUARANTEES RECEIVED		
BANK GUARANTEES RECEIVED FROM THIRD PARTIES	4.757	8.800
	4.101	3.300

BALANCE SHEET	December 2012	December 201
PROFIT AND LOSS ACCOUNT	(Euros/1000)	(Euros/1000
A) VALUE OF PRODUCTION		
1) REVENUES FROM SALES AND SERVICES	499.484	495.302
2) CHANGE IN INVENTORIES OF PRODUCTS IN COURSE		
OF MANUFACTURE, SEMIFINISHED AND FINISHED GOODS	(111)	18.957
3) CHANGE IN INVENTORIES OF CONTRACT WORK IN PROCESS	0	(
4) CAPITALISATION OF INTERNAL CONSTRUCTION COSTS	4.282	1.68
5) OTHER REVENUES AND INCOME:		
- grants related to income	1.190	2.329
- other revenues and income	3.501	2.149
	4.691	4.478
TOTAL VALUE OF PRODUCTION	508.346	520.42
3) COSTS OF PRODUCTION		
S) PURCHASE OF RAW MATERIALS, SUPPLIES, CONSUMABLE STORES AND MERCHANDISE	(280.561)	(313.847
7) COST OF SERVICES	(88.577)	(84.352
B) RENT, LEASING AND SIMILAR COSTS	(2.974)	(2.718
)) PERSONNEL COSTS:	(21011)	(2
a) salaries and wages	(60.654)	(60.128
b) social security	(14.396)	(13.872
c) employee termination pay	(2.555)	(2.526
d) pension and similar costs	(2.555)	(2.526
e) other costs	0	
G) UII IGI UUSIS		
O) AMODIISATION DEDDECIATION AND WIDTE DOWNIG.	(77.605)	(76.526
10) AMORTISATION, DEPRECIATION AND WRITE-DOWNS:	(0.400)	(0.003
a) amortisation of intangible assets	(3.420)	(2.961
b) depreciation of tangible assets	(24.413)	(21.957
c) write-down of intangible and tangible assets	0	(2.2.5
d) write-down of current accounts receivable and of cash and cash equivalents	(2.614)	(920
	(30.447)	(25.838
11) CHANGES IN INVENTORIES OF RAW MATERIALS, SUPPLIES,		
CONSUMABLE STORES AND MERCHANDISE	(4.387)	11.92
2) PROVISION FOR RISKS	(108)	(132
3) OTHER PROVISIONS	(272)	(
14) SUNDRY OPERATING COSTS	(1.888)	(1.498
TOTAL COSTS OF PRODUCTION	(486.819)	(492.990
OPERATING PROFIT (A-B)	21.527	27.43
C) FINANCIAL INCOME AND CHARGES		
15) INCOME FROM INVESTMENTS:		
- in subsidiaries	0	(
- in associated companies	36	6:
- in other companies	60	31
- III other companies	96	38
16) OTHER FINANCIAL INCOME:	90	387
a) from non-current accounts receivable		
- from subsidiaries	0	
- from subsidiaries - from associated companies	0 18	
- from parent companies	1.424	1.91
	()	4.04
- other companies		1.910
·	1.442	
b) from non-current securities other than shares	1.442 0	(
b) from non-current securities other than shares c) from current securities other than shares	1.442	
b) from non-current securities other than shares c) from current securities other than shares d) income other than the above:	1.442 0 30	1
b) from non-current securities other than shares c) from current securities other than shares d) income other than the above: - subsidiaries	1.442 0 30	1
b) from non-current securities other than shares c) from current securities other than shares d) income other than the above: - subsidiaries - associated companies	1.442 0 30	1
b) from non-current securities other than shares c) from current securities other than shares d) income other than the above: - subsidiaries - associated companies - parent companies	1.442 0 30 0 0	1
b) from non-current securities other than shares c) from current securities other than shares d) income other than the above: - subsidiaries - associated companies	1.442 0 30	1
b) from non-current securities other than shares c) from current securities other than shares d) income other than the above: - subsidiaries - associated companies - parent companies - others	1.442 0 30 0 0	10
b) from non-current securities other than shares c) from current securities other than shares d) income other than the above: - subsidiaries - associated companies - parent companies - others	1.442 0 30 0 0 0 0	10
b) from non-current securities other than shares c) from current securities other than shares d) income other than the above: - subsidiaries - associated companies - parent companies - others	1.442 0 30 0 0 0 0	300
b) from non-current securities other than shares c) from current securities other than shares d) income other than the above: - subsidiaries - associated companies - parent companies - others 7) INTEREST EXPENSE AND OTHER FINANCIAL CHARGES:	1.442 0 30 0 0 0 0 140 140	300 300
b) from non-current securities other than shares c) from current securities other than shares d) income other than the above: - subsidiaries - associated companies - parent companies - others 7) INTEREST EXPENSE AND OTHER FINANCIAL CHARGES: - subsidiaries	1.442 0 30 0 0 0 0 140 140	300 300 (()
b) from non-current securities other than shares c) from current securities other than shares d) income other than the above: - subsidiaries - associated companies - parent companies - others 17) INTEREST EXPENSE AND OTHER FINANCIAL CHARGES: - subsidiaries - associated companies	1.442 0 30 0 0 0 0 140 140	300 300

BALANCE SHEET	December 2012	December 2011
PROFIT AND LOSS ACCOUNT	(Euros/1000)	(Euros/1000)
17-BIS) GAIN/LOSS ON CURRENCY EXCHANGE	(169)	1.172
TOTAL FINANCIAL INCOME AND CHARGES	(18.926)	(15.712)
D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS 18) REVALUATIONS:		
a) of investments	28	14
b) of non-current financial assets other than shares	0	0
c) of current securities other than shares	0	0
C) OF CUITER & Securities Officer triain shares	28	14
19) WRITE-DOWNS:	20	14
a) of Group companies investments	0	(3)
b) of non-current financial assets other than shares	0	0
c) of current securities other than shares	0	0
of or current securities officer triain smales	0	(3)
TOTAL VALUE ADJUSTMENTS TO FINANCIAL ASSETS	28	11
20) EXCEPTIONAL INCOME: - gains on disposals	0	0
- gains on disposals	0	0
- other exceptional income	307	439
	307	439
21) EXCEPTIONAL CHARGES:	(-)	(,)
- losses on disposals	(2)	(168)
- prior years' taxes	(106)	(11)
- other exceptional charges	(926)	(1.463)
	(1.034)	(1.642)
Total exceptional income and charges	(727)	(1.203)
PROFIT BEFORE TAXES (A-B+-C+-D+-E)	1.902	10.527
22) INCOME TAXES FOR THE YEAR		
- current taxes	(4.625)	(4.199)
- deferred taxes	(3.980)	(387)
Total income taxes for the year	(645)	(4.586)
RESULT FOR THE YEAR INCLUDING THE PORTION		
ATTRIBUTABLE TO MINORITY INTEREST	1.257	5.941
23) PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO MINORITY INTEREST	62	0
02) PROFIT (LOCC) ATTRIBUTABLE TO THE OROUGH	4.405	F.044
23) PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	1.195	5.941



Engineering Plastics

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



Notes to the consolidated financial statements

Form 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 complian—ce with Articles 2425 and 2425 bis of the Italian Civil Code) and the accompanying Notes, and include the financial statements of the Parent Company Aquafil S.p.A. and all the Italian and foreign companies in which it holds the majority of voting rights, whether directly or indirectly.

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

The financial statements included in the consolidated accounts are prepared as at 31/12/2012, which is the year-end of Parent Company. The Notes include disclosures as required by Article 38 of Legislative Decree 127/91, and other provisions of Legislative Decree No. 6 of Janua¬ry 17, 2003 and previous legislation. Additional information is also provided when deemed necessary to present a true and fair view, even if such disclosures are not required by specific legislation.

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

CONSOLIDATION SCOPE

In addition to the Parent Company Aquafil S.p.A., the companies included in the consolidation scope at 31/12/2012 were the following:

COMPANIES CONSOLIDATED LINE-BY-LINE

* amounts translated at the exchange rates prevailing at December 31, 2012.

	Share capital	A	dditional indirect			
Name and offices	at 31-Dec-2012	% of direct	shareholding	% of indirect	% of total	% of voting
of the company	Euro	ownership	through	ownership	ownership	rights
Aquafil Engineering Plastics S.p.A.,						
Via Linfano, 9 - Arco (TN)	5.000.000	100,00%			100,00%	100,00%
Tessilquattro S.p.A.,						
Via Linfano, 9 - Arco (TN)	3.380.000	100,00%			100,00%	100,00%
Aquafil Power S.r.I.,						
Via Linfano, 9 - Arco (TN)	25.000	51,00%			51,00%	51,00%
Aquaspace S.p.A.,						
Via Linfano, 9 - Arco (TN)	2.600.000	0,00%	Tessilquattro	100,00%	100,00%	100,00%
Aquafil USA Inc., 1 Aquafil Drive,						
Cartersville - Georgia GA (USA)	5.381.234	100,00%			100,00%	100,00%
Julon d.d., Letaliska						
Cesta, 15 - Ljubljana (Slovenia)	13.135.728	99,91%			99,91%	99,91%
Aquaset TTS d.d Letaliska			Bulgari			
Cesta, 15 - Ljubljana (Slovenia)	496.578	0,00%	Filati doo	91,34%	91,34%	91,34%
Bulgari Filati d.o.o., Milana Prpic`a						
114 - 49243 Oroslavje (Croazia)	3.007.608	100,00%			100,00%	100,00%
Aquafil Bulgari Iplik Tekstil Sanayi						
Ve Ticaret A.S Turgutreis Mah.						
Giyimkent-Atisalani-Eseler-Istanbul						
(Turchia)	456.032	99,99%			99,99%	99,99%
Mtx Fibre S.r.l.,						
Via Linfano, 9 - Arco (TN)	90.000	100,00%			100,00%	100,00%
Borgolon S.p.A.						
Strada Statale 32 "Ticinese"						
nr. 12 - Varallo Pombia (NO)	7.590.000	0,00%	Mtx Fibre	100,00%	100,00%	100,00%
Aquafil Engineering G.m.b.H.,						
Duester haupt strasse, 13						
Berlino (Germania)	255.646	90,00%			90,00%	90,00%

Cenon Sro - M.R. Stefanika 71 Zilina						
(Slovacchia)	26.472.681	99,64%			99,64%	99,64%
Aquafil Asia Pacific Co. Ltd - 300/31						
Moo 1 Eastern Seaboard Industrial						
Estate-Rayong (Thailand)	1.337.522	99,99%			99,99%	99,99%
Aquafil Services G.m.b.H.						
Duester haupt strasse, 13						
Berlino (Germania)	2.325.000	90,00%			90,00%	90,00%
Aquafil Synthetic Fibres						
and Polymers (Jiaxing) Co. Ltd						
No 338 North Changsheng Road,						
Jiaxing 314033 - Repubblica						
Popolare Cinese	7.380.990	100,00%			100,00%	100,00%
Aquafil Benelux-France B.V.B.A.						
Kortrijksesteenweg 321/4						
8530 Harelbeke (Belgio)	20.000	99,90%	Mtx Fibre	0,10%	100,00%	100,00%

COMPANIES CONSOLIDATED AT EQUITY

The following companies are consolidated under the equity method:

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

Compared to 2012 the consolidation scope did not change in the number of companies within the consolidation as no new companies entered the consolidation and no companies were deconsolidated, however the following changes took place:

• Julon d.d..:

During the year, Aquafil S.p.A. increased its holding in Julon d.d. following the purchase from third parties of 32 shares for a nominal value of Euro 2,126. After this operation, Aquafil S.p.A. holds 314,483 shares, corresponding to 99.906% of the share capital of Julon d.d. totaling Euro 13,135,728.

Bulgari Filati doo.:

In December the Company sold to Aquafil S.p.A. its holding in the company Bulgari Filati doo of 15.77%. Following the operation Aquafil S.p.A. wholly owns Aquafil Bulgari doo.

COMPANIES CONSOLIDATED AT COST

The company XLANCE Fibre S.r.l. – Via Linfano, 9 – 38062 Arco (TN), with share capital of Euro 100,000, held 50% by the subsidiary Borgolon S.p.A., was maintained at cost as still in the start-up phase.

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

CONSOLIDATION PRINCIPLES

The consolidation principles utilised are described below.

CONSOLIDATION METHODS

Line-by-line consolidation

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

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

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

Equity method consolidation

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

Translation into Euro of the financial statements of foreign companies

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

The exchange rates applied are as follows:

		December 2012	2012
		Year-end exch. rate	Average exch. rate
USD	US Dollar	1,3194	1,28479
HRK	Croatian Kuna	7,5575	7,52167
CNY	Chinese Yuan	8,2207	8,10523
TRL	Turkish Lira	2,3551	2,31354
THB	Thai Baht	40,3470	39,92761

ACCOUNTING POLICIES

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

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

ACCOUNTING PRINCIPLES

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

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

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

INTANGIBLE ASSETS

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

PROPERTY, PLANT & EQUIPMENT

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

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

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

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

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

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

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

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

Asset description	Rates
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. internal transport	20%
4.3. office furniture and ordinary machinery	12% - 20%
4.4. EDP	20%

Leased assets

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

Non-current investments

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

Securities in non-current assets

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

Current financial assets

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

Inventory

Inventories, which consist of fungible assets, are valued at the lower of purchase cost and current value (i.e. market value/replacement cost). Single items making up inventories are valued at their average weighted cost for the period.

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

Stores are valued at their weighted historical cost.

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

Inventories

Receivables are recorded at their realisable value.

Cash and cash equivalents

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

Accruals and prepayments

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

Provisions for risks and charges

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

Provisions reflect the best estimate based on the information available.

Staff termination pay

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

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

Payables

Accounts payable are stated at their nominal value.

Costs and revenues

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

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

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

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

Extraordinary income and charges

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

Income taxes

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

FISCAL CONSOLIDATION

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

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

TRANSLATION OF FOREIGN CURRENCY ACCOUNTS

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

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

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

Notes to the main asset captions

NON-CURRENT ASSETS

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

INTANGIBLE ASSETS (in thousands of Euro)

	1) Formation, start-up and similar costs	3) Patents and intellectual property rights	4) Concs, licen. Trademak. and similar costs	6) Assets under develop, and payments on account	7) Other intangible assets	Goodwill arising on consolidation	TOTAL
Previous year							
Gross amount	444	4.674	3.915	513	10.462	9.326	29.334
Accumulated amortisation	173	663	3.533	0	5.477	8.439	18.285
Total at December 31, 2011	271	4.011	382	513	4.985	887	11.049
Increases	0	15	273	1.484	1.580	0	3.352
Decreases	0	0	0	-28	-46	0	-74
Reclassifications	0	0	237	-488	743		492
Write-downs	0	0	0	0	0	0	0
Change in the consolidation scope	0	0	0	0	0	0	0
Exchange differences	-2	0	-1	0	-7	0	-10
Total historical cost	442	4.689	·	1.481	·		
I otal historical cost	442	4.089	4.424	1.481	12.732	9.326	33.094
Increases	4	505	337	0	2.272	302	3.420
Decreases	0	0	0	0	-46	0	-46
Reclassifications	0	0	0	0	0	0	0
Write-downs	0	0	0	0	0	0	0
Change in the consolidation area	0	0	0	0	0	0	0
Exchange differences	0	0	-1	0	-7	0	-8
Total accum. amort. at December 31, 2012	177	1.168	3.869	0	7.696	8.741	21.651
Residual value at Dec. 31, 2012	265	3.521	555	1.481	5.036	585	11.443

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

Industrial patents and intellectual property rights principally refer to licenses and know-how utilised in the ECONYL® project. The asset was amortised over 5 years.

Concessions, licences, trademarks and similar rights include the cost of software programs purchased from third parties. The increase of Euro 273 thou¬sand mainly refers to the costs borne by Aquafil S.p.A. for the ECONYL® brand.

The account <u>Assets under development and payments on account</u> includes a capitalisation of charges incurred during the start-up activities of plant and quality development of ECONYL® for Euro 1,251 thousand.

Other intangible assets mainly refer to leasehold improvements. The increase in the year of Euro 1,580 thousand almost entirely concerns costs incurred by Aquafil S.p.A. for consultancy concerning the commercial launch of the new ECONYL® fibre products, for new software for the management of logistical data and other ICT projects, in addition to the capitalisation of substitute tax and preliminary costs for the sourcing of new mortgages of loans.

At December 31, 2012, Goodwill arising on consolidation amounted to Euro 585 thousand and refers to the following companies (in thousands of Euro):

	December 2012	December 2011
Aquafil Power S.r.I.	19	37
Metexa BVBA	566	850
Totale	585	887

- The consolidation goodwill of Euro 19 thousand attributed to Aquafil Power S.r.l. relates to the difference between the purchase cost and the net equity of the company acquired in 2009 for an initial amount of Euro 93 thousand. This consolidation goodwill is amortised on a straight-line method over 5 years and the amortisation for 2012 was Euro 19 thousand.
- The consolidation goodwill of an initial amount of Euro 1,416 thousand attributed to Aquafil Benelux-France Bvba (ex Metexa Bvba) refers to the difference between the purchase cost and the net equity of the company acquired during the year. This consolidation goodwill is amortised on a straight-line method over 5 years and the amortisation for 2012 was of Euro 283 thousand.

TANGIBLE ASSETS (in thousands of Euro)

	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 year						
Historical cost	104.634	319.220	9.639	6.196	5.817	445.506
Revaluations	19.050	1.237	15	7	0	20.309
Accumulated depreciation	0	-7.302	0	0	0	-7.302
Total historical cost at December 31, 2011	123.684	313.155	9.654	6.203	5.817	458.514
Accumulated depreciation at December 31, 2011	34.555	231.099	7.139	5.149	0	277.942
Net value at December 31, 2011	89.129	82.056	2.515	1.054	5.817	180.571
I	014	5 500	0	000	0.400	45.000
Increases	914	5.539	6	220	9.160	15.839
Decreases Reclassifications	890	-794 9.154	-29 48	-683 157	-140 -10.525	-1.653
Revaluations		0	0	0	0	0
Write-downs	0	0	0	0	0	0
Change in the consolidation area		0	0	-22	0	0
Exchange differences	-195	-593	2			-804
Total historical cost at December 31, 2012	125.286	326.461	9.681	5.875	4.316	471.621
Depreciation	3.543	19.723	777	370	0	24.413
Utilisations	-1	-746	-119	-703	0	-1.569
Reclassifications	0	0	0	0	0	0
Change in the consolidation scope	0	0	0	0	0	0
Exchange differences	-27	-370	1	-16	0	-411
Total Accum. Depr. at December 31, 2012	38.070	249.706	7.798	4.800	0	300.374
Residual value at December 31, 2012	87.216	76.755	1.883	1.075	4.316	171.245

The tangible fixed assets relating to Italian companies included in the consolidation scope are recorded at historical purchase cost and increased for any monetary revaluations permitted by law; the revalued amounts, net of any taxes where applicable, are recorded in a specific equity reserve. The additions for the year totalled Euro 15,839 thousand, with net disposals for Euro 84 thousand, of which the historical value amounts to Euro 1,653 thousand, and are composed of as follows:

Land and buildings

<u>Increases:</u> amounting to € 914 thousand. These break down as follows:

- a. Aquafil USA Inc.: the increase of Euro 562 thousand following the installation of a solar panel plant;
- b. The remaining portion of investments relates to improvements to the real estate assets of the other companies included in the consoliation area.

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

 $\underline{\text{Increases:}}$ amounting to Euro 14,925 thousand. These break down as follows:

- a.Aquafil S.p.A.: the overall increase is equal to Euro 1.6 million, of which Euro 0.4 million refer to the item "Assets under construction and payments on account". The investments refer to the upgrading of existing production plant.
- b. Julon d.d.: the overall increase is Euro 10.8 million, of which Euro 7.8 million refers to the item "Assets under construction and payments on account". The increases are as follows:
 - increase in the production capacity of plant concerning the ECONYL® project for Euro 1.7 million and capitalisation of charges incurred concerning the start-up of plant and quality development of ECONYL® for Euro 4.3 million;
 - increase in the production capacity of the fibre twisting area with the purchase of new machinery for Euro 3.7 million;
 - improvement in other existing plant for Euro 1.1 million.
- $c. A quafil\ Engineering\ Plastics\ S.p. A.:\ the\ overall\ increase\ was\ Euro\ 1.4\ million,\ principally\ for\ technological\ improvements\ on\ existing\ plant.$
- d. The remaining part of investments refers to improvements made on the existing plants of other companies included in the consolidation.

 Net decreases: net decreases amount to Euro 84 thousand.
 - Reclassifications: these refer to the reallocation from "Assets under construction and payments on account" to the other items for assets which came into operation in the course of the financial year.

A net amount of Euro 275 thousand was reclassified from "Assets under construction and payments on account" of tangible assets to various items of Intangible assets.

Mortgages are registered on corporate assets for a total amount of Euro 126,325 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 licen¬ces, the specific plants and the licences relating to the production processes of caprolactam and cyclohexanone were sold in previous years, and the related considerations were collected. At December 31, 2012 the net book value of non-current assets, as confirmed by an independent expert's valuation report, was equal to Euro 6.5 million and was made up of the real estate and service plant part.

FINANCIAL ASSETS

a) Investments in associated companies

Investments in associated companies at 31/12/2012 totaled Euro 283 thousand and are composed of the following companies:

- a) Aquafil Engineering Plastics S.p.A. holds the following minority interests:
 - A 22% interest in Aquafil Distribution S.r.l. with a share capital of Euro 101,490 which is accounted for in the financial statements using
 the equity method for Euro 29.7 thousand. The company is based in Via della Tecnica 11/A, 42015 Correggio (RE) and its corporate purpose
 is the distribution of polymers mainly to Emilia-Romagna;
 - A 40% interest in Aquafi I Tecnopolimeros S.I. with a share capital of Euro 300 thousand which is included in the consolidated accounts on an equi¬ty basis for Euro 137 thousand. The company is based in Castellar del Vallè, Priorat 56-58 Pol. Ind. Can Carner (Spain) and its corporate purpose is the distribution of polymers into the Spanish market.
 - A 30% interest in Aquafil Polymers Gmbh with a share capital of Euro 25 thousand which is accounted for in the financial statements using the equity method for Euro 62 thousand. The company is based in Buchholz, Kanaplatz 6 Germany.
- b) Borgolon S.p.A. holds the following minority interests:
 - A 50% interest in Xlance Fibres S.r.l. with a share capital of Euro 100,000 which is accounted for in the financial statements at cost for Euro 54.5 thousand. The company's registered office is in Arco, Via Linfano 9, with a corporate scope to produce and sell synthetic filaments and fibres, in addition to the research and development necessary for this activity. The company is not operative and the project is being implemented in order to develop an innovative elastomeric fibre called XLA, through a Joint Venture with a holding company of a leading Italian textile group.

b) Investments in other companies

Investments in other companies are stated at cost for an overall amount of € 794 thousand.

The most significant investments of Aquafil S.p.A. are:

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

Inventories

The Company had no accounts receivable after 5 years.

Receivables from associated companies

The table below shows the movements in financial transactions:

	Opening balance	Increases	Reclassifications	Closing balance
within 12 months				
Aquafil Tecnopolimeros S.I.	0	0	300	300
TOTAL	0	0	300	300
over 12 months				
Aquafil Tecnopolimeros S.I.	0	0	875	875
Xlance Fibre Italia S.r.I.	484	1.452	0	1.936
TOTAL	484	1.452	875	2.811

In detail:

- Aquafil Engineering Plastics S.p.A., following the agreement with the associated company Aquafil Technopolymeros S.L. reclassified to the account loans beyond 12 months the trade receivable which matured in October 2011. This receivable at December 31, 2012 was for a residual Euro 1,175 thousand. The repayment plan provides for monthly installments of Euro 25 thousand until maturity in November 2016.
- Borgolon S.p.A., under a contract signed between the parties, granted a loan to the associated company Xlance Fibre Italia S.r.I., for the development of an innovative elastomeric fibre.

Receivables from parent companies

The table below shows the movements in financial transactions:

	Opening balance	Increases	Decreases	Closing balance
within 12 months				
Aquafin Holding S.p.A.	6.941	1.082	5.500	2.523
over 12 months				
Aquafin Holding S.p.A.	30.807	2.363	3.563	29.608
TOTAL	37.748	3.445	9.063	32.131

Increases:

The increases concern the capitalisation of interest for Euro 2 million and the granting of a new loan of Euro 1.3 million by Aquafil S.p.A..

Decreases:

The dividends distributed by Aquafil S.p.A.for Euro 7.7 million and received for Euro 1.3 million were partially offset.

Loans were granted by Aquafil S.p.A. and by Julon dd respectively for Euro 26,099 thousand and Euro 6,032 thousand, of which Euro 2,523 thousand maturing within 12 months. The receivables are of a financial nature and interest bearing.

Other receivables

d2) "other debtors" mainly refer to guarantee deposits paid to suppliers and minor employee loans.

Other securities

This accounts consists of:

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

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

CURRENT ASSETS

INVENTORY

Inventories at 31/12/2012 are composed of as follows (in thousands of Euro):

TOTAL	130.444	135.246
5) Advances	110	92
4) Finished goods and merchandise	85.287	85.468
2) Products in course of manufacture and semifinished goods	309	424
1) Raw materials, supplies and consumable stores	44.738	49.262
	December 2012	December 2011

The account includes an obsolescence provision of Euro 505 thousand.

RECEIVABLES

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

	December 2012	December 2011
1) Customers	44.350	59.124
2) Subsidiaries	0	0
3) Associated companies	1.526	2.910
4) Parent companies	3.435	2.239
4) BIS Tax receivables	6.114	5.181
4) TER Deferred tax assets	7.155	6.421
5) a) Other Group companies	4	6
5) b) Other debtors	2.782	2.732
TOTAL	65.366	78.613

Analysis by geographic region (Euro thousands):

	Italy	Europe	North America	Rest of the world	TOTAL
1) Customers	14.384	16.481	6.743	6.742	44.350
2) Subsidiaries	0	0	0	0	0
3) Associated companies	744	782	0	0	1.526
4) Parent companies	3.435	0	0	0	3.435
4) BIS Tax receivables	1.517	3.200	2	1.395	6.114
4) TER Deferred tax assets	4.316	2.109	229	501	7.155
5) a) Other Group companies	0	4	0	0	4
5) b) Other debtors	1.966	500	135	181	2.782
TOTAL	26.362	23.076	7.109	8.819	65.366

Receivables from customers

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

To cover possible losses on these receivables, an allowance for doubtful receivables of Euro 3,895 thousand was set aside. The allowance for doubtful receivables recorded at December 31, 2012 for Euro 1,980 thousand was utilised for Euro 462 thousand in relation to write-offs and increased by Euro 2,614 thousand after a provision for the year. The effect of exchange rates was Euro 2 thousand.

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

Receivables from associated companies

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

TOTAL	1.526	2.910
Xlance Fibre Italia S.r.I.	19	0
Aquafil Distribution S.r.I.	725	732
Aquafil Tecnopolimeros SL	699	2.049
Aquafil Polymers GmBH	83	129
	December 2012	December 2011

Receivables from parent companies

These include a receivable due within 12 months from the parent company Aquafil Holding S.p.A. equal to Euro 2,268 thousand, deriving from ordinary commercial transactions for Euro 46 thousand, interest on the loans of Julon dd for Euro 330 thousand and tax receivables of Euro 1,892 thousand of some companies which opted for the consolidated taxation regime.

Tax receivables

The breakdown is as follows (Euro thousands):

	December 2012	December 2011	
From tax authorities for income taxes	196	58	
VAT receivable	3.990	3.814	
Withheld taxes	158	145	
Tax receivable for interests	76	76	
Tax receivables Law 296/09	4	4	
Other income tax receivables	1.272	824	
Other tax receivables	33	0	
VAT receivable relating to bad debts	385	260	
TOTAL	6.114	5.181	

Deferred tax assets

The breakdown is as follows (Euro thousands):

	December 2012	December 2011
Deferred tax assets within 12 months		
losses carried forward	167	827
doubtful debts	570	0
expenses for maintenance	197	105
capital gains	236	236
exchange differences	119	0
personnel	57	174
inventory write-downs	299	172
other	90	0
TOTAL	1.735	1.514
Deferred tax assets after 12 months		
losses carried forward	1.179	696
allowance for doubtful receivables	208	166
other provisions	199	212
expenses for maintanance	152	221
exchange differences	5	0
amortisation, depreciation, rental costs	2.136	1.848
supplementary indemnity prov. for agents	268	241
reversal of depreciation on tangible assets	774	924
depreciation on assets write-down	420	520
inventory write-downs	79	79
non-deductible interest	0	0
TOTAL	5.420	4.907

In particular the receivables for losses carried forward decreased by Euro 677 thousand due to the profits of the companies Borgolon S.p.A., Aquafil USA Inc. and Aquafil Services Gmbh and increased by Euro 501 thousand due to the provision of Aquafil Synthetic Fibres and Polymers (Jiaxing) Co. Ltd. of Euro 37 thousand for the provision of Borgolon S.p.A. concerning the IRES repayment requests, for the years not under the tax consolidation, for the non-deduction of IRAP from personnel and similar expenses. The recognition of the deferred tax asset on tax losses carried forward was made in compliance with the principle of prudency and with the reasonable certainty of their recovery in future years.

Other receivables

Other Group companies due within 12 months

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

	December 2012	December 2011
within 12 months		
Aqualys S.A.	4	4
Italedil S.r.I.	0	2
TOTAL	4	6

Other debtors due.

	December 2012	December 2011
Receivables from others within 12 months:		
Sundry advances	6	4
Receivables for insurance claims	0	20
Employees	32	18
Other receivables	93	252
Pension and social security institutions	48	132
Receivables from treasury	1.721	158
Advances to suppliers	97	64
Other advances	629	481
Earnings equalisation fund	156	101
TOTAL	2.782	1.230
Receivables from others after 12 months:		
Receivable from sale of building	0	2
Receivables from Treasury	0	1.500
TOTAL	0	1.502

The receivables from treasury principally relate to the company Aquafil S.p.A. and concern:

- The receivable from the Autonomous Province of Trento, in accordance with Provincial Law 6/99, refers to the technical/production grant for a research project for manufacturing a fibre suitable for textile flooring obtained from the recovery of post-industrial and post-consumption waste for Euro 1.5 million. This receivable is equal to 50% of the grant (Euro 3 million) and will be received in 2013. The grant has been recognised in the profit and loss account in proportion to the costs incurred so far for the project.
- The receivable from the Trento Province under Provincial Law 6/99, concerning the grant issued in the year of Euro 367,900 relates to a research project for the creation of a nylon 6 nano-reinforced polyamide fibre for the auto market. 50% of the grant was received in the year. The receivable of Euro 184 thousand is the remaining 50% which will be granted on conclusion of the project, forecast for 2013. The grant is recognised to the profit and loss in proportion to the advancement of costs incurred for the project.

CASH AND CASH EQUIVALENTS

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

	December 2012	December 2011
1) Cash at banks and post offices	47.742	39.459
2) Cheques	1.330	1.425
3) Cash and cash equivalents on hand	19	23
TOTAL	49.091	40.907

The item mainly relates to the balance at year-end of the Group companies current accounts. Euro 2,469 thousand on the Banca Commerzbank current account is restricted of the company Aquafil Engineering GmbH as guarantee for advance payments on contracts in course.

ACCRUED INCOME AND PREPAID EXPENSES

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

	December 2012	December 2011
Accrued income:		
Interest on securities	0	10
Grants	6	78
Interest on other receivables	20	3
Other	357	154
TOTAL	383	245
Prepaid expenses:		
Insurance premiums	138	121
Leasing	10	1
Rental expense	8	6
Prepayments for guarantees	31	29
Other	510	737
Fairs and exhibitions	61	40
ICT Consulting	34	47
Leasing maintanance	85	73
Personnel	26	0
Tax and administrative consulting	61	66
TOTAL	964	1.120
TOTAL ACCRUED INCOME AND PREPAID EXPENSES	1.347	1.365

No accrued income and prepaid expenses have duration of over 5 years.

Notes to the main liability and equity accounts

CONSOLIDATED GROUP NET EQUITY

The total of Euro 71,365 thousand breaks down as follows (in thousands of Euro):

				Changes fo	r the period			
Balance sheet items	31.12.2011	Destination profit previous period	Change in consolidation area	Translation difference	Dividends and reclasification distribution	Other changes	Period profit	31.12.2012
I. Share Capital	19.686							19.686
II. Share premium reserve	0							-
III. Revaluation reserves	41							41
IV. Legal reserve	3.913	23						3.936
VII. Other reserves	48.631	5.918	6	(130)	(8.116)	199		46.508
VIII. Profits (losses) carried forward	0							-
IX. Profit (loss) for the year	5.941	(5.941)					1.195	1.195
Total Group shareholders' equity	78.212	0	6	(130)	(8.116)	199	1.195	71.365
Profit (loss) for the year to minority interest	0	0						-
Minority interest	613	0	(6)			27	62	696
Total minority interest	613	0	(6)	0	0	27	62	696
Total group and minority shareholders' equity	78.825	0	0	(130)	(8.116)	226	1.257	72.061

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

SHARE CAPITAL

The share capital is comprised of 19,642,000 Class A shares without nominal value, representing a share capital of Euro 19,642,000, and 6,900,000 Class B shares without nominal value, representing a share capital of Euro 43,556, for a total of Euro 19,685,556.

LEGAL RESERVE

The reserve increased by Euro 22.8 million after the allocation of the 2011 profit.

OTHER RESERVES

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

The shareholders' equity of the consolidated companies includes reserves that, if distributed, would become taxable as income. No plans exist to distribute the reserves, which amount to Euro 35,229 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.

SHARE CAPITAL AND RESERVES PERTAINING TO MINORITY INTERESTS

The balance of Euro 696 thousand refers to net equity attributable to minority interests, including the net profit for the year attributable to minority interests.

RECONCILIATION BETWEEN THE PARENT COMPANY AQUAFIL S.P.A AND CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2012

The reconciliation of the net equity and profit for the year of the Parent Company Aquafil S.p.A. with the consolidated net equity and profit for the year ended December 31, 2012 (Euro thousands) is shown below:

	Period Result	Shareholders'equity
Shareholders' equity and result as reported in the		
annual accounts of Parent company	1.078	71.779
Lease accounting according to Aquafil S.p.A. financial method	(537)	432
Derecognition of effects on intergroup operations	355	(326)
Different valuation of investment in Bulgari Filati d.o.o in consolidated accounts	18	(510)
Other	281	(10)
Shareholders' equity and result for the year attributable to the Group	1.195	71.365
Shareholders' equity and result for the year attributable to the minority	62	696
Shareholders' equity and result as reported in the consolidated balance sheet	1.257	72.061

PROVISIONS FOR RISKS AND CHARGES

Provision for taxes

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

	December 2012	December 2011
Gains on assets sales	171	740
Leasing	1.287	2.124
Fiscal adjustment and accum. deprec.	246	359
Other adjust. in application of Group accounting standards	3.794	2.535
TOTAL	5.498	5.757

Other provisions

Other provisions amount to Euro 1,708 thousand. They include Euro 885 thousand for agents supplementary indemnity and Euro 823 thousand for other fiscal risks and charges.

STAFF TERMINATION PAY

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

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

CLOSING BALANCE	7.981	8.371
Utilisations	750	641
Accruals	359	471
Opening balance	8.371	8.541
	December 2012	December 2011

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

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

PAYABLES

Accounts payable total Euro 372,551. The amounts due after 5 years are indicated separately. The analysis is provided below.

	December 2012	December 2011
3) Amounts due to shareholders	62.814	55.785
4) Amounts due to banks	180.956	209.874
6) Advances	5.754	2.866
7) Amounts due to suppliers	101.742	97.444
10) Amounts due to associated companies	99	145
11) Amounts due to parent companies	4.586	2.592
12) Taxes payable	3.887	2.534
13) Amounts payable to social security institutions	2.846	2.856
14) b) Other creditors	9.792	299
14) a) Other Group companies	75	11.816
TOTAL	372.551	386.211

Analysis by geographic region (Euro thousands):

	Italy	Europe	North America	Rest of the world	TOTAL
3) Amounts due to shareholders	0	62.814	0	0	62.814
4) Amounts due to banks	112.442	48.910	15.379	4.224	180.956
6) Advances	2.329	3.388	0	37	5.754
7) Amounts due to suppliers	40.144	52.923	6.827	1.849	101.742
10) Amounts due to associated companies	19	80	0	0	99
11) Amounts due to parent companies	4.586	0	0	0	4.586
12) Taxes payable	2.633	909	247	98	3.887
13) Accounts payable to social security institutes	2.428	413	0	5	2.846
14) a) Other Group companies	0	75	0	0	75
14) b) Other creditors	8.572	991	0	229	9.792
TOTAL	173.154	170.502	22.454	6.442	372.551

Payables for shareholders loans

The loan granted by the Luxembourg company HC Romeo S.a.r.l. on September 24, 2010 for an initial amount of Euro 50,103,000, secured by pledge on the Italian and EC registered trademarks "Aquafil" and "ECONYL®", was renewed on September 26, 2012. The current balance is Euro 62,813,550. The amount includes interest matured in 2012 of Euro 7,028,870. The withholding taxes are no longer applied as the shareholder HC Romeo is in possession of a qualified holding in the share capital of Aquafil S.p.A..

The conditions governing the loan are the following ones:

interest: 12.60% p.a;

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

repayment: one payment at maturity.

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

Amounts due to banks

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

		Balances at December 2012			
	within 12 months	over 12 months within 5 years	over 5 years	Total	Balances at December 2011
Due to banks	822			822	1.094
Export advances	30.201			30.201	40.900
Import financing	0				12.059
Advances on invoices	30.803			30.803	29.406
Other payables	152			152	6.108
Total Group shareholders' equity	61.978	0	0	61.978	89.567
Mortgages:					
Abanka	6.000	7.750	0	13.750	22.250
HVB Splitska banca	698	1.123	0	1.821	1.189
SKB banca	3.500	0	0	3.500	3.500
Cassa Centrale Casse Rurali Trentine	1.000	1.534	0	2.534	3.504
Banca di Verona	1.556	0	0	1.556	1.369
Gorenjska Banka	5.599	11.597	0	17.196	18.748
Mediocredito Trentino Alto Adige	469	1.011	0	1.480	1.926
Cassa Rurale Valsabbia Paganella	0	0	0	0	219
Cassa Rurale Rovereto	630	3.489	0	4.119	4.726
TMB Bank	629	1.066	0	1.695	0
Credito Valtellinese	2.003	0	0	2.003	4.886
Biverbanca	1.519	970	0	2.489	621
Cassa Risparmio di Bolzano	1.249	2.241	0	3.490	4.704
Cassa Risparmio di Ferrara	0	0	0	0	87
Postna Banka Slovenije	3.000	0	0	3.000	2.000
Cassa Rurale Raiffeisen Alto Adige	1.294	1.178	0	2.472	1.594
Banca Popolare di Sondrio	2.036	5.333	0	7.369	8.594
Banca Popolare di Milano	2.000	5.000	0	7.000	9.000
Banca Antonveneta	3.220	7.180	0	10.400	7.200
Cassa Rurale Alto Garda	309	0	0	309	609
Regions Bank	1.501	6.552	0	8.053	9.291
Credito Piemontese	129	0	0	129	833
Banca Popolare di Verona	1.250	3.125	0	4.375	5.000
Banca Popolare Emilia Romagna	1.016	705	0	1.721	2.688
Hypo Alpe Adria Bank	0	0	0	0	769
Sparkasse	667	833	0	1.500	2.000
Nova Ljubljanska Banka	2.143	0	0	2.143	3.000
Volksbank	1.286	4.714	0	6.000	0
Banco Popolare	237	648	0	885	0
ICBC Bank	2.529	0	0	2.529	0
Banca di Legnano	246	214	0	460	0
Banca di Trento e Bolzano	1.573	3.427	0	5.000	0
Total mortgages	49.288	69.690	0	118.978	120.307
Total due to banks	111.266	69.690	0	180.956	209.874

With reference to the loans allocated, company assets have been mortgaged to the value of Euro 126,395 thousand, in addition to the shares owned in Aquafil USA Inc. and pledged to secure the loan received from Regions Bank.

Advances

This item includes advance payments received from customer for supplies not yet delivered for Euro 5,754 thousand and principally refer for Euro 3,084 thousand to Aquafil Engineering G.m.b.H. and for Euro 2,633 thousand to Aquafil S.p.A..

Trade payables

	December 2012	December 2011
within 12 months		
Third party suppliers	77.075	70.645
Liabilities for leasing - Due within 12 months	2.903	3.807
TOTAL	79.978	74.452
over 12 months		
Third party suppliers	1.411	187
Liabilities for leasing - Due over 12 months	20.353	22.805
TOTAL	21.764	22.992
TOTAL	101.742	97.444

Amounts due for leases due after 5 years amounted to \in 13.7 million.

Payables to associated companies

The total of Euro 99 thousand breaks down as follows (in thousands of Euro):

	December 2012	December 2011
Aquafil Polymers GmBH	60	58
Aquafil Tecnopolimeros S.I.	20	49
Aquafil Distribution S.r.I.	19	38
TOTAL	99	145

Payables to parent companies

Payables within 12 months amount to Euro 4,586 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 Aquafil Holding S.p.A..

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

	December 2012	December 2011	
within 12 months			
Tessilquattro S.p.A.	2.570	1.194	
Aquafil S.p.A.	0	10	
Aquafil Engineering Plastics S.p.A.	1.986	1.297	
MTX Fibre S.r.I.	5	9	
Borgolon S.p.A.	25	81	
TOTAL	4.586	2,592	

Tax payables

The total of Euro 3,890 thousand breaks down as follows (in thousands of Euro):

	December 2012	December 2011
within 12 months		
Payables to tax office for IRAP	740	56
Payables to tax office for taxes withheld at source	1.792	1.474
VAT payables	821	446
Due to tax office for other payables	291	190
Due to tax office for other taxes	243	368
TOTAL	3.887	2.534

Payables to social security institutes

These total € 2,846 thousand and include the amount owed by the Group companies and their employees at year-end for social security dues from wages for the month of December and for the "13th-month" pay.

Other payables

Other Group companies

The account includes the payables to the related company Aquasava doo, belonging to the Aquafin Holding S.p.A. Group.

Other creditors

Payables due after 12 months amount to Euro 7,012 thousand and refer to employee payables of Euro 6,236 thousand, the payable by installments of Euro 280 thousand for the purchase of the shareholding of the subsidiary Aquafil Benelux-France Bvba to be paid on March 31, 2013, in addition to insurance payables.

Payables due after 12 months amount to Euro 2,780 thousand and refer to guarantee deposits of customers of Euro 2,500 thousand and to the payable for the purchase of the shareholding of the subsidiary Aquafil Benelux-France Bvba to be paid in installments by March 31, 2014 for a total amount of Euro 280 thousand.

There are no payables due after 5 years.

ACCRUALS & DEFERRED INCOME

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

	December 2012	December 2011
Accrued expenses:		
Interest charges on loans and financing	2.631	2.364
Insurance premiums	64	59
Other	870	721
TOTAL	3.565	3.144
Deferred income:		
Grants for plant and machinery	2.420	3.234
Other	0	113
Grants ex provincial law 6/99	633	965
TOTAL	3.053	4.312
TOT. ACCR. EXP. AND DEF. INCOME	6.618	7.456

- Interest payable on mortgages and loans include accrued interest on shareholders loan, as calculated from November 25, 2012 to December 31, 2012, equal to Euro 2,119 thousand.
- Deferred income relating to set-up grants of Euro 2,420 thousand relates to grants mainly granted on the recycling project ECONYL® being
 implemented at the Slovenian company Julon d.d.. Grants have been received from the Slovenian Ministry of Economy and have been fully
 collected
- Deferred income of provincial grants disbursed pursuant to Provincial Law 6/99 relate to the research project previously commented in the para-graph dedicated to receivables from others.

MEMORANDUM ACCOUNTS

Collateral and bank guarantees issued in favour of Parent Company

These refer for Euro 16,630 thousand to mortgages and guarantees with banks on behalf of the Parent Company for lines of credit from banks, whose residual debt at December 31, 2012 amounts to Euro 1,403 thousand.

Guarantees received

Guarantees for Euro 4,757 thousand were given as warranty for the return of products in relation to commercial contracts.

Derivative financial instruments

The certificates relating to the forward purchase contracts undertaken in June 2009 by Aquafil S.p.A. were settled in December 2012. During the year 5 new contracts (detailed in the following table) were signed.

	Commencement			
Bank	Type	Notional	of Code	Maturity
Banca Popolare di Verona	IRS	4,750,000	28/03/2012	28/03/2016
Banca Popolare di Milano	IRS	7,000,000	21/03/2012	30/06/2016
Cassa Centrale Banca	IRS	2,539,563	20/03/2012	30/06/2015
Banca Popolare di Sondrio	IRS	7,111,111	31/07/2012	31/07/2016
Banca Antonveneta	IRS	5,400,000	30/06/2012	31/12/2015

The contracts are considered of a hedging nature as related to mortgages undertaken with the same credit institutions.

Notes to the main income statement accounts

OPERATING REVENUES

Revenues from sales and services

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

	December 2012	December 2011
by business line		
Polyamide, polypropylene and other polymers, ammonium sulphate and other chemical derivatives	486.241	477.140
Engineering	7.050	2.615
Other revenues	6.193	15.547
TOTAL	499.484	495.302
by geographical location		
Italy	111.727	124.401
abroad	387.757	370.901
TOTAL	499.484	495.302

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

	December 2012	December 2011
Aquafil Distribution S.r.I.	2.660	2.841
Aquafil Tecnopolimeros S.I.	1.773	1.558
Aquafil Polymers GmBH	575	575
TOTAL	5.009	4.974

Capitalisation of internal constructions

The aggregate, which amounts to Euro 4,282 thousand, is mainly made up of the costs incurred within the Group for the construction of machinery and equipment.

Other revenues and income

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

	December 2012	December 2011
Personnel contributions	33	61
Other	1.157	2.268
Grants related to income	1.190	2.329
Other revenues and income		
Rental income	26	62
Gains on fixed assets disposal	42	163
Insurance compensation payments	132	26
Recovery of expenses	164	143
Rounding	0	4
Overaccruals	22	12
Other income	2.619	1.264
Utilisation of other provisions	496	474
Other revenues and income	3.501	2.149
TOTAL	4.691	4.478

Grants relating to income of Euro 1,190 thousand relates to the grant received on the research project referred to in the account "Receivables from others over 12 months" of Euro 1,040 thousand, to "De minimis" on leases for Euro 13 thousand, grants for personnel training courses for Euro 34 thousand, a grant of Euro 103 thousand equivalent on the incentive tariffs relating to construction and running costs and for the production of energy from the photovoltaic plant installed in the year.

COST OF PRODUCTION

Raw materials, supplies, consumable stores and merchandise

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

TOTAL	280.561	313.846
Other purchases and merchandise	7.367	6.223
Supplies and consumable stores	23.051	22.568
Raw materials and semifinished goods	250.143	285.055
	December 2012	December 2011

Services

The breakdown is as follows (Euro thousands):

	December 2012	December 2011
External processing	1.734	3.606
Transport of purchases	1.914	1.134
Electricity, propulsive energy, water and gas	36.467	31.496
Maintenance	5.665	4.377
Varehousing, management of external deposits	4.536	4.148
Cleaning and security	1.140	1.042
Vaste disposal	1.274	950
Stationery	239	276
Post and telephone charges	425	509
nsurance	1.283	1.220
Services for staff	576	609
Fechnical consultancy	1.395	1.420
Fees for technical assistance	176	204
Commercial consultancy	115	153
egal, tax and administrative consultancy	1.077	974
Company expenses	35	24
Membership fees	261	252
lewspapers and magazines	27	37
nasarco commissions and contributions	3.970	4.737
ravelling	1.693	1.984
Commercial information	86	88
airs and exhibitions	284	269
dvertising expenses	597	748
nsurance credits	932	1.127
intertainment expenses	717	927
ransport of sales	14.326	13.346
Other sale expenses	649	877
Other services	350	419
moluments for Statutory Auditors	203	199
moluments for Directors	1.940	2.342
emporary work	267	736
Canteen	691	684
Non-bank charges and commissions	195	162
Consulting and rental costs ICT assist.	3.339	3.277
TOTAL	88.577	84.352

We report that the total value of emoluments for the directors and statutory auditors of the Parent Company Aquafil S.p.A. for the fulfilment of their functions, including for other companies included in the consolidation area, amounted to Euro 1,685 thousand and Euro 92 thousand respectively.

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

Company	Activities	Annual Fees
Aquafil SpA	Statutory Audit	79
Aquafil SpA	Audit of Consolidated Accounts	15
Aquafil Engineering Plastic SpA	Statutory Audit	30
Aquaspace SpA	Statutory Audit	8
Borgolon SpA	Statutory Audit	15
MTX Fibre Srl	Statutory Audit	8
Tessilquattro SpA	Statutory Audit	10
TOTAL		165

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

Rents, leasing and similar costs

The breakdown is as follows (Euro thousands):

	December 2012	December 2011
Rent	770	747
Industrial rent	1.377	1.207
Operating leasing	782	702
Leasing fees	0	0
Commercial rent	45	62
TOTAL	2.974	2.718

Personnel costs

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

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

	December 2012	December 2011	Average
Production workers	1.614	1.686	1.650
Office staff	451	438	445
Middle managers	41	42	42
Managers	32	31	32
TOTAL	2.138	2.197	2.168

The total cost includes also the temporary labour cost.

Amortisation, depreciation and write-downs

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

	December 2012	December 2011
a) Amortisation intangible assets	3.420	2.961
b) Depreciation tangible assets	24.413	21.957
c) Other write-downs of assets	0	0
d) Write-downs curr. accounts receiv. & cash available	2.614	920
TOTAL	30.447	25.838

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 Euro 108 thousand and refers to the supplementary indemnity provision for agents.

Other operating costs

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

	December 2012	December 2011
Non-deductible VAT	55	45
ICI (Council tax)	902	705
Various taxes	122	65
Capital losses on disposal of assets	44	27
Losses on receivables	0	5
Bonuses to customers	3	3
Other costs	709	565
Scholarships	21	31
Sanctions and fines	32	51
TOTAL	1.888	1.498

FINANCIAL INCOME AND CHARGES

INVESTMENT INCOME

Investment income from associated companies for Euro 36 thousand concerns dividends received by Aquafil Engineering Plastics S.p.A. for dividends distributed by the associated company Aquafil Distribution S.r.I..

Investment income from other companies for Euro 14 thousand concerns dividends received from Aquafil S.p.A. for dividends distributed by Trentina Finanziaria S.p.A..

OTHER FINANCIAL INCOME

Income from non-current receivables amounts to Euro 1,442 thousand and relates to interests on loans to the parent company Aquafin Holding S.p.A. for Euro 1,424 thousand and for Euro 18 thousand to the associated company Xlace Fibre Italia S.r.I..

Other income comprises (Euro thousands):

	December 2012	December 2011
Miscellaneous interest	31	56
Interest income on bank accounts	107	247
Interest income from customers	2	3
TOTAL	140	306

INTEREST EXPENSE AND OTHER FINANCIAL CHARGES

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

	December 2012	December 2011
Interest expense on HC Romeo Sarl Ioan	7.261	6.505
Interest exp. on current accounts with banks	831	651
Interest on mortgage loans	3.952	3.756
Interest on bank borrowings	26	28
Interest expense to other lenders	30	125
Interest expense on export advances	1.499	1.159
Interest expense on import loans	478	325
Discounts on commercial bills	1.308	1.132
Factoring expense	160	244
Interest expense on commercial operations	16	10
Interest payable to leasing companies	618	875
Bank expenses and commissions	723	605
Cash discounts	3.563	3.944
Swap contracts expense	0	139
TOTAL	20.465	19.498

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

EXCHANGE GAINS AND LOSSES

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

IMPAIRMENTS ON FINANCIAL ASSETS

REVALUATIONS

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

EXTRAORDINARY INCOME AND CHARGES

INCOME

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

	December 2012	December 2011
Gains on assets disposal	0	-1
Overaccruals	244	327
Prior years' taxes	0	4
Other extraordinary income	59	108
Collection of bad debts	4	0
TOTAL	307	438

CHARGES

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

	December 2012	December 2011
Loss on sale of investments	2	168
Deferred tax liabilities	106	11
Underaccruals	355	681
Other extraordinary charges	101	372
Costs relating to staff transfers/temporary outplace.	469	409
TOTAL	1.033	1,641

[&]quot;Costs relating to staff transfers/temporary outplacement" principally relate to Julon dd for Euro 406 thousand and Aquaspace S.p.A. for Euro 63 thousand and concern leaving incentives for the corporate restructuring carried out in 2012.

INCOME TAXES

The breakdown is as follows (Euro thousands):

Total	(3.980)	387
Other deferred tax assets and liabilities	(185)	1.069
Irap - Deferred tax assets and liabilities	34	19
Ires - Deferred tax assets and liabilities	(3.829)	(701)
Deferred taxes:		
TOTAL	4.625	4.199
Other taxes	588	(175)
Current taxes - Irap	1.522	1.788
Current taxes - Ires	2.515	2.586
Current taxes:		
	December 2012	December 2011

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

	December 2012]	December 2011	
Current taxes:	4.625		4.199	
Temporary differences from statutory				
financial statements	Taxes		Taxes	
ax losses carried forward	(1.860)		(1.291)	
amortisation and depreciation	(30)		1.345	
elimination of tax interferences	(112)		(28)	
write-down of receivables	(610)		202	
supplementary indemnity provision for agents	(27)		76	
other	(82)		214	
Consolidation transactions:				
AS 17	(837)		(457)	
depreciation/gains	31		403	
ax losses	(501)		-	
other transactions for conformity to accounting				
orinciples	48		(77)	
Total	(3.980)		387	
GRAND TOTAL		645		4.586

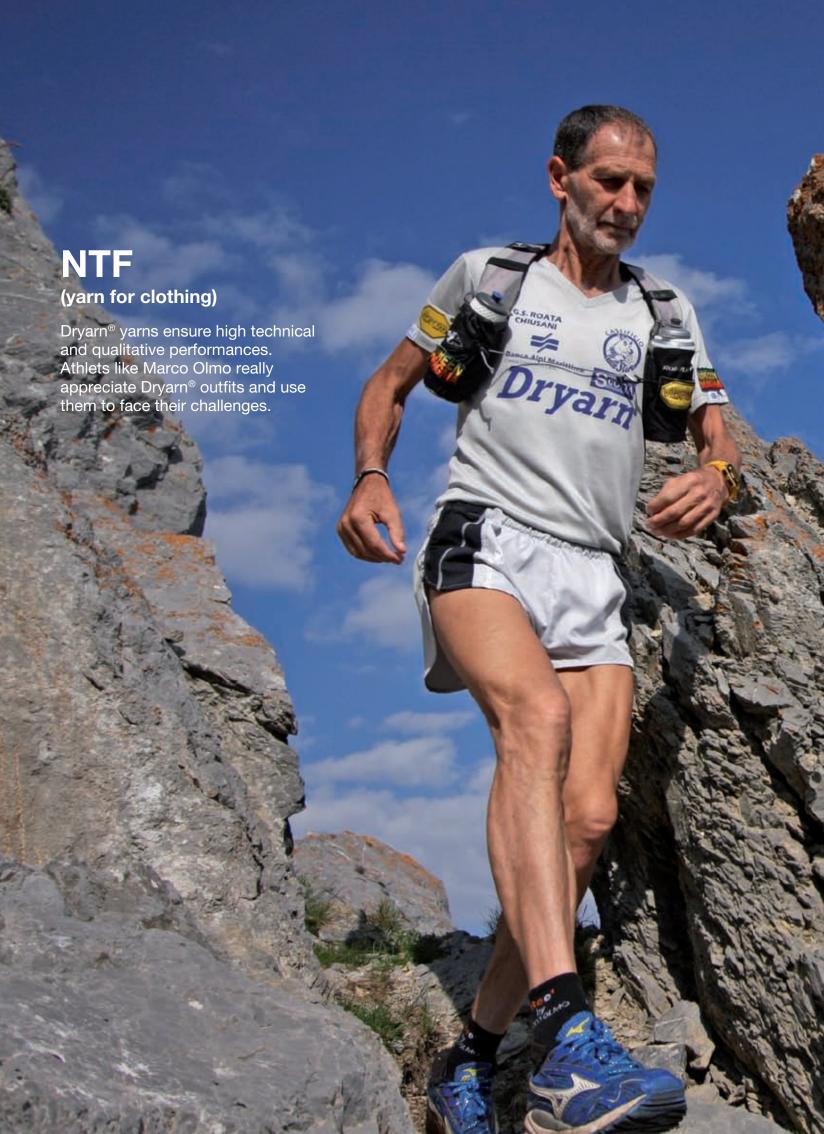
Aquafil S.p.A., Aquafil Engineering Plastics S.p.A., Aquaspace S.p.A., Tessilquattro S.p.A., MTX Fibre S.r.l. and Borgolon S.p.A. opted for the group taxation procedure as chosen by Aquafil Holding S.p.A. for the 2010-2012 three-year period in accordance with Article 177 and ff. of the Income Tax Code.

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

Arco, March 29, 2013

The Chairman of the Board of Directors of Aquafil S.p.A.

Mr. Giulio Bonazzi





AQUAFIL GROUP S.P.A. - CONSOLIDATED FINANCIAL STATEMENTS AT 31/12/2012 CASH FLOW STATEMENT

(in Euro thousands)

Cash flow from operations		
Net profit	1.257	5.94 ⁻
Amortisation and Depreciation	27.833	24.918
Net change in provision for staff termination pay	(390)	(170
Net change in the provisions for risks	(201)	1.204
(Increase) / Decrease in inventories	4.802	(31.866
(Increase) / Decrease in accounts receivables from customers	14.774	13.439
(Increase) / Decrease in accounts receivables from associated companies	1.384	59 ⁻
(Increase) / Decrease in accounts receivables from parent companies	(1.196)	1.530
(Increase) / Decrease in other accounts receivable	(48)	23
(Increase) / Decrease in tax receivables	(933)	(1.412
(Increase) / Decrease in deferred tax assets	(735)	227
(In crease) / Decrease in accrued income and prepaid expenses	17	(641
Increase / (Decrease) in advance payments	2.888	1.673
Increase / (Decrease) in amounts due to subsidiaries	0	(408
Increase / (Decrease) in amounts payable to associated companies	(1.221)	1(
Increase / (Decrease) in taxes payable	1.353	(711
Increase / (Decrease) in accounts payable to social security institutions	(10)	120
Increase (decrease) in other accounts payable	(2.248)	(382
Increase (decrease) accrued expenses and deferred income	(836)	(680
	50.789	9.742
Investments in intangible assets		
Investments in tangible assets	(15.564)	(23.937
Investments in intangible assets	(3.844)	(1.618
Disposal of tangible assets	84	1.128
Disposal of intangible assets	28	1.120
Net effect in tangible/intangible assets due to exchange rate differences	395	(1.514
Increase in equity investments	(3)	(829
Decrease in equity investments	(O)	650
Other equity changes	(25)	(11
one odary onangoo	(18.930)	(26.128

2012

2011

AQUAFIL GROUP S.P.A. - CONSOLIDATED FINANCIAL STATEMENTS AT 31/12/2012 CASH FLOW STATEMENT

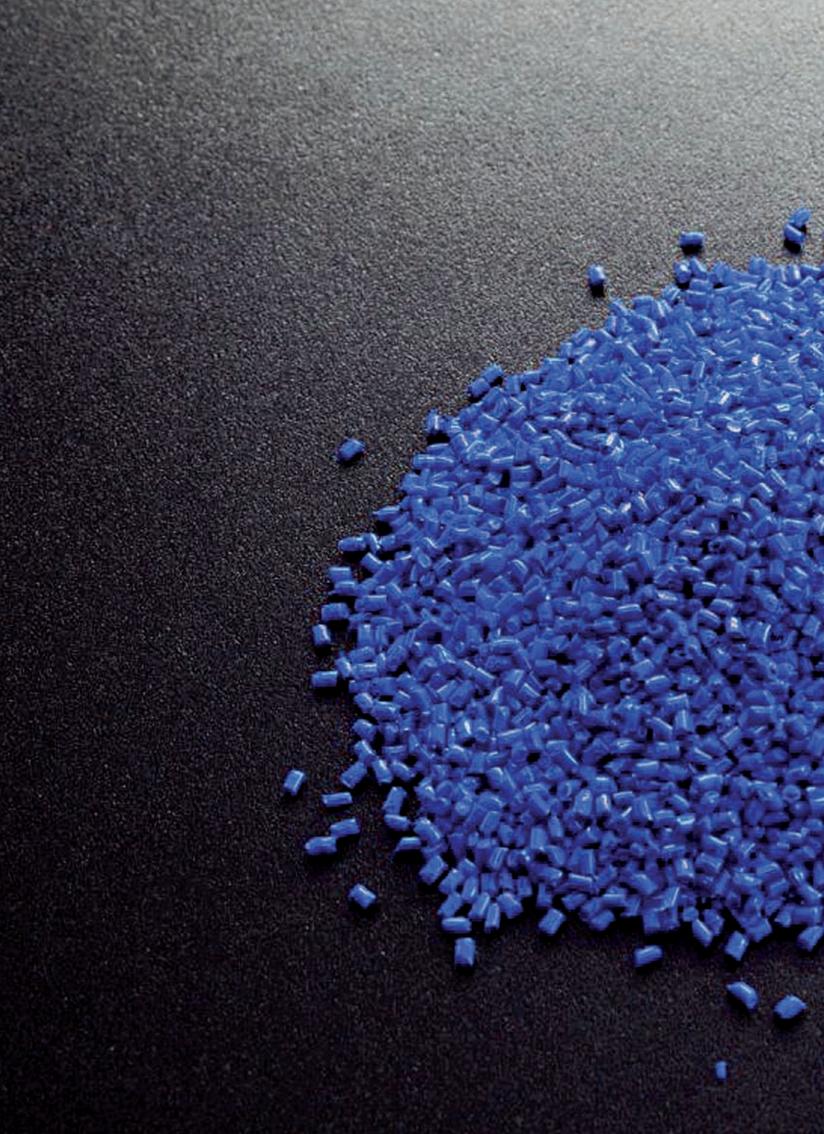
(in Euro thousands)

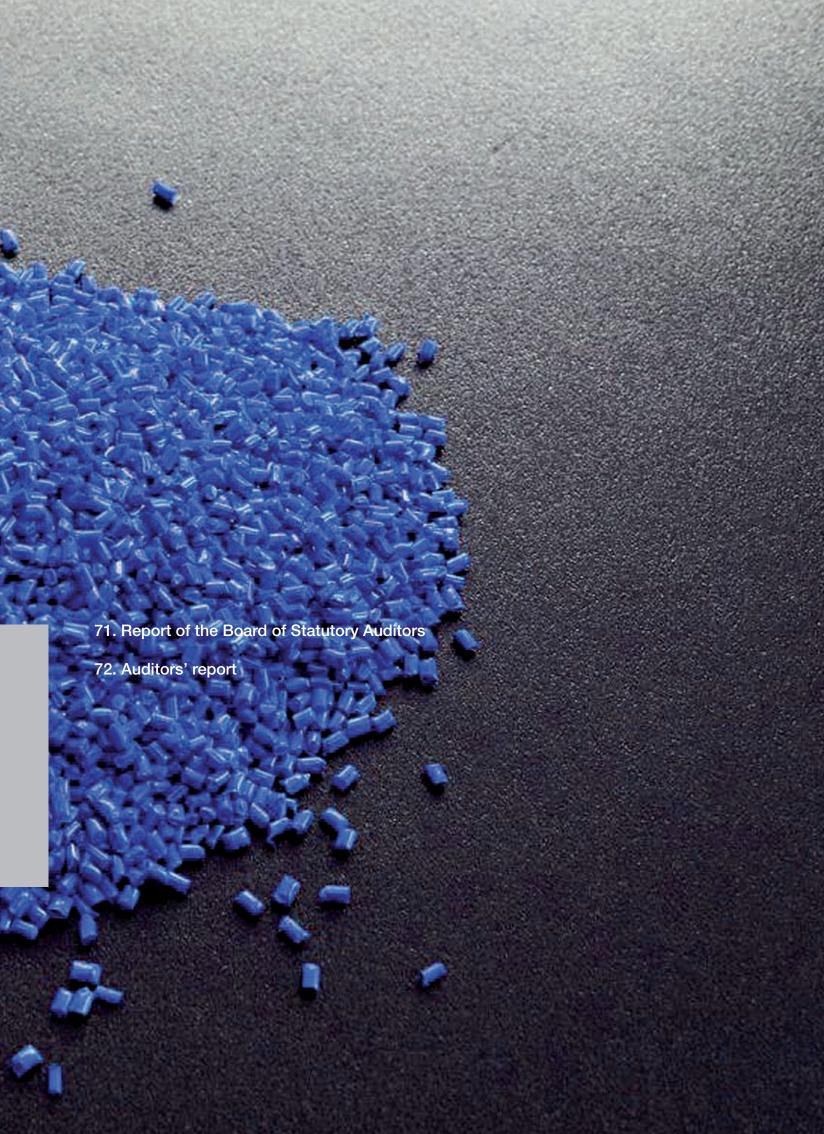
(8.116) 225 0 (129) (8.212) 23.648 (85.823)	(10.000) 6 (247) 649 842 (15.544) (70.279)
225 0 (129) (8.212)	6 (247) 649 842
225 0 (129)	6 (247) 649
225 0	6 (247)
225	6
,	,
(6.116)	(10.000)
(0.446)	(40,000)
7.029	5.682
1.995	(3.550)
0	(484)
(129)	319
(52.281)	(20.798)
0	(227)
38.955	27.653
1	(4)
73	(26)
5.617	1.569
(1.452)	300
	5.617 73 1 38.955 0 (52.281) (129) 0 1.995 7.029

2012

2011

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





Board of Statutory Auditors' report on the Consolidated Financial Statements at December 31, 2012

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

Dear Shareholders,

We have examined the Group's Consolidated Financial Statements at December 31, 2012, as prepared by the directors and notified to the Board of Statutory Auditors, together with the Directors' Report.

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

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

The consolidation scope did not change in 2012 as stated in the Notes to the Financial Statements.

The consolidated Balance Sheet shows a consolidated net profit for the year for the group of Euro 1,195 thousand and is summarised in the following values in Euro/000.

BALANCE SHEET

Assets	466.418
Liabilities	394.357
Net equity	72.061
- of which minority interest share capital and profit	696
- of which Group share capital and profit	71.365
Total Liabilities and Shareholders' Equity	466.418
Accounts, Guarantees, risks and other memorandum accounts	17.772

The Highlights of the Consolidated Income Statement are as follows:

INCOME STATEMENT

A) Value of production	508.346
B) Costs of production	-486.819
Difference A) -B)	21.527
C) Financial income and charges	-18.926
D) Adjustment to financial assets	28
E) Extraordinary income and charges	-727
Profit before taxes	1.902
Income taxes	-645
Net profit for the year	1.257
Minority interest profit	62
Group profit	1.195

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

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

Arco, April 15, 2013

The Board of Statutory Auditors

Mr. PIETRO MONTI

Mr. ANDREA FASAN

Mr. NICOLA CAMPANA

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Auditors' report



AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE N° 39 OF 27 JANUARY 2010

To the shareholders of Aquafil SpA

- 1 We have audited the consolidated financial statements of Aquafil Group as of 31 December 2012. The directors of Aquafil 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.
- We conducted our audit in accordance with the auditing standards issued by the 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 s'andards require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes as required by law, reference is made to our report dated 14 April 2012.

- 3 In our opinion, the consolidated financial statements of Aquafil Group as of 31 December 2012 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.
- We wish to emphasise that significant transactions exist with other companies of the Aquafin Holding Group, of which the most significant are described by the Directors in the explanatory notes in chapter "Receivables from parent companies".

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Sede legale e amministrativa: Milano 20140 Via Monte Rosa 91 Tel. 027785; "ax 027785240 Cap. Soc. Euro 6.812.000,00 Lv., C.F. e P.IVA e Reg. Imp. Milano 12979880155. Iscritta al n° 119644 del Registro dei Revisuri Legali - Altri Uffici: Ancoma 60131 Via Sandro Totti 1 Tel. 071212311 - Bart 70124 Via Don Luigi Guasella 17 Tel. 0505540211 - Bologna Zola Predona 40066 Via Teveren 18 Tel. 0516186211 - Breseria 25123 Via Borgo Fietro Waher 23 Tel. 0303697501 - Cattania 93120 Cono Ilalia 902 Tel. 0597332311 - Firenza 90121 Viale Grassate 15 Tel. 0552482811 - Genova 16121 Fizera Dante 7 Tel. 01029041 - Napoll 80121 Piarra del Martiri 38 Tel. 08154811 - Palerma 90141 Via Marchese Ugo 60 Tel. 031249737 - Parma 45100 Viale Tenaz 20/A Tel. 0512142848 - Roma 00154 Largo Focbetti 29 Tel. 06570251 - Terino 10122 Corso Palestro 10 Tel. 011555771 - Trento 38122 Via Grazioli 73 Tel. 0461237004 - Treviso 31100 Viale Felissent 90 Tel. 0425059011 - Triesta 24125 Via Cesare Haffati 18 Tel. 0403480781 - Udine 33100 Via Poscolle 43 Tel. 042225789 - Verona 37135 Via Francia 21/C Tel.0458263001

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The directors of Aquafil SpA are responsible for the preparation of a report on operations in compliance with the applicable laws. Our responsibility is to express an opinion on the consistency of the report on operations with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard n° 001 issued by Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili and recommended by CONSOB. In our opinion, the report on operations is consistent with the consolidated financial statements of Aquafil Group as of 31 December 2012.

Trento, 15 April 2013

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Signed by

Alberto Michelotti (Partner)

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

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Aquafil S.p.A.

Via Linfano, 9

38062 Arco (Tn)

T +39 0464 581111

F +39 0464 532267

info@aquafil.com



www.aquafil.com