

Consolidated
financial
statements

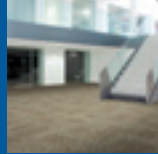
2013

AQUAFIL 
synthetic fibres and polymers





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Aquafil Group



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at 31 december 2013



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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
STEFANO MELONI	Director

**Board of
Statutory Auditors**

PIETRO MONTI	Chairman
ANDREA FASAN	Statutory Auditor
PAOLO NICOLAI	Statutory Auditor

**Independent
Audit Firm**

PRICEWATERHOUSECOOPERS S.p.A.

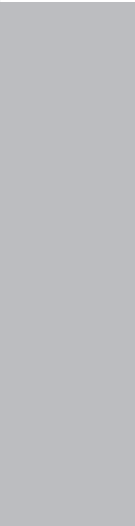




2. Group Consolidated Highlights

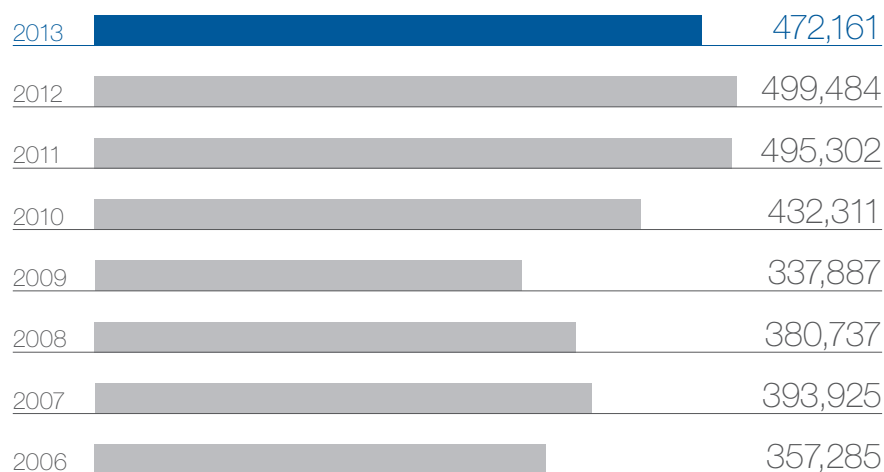
4. Group structure

Consolidated Financial Statements

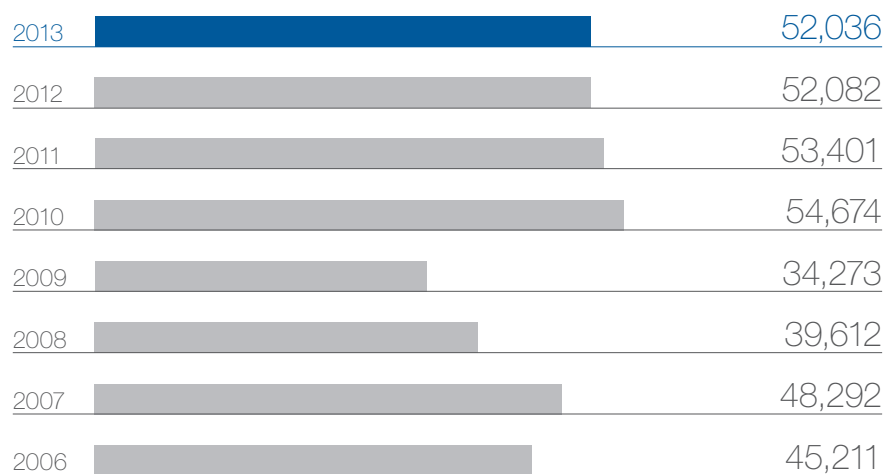


Group Consolidated Highlights

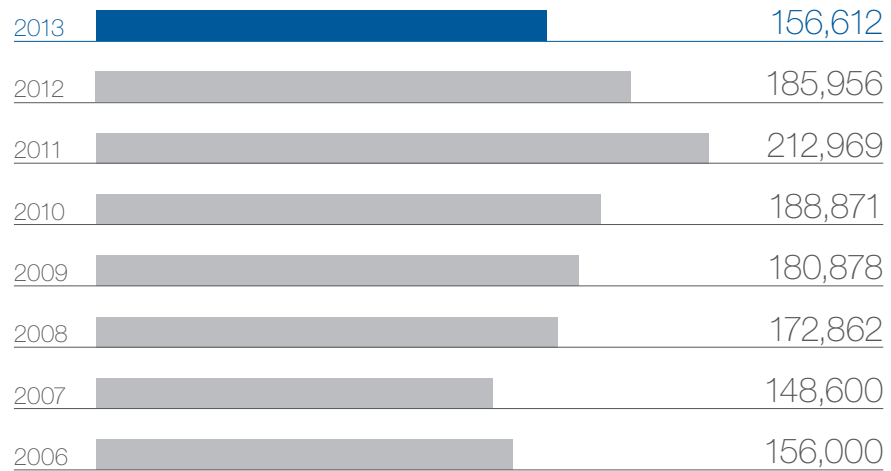
Net revenues (amounts in million of Euros)



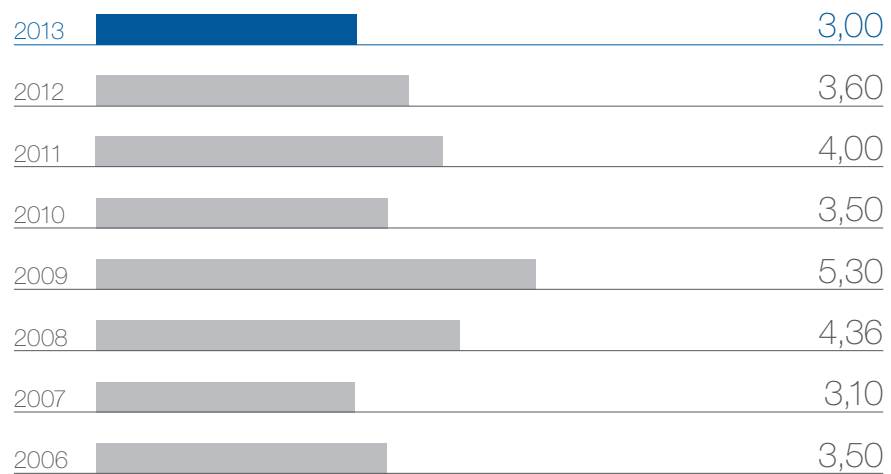
EBITDA (amounts in million of Euros)



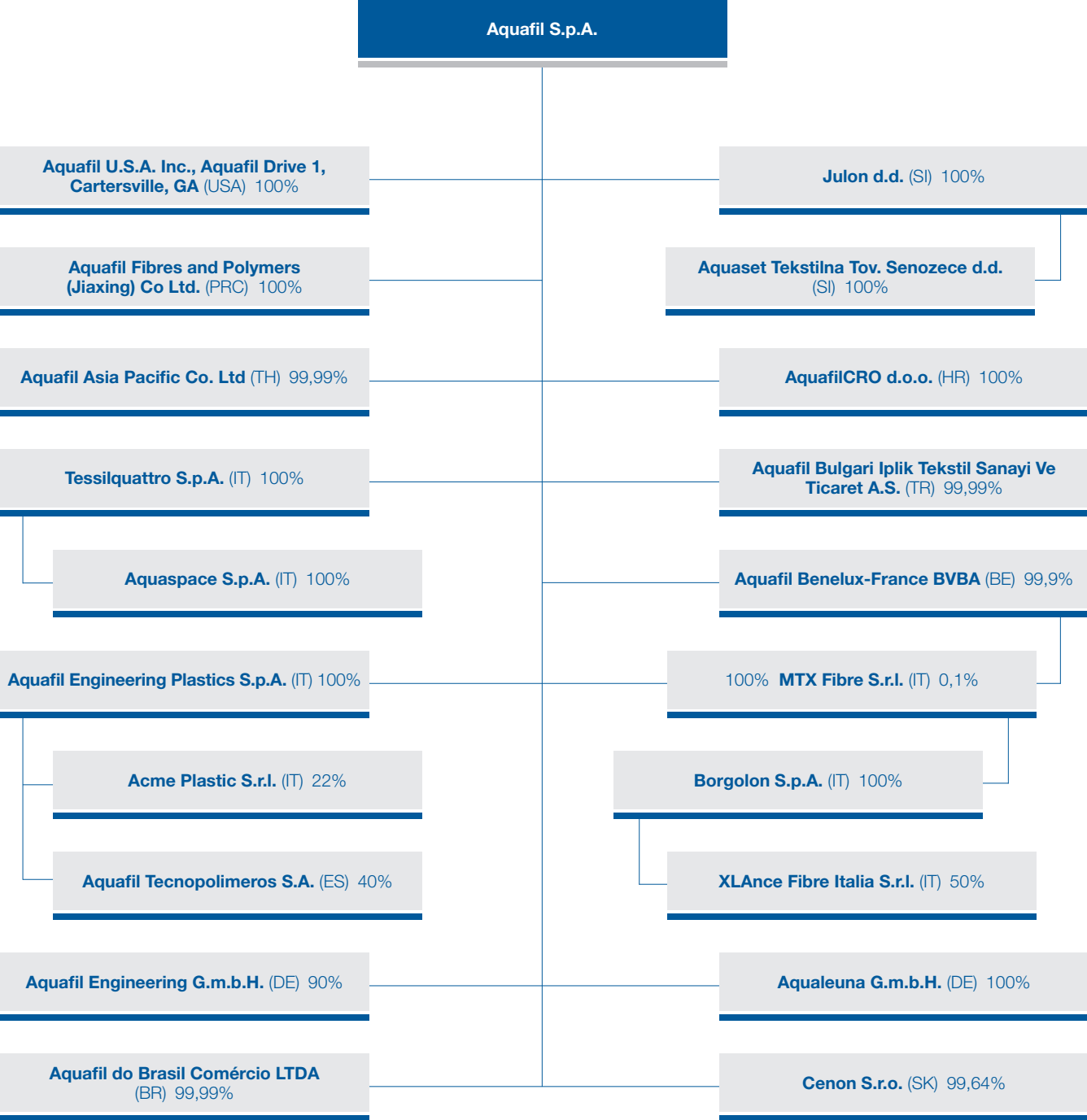
Total net financial debt (amounts in million of Euros)



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



Group structure





AQUAFAN

← Accesso al parcheggio
← 547





9. 2013 Directors' Report

2013 Directors' Report

Dear Shareholders,

the financial statements which we present for your approval report "Revenues from sales and services" of Euro 518.2 million and a Net Profit of Euro 26.1 million after income taxes and net deferred taxes of Euro 1 million. The Board of Directors of the Parent Company Aquafil S.p.A. prepared the consolidated financial statements of the Aquafil Group for the 2013 financial year in accordance with Legislative Decree No. 127 of April 9, 1991 and Legislative Decree No. 32/2007, which present "Revenues from sales and services" of Euro 472.2 million and a Group Net Profit of Euro 25.9 million.

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
Stefano Meloni	Director

Board of Statutory Auditors:

Pietro Monti	Chairman
Andrea Fasan	Statutory Auditor
Paolo Nicolai	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 2015. The Independent Audit Firm have been appointed for the period 2013-2015.

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 fully paid in

Tax and VAT number and Trento Company Registration Number: IT00123150229

Trento R.E.A. No.: 74842

www.aquafil.com

INTRODUCTION

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

THE AQUAFIL GROUP

The Aquafil Group in 2013 consolidated 18 companies located in 11 countries (Italy, Germany, Slovenia, Croatia, Belgium, Slovakia, Turkey, USA, Thailand, China and Brazil) and carries out at 14 facilities the production and sale of polymers and nylon synthetic fibres, in addition to plant engineering.

Sales to the end market are mainly made by the Parent Company Aquafil S.p.A., by Aquafil Engineering Plastics S.p.A., Aquafil Engineering G.m.b.H., Aqualeuna G.m.b.H. and, for the main non-EU markets, by the local manufacturing companies Aquafil USA Inc. (USA), Aquafil Asia Pacific Co. Ltd (Thailand) and Aquafil Synthetic Fibres and Polymers (Jiaxing) Co. Ltd. (China).

The Aquafil Group produces polyamide 6 fibres and polymers, ECONYL® special fibres and polymers and polyamide 6.6 fibres and polymers, the Dryarn® e Microlon® special microfibres for textile use and the new XLA™ elastic fibre. The final applications of Group products principally concerns textile flooring, with particular focus on the “contract” segment, specialised clothing (underwear, hosiery and sporting apparel), plastic materials for furnishings, civil and industrial components, and sport and free time materials.

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

In addition: (c) **industrial chemical plant engineering** activities carried out by the German company Aquafil Engineering G.m.b.H. and (d) **“Energy and Recycling”** activities in support of environmental protection and sustainability at the three business areas.

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	2013		2012	
Net revenues	472.161	100,0%	499.484	100,0%
EBITDA	52.036	11,0%	52.082	10,4%
EBIT	24.738	5,2%	21.527	4,3%

Key balance sheet and financial indicators: (Euro thousands):

Description	31/12/2013	31/12/2012
Consolidated Net Equity	(81.274)	(72.061)
Net Financial Position		
<i>N.F.P. - third parties</i>	(152.154)	(154.122)
<i>N.F.P. - shareholders</i>	(4.457)	(31.834)
Total N.F.P.	(156.612)	(185.957)
N.F.P./EBITDA	(3,0)	(3,6)

ECONOMIC ENVIRONMENT, PERFORMANCE OF THE AQUAFIL GROUP AND 2013 RESULTS

Economic overview

In 2013, the global economy grew 2.9% in GDP terms and 2.1% with regard to international trade. The major regions reported divergent economic performances. For the emerging economies, those in Asia slowed in 2013, although signs of a re-launch were apparent in the second half of the year - particularly in China. Latin America also slowed (Mexico and Brazil particularly), as did the countries of North Africa and the Middle East. However, the emerging economies, although more contained than before the crisis, continue to report higher growth rates than the advanced economies and still play a fundamental role in driving the global economy. Among the advanced economies, in 2013 the US recovery was confirmed as solid, although slowing on the previous year, thanks to contained salary increases and increased household purchasing power from the reduction in inflation and an improved jobs market: US household spending capacity significantly increased, both in terms of disposable income and overall wealth. The country was confirmed as one of the most competitive areas for manufacturing investment, both due to regulatory certainty and less onerous bureaucracy and the low cost of energy, which benefited also from the achievement of gas and oil supply independence through the production of shale gas and shale oil. The American recovery is expected to gather pace in 2014. In relation to Europe, the United Kingdom consolidated its recovery, driven by private consumption growth which continues to benefit from improved employment numbers and the increase in consumer confidence - despite a contraction in exports due to sluggish Eurozone demand. In this regard, the larger countries within the Eurozone reported divergent performances: Germany remains strong, with increasing difficulties in France and a recovery evident in Spain. The outlooks for Portugal and Ireland have also improved, although serious structural problems remain. Overall, Eurozone GDP in 2013 contracted (-0.4% according to the latest estimates), reflecting - in addition to the difficulties of a number of the major Eurozone economies (France and the Netherlands in particular) - also (a) ongoing tight credit conditions; (b) the strength of the Euro, which hinders exports; (c) a lack of property market equilibrium, which stifles economic recovery - both directly through the impact on the construction and property service sectors, and indirectly by reducing the overall wealth of households and therefore spending capacity; and particularly (d) high unemployment which reduces household consumer spending. In Italy, a 1.8% reduction in GDP is estimated for 2013. However, the country appeared to exit the recession in the fourth quarter of the year, showing the first signs of growth after nearly two consecutive years of contraction. In the final part of the year in fact, industrial production returned to growth, related to an improved export outlook; import volumes also appeared to improve, reflecting the general pick up in internal demand. The lending market was again weak, with the credit crunch appearing endless, while an imminent pick up in employment numbers is not on the horizon for the labour market.

The Euro/Dollar exchange rate in 2013 reported an average value of USD 1.33/Euro, increasing 3.3% compared to the 2012 average. The strengthening of the single currency, which particularly took place in the fourth quarter, followed a slight recovery for the Eurozone economy: in fact, although this performance is not across the board - with a number of Eurozone countries remaining in recession - in Q2 2013 the European economy returned to growth after six consecutive quarterly contractions.

On the Aquafil Group basic raw material market, prices in 2013 decreased on average by 11% compared to 2012, partly based on the price of the intermediate chemical oil.

Market performance and outlook

The focus on the European and non-European international markets and on internationalised production, with localised manufacture in countries with high growth levels to service local consumption, was increasingly confirmed as a fundamental factor for competitiveness and enterprise growth.

The Aquafil Group in 2013 further strengthened its global producer role, consolidating commercial penetration on the three continents on which it is present. The polyamide 6 BCF fibre market for textile flooring reported a slight reduction in European demand, offset by growth in China and sustained development in the US. During the year, the Group implemented an important strategic strengthening on the core polyamide 6 BCF fibre for textile flooring market through the acquisition of the BCF fibre production unit of Xentrys Leuna G.m.b.H., the third largest European producer in the sector. The company Aqualeuna G.m.b.H., with headquarters in Leuna (Germany), acquired the business unit. With this acquisition, which was operational from October 2013, the Group improved its production capacity and extended its client portfolio for the high-end segment of Aquafil brand products and contemporaneously may allocate a part of the production plant acquired to increase the production capacity of the US and Chinese factories, thereby adjusting the product offer and satisfying the increasing demand for Aquafil products.

During the year, the engineering plastics business unit was sold to the Belgium Group Domo Chemicals N.V., an activity principally undertaken by Aquafil Engineering Plastics S.p.A., which maintained ownership of the factory and is now rented to the conferee company Domo Engineering Plastics Italy S.p.A.. The above-mentioned operation resulted in a decrease in the consolidated turnover compared to 2012, but the maintenance of EBITDA. Simultaneously, the gain generated from the sale increased the group net profit by Euro 25.8 million and further reduced net debt compared to budget forecasts to Euro 156.6 million, equivalent to a ratio of three on the EBITDA realised. Through these competitive strengthening actions of its core sector, Aquafil has consolidated its position as the leading European producer, continuing at the same time to receive a strong response in the US for the ECONYL® high technological content and highly innovative in terms of environmental sustainability.

Operating performance

A summarised income statement is illustrated in the table below (Euro thousands):

Rif.	Description	2013	2012
A1	Revenues from sales and services	472.161	499.484
A2	Change in inventories	1.791	(111)
A4	Capitalisation of internal construction costs	1.886	4.282
A5	Other revenues and income	3.645	4.691
A	Value of production	479.483	508.346
B6 B11	Raw material, supplies, consumables and merchandise	(261.313)	(284.948)
B7-8,B13-14	Service and other operating costs	(89.791)	(93.711)
B9	Personnel costs	(76.343)	(77.605)
	EBITDA	52.036	52.082
B10a-b	Amortisation and Depreciation	(26.410)	(27.833)
B10c-d,B12	Provisions and write-downs	(888)	(2.722)
A - B	EBIT	24.738	21.527
C	Net financial income and charges	(17.249)	(18.926)
D,E20-21	Extr. income & charges, net of write-downs and reval.	21.167	(699)
	Profit before taxes and minority interest	28.656	1.902
E22	Income tax	(2.746)	(645)
	Net profit before minority interest share	25.910	1.257
23	Minority interest profit	56	62
24	Group net profit	25.854	1.195
	Profit + Depreciation	52.264	29.028

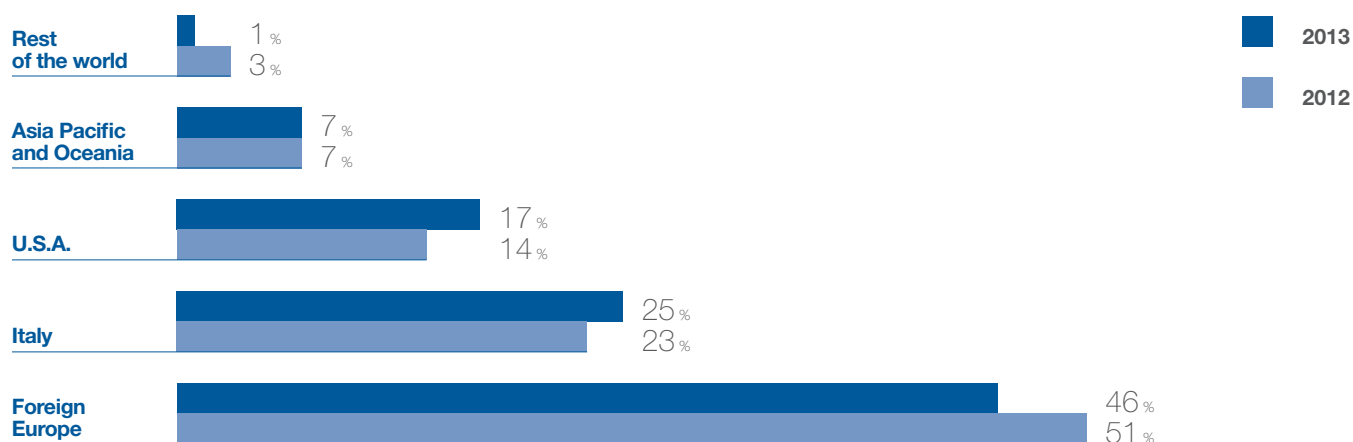
Consolidated **revenues from sales and services** of the Group decreased by Euro 27.3 million compared to 2012, due to the sale of the “EP” business unit; the breakdown of the individual business areas is shown in the table below. The relative percentages changed as follows: (a) the “BCF” business unit increased sales volumes with turnover in line with 2012, due to a slight decrease in sales prices which followed raw material prices, in addition to the new sales activity of base polymers to the Domo Group; (b) the “NTF” business unit reported strong growth in volumes and turnover, with sales prices similar to those for BCF; (c) the “EP” business unit exited the consolidation scope at the end of April 2013.

Consolidated sales outside the Group



The geographic breakdown of consolidated revenues is illustrated in the table below, compared to the previous year.

Consolidated sales outside the Group



The sustained development of revenues in the US market and stability in Asia Pacific and Oceania are highlighted.

Sales in Italy comprise approximately half of polymer sales, with the remainder concerning NTF fibre sales; polymer sales activities of the “EP” business unit concluded at the end of April 2013 due to the sale to third parties of the business unit; sales to domestic clients of the NTF business unit principally concerned leading clients with long-term take or pay supply contracts, which in turn obtain the majority of their revenues from abroad.

Personnel costs decreased slightly from Euro 77.6 million to Euro 76.3 million, due to a number of factors as described below, principally the change in the consolidation scope.

The **EBITDA** was in line with the previous year at Euro 52 million, with a consolidated revenue margin of 11%. Excluding the changes in the consolidation scope from the exit of the “EP” business unit and the entry of the BCF fibre business unit of Aqualeuna, therefore at like-for-like consolidation scope with 2012, **pro-forma EBITDA** would have amounted to Euro 57 million, while pro-forma revenues would have amounted to approx. Euro 490 million.

The **EBIT** increased from Euro 21.5 million to Euro 24.7 million due to lower amortisation/depreciation and reduced doubtful debt provisions. The provisions take into account the client credit risk and the amount of credit risk not covered by the relative insurance policies. The trade receivables of all the companies which sell on the final market are insured with leading debt insurance companies and the hedging of exposure is considered strong and stable compared to the previous year.

Net financial charges decreased due to (a) lower shareholder borrowing costs paid to HC Romeo S.a.r.l. which benefitted from the partial advance repayment of Euro 40 million during the year and (b) the reduction in the overall debt. Net exchange losses totalled Euro 1.1 million.

The **result from discontinued operations** benefitted principally from the gain deriving from the disposal of the “EP” business unit of Euro 25.8 million, net of extraordinary charges from the operation and net of a Euro 4.5 million extraordinary write-down on assets (Cenon S.r.o.) and personnel restructuring charges, as described in the Notes.

Income tax stems from the corporation taxes of the individual countries where income was realised and includes the recognition of deferred tax assets and liabilities, amounting overall to Euro 2.7 million. Current taxes increased from Euro 4.6 million to Euro 5.8 million, due to taxes on profits in foreign countries and the IRES and IRAP taxes on Italian income.

The Group Net Profit for the year was Euro 25.9 million.

GROUP BALANCE SHEET AND FINANCIAL POSITION

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

Reclassified assets (Euro thousands)		31/12/2013	31/12/2012
Fixed assets:			
BI	Intangible assets	11.147	11.443
BII	Property, plant & equipment	153.810	171.245
A,BIII (v. N.I.)	Financial and other Fixed Assets	4.246	4.351
1. Fixed assets		169.203	187.039
Net working capital:			
CI	Inventories	130.702	130.444
CII1-3	Trade receivables	45.344	45.876
CII4bis-5, D	Other receivables	16.674	17.402
D6,D7* (v. N.I.),D9-10	Trade payables	(84.333)	(84.338)
D12-14, E	Other payables	(21.605)	(23.219)
2. Net working capital		86.782	86.165
C	Employee leaving indemnity provision	(7.330)	(7.981)
B	Provisions for risks and charges	(10.769)	(7.206)
B, C	3. Provisions	(18.099)	(15.187)
(1+2+3) = 4. Net capital employed		237.886	258.017

* net of leasing payables

Liabilities reclassified & equity (Euro thousands)		31/12/2013	31/12/2012
Shareholders' equity:			
AI	Share capital	(19.686)	(19.686)
AII-VIII	Reserve	(35.442)	(50.484)
AIX	Net profit	(25.854)	(1.195)
a) Group shareholders' equity		(80.982)	(71.365)
AX	b) Minority interest shareholders' equity	(292)	(696)
1. Total shareholders' equity		(81.274)	(72.061)
Net financial position:			
CIII,CIV,BIII3	Medium/long term securities, liquidity	57.112	50.091
D4 (v. N.I.)	Banks and financial institutions - short term	(78.580)	(61.978)
D4 (v. N.I.)	Bank and financial institutions- Medium/long-term*	(108.740)	(118.978)
D7 (v. N.I.)	Leasing payables	(20.231)	(23.257)
D1,5	Other financial payables	(1.716)	0
a) net financial position - third parties		(152.154)	(154.122)
BIII2, CII4, D11	Receivables from holding companies	26.051	30.980
D3	Shareholder payables - medium/long term	(30.508)	(62.814)
(b) net financial position - shareholders		(4.457)	(31.834)
(a+b) = 2. net financial position		(156.612)	(185.956)
(1+2) = 3. Total of sources		(237.886)	(258.017)

* include the short and m/l term of loan

The **net capital employed** decreased Euro 20.1 million, principally due to the reduction in the net balance of fixed assets for Euro 17.8 million and the increase in the risks provision.

Non-current assets increased due to investments of Euro 23 million and decreased due to disposals, write-downs and exchange differences for Euro 14.8 million and amortisation and depreciation in the year for Euro 26 million; the changes in the year, which are also due to the exit of the "EP" business and the acquisition of the assets of Leuna, are illustrated in the Notes.

The net working capital did not change significantly during the year, as offset by the effects of the exit of the "EP" business and the entry of the BCF fibre business unit.

The provision for risks and charges increased by Euro 3.6 million, due to the decrease in the deferred tax liability provision and an increase in other provisions, as illustrated in the Notes. The changes are principally due to (a) the extraordinary provision for personnel restructuring of the company Aqualeuna G.m.b.H. for Euro 4.9 million and (b) the personnel leaving indemnities of Borgolon S.p.A. for Euro 0.7 million.

Group Shareholders' Equity increased Euro 9.6 million due to the combined effect of the result for the year, translation differences and the distribution of dividends of Euro 15 million; the changes are illustrated in the Notes.

The net debt decreased by Euro 29.3 million, principally relating to the shareholder loan: Specifically, (a) the loan from HC Romeo S.a.r.l. was partially repaid for Euro 40 million, utilising the cash flow from the sale of the "EP" business unit, and increased for interest matured of Euro 7.7 million; (b) the receivable from Aquafin Holding S.p.A. increased by Euro 5.1 million, as the sum of interest matured (Euro 1.8 million), income taxes offset in the national tax consolidation (Euro 0.8 million) and the loan (Euro 2.5 million), and decreased by Euro 10 million for the payable of Aquafil S.p.A. to Aquafin Holding S.p.A., due to the distribution of dividends approved but partially not paid. The changes are illustrated in the Notes.

The net debt – third parties decreased overall by Euro 2 million and includes liquidity held in bank current accounts of Euro 56.1 million and Euro 1 million for securities. Short-term bank debt principally comprises self-financing advances on sales invoices. Medium-long term bank debt decreased due to the repayments due in the year of Euro 45.3 million and increased due to medium term loans received in the year of Euro 35.3 million. Leasing debt decreased due to the payments made in the year of Euro 3 million.

The amount of bank guarantees (Euro 1.7 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 may not be turned into cash.

During the year the company Finest S.p.A., Pordenone, became a shareholder of AquafilCRO d.o.o., with a holding of 24.7% in the share capital: due to the nature of the contract the investment was reclassified under payables to other lenders for Euro 1.7 million.

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, reprocessing and sale of polyamide 6 BCF yarns for the textile flooring market, in which Aquafil is the European leader and the second largest global player. 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 facilities in Rovereto (Italy), Tessilquattro S.p.A., based in Cares (Italy), Julon d.d., with facilities in Ljubljana (Slovenia), Aquaset T.T.S. d.d., based in Store (Slovenia), Aqualeuna G.m.b.H. (ex Aquafil Service G.m.b.H.), in Leuna Germany, Aquafil USA Inc., with facilities in Cartersville (U.S.A.), Aquafil Asia Pacific Co. Ltd., based in Rayong (Thailand), Aquafil Synthetic Fibres and Polymers Co. Ltd., based in Jiaying (China) and Aquafil Benelux-France BVBA, with facilities in Harelbeke (Belgium).

Commercial relations are undertaken with industrial clients, which in turn produce for the intermediate market or for final users; the sectors supplied are the "contract" markets (hotels, offices and public environments), the automotive sector (internal upholstery for cars) 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 regeneration technology.

During the year, the business unit reported higher production levels than the previous year, with a slight increase in unitary margins, although with divergent performances between Europe, which saw a contraction in consumption, and the rest of the world, with growth outstripping local production capacity. The principal event in 2013 was the acquisition of the BCF yarn and reprocessing activities previously carried out by the competitor Xentrys Leuna G.m.b.H.; through this acquisition, Aquafil has extended its production and commercial activity to new types of products, both in the contract and residential sectors, and has broadened the client base. Aqualeuna was fully integrated into the SAP IT system and fully responds to the Group control policies. A part of the Leuna production plant will be dismantled in 2014 and transferred to other Group yarn production sites to extend production capacity: this will ensure an improved capacity to satisfy increasing fibre demand from the US market and the Asia Pacific region and will improve the local client service level in these countries

NTF Business Unit yarns for textile use/clothing

The fibres for textile/clothing are produced by the companies Aquafil S.p.A., Julon d.d., Aquaset T.T.S. d.d. with production site in Senozece (Slovenia), AquafilCRO d.o.o. (ex Bulgari Filati d.o.o.), with facilities in Oroslavje (Croatia), Aquafil Bulgari Iplik a.s., with registered office in Istanbul (Turkey), MTX Fibre S.p.A., with offices in Arco, Borgolon S.p.A., with production site in Varallo Pombia (Italy) and the newly formed Aquafil do Brasil Comercio Ltda (Brazil). The business unit produces and reprocesses 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 markets concerns producers in the clothing, underwear and sportswear sectors. Business unit revenues improved significantly in 2013 (up approx. 7%) compared to the previous year and with unitary margins remaining stable. During the year the fibre reprocessing unit was transferred from the Borgolon S.p.A. facility to extend the existing AquafilCRO facility. Development of the XLA® elastomeric fibre was continued by XLAncé Fibre Italia S.r.l., held 50% by Borgolon S.p.A.; the yarn spinning activities are carried out at the Borgolon S.p.A. facility in Varallo Pombia (NO). During the year the commercial company Aquafil do Brasil Comercio Ltda, San Paolo, Brazil was incorporated; the company carries out limited sales of XLA yarn to the local market.

The company Bulgari Filati d.o.o. changed name to AquafilCRO d.o.o.

Engineering Plastics Business Unit

This business unit was fully sold to the Domo Chemicals N.V. Group. The sales agreement provides for the maintenance of a commercial partnership with the acquiring group for the supply of polyamide 6 products from the polymerisation plant of the Aquafil group and the long-term rental of the Arco industrial complex, in which the disposed plant is located. The operating company which carried out the disposal operation was Aquafil Engineering Plastics S.p.A., Arco, which maintained ownership and management of a number of specific fibre related production assets, which will

be physically transferred to the Aquafil S.p.A facility in 2014, and which maintains ownership of the facility and the relative rental contract to Domo Engineering Plastics Italy S.p.A.. The revenues reported by the business unit in the year until exit from the consolidation scope totalled approx. Euro 33 million.

Energy & Recycling Business Unit

The Group carries out ongoing research and development in the sustainability field for all activities of the various business units. The support particularly concerns (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 the ongoing training of group employees and partnerships with clients and suppliers. During the year, the activities concerned (a) the development and start-up of the ECONYL® polyamide 6 regeneration process, both at the industrial plant and the pilot plant, (b) the technological improvement of the Aquafil S.p.A. tri-generation plant (c) new projects for the reduction of energy consumption, atmospheric emissions, water consumption and the increased separation of waste, which are detailed in the Group Sustainability Report. The Italian factories of the Group use energy produced from renewable resources, whose source is guaranteed by the European certification RECS (Renewable Energy Certificate System).

Other activities

The Slovak company Cenon S.r.o. (Slovakia) does not carry out production activities; it holds a long-term lease of land and of a number of buildings and non-specific plants which remain on the site after the disassembly and sale to third parties of specific plants. These plant were written down in the year for Euro 3.4 million, as a prudent adjustment to current Slovakian property market values. Aquafil Engineering G.m.b.H., Berlin (D) carries out industrial chemical plant engineering for customers outside the Group and during the year achieved strong earnings. Aquafil Service G.m.b.H., which carries out similar activities, is the conferring company of the Xentrys Leuna G.m.b.H. activities and changed name to Aqualeuna G.m.b.H.. 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.

The following table summarises inter-company transactions:

(Euro thousands)	Revenues	Costs	Fin Receivable	Trade Receivable	Fin Payables	Trade Payables
Tessilquattro S.p.A.	87.729,8	77.630,5	0,0	13.376,4	0,0	15.516,8
Aquafabric S.r.l.	0,0	0,0	0,0	0,0	0,0	0,2
Aquafil Engineering G.m.b.H.	0,0	30,8	0,0	0,0	0,0	0,0
Aquafil S.p.A.	273.790,3	258.756,7	40.136,1	31.576,3	20.159,0	42.439,6
AquafilCRO doo	15.805,1	20.934,7	0,0	617,7	0,0	2.078,9
Aquafil Polymers G.m.b.H.	167,4	85,0	0,0	0,0	0,0	0,0
Aquaspace S.p.A.	14.277,3	17.004,7	0,0	4.367,5	0,0	891,9
Aqualys S.A.	0,0	0,0	0,0	3,6	0,0	0,0
Aquafil Engineering Plastics S.p.A.	24.050,1	21.676,9	0,0	1.063,3	33.136,1	11.048,7
Aquafil Tecnopolimeros S.l.	641,0	34,2	0,0	394,9	0,0	0,0
Aquafil Bulgari Iplik A.S.	3.505,4	56,8	1.450,0	33,7	0,0	16,4
MTX Fibre S.r.l.	11.354,8	7,5	3.320,0	496,4	0,0	14,7
Aqualeuna G.m.b.H.	0,0	1,9	0,0	0,0	0,0	0,0
Acme Plastic S.r.l.	1.113,5	18,3	0,0	79,9	0,0	0,0
Aquafin Holding S.p.A.	1.500,0	0,0	36.429,1	5.584,7	0,0	16.209,2
Aquafil USA Inc	37.024,6	1.963,1	0,0	7.128,4	0,0	329,6
Textilna Tovarna Senozece d.d.	13.711,3	14.343,9	3.000,0	1.462,1	0,0	85,4
Julon d.d.	147.791,4	222.395,7	7.000,0	18.129,2	10.000,0	10.593,1
Aquafil Asia Pacific Co. Ltd	7.541,4	193,1	0,0	1.118,0	0,0	11,4
Borgolon S.p.A.	9.128,2	8.467,2	0,0	315,3	4.130,4	1.874,0
Cenon S.r.o.	2,6	0,0	100,0	2,6	0,0	0,0
Aquafil Power S.r.l.	0,4	0,0	0,0	0,5	0,0	0,0
HC Romeo S.a.r.l.	0,0	6.621,0	0,0	0,0	30.508,2	0,0
Aquafil Jiaxing Co. Ltd	5.897,1	67,0	6.420,0	10.327,3	0,0	0,8
Metexa BVBA	0,0	663,8	0,0	0,0	0,0	208,2
GB&P S.r.l.	0,3	976,5	0,0	0,3	0,0	2,0
Xlance Fibre Italia S.r.l.	932,9	0,0	0,0	0,2	0,0	0,0
Aquasava doo	0,0	1.350,0	0,0	0,0	0,0	515,2
Aquafil DO Brasil Comercio LTDA	0,0	0,0	0,0	0,0	0,0	32,1
Aquafin Capital S.p.A.	0,2	0,0	0,0	0,3	0,0	0,0
Aqualeuna G.m.b.H.	2.292,5	9.860,7	5.851,3	3.465,1	0,0	5.388,4
Totale	658.257,6	663.140,0	103.706,5	99.543,7	97.933,7	107.256,6

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 Aquafil Holding S.p.A., which these companies of the Aquafil Group opted for: Aquafil S.p.A., Aquaspace S.p.A., Tessilquattro S.p.A., Aquafil Engineering Plastics S.p.A., Mtx Fibre S.r.l. and Borgolon S.p.A.. Limited commercial transactions have been carried out with related companies of Aquafil Holding S.p.A., which are detailed in the Notes.

The changes in the shareholder loan from HC Romeo S.a.r.l are commented upon in the net financial position section.

During the year, Aquafil S.p.A. approved the distribution of dividends to shareholders for a total of Euro 15 million, of which Euro 5 million has been paid out, while Euro 10 million devolving to Aquafil Holding S.p.A. remains payable.

Subsequently, Aquafil Holding S.p.A. acquired control of the newly incorporated Aquafil Capital S.p.A., with headquarters in Verona, Mutilati 3/D, through transfer of the entire holding in Aquafil S.p.A.. Following this operation, Aquafil Capital S.p.A. became the direct parent company of Aquafil S.p.A., with a holding of 72.71%; the other Aquafil S.p.A. minority interest holdings remained unchanged.

RESEARCH AND DEVELOPMENT ACTIVITY

The research and development activity in 2013 was focused principally on:

- technological improvement and optimisation of the regeneration process of post-industrial waste and ECONYL® post-consumption materials;
- development of new PA6 polymers in order to improve the colouring and dirt resistant features of BCF yarn for textile flooring;
- development of new PA6 polymers for unprocessed yarn applications with improved colouring and thermal treatment stability features;
- development of innovative BCF fibres, with anti-flame, anti-dirt and anti-bacterial characteristics and of micro-fibres for special applications;
- experimental development projects, with the support of external research bodies, on fibre covering through nano-technologies;
- optimisation of energy yields at the production and reprocessing facilities;
- industrial creation of the XLA fibre, through the activities carried out by the new joint venture XLance Fibre Italia S.r.l.;
- development of new titanium dioxide base formulations for yarn production;
- research and development project on the effects of UV rays applied to textile fibres.

Research activity was carried out in collaboration with external research bodies, including the Trento University, the Italian Technological Institute of Genoa, the Maribor University (Slovenia), the Ljubljana Chemical Institute (Slovenia) and the Georgia Institute of Technology (USA).

SUSTAINABILITY

The Aquafil Group continues to invest in sustainability, which is a central part of its development strategy, committed to contribute, together with all employees, to the combining of economic development with the need to protect the planet and social equality; the globalisation of production activities in fact may introduce dynamics which could compromise the future of the coming generations: climate change, pollution, uncontrolled consumption of natural resources, inequality of social structures.

The Group therefore acts through concrete choices, employing a new way of doing business and encapsulated in The Eco Pledge®:

- direct commitment to the ongoing reduction of the impact of production activities
- design of increasingly sustainable products
- a close focus on the needs of all stakeholders and the local communities in the countries which host Group activities
- pursuit of close relations with Clients which consider sustainability as a development strategy, in the firm belief that this path will strengthen our leadership
- ensuring that the Group efficiency policy is fully implemented
- preference of suppliers presenting the best sustainability credentials
- construction and maintenance of the link with the Community, wherever the Group is present and with an eye on developing it further, strengthening the routes of the enterprise in the region through a continual focus on employees.

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;
- b. design of increasingly sustainable products;
- c. involving customers in the procurement of reject products and in co-marketing and awareness-raising actions (Aquafil Reclaiming Program);
- d. training of internal staff on environmental sustainability;
- e. self-producing energy from renewable and low emission sources of carbon dioxide.

The Environmental Team 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.

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 AND INDUSTRIAL RELATIONS

The year featured the organisational and industrial restructuring projects described above, which had the following impacts on Group human resource management:

- 1) *Aquafil Engineering Plastics S.p.A.*: the company workforce decreased from 138 at 31.12.2012 to 32, following the transfer to the company Domo Engineering Plastics S.p.A. of the employees concerning the "EP" business unit sold; the remaining employees will be transferred to Aquafil S.p.A. in the first half of 2014, together with the transfer of the yarn spinning machinery still owned by the company;
- 2) *Aqualeuna G.m.b.H.*: the production unit acquired took on from the conferring Xentrys Leuna G.m.b.H. 232 employees: of these, approx. 130 employees remain in the workforce to carry out operating activities, while the remaining departed the company in the first months of 2014 through the contractual social plan established by local regulations, signed by the company and the social partners. The risks provision covers the total cost of the departure of the employees from the company;
- 3) *Borgolon S.p.A.*: following the transfer of a reprocessing production unit, the Extraordinary Temporary Lay-Off Scheme was utilised following the signing of the mobility agreement. 23,300 hours of the Employee Temporary Lay-Off Scheme were utilised, equalling 40% of total annual hours. The relative risks provision covered the total cost of the procedure concerning the company;
- 4) *Aquaspace S.p.A.*: following the significant slowdown in the market for the specific types of coloured yarn produced by this company, the Extraordinary Temporary Lay-Off Scheme was introduced. 15,800 hours of the Employee Temporary Lay-Off Scheme were utilised, equalling 7.5% of total annual hours;
- 5) *Aquafil S.p.A.*:
 - a) a solidarity contract was signed for the entire year 2013, for a total of 41,700 hours under the solidarity programme, equal to 4.3% of total annual hours;
 - b) the Trade Union agreement was renewed concerning the participation bonus and the second level contract;
- 6) *Tessilquattro S.p.A.*: the Ordinary Lay-Off Scheme was requested for 648 hours, equal to 0.2% of total annual hours.

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

Overall, Group employees increased from 2,138 to 2,429, an increase of 291 employees: apart from the increase previously commented upon concerning Aqualeuna G.m.b.H. of 232 employees and the decrease of Aquafil Engineering Plastics S.p.A. of 106, the most significant increases concerned AquafilCRO d.o.o. for 96 employees, Julon d.d. for 31 employees, Aquafil Synthetic Fibres and Polimers (Jiaxing) Co. Ltd. for 29 employees and Tessilquattro S.p.A. for 8 employees.

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.

HEALTH, SAFETY AND THE ENVIRONMENT

In relation to workplace health and safety, 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. The Parent Company and its Italian subsidiaries utilised the analysis instrument "Risk valuation document" established by Legislative Decree No. 81/2008.

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

The risk index (the frequency index x gravity index) of accidents at the Group production sites significantly improved on the previous year and confirms the ongoing improvement of recent years, testament to the significant investments which the company continues to make both in plant and in prevention and training at all company levels. At the Groups Italian facilities, the "Zero accident" project was launched, which seeks to further involve all personnel in the safety culture.

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.

In Aquafil S.p.A. the project for the adoption of the OHSAS 18001 operating system to achieve integrated certification with ISO 9001 and ISO 14001 was introduced and training activities commenced, which will continue in 2014, also through specific ongoing activities.

Aquafil S.p.A. and Aquaspace S.p.A., are subject to the EU "Integrated Pollution Prevention and Control" (IPPC) regulation and achieved the renewal of the integrated Environmental Authorisation for the coming five-year period.

In 2013 no accidents with environmental impact occurred.

At the Group Italian facilities, the plant updating requirements in line with the fire prevention certifications were implemented.

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 associated with economic conditions

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

The international economic crisis continued in 2013, with a consequent impact on financial institutions, industrial enterprises and more in general on consumption. The reduction 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:

- significant geographic diversification with sales and production both distributed throughout the world and a focus on local production in consuming countries,
- a strong leadership position in its "core" sector,
- a continual drive to innovation and attention to market developments,
- an approach highly focused on production range diversification towards sustainable products and therefore compatible with the future protection of the planet.

Liquidity risks connected with net cash requirements

The Group offsets liquidity risk, the risk that the available financial resources are not sufficient to meet maturing financial and commercial obligations, through an integrated management of the financial needs of the individual Group companies and with a global approach to the sources of financing of the various regions in which it operates. 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. However, although credit remains restricted in the European financial system, and in particular in Italy, the Group met the financial obligations for the medium-term operations planned within the budget for 2013, maintaining the balance between short and medium-term sources of finance, also thanks to the geographic diversification of funding. The Group continues 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.

Strategic risks

Strategic risks include factors affecting opportunities for and threats to the business. The Group is exposed to authorisation risks, risks concerning the delay of the development or entry into commercial use of new initiatives, risks concerning the increase in operating costs and material and services costs, risks concerning possible changes to existing technology, in addition to risks related to the development of the political and regulatory framework of certain countries, in which the group operates, which may change the competitive arena.

To limit these risks the Aquafil Group continues actions aimed at:

- gaining new business opportunities in terms of geographic areas and business segments, also relating to the procurement of raw materials;
- continually assessing 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 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.

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, Chinese Yuan and Australian Dollar).

Movements in exchange and interest rates could negatively affect the financial results of the Group.

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 instruments.

Industrial accidents

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.

Commercial credit risk

In the scenario of present economic weakness, the Group is exposed to the risks connected with delays in customer payments or in general with 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.

The Group offsets the exposure to credit risk related to the possibility of insolvency (default) and/or in the deterioration of the credit rating of a counterparty 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 corporate information are utilised both to initially evaluate the reliability and for on-going monitoring of the economic and financial situation of clients.

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.

Process risk deriving from IT systems

The Group business operations are supported by integrated information systems underlying the technical, commercial, logistic and administrative issues. Risks which may impact the business outlook and results concern:

- a. the adequacy of the systems and the integrity and confidentiality of data and information,
- b. the risk to the interruption of activities due to systems fault,
- c. new forms of IT attacks arising.

The Aquafil Group offsets these risks (a) through the use of highly secure configuration hardware and software architecture for applications in support of critical activities, (b) use of "disaster recovery" services to retrieve data rapidly and consistently with the security levels required by the business activities and (c) adoption of high security and procedural standards/advanced authentication and profiling systems for access to databases and networks.

MANAGEMENT AND CO-ORDINATION ACTIVITY

The controlling shareholder of Aquafil S.p.A. is Aquafin Capital S.p.A., in turn controlled by Aquafin Holding S.p.A., following the conferment operation carried out by this latter in 2013.

Aquafin Capital S.p.A. holds 72.71% of the share capital and does not perform direction or coordination activities in relation to Aquafil S.p.A. under Article 2497 of the Italian Civil Code, as only exercising shareholder's rights and claims and is not in charge of any management activity of the company, which is entirely entrusted to the autonomous operation of the Board of Directors of Aquafil S.p.A..

OTHER INFORMATION

Treasury shares

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

Group IRES (Corporate Income Tax) taxation procedure

Aquafil S.p.A., Aquafil Engineering Plastics S.p.A., Aquaspace S.p.A., Tessilquattro S.p.A., MTX Fibre S.r.l. and Borgolon S.p.A. use the group taxation procedure as chosen by Aquafin Holding S.p.A. for the 2013-2015 three-year period in accordance with Article 177 and subsequent of Pres. Decree 917/86.

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

Secondary offices

No secondary offices were established.

SUBSEQUENT EVENTS

Management and control model in accordance with Legs. Decree 231/2001

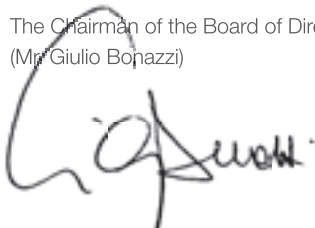
The Aquafil Group launched the project for the adoption of the organisation, management and control model as per Legislative Decree No. 231 of June 8, 2013, with mapping of the risk and control areas of the company and preparation of the organisation and operating model, including the conduct code and operating procedures. The model will be submitted for adoption by the Boards of the Group's Italian companies, with contemporaneous involvement of the organisational structures of the foreign subsidiaries.

OUTLOOK

The European fibres market in the first months of the year shows signs of recovery after a prolonged period of stability. The US market confirmed significant growth levels. The raw materials market does not report significant increases or decreases. Although the uncertainty stemming from the long-standing weakness of the domestic and international economy continues, based on these indicators, the Aquafil Group - thanks also to its market leadership position and the competitive advantages related to the technological specifications of its product range - expects to further grow global market share of its core textile flooring fibre business, with the objective to improve upon the consolidated revenues and profits achieved in 2013.

Arco, March 31, 2014

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

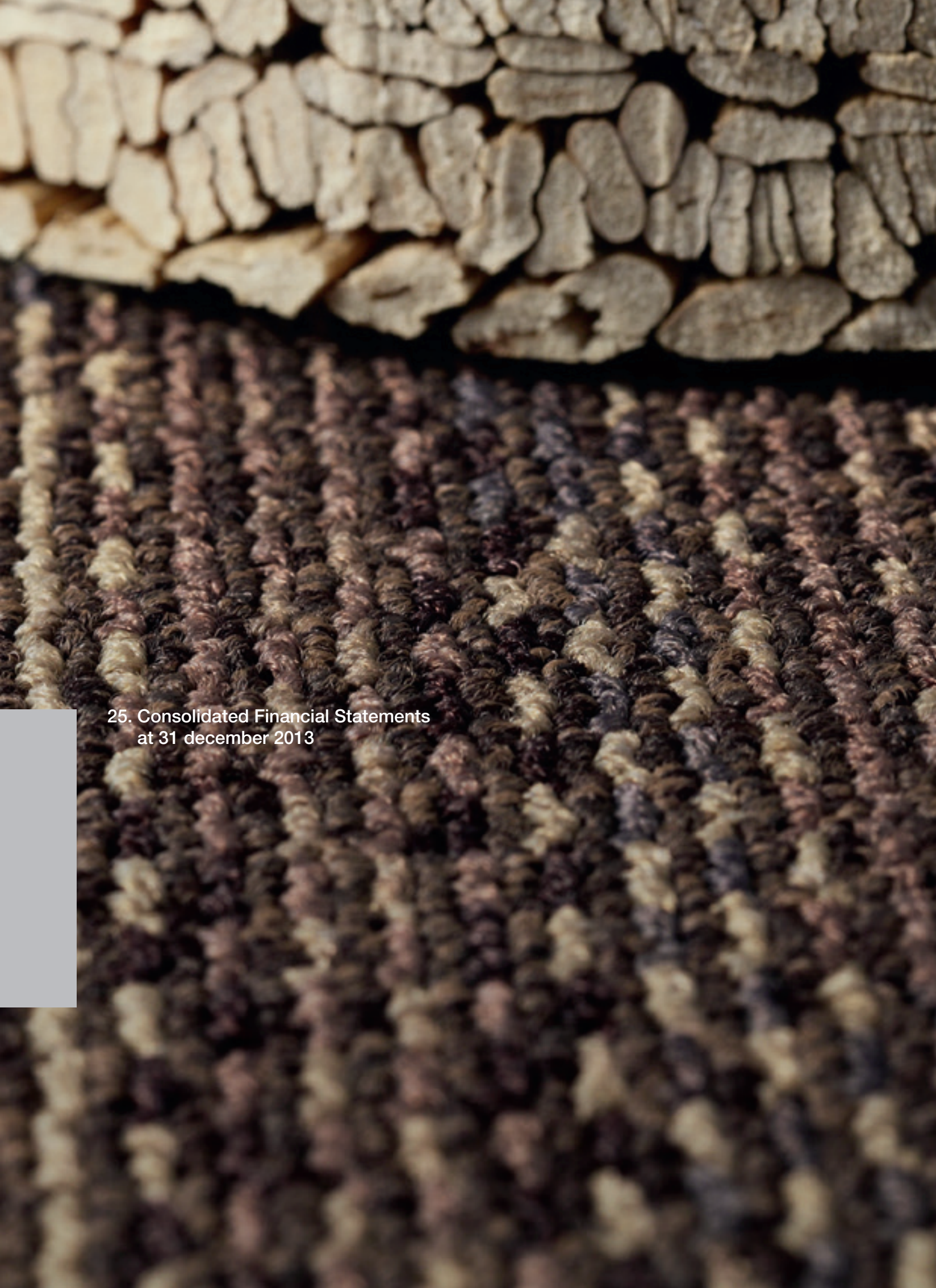




BCF

(yarn for textile floorings)

With our yarns, beautiful and comfortable carpets are being produced everyday. Thanks to our regenerated ECONYL® yarn, these carpets are sustainable and can be utilized for many generations to come



25. Consolidated Financial Statements
at 31 december 2013

ASSETS**A) SUBSCRIBED CAPITAL UNPAID**

Called up	0	0
Not called up	0	0
TOTAL SHAREHOLDER RECEIVABLES	0	0

B) NON-CURRENT ASSET

I) INTANGIBLE ASSETS

1) Formation, start-up and similar costs	257	265
2) Research, development and advertising costs	0	0
3) Patent and intellectual property rights	3.027	3.521
4) Concessions, licenses, trademarks and similar rights	692	555
5) Goodwil	0	0
5-bis) Consolidation difference	405	585
6) Assets under development and payments on account	277	1.481
7) Other intangible assets	6.489	5.036
	11.147	11.443

II) TANGIBLE ASSETS

1) Land and buildings	84.195	87.216
2) Plant and machinery	59.874	76.755
3) Industrial and sales equipment	1.054	1.883
4) Other tangible assets	1.485	1.075
5) Assets under construction and payments on account	7.202	4.316
	153.810	171.245

III) NON-CURRENT FINANCIAL ASSETS

1) Investments in:

a) Subsidiaries	0	0
b) Associated companies	2.898	283
c) Parent companies	0	0
d) Other companies	1.188	794
	4.086	1.077

2) Accounts receivable:

a) Subsidiaries		
due within 1 year	0	0
due after 1 year	0	0
	0	0
b) Associated companies		
due within 1 year	0	300
due after 1 year	0	2.811
	0	3.111
c) Parent companies		
due within 1 year	3.168	2.523
due after 1 year	33.261	29.608
	36.429	32.131
d) Other accounts receivable		
d.1) other Group companies		
due within 1 year	0	0
due after 1 year	0	0
	0	0
d.2) other debtors		
due within 1 year	4	5
due after 1 year	156	158
	160	163

3) Other securities

	1.000	1.000
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4) Own shares

	0	0
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TOTAL NON-CURRENT ASSETS	206.632	220.170
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C) CURRENT ASSETS

I) INVENTORIES

1) Raw materials, supplies and consumable stores	48.467	44.738
2) Products in course of manufacture and semifinished goods	0	309

ASSETS

3) Contract work in process	0	0
4) Finished goods and merchandise	82.115	85.287
5) Advances	120	110
	130.702	130.444

II) CURRENT ACCOUNTS RECEIVABLE:

1) Customers		
due within 1 year	48.055	48.033
due after 1 year	74	212
Less: allowance for doubtful receivables	(3.261)	(3.895)
	44.868	44.350

2) Subsidiaries		
due within 1 year	1	0
due after 1 year	0	0
	1	0

3) Associated companies		
due within 1 year	475	1.526
due after 1 year	0	0
	475	1.526

4) Parent companies		
due within 1 year	5.585	3.435
due after 1 year	0	0
	5.585	3.435

4-bis) Tax receivables		
due within 1 year	5.487	6.018
due after 1 year	379	96
	5.866	6.114

4-ter) Deferred tax assets		
due within 1 year	1.795	1.735
due after 1 year	4.382	5.420
	6.177	7.155

5) Others		
5. a) other Group companies		
due within 1 year	4	4
due after 1 year	0	0
	4	4

5. b) other debtors		
due within 1 year	3.438	2.782
due after 1 year	0	0
	3.438	2.782

TOTAL RECEIVABLES	66.414	65.366
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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) Own shares	0	0
6) Other securities	0	0
	0	0

IV) CASH AND CASH EQUIVALENTS:

1) Cash at banks and post offices	55.048	47.742
2) Cheques	1.038	1.330
3) Cash and cash equivalents on hand	26	19
	56.112	49.091

TOTAL CURRENT ASSETS	253.228	244.901
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D) RATEI E RISCANTI

- Other accrued income and prepaid expenses	1.189	1.347
- Issue discounts and other expenses	0	0

TOTAL ACCRUED INCOME AND PREPAID EXPENSES	1.189	1.347
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TOTALE ASSETS	461.049	466.418
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LIABILITIES AND EQUITY**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	3.937
V) RESERVE FOR OWN SHARES IN PORTFOLIO	0	0
VI) STATUTORY RESERVES	0	0
VII) OTHER RESERVES	31.464	46.506
VIII) PROFITS (LOSSES) CARRIED FORWARD	0	0
IX) PROFIT (LOSS) FOR THE YEAR	25.854	1.195
GROUP SHAREHOLDERS' EQUITY	80.982	71.365
X) NET EQUITY ATTRIBUTABLE TO MINORITY INTEREST	292	696
Minority interest	292	696
TOTAL GROUP AND MINORITY SHAREHOLDERS' EQUITY	81.274	72.061

B) PROVISIONS FOR LIABILITIES AND CHARGES

1) Pension funds and similar charges	0	0
2) Provision for taxes	3.073	5.498
3) Other provisions	7.696	1.708
TOTAL PROVISIONS FOR LIABILITIES AND CHARGES	10.769	7.206

C) STAFF TERMINATION PAY

7.330	7.981
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D) ACCOUNTS PAYABLE

1) Bonds		
due within 1 year	0	0
due after 1 year	0	0
	0	0
2) Convertible bonds		
due within 1 year	0	0
due after 1 year	0	0
	0	0
3) Shareholders financial payables		
due within 1 year	0	0
due after 1 year	30.508	62.814
	30.508	62.814
4) Amounts due to banks		
due within 1 year	125.296	111.268
due after 1 year	62.024	69.688
	187.320	180.956
5) Amounts due to other lenders		
due within 1 year	1.716	0
due after 1 year	0	0
	1.716	0
6) Advances		
due within 1 year	5.451	5.754
due after 1 year	0	0
	5.451	5.754
7) Suppliers		
due within 1 year	80.297	79.978
due after 1 year	18.814	21.764
	99.111	101.742
8) Debt instruments payable		
due within 1 year	0	0
due after 1 year	0	0
	0	0
9) Subsidiaries		
due within 1 year	0	0
due after 1 year	0	0
	0	0

LIABILITIES AND EQUITY

10) Associated companies		
due within 1 year	0	99
due after 1 year	0	0
	0	99
11) Parent companies		
due within 1 year	15.965	4.586
due after 1 year	0	0
	15.965	4.586
12) Taxes payable		
due within 1 year	4.173	3.887
due after 1 year	0	0
	4.173	3.887
13) Accounts payable to social security institutions		
due within 1 year	2.743	2.846
due after 1 year	0	0
	2.743	2.846
14) Other accounts payable		
14. a) other Group companies		
due within 1 year	515	75
due after 1 year	0	0
	515	75
14. b) other creditors		
due within 1 year	6.815	7.012
due after 1 year	2.645	2.780
	9.460	9.792
TOTAL ACCOUNTS PAYABLE	356.962	372.551
E) ACCRUALS AND DEFERRED INCOME		
- Other accruals and deferred income	4.714	6.619
- Issue premiums	0	0
TOTAL ACCRUALS AND DEFERRED INCOME	4.714	6.619
TOTAL LIABILITIES AND EQUITY	461.049	466.418
MEMORANDUM ACCOUNTS		
GUARANTEES TO PARENT COMPANIES	0	13.015
BANK GUARANTEES RECEIVED FROM THIRD PARTIES	1.757	4.757

INCOME STATEMENT**A) OPERATING REVENUES**

1) REVENUES FROM SALES AND SERVICES	472.161	499.484
2) CHANGE IN INVENTORIES OF PRODUCTS IN COURSE OF MANUFACTURE, SEMIFINISHED AND FINISHED GOODS	1.791	(111)
3) CHANGE IN INVENTORIES OF CONTRACT WORK IN PROCESS	0	0
4) CAPITALISATION OF INTERNAL CONSTRUCTION COSTS	1.886	4.282
5) OTHER REVENUES AND INCOME:		
- grants related to income	439	1.190
- other revenues and income	3.206	3.501
	3.645	4.691
TOTAL OPERATING REVENUES	479.483	508.346

B) OPERATING COSTS

6) RAW MATERIALS, SUPPLIES, CONSUMABLE STORES AND MERCHANDISE	(269.209)	(280.561)
7) SERVICES	(82.686)	(88.577)
8) RENT, LEASING AND SIMILAR COSTS	(4.898)	(2.974)
9) PERSONNEL COSTS:		
a) salaries and wages	(60.765)	(60.654)
b) social security	(13.278)	(14.396)
c) staff termination pay	(2.300)	(2.555)
d) pension and similar costs	0	0
e) other costs	0	0
	(76.343)	(77.605)
10) AMORTISATION, DEPRECIATION AND WRITE-DOWNS		
a) amortisation of intangible assets	(3.129)	(3.420)
b) depreciation of tangible assets	(23.281)	(24.413)
c) write-down of intangible and tangible assets	0	0
d) write-down of current accounts receivable and of cash and cash equivalents	(811)	(2.614)
	(27.221)	(30.447)
11) CHANGES IN INVENTORIES OF RAW MATERIALS, SUPPLIES, CONSUMABLE STORES AND MERCHANDISE	7.896	(4.387)
12) PROVISION FOR RISKS	(77)	(108)
13) OTHER PROVISIONS	(150)	(272)
14) SUNDRY OPERATING COSTS	(2.057)	(1.888)
TOTAL COSTS OF PRODUCTION	(454.745)	(486.819)

OPERATING PROFIT (A-B)**24.738****21.527****C) FINANCIAL INCOME AND CHARGES**

15) INCOME FROM INVESTMENTS:		
- in subsidiaries	0	0
- in associated companies	0	36
- in other companies	42	60
	42	96
16) OTHER FINANCIAL INCOME:		
a) from non-current accounts receivable		
- from subsidiaries	0	0
- from associated companies	35	18
- from parent companies	1.499	1.424
- other companies	0	0
	1.534	1.442
b) from non-current securities other than shares	0	0
c) from current securities other than shares	26	30
d) income other than the above:		
- interest and commission income from subsidiaries	0	0
- interest and commission income from associated companies	0	0
- interest and commission income from parent companies	0	0
- interest and commission income from others	216	140
	216	140
17) INTEREST EXPENSE AND OTHER FINANCIAL CHARGES		
- subsidiaries	0	0
- associated companies	0	0
- parent companies	0	0
- others	(17.920)	(20.465)

INCOME STATEMENT

17-bis) EXCHANGE GAINS/LOSSES	(1.147)	(169)
TOTAL FINANCIAL INCOME AND CHARGES	(17.249)	(18.926)
D) IMPAIRMENT OF FINANCIAL ASSETS		
18) REVALUATIONS		
a) of investments	21	28
b) of non-current financial assets other than shares	0	0
c) of current securities other than shares	0	0
	21	28
19) WRITE-DOWN		
a) of Group companies investments	(428)	0
b) of non-current financial assets other than shares	0	0
c) of current securities other than shares	0	0
	(428)	0
TOTAL IMPAIRMENTS TO FINANCIAL ASSETS	(407)	28
E) EXTRAORDINARY INCOME AND CHARGES		
20) EXTRAORDINARY INCOME		
- gains on disposals	28.790	0
- other extraordinary income	277	307
	29.067	307
21) EXTRAORDINARY CHARGES		
- losses on disposals	(44)	(2)
- prior years' taxes	(234)	(106)
- other extraordinary charges	(7.215)	(926)
	(7.493)	(1.034)
Total extraordinary income and charges	21.574	(727)
PROFIT BEFORE TAXES (A-B+-C+-D+-E)	28.656	1.902
22) INCOME TAXES FOR THE YEAR		
- current taxes	(5.838)	(4.625)
- differed taxes	3.092	(3.980)
Total income taxes for the year	(2.746)	(645)
RESULT FOR THE YEAR INCLUDING THE PORTION ATTRIBUTABLE TO MINORITY INTEREST	25.910	1.257
23) PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO MINORITY INTEREST	56	62
23) PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	25.854	1.195

NTF

(yarn for textile
and clothing industry)

The yarn produced by
the NTF division has multiple
applications from sportswear
to underwear. The leading
brands in this division are
Dryarn® and ECONYL®





35. Notes to the Consolidated Financial Statements

Notes to the financial statements

Form and content of the financial statements

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

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

The financial statements included in the consolidated accounts are prepared as at 31/12/2013, 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 January 17, 2003 and previous legislation. Additional information is also provided when deemed necessary to present a true and fair view, even if such disclosures are not required by specific legislation.

On August 1, 2013, the parent company Aquafin Holding S.p.A. transferred the investment of Aquafil S.p.A. into the company Aquafin Capital S.p.A., with registered office at Via dei Mutilati No. 3/d and Verona company registration No. 04197570239. From this date, the direct parent company of Aquafil S.p.A. has been Aquafin Capital S.p.A..

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 31/12/2013 were the following:

COMPANIES CONSOLIDATED LINE-BY-LINE (*amounts translated at the exchange rates prevailing at December 31, 2013)

Name and offices of the company	Share capital at Dec. 31, 2013 Euro	% of direct ownership	Additional indirect shareholding through	% of indirect ownership	% of total ownership	% of voting rights
Aquafil S.p.A. - Via Linfano, 9 Arco (TN)	19.685.556	100,00%			100,00%	100,00%
Aquafil Engineering Plastics S.p.A., Via Linfano, 9 - Arco (TN)	5.000.000	100,00%			100,00%	100,00%
Tessilquattro S.p.A., Via Linfano, 9 - Arco (TN)	3.380.000	100,00%			100,00%	100,00%
Aquaspace S.p.A., Via Linfano, 9 - Arco (TN)	2.600.000	0,00%	Tessilquattro	100,00%	100,00%	100,00%
Aquafil USA Inc., 1 Aquafil Drive, Cartersville - Georgia GA (USA)	5.148.285	100,00%			100,00%	100,00%
Julon d.d., Letaliska Cesta, 15 - Ljubljana (Slovenia)	13.135.728	100,00%			99,90%	99,90%
Aquaset TTS d.d.- Letaliska Cesta, 15 - Ljubljana (Slovenia)	496.578	0,00%	Julon	100,00%	100,00%	100,00%
Aquafil CRO d.o.o., Milana Prpiča 114 - 49243 Oroslavje (Croatia) (1)	6.556.087	100,00%			100,00%	100,00%
Aquafil Bulgari Iplik Tekstil Sanayi Ve Ticaret A.S. - Turgutreis Mah. Giyimkent-Atisalani-Eseler-Istanbul (Turkey)	362.777	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 (Slovakia)	26.472.681	99,64%			99,64%	99,64%
Aquafil Asia Pacific Co. Ltd - 300/31 Moo 1 Eastern Seaboard Industrial Estate-Rayong (Thailand)	1.194.497	99,99%			99,99%	99,99%
Aqualeuna G.m.b.H. - Am Haupttor - Bau 3116 06237 Leuna DE	2.325.000	100,00%			100,00%	90,00%
Aquafil Synthetic Fibres and Polymers (Jiaxing) Co. Ltd No 338 North Changsheng Road, Jiaxing 314033 - PR China	7.267.478	100,00%			100,00%	100,00%
Aquafil Benelux-France B.V.B.A. Evolis 102 8530 Harelbeke (Belgio)	20.000	99,90%	Mtx Fibre	0,10%	100,00%	100,00%
Aquafil Do Brasil Comercio LTDA-Av. Do Berimbau 106 - S.Paulo	39.907	99,99%			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.:
 - Acme Plastics S.r.l. (ex Aquafil Distribution S.r.l.) - Via della Tecnica, 11/A - Correggio (RE), held for 22%;
 - Aquafil Tecnopolimeros S.I. - Priorat, 56-58 Pol. Ind. Can Carner - Castellar del Vallès (Spain) - held for 40% and completely written-down as liquidation procedure begun by the Company in January;

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

Aquafil Polymers G.m.b.H. – Muellersstrasse, 13 -Buchholz (Germany) – held for 30%, exited the consolidation scope following its sale to third parties.

Compared to 2012, the consolidation scope has changed as follows:

- Julon d.d.:
During the year, the company increased its holding in Julon d.d. due to the purchase from third parties of 296 shares for a nominal value of Euro 18,707. After this operation, Aquafil S.p.A. holds 314,779 shares, corresponding to 100% of the share capital of Julon d.d., totalling Euro 13,135,728.
- AquafilCRO d.o.o.:
AquafilCRO d.o.o. is the new name of the company Bulgari Filati d.o.o. since 2013. The company also increased the share capital without cash consideration from HRK 22,730 thousand to HRK 32,030 thousand, through the utilisation of 2012 profits for HRK 9,300 thousand.
Against an investment project targeting market share growth in Europe, a further share capital increase was approved from HRK 32,030 thousand to HRK 50,000 thousand.
Aquafil S.p.A., which owned 100% of the share capital of AquafilCRO d.o.o., signed an agreement with the company FINEST S.p.A. (Financial Company promoting Economic Cooperation with Eastern European Countries) – Via dei Molini 4 – 33170 Pordenone, reserving part of the subscription, equal to 24.7% of the share capital of AquafilCRO d.o.o.. Finest S.p.A. paid HRK 12,340 thousand, equivalent to Euro 1,665 thousand and Aquafil S.p.A. paid HRK 5.630 thousand, equivalent to Euro 738 thousand.
The terms and conditions which govern the investment and the subsequent repurchase by Aquafil S.p.A. were established in a private agreement. In consideration of this contractual agreement, the holding of Aquafil S.p.A. in AquafilCRO d.o.o., for the purposes of the preparation of the consolidated financial statements, was calculated including the share of AquafilCRO d.o.o., formally held by Finest S.p.A., as held by Aquafil S.p.A.. The expected future payment for the repurchase in future years is shown in the account “Amounts due to other lenders”.
- Aquaset TTS.:
AquafilCRO d.o.o. increased its holding in the company Aquaset TTS to 100% of the share capital following the acquisition of 10,304 shares from minority interests for a nominal amount of HRK 777 thousand, equivalent to Euro 102 thousand.
In November 2013, Julon d.d. repurchased from AquafilCRO d.o.o. the shareholding in the company Aquaset TTS, which it had sold in 2011, at the market value of Euro 1,781 thousand. The value was confirmed by an independent expert’s opinion. From the sale AquafilCRO d.o.o. recognised the loss of HRK 1,907 thousand, equivalent to approx. Euro 250 thousand.
- Aquafil Engineering Plastics S.p.A.:
In March 2013, Aquafil S.p.A. incorporated the company Aquafil EP S.r.l., with registered office in Via Linfano No. 18 – 38062 Arco (TN), share capital of Euro 10,000 with a view to the spin-off of the business unit relating to the production of techno-polymers for moulding, an operation within the scope of the subsequent sale of the company to the Domo Chemicals NV Group, Zwijnaarde (Belgium), together with holding of the group companies Aquafil USA Inc, Atlanta (USA) and Aquafil Fibre and Polymers (Jiaxing) Jiaxing (China).
The transfer by Aquafil Engineering Plastics S.p.A. to the company Aquafil EP S.r.l. of production plant and working capital relating to the activities took place on April 24, 2013. On May 31, 2013, the company Aquafil EP was sold to the Domo Chemicals Group. Subsequently, the group companies Aquafil USA Inc, Atlanta (USA) and Aquafil Fibre and Polymers (Jiaxing) Jiaxing (China), incorporated respectively the companies Aquafil EP North America and Jiaxing Aijia, conferring to them the above-mentioned plastic engineering activities. Subsequently, the new companies were sold to Aquafil Engineering Plastics S.p.A., which in turn sold them to the Domo Chemicals Group. From the operation Aquafil Engineering Plastics S.p.A. realised an overall gain of Euro 28.8 million.
- Aqualeuna G.m.b.H.:
Aquafil S.p.A. acquired a further 10% of the share capital of Aquafil Services G.m.b.H. –Duesterhauptstrasse 13 Berlin (Germany), with share capital of Euro 2,325,000, thus increasing its holding to 100% of the company. In November 2013, Aquafil Service G.m.b.H. acquired the business unit from the company Xentrys Leuna G.m.B.H., Leuna (Germany), a competitor of Aquafil S.p.A. in the special synthetic fibre sector for the textile flooring sector, held by Domo Chemicals NV, Mederzwijsnaarde 2, 9052 Zwijnaarde, RPR Gent, Belgium, consisting of nylon 6 fibre BCF production plant and working capital.
The company changed the corporate purpose, the registered office and the name of the company to Aqualeuna G.m.b.H. - Am Haupttor Bau 3116 - 6237 Leuna (Germany).

The following companies entered the consolidation scope:

- Aquafil Do Brasil Comercio LTDA.:
In February 2013, Aquafil S.p.A. incorporated the commercial company Aquafil Do Brasil Comercio LTA, a Brazilian registered company, with share capital of Real 130,000 (approx. Euro 41 thousand). Aquafil S.p.A. holds 99.99% of the share capital of the company, comprising 129,999 shares, for a total value of Real 129.999.

The following companies exited the consolidation scope:

- Aquafil Power S.r.l.:
The company was sold to the subsidiary Aquafin Holding S.p.A..

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 income statement.

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

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

Equity method consolidation

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

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

The exchange rates applied are as follows:

	December 2013 Year-end exch. rate	December 2012 Average exch. rate
US Dollar	1,3791	1,32812
Croatian Kuna	7,6265	7,57862
Chinese Yuan	8,3491	8,16463
Turkish Lira	2,9605	2,53354
Thai Baht	45,1780	40,82971
Brazilian Real	3,2576	2,86866

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 Income Statement and these accompanying Notes, were prepared in accordance with the provisions governing consolidated accounts laid down under Legislative Decree No. 127 of April 9, 1991, as interpreted and supplemented by the accounting standards issued by the Consiglio Nazionale dei Dottori Commercialisti ed Esperti Contabili (National Council of Professional and Chartered Accountants) and by the Organismo Italiano di Contabilità (Italian Accounting Board) and, where required, by the International Accounting Standards Committee (IASC) as approved in Italy by the Commissione nazionale per le società e la borsa (Consob, Italian Securities and Exchange Commission).

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

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

INTANGIBLE ASSETS

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

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
1. Buildings and light construction	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 under non-current assets

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

Current financial assets

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

Inventories

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

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

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

Stores are valued at their weighted historical cost.

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

Receivables

Receivables are recorded at their realisable value.

Cash and cash equivalents

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

Accruals and prepayments

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

Provisions for risks and charges

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

The provisions reflect the best estimate based on the information available.

Staff termination pay

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

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

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.

MEMORANDUM ACCOUNTS

Guarantees, commitments, third-party assets held and risks

Risks relating to secured and unsecured guarantees given are reported in the memorandum accounts as the amount of the guarantee given; if the amount guaranteed at the balance sheet date is less than the guarantee given, this is indicated in the present notes. Risks that are likely to give rise to a liability are described in the notes and the related provisions recorded in accordance with the adequacy of the provision for risks.

Risks that will only possibly give rise to a liability are described in the notes without however making a provision in accordance with the relevant accounting principles applied. The memorandum accounts report the notional value of currency and commodities hedging contracts in place at June 30, 2013, converted into Euro at the forward exchange rate, as these are considered, exclusively from an accounting viewpoint, of a speculative nature.

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 2013-2015 pursuant to article 117 and ff. of the Income Tax Code. In addition to Aquafil S.p.A., the tax consolidation procedure includes Aquafil Engineering Plastics S.p.A., Tessilquattro S.p.A., Aquaspace S.p.A., Borgolon S.p.A. and Mtx Fibre S.r.l..

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

TRANSLATION OF FOREIGN CURRENCY ACCOUNTS

Accounts receivable and accounts payable originally denominated in foreign currencies are translated into Euro at the rate at the end of the financial year, and any positive or negative difference is carried to the income statement. 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.

The amounts in the present explanatory notes are expressed in thousands of Euro, unless otherwise specified.

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 (Euro Thousands)

	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	442	4.689	4.424	1.481	12.732	9.326	33.093
Accumulated amortisation	177	1.168	3.869	0	7.696	8.741	21.651
Total at December 31, 2012	265	3.521	555	1.481	5.036	585	11.443
Increases	1	34	342	168	2.198	152	2.895
Decreases	0	0	-43	0	-491	-19	-553
Reclassifications	0	-20	38	-1.251	1.425	0	193
Write-downs	0	0	0	0	0	0	0
Change in the consolidation scope	-8	0	0	-121	0	0	-129
Exchange differences	-5	0	-4	0	-11	0	-20
Total historical cost	430	4.703	4.757	277	15.854	9.459	35.481
Increases	3	513	243	0	2.056	314	3.129
Decreases	0	0	-43	0	-381	0	-424
Reclassifications	0	-5	0	0	5	0	0
Write-downs	0	0	0	0	0	0	0
Change in the consolidation scope	-5	0	0	0	0	0	-5
Exchange differences	-1	0	-4	0	-12	0	-16
Total accum. amort. at December 31, 2013	174	1.676	4.066	0	9.364	9.054	24.334
Residual value at Dec. 31, 2013	257	3.027	692	277	6.489	405	11.147

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.

Other intangible assets mainly refer to leasehold improvements. The increase in the year of Euro 2,198 thousand almost entirely concerns costs incurred by Aquafil S.p.A. for consultancy concerning the commercial launch of the new ECONYL® fibre products, for the roll-out project of Aqualeuna, of new software for the management of logistical data and other ICT projects, in addition to the capitalisation of substitute tax and related expenses for new mortgages and loans.

At December 31, 2013, Goodwill arising on consolidation amounted to Euro 413 thousand and refers to the following companies (in thousands of Euro):

	December 2013	December 2012
Aquafil Power S.r.l.	0	19
Aquafil Benelux-France BVBA	283	566
Aqualeuna G.m.b.H.	129	0
Totale	413	585

- 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 in the year. This consolidation goodwill is amortised on a straight-

line method over 5 years and the amortisation for 2013 was Euro 283 thousand.

- The consolidation goodwill of an initial amount of Euro 152 thousand attributed to Aqualeuna G.m.b.H. refers to the difference between the purchase cost and the net equity equal to 10% of the share capital of the company, acquired during the year. This consolidation goodwill is amortised on a straight-line method over 5 years and the amortisation for 2013 was Euro 30 thousand.

TANGIBLE ASSETS (Euro Thousands)

	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	106.236	332.526	9.666	5.868	4.316	458.612
Revaluations	19.050	1.237	15	7	0	20.309
Write-downs	0	-7.302	0	0	0	-7.302
Total historical cost at December 31, 2012	125.286	326.461	9.681	5.875	4.316	471.621
Accumulated depreciation at December 31, 2012	38.070	249.706	7.798	4.800	0	300.374
Net value at December 31, 2012	87.216	76.755	1.883	1.075	4.316	171.245
Increases	1.022	9.910	65	848	8.618	20.463
Decreases	-243	-24.261	-798	-451	-666	-26.419
Reclassifications	704	4.171	105	-73	-5.022	-116
Revaluations	0	0	0	0	0	0
Write-downs	-500	-2.974	0	0	0	-3.474
Change in the consolidation scope	0	0	0	0	0	0
Exchange differences	-581	-1.460	-18	-59	-44	-2.162
Total historical cost at December 31, 2013	125.689	311.848	9.035	6.140	7.202	459.914
Depreciation	3.560	18.632	714	375	0	23.281
Utilisations	-44	-15.350	-582	-424	0	-16.400
Reclassifications	0	0	64	-64	0	0
Change in the consolidation scope	0	0	0	0	0	0
Exchange differences	-93	-1.014	-13	-33	0	-1.153
Total Accum. Depr. at December 31, 2013	41.494	251.974	7.981	4.654	0	306.103
Residual value at December 31, 2013	84.195	59.874	1.054	1.486	7.202	153.810

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

The additions for the year totalled Euro 20,463 thousand, with net disposals of Euro 10,019 thousand, of which historical value amounts to Euro 26,419 thousand, and are composed of as follows:

• Land and buildings

Increases: amounting to Euro 1,022 thousand. These break down as follows:

- AquafilCRO d.o.o., increase of Euro 713 thousand for the construction of a new warehouse for storage of raw materials and finished products;
- The remaining portion of investments relates to improvements to the real estate assets of the other companies included in the consolidation area.

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

Increases: amounting to Euro 19,441 thousand. These break down as follows:

- Aquafil S.p.A.: the overall increase is equal to Euro 2.4 million, of which Euro 1.6 million refer to the item "Assets under construction and payments on account". The investments refer to the upgrading of existing production plant.
- Tessilquattro S.p.A.: total increase of Euro 1.1 million for the acquisition of machinery to increase the capacity of the wringing line;
- Aquafil USA Inc.: the overall increase was Euro 1.4 million, for improvements on existing plant;
- Aquafil Jiaying Ltd.: the increase of Euro 1.5 million concerns the increase in the production capacity of the yarning plant;
- AquafilCRO d.o.o.: the increase of Euro 1.8 million concerns the extension of the texturising plant;
- Aqualeuna G.m.b.H.: the increase amounts to Euro 6.4 million and relates to yarn and reprocessing plant and machinery with the necessary sevice plant deriving from the acquisition of the BCF business unit from the company Xentryx Leuna G.m.b.H.;
- Julon d.d.: the overall increase is Euro 4 million, of which Euro 3.6 million refers to the item "Assets under construction and payments on account". The increases are as follows:
 - increase in the production capacity of the plant relating to the ECONYL® project for Euro 1.5 million;

- increase in the production capacity of the twisted-fixed department and improvements to the existing plant;

The remaining part of investments refers to improvements made on the existing plant of other companies included in the consolidation.

Net decreases: Net decreases amounted to Euro 10,019 thousand and principally relate to the spin-off operation involving Aquafil Engineering Plastics S.p.A., totalling Euro 6.5 million in Aquafil Engineering Plastics S.p.A., Euro 1.1 million in Aquafil USA Inc. and Euro 0.8 million in Aquafil Jiaxing Ltd..

Write-downs: In the current year, the Directors approved the write-down of fixed assets in the subsidiary Cenon S.r.o. relating to real estate and the residual service plant relating to the caprolactam and cyclohexanone production plant, totalling Euro 3,474 thousand. After this operation, the net book value of the fixed assets, principally relating to real estate amounted to Euro 3 million at December 31, 2013.

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.

Mortgages are registered on corporate assets for a total amount of Euro 135,425 thousand to secure the loans granted and broken down under the item "Amounts due to banks", in addition to the shares held in Aquafil USA Inc. and pledged to secure the loan raised by it with Regions Bank.

FINANCIAL ASSETS

a) Investments in associated companies

Investments in associated companies at 31/12/2013 totalled Euro 4,086 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 50.7 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;

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

- in Xlance Fibre Italia S.r.l. 50% of the share capital which amounts to Euro 100,000. During the year Borgolon S.p.A. made a share capital payment totalling Euro 3,083 thousand through the irrevocable waiver of the interest bearing loans with the company for the same amount. After this increase the investment in the company Xlance Fibre Italia S.r.l. amounted to Euro 3,138 thousand and was recorded in the consolidated financial statements under the equity method for Euro 2,848 thousand after the write-down in the current year of Euro 290 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. Company activities are still focused on the development of 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 € 1,188 thousand.

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

- 250,000 shares for a nominal value of Euro 1 in the share capital of ReEnergy Capital s.c.a. for a nominal value of Euro 250,000.
- 665,504 shares for a nominal value of Euro 1, with share premium of Euro 253,876, in the share capital of La Finanziaria Trentina S.p.A. and therefore for a total Euro 919,380, after the acquisition in 2013 of 315,504 shares for Euro 394,380.

Receivables

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	Decreases	Reclassifications	Closing balance
within 12 months					
Aquafil Tecnopolimeros S.l.	300	0	300	0	0
TOTAL	300	0	300	0	0
over 12 months					
Aquafil Tecnopolimeros S.l.	875	0	875	0	0
Xlance Fibre Italia S.r.l.	1,936	1,147	0	3,083	0
TOTAL	2.811	1.147	875	3.083	0

In detail:

- The loan to Aquafil Technopolymeros S.L. was received during 2013 for Euro 275 thousand. At the end of 2013, following contractual agreements and the placing in liquidation of the company Aquafil Technopolymeros S.L., Aquafil Engineering Plastics S.p.A. wrote down the residual receivable of Euro 900 thousand due from the associated company. Considering also the receivable classified under the current asset account "Receivables from associated companies" the total write-down amounted to Euro 1,117 thousand. Following this write-down, a residual receivable of Euro 394 thousand was recorded, which will be repaid in 2014 in accordance with the scheduled repayment terms agreed.
- Borgolon S.p.A., in relation to which reference should be made to the account "Investments in associated companies".

Receivables from holding companies

The table below shows the movements in financial transactions.

	Opening balance	Increases	Reclassifications	Closing balance
within 12 months				
Aquafin Holding S.p.A.	2.523	322	322	3.168
over 12 months				
Aquafin Holding S.p.A.	29.608	3.653	0	33.261
TOTAL	32.131	3.976	322	36.429

Increases:

The increases concern the capitalisation of interest for Euro 1.5 million and the granting of a new loan of Euro 2.5 million by Aquafil S.p.A..

Reclassifications:

The interest in the year 2012 was reclassified from the current asset account "Receivables from Parent Companies".

The loans were granted by Aquafil S.p.A. and by Julon dd to Aquafin Holding S.p.A. respectively for Euro 29,752 thousand and Euro 6,677 thousand, of which Euro 3,168 thousand maturing within 12 months.

The receivables are of a financial nature and interest bearing.

Other receivables

d2) "other receivables" mainly refer to guarantee deposits paid to suppliers and small employee loans.

Other securities

This accounts consists of :

Deposit Certificates from the Banco Popolare Emilia Romagna – Nominal value Euro 1 million, duration 29/08/2011 – 29/08/2014 at fixed rate 3%. These securities are restricted until April 30, 2014 on an unsecured loan of Euro 3 million granted by the issuing bank to Aquafil S.p.A..

CURRENT ASSETS

INVENTORIES

Inventories at 31/12/2013 are composed of as follows (in thousands of Euro):

	December 2013	December 2012
1) Raw materials, supplies and consumable stores	48.467	44.738
2) Products in course of manufacture and semifinished goods	0	309
4) Finished goods and merchandise	82.115	85.287
5) Advances	120	110
TOTAL	130.702	130.444

The account includes an obsolescence provision of Euro 505 thousand.

RECEIVABLES

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

	December 2013	December 2012
1) Customers	44.868	44.350
2) Subsidiaries	1	0
3) Associated companies	475	1.526
4) Parent companies	5.585	3.435
4) BIS Tax receivables	5.866	6.114
4) TER Deferred tax assets	6.177	7.155
5) a) Other Group companies	4	4
5) b) Other debtors	3.438	2.782
TOTAL	66.414	65.366

Analysis by geographic region (Euro Thousands):

	Italy	Europe	North America	Rest of the World	TOTAL
1) Customers	14.707	14.379	7.318	8.464	44.868
2) Subsidiaries	1	0	0	0	1
3) Associated companies	80	395	0	0	475
4) Parent companies	5.585	0	0	0	5.585
4) BIS Tax receivables	1.341	3.120	3	1.402	5.866
4) TER Deferred tax assets	4.209	1.319	178	471	6.177
5) a) Other Group companies	0	4	0	0	4
5) b) Other debtors	2.576	434	99	329	3.438
TOTAL	28.499	19.650	7.598	10.666	66.414

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 3,261 thousand was set aside. The allowance for doubtful receivables recorded at December 31, 2012 for Euro 3,895 thousand was utilised for Euro 1,445 thousand in relation to write-offs and increased by Euro 811 thousand after a provision for the year. The effect of exchange rates was Euro 3 thousand.

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

Receivables from associated companies

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

	December 2013	December 2012
Aquafil Polymers G.m.b.H.	0	83
Aquafil Tecnopolimeros S.l.	395	699
Acme Plastic S.r.l.	80	725
Xlance Fibre Italia S.r.l.	0	19
TOTAL	475	1.526

Receivables from parent companies

These refer to receivables due within 12 months from the parent company Aquafil Holding S.p.A. equal to Euro 5,585 thousand, deriving from tax receivables of Euro 5,442 thousand of some companies which opted for the consolidated taxation regime and from ordinary commercial transactions of Euro 143 thousand.

Tax receivables

The breakdown is as follows (Euro Thousands):

	December 2013	December 2012
Tax receivables within 12 months		
Income taxes	442	196
VAT receivables	4.717	3.990
Withholding taxes	137	158
Interest	76	76
Tax receivables Law 296/09	4	4
Other tax credits	85	1.272
Other tax receivables	24	33
VAT receivable relating to bad debts	0	288
TOTAL	5.487	6.018
Tax receivables over 12 months		
VAT receivable relating to bad debts	379	96
TOTAL	379	96

Deferred tax assets

The breakdown is as follows (Euro thousands):

	December 2013	December 2012
Deferred tax assets within 12 months		
losses carried forward	0	167
allowance for receivables	652	570
sales rep. and maintenance expenses	127	197
other	136	89
losses carried forward	0	0
gains	236	236
exchange differences	0	119
personnel	246	57
inventory write-down	399	299
TOTAL	1.795	1.735
Deferred tax assets after 12 months		
losses carried forward	642	1.179
allowance for receivables	5	208
other provisions	237	199
sales rep. and maintenance expenses	84	152
exchange differences	5	5
amortisation, depreciation, leasing costs	2.059	2.136
supplementary indemnity prov. for agents	205	268
depreciation on tangible asset revaluation	728	774
depreciation on asset write-downs	338	420
risks on derivatives	0	0
inventory write-down	79	79
non-deductible interest	0	0
TOTAL	4.382	5.420

In particular the receivables for losses carried forward decreased by Euro 688 thousand due to the profits of the company Aqualeuna G.m.b.H..

The recognition of the deferred tax asset on tax losses carried forward was made in compliance with the principle of prudence 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 the group company Aqualys S.A..

Other debtors due within 12 months.

	December 2013	December 2012
Receivables from others within 12 months:		
Sundry advances	6	6
Employees	3	32
Other receivables	252	94
Pension and social security institutions	342	48
Public administration	1.841	1.721
Advances to suppliers	138	97
Other advances	414	629
Earnings equalisation fund	443	156
TOTAL	3.438	2.782

The receivables from the public administration 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), which will be fully paid in 2014. The grant is recognised to the income statement in proportion to the advancement of costs incurred for the project.
- In 2013, Trento Province under Provincial Law 6/99 issued a grant of Euro 367,900 in relation 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 remaining 50% will be issued on the conclusion of the project expected during 2014. The grant is recognised to the income statement 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 2013	December 2012
1) Cash at banks and post offices	55.048	47.742
2) Cheques	1.038	1.330
3) Cash and cash equivalents on hand	26	19
TOTAL	56.112	49.091

The item mainly relates to the balance at year-end of the Group companies current accounts. Euro 906 thousand on the Banca Commerzbank current account is restricted of the company Aquafil Engineering G.m.b.H. 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 Euro):

	December 2013	December 2012
Accrued income:		
Interest on securities	4	0
Grants	6	6
Interest on other receivables	39	20
Other	127	357
TOTAL	176	383
Prepaid expenses:		
Insurance premiums	109	138
Leasing	6	10
Rental expense	6	8
Guarantees	30	31
Other	525	510
Fairs and exhibitions	51	61
ICT Consulting	161	34
Leasing maintenance	81	85
Employees	8	26
Tax and administrative consulting	36	61
TOTAL	1.013	964
TOTAL ACCRUED INCOME AND PREPAID EXPENSES	1.189	1.347

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

Notes to the main liability and equity accounts

CONSOLIDATED GROUP NET EQUITY

The total of Euro 80,982 thousand breaks down as follows (in thousands of Euro):

Balance sheet items	31.12.2012	Changes in the year					31.12.2013
		Allocation profit previous year	Change consolidation scope	Translation difference	Dividends and reclassification	Net profit	
I. Share capital	19.686						19.686
II. Share premium reserve	0						-
III. Revaluation reserves	41						41
IV. Legal reserve	3.936						3.936
VII. Other reserves	46.508	1.195	(11)	(1.226)	(15.000)		31.466
VIII. Retained earnings	0						-
IX. Net profit for the year	1.195	(1.195)				25.854	25.854
Total Group shareholders' equity	71.365	0	(11)	(1.226)	(15.000)	25.854	80.982
Profit for the year - minority interest	0	0				56	56
Minority interest shareholders' equity	696		(340)		(120)		236
Total shareholders' equity - Minority Interest	696	0	(340)	0	(120)	56	292
Total Group and Minority Interest net equity	72.061	0	(351)	(1.226)	(15.120)	25.910	81.274

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 remains unchanged compared to the previous year after reaching the minimum limit required by Article 2430 of the Civil Code.

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 34,100 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 292 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, 2013

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, 2013 (Euro thousands) is shown below:

	Result for the year	Shareholders' equity
Shareholders' equity and result as reported in the annual accounts of the Parent Company	26.091	81.643
lease accounting according to Aquafil S.p.A. financial method	(395)	38
derecognition of effects of inter-group operations	317	(9)
different valuation of investment in AquafilCRO in consolidated accounts	(19)	(529)
other	(141)	(161)
Shareholders' equity and result for the year attributable to the Group	25.854	80.982
Shareholders' equity and result for the year attributable to the minority	56	292
Shareholders' equity and result as reported in the consolidated balance sheet	25.910	81.274

PROVISIONS FOR RISKS AND CHARGES

Provisions for taxes

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

	December 2013	December 2012
Gains on assets sales	0	171
Leasing	502	1.287
Fiscal adjustment and accum. deprec.	107	246
Other adjust. in application of Group accounting standards	2.465	3.794
TOTAL	3.073	3.073

Other provisions

The account amounts to Euro 7,696 thousand and is principally comprised of risk provisions of Euro 4,937 thousand relating to the restructuring of the production site which Aqualeuna G.m.b.H. recognised following the acquisition of the business unit, of the agent supplementary indemnity of Euro 826 thousand, of the personnel mobility provision of the company Borgolon S.p.A. of Euro 711 and provisions for other risks and charges of Euro 1,222 thousand of various Group companies.

STAFF TERMINATION PAY

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

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

	December 2013	December 2012
Opening balance	7.981	8.371
Change in consolidation scope	0	0
Provisions	115	359
Utilisations	766	750
TOTAL	7.330	7.981

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 356,962 thousand. The amounts due after 5 years are indicated separately. The analysis is provided below.

	December 2013	December 2012
3) Amounts due to shareholders	30.508	62.814
4) Amounts due to banks	187.320	180.956
5) Amounts due to other lenders	1.716	0
6) Advances	5.451	5.754
7) Amounts due to suppliers	99.111	101.742
10) Amounts due to associated companies	0	99
11) Amounts due to parent companies	15.965	4.586
12) Taxes payable	4.173	3.887
13) Amounts due to social security institutions	2.743	2.846
14) b) Other creditors	9.460	9.792
14) a) Other Group companies	515	75
TOTAL	356.962	372.551

Analysis by geographic region (Euro thousands):

	Italy	Europe	North America	Rest of the World	TOTAL
3) Amounts due to shareholders	0	30.508	0	0	30.508
4) Amounts due to banks	133.649	36.247	15.615	1.809	187.320
5) Amounts due to other lenders	1.716	0	0	0	1.716
6) Advances	2.500	2.835	0	115	5.451
7) Amounts due to suppliers	35.794	56.799	5.260	1.257	99.111
11) Amounts due to parent companies	15.965	0	0	0	15.965
12) Taxes payable	1.703	614	1.837	20	4.173
13) Amounts due to social security institutes	2.259	480	0	4	2.743
14) a) Other Group companies	0	515	0	0	515
14) b) Other creditors	7.681	1.500	0	279	9.460
TOTAL	201.267	129.498	22.712	3.485	356.962

Amounts due to shareholders

The loan of an original Euro 45,000,000 granted by the Luxembourg company HC Romeo S.a.r.l. on September 24, 2009, secured by pledge on the Italian and EC registered trademarks "Aquafil" and "ECONYL®", was partially repaid in May 2013 for Euro 20 million and was extended on September 26, 2013 for Euro 49,977,379. Subsequently, two further tranches were repaid totalling Euro 20 million in November and December 2013. The balance at December, 31 2013 of this account amounts to Euro 30,508,159.

The conditions governing the loan are as follows:

interest: 12.60% p.a;

maturity first anniversary of the payment, extendable on a yearly basis up to September 2018;

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 2013				Balances at December 2012
	within 12 months	over 12 months within 5 years	over 5 years	Total	
Current accounts	260			260	822
Currency advances	0			0	0
Export advances	28.588			28.588	30.201
Import financing	11.024			11.024	0
Advances on invoices	37.822			37.822	30.803
Other payables	885			885	152
	78.579	0	0	78.579	61.978
Loans:					
Abanka	4.750	3.000	0	7.750	13.750
HVB Splitska banca	700	3.129	0	3.829	1.821
SKB banca	2.660	0	0	2.660	3.500
Cassa Centrale Casse Rurali Trentine	1.018	516	0	1.534	2.534
Banca di Verona	3.070	1.930	0	5.000	1.556
Gorenjska Banka	5.602	6.002	0	11.603	17.196
Mediocredito Trentino Alto Adige	0	0	0	0	1.480
Cassa Rurale Valsabbia Paganella	196	241	0	437	0
Cassa Rurale Rovereto	646	2.843	0	3.489	4.119
TMB Bank	608	404	0	1.012	1.695
Credito Valtellinese	3.182	6.560	0	9.742	2.003
Biverbanca	970	0	0	970	2.489
Cassa Risparmio di Bolzano	1.271	969	0	2.240	3.490
Postna Banka Slovenije	4.000	0	0	4.000	3.000
Cassa Rurale Raiffeisen Alto Adige	1.004	173	0	1.177	2.472
Banca Popolare di Sondrio	1.778	3.556	0	5.334	7.369
Banca Popolare di Milano	2.214	3.000	0	5.214	7.000
Banca Antonveneta	3.220	3.960	0	7.180	10.400
Cassa Rurale Alto Garda	0	0	0	0	309
Regions Bank	984	6.796	0	7.780	8.053
Credito Piemontese	0	0	0	0	129
Banca Popolare di Verona	1.500	2.271	0	3.771	4.375
Banca Popolare Emilia Romagna	973	1.712	0	2.685	1.721
Sparkasse	667	167	0	834	1.500
Nova Ljubljanska Banka	857	0	0	857	2.143
Volksbank	1.286	3.429	0	4.715	6.000
Banco Popolare	0	0	0	0	885
ICBC Bank	0	0	0	0	2.529
Banca di Legnano	0	0	0	0	460
Banca di Trento e Bolzano	1.665	1.762	0	3.427	5.000
GE Capital	1.500	6.000	0	7.500	0
Banca Popolare di Vicenza	396	2.604	0	3.000	0
Finest	0	1.001	0	1.001	0
Total loans	46.717	62.024	0	108.741	118.978
Total due to banks	125.296	62.024	0	187.320	180.956

With reference to the loans, company assets have been mortgaged to the value of Euro 135,425 thousand, in addition to the shares owned in Aquafil USA Inc. and pledged to secure the loan received from Regions Bank.

Amounts due to other lenders

The account includes the payable to Finest S.p.A. for the repurchase of AquafilCRO d.o.o. amounting to Euro 1,716 thousand, guaranteed by sureties given by Aquafil S.p.A..

Advances

This account includes advance payments received from customers for supplies not yet delivered for Euro 5,451 thousand and principally refer for Euro 2,088 thousand to Aquafil Engineering G.m.b.H., for Euro 2,893 thousand to Aquafil S.p.A. and for Euro 422 thousand to the company Mtx Fibre S.r.l..

Amounts due to suppliers

	December 2013	December 2012
within 12 months		
Third party suppliers	78.410	77.075
Liabilities for leasing - Due within 12 months	1.887	2.903
TOTAL	80.297	79.978
over 12 months		
Third party suppliers	470	1.411
Liabilities for leasing - Due over 12 months	18.344	20.353
TOTAL	18.814	21.764
TOTAL	99.111	101.742

Amounts due for leases after 5 years amounted to Euro 12.2 million.

Amounts due to parent companies

Payables due within 12 months amount to Euro 15,965 thousand and principally relate to payables to the parent company Aquafil Holding S.p.A and specifically:

- payables for taxes for the option made by some Italian companies of the Aquafil Group for participation in the consolidated taxation regime for Euro 5,996 thousand;
- payable of Aquafil S.p.A. for dividends approved but partially not paid totalling Euro 9,967 thousand.

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

	December 2013	December 2012
within 12 months		
Tessilquattro S.p.A.	3.277	2.570
Aquafil S.p.A.	9.967	0
Aquafil Engineering Plastics S.p.A.	2.695	1.985
MTX Fibre S.r.l.	3	5
Borgolon S.p.A.	23	25
TOTAL	15.965	4.586

Tax payables

The total of Euro 4,173 thousand breaks down as follows (in thousands of Euro):

	December 2013	December 2012
within 12 months		
IRAP	0	740
Withholding taxes	1.380	1.792
VAT	231	821
Other payables	280	291
Other taxes	2.282	243
TOTAL	4.173	3.887

Payables to social security institutions

These total Euro 2,743 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 within 12 months amount to Euro 6,815 thousand and principally refer to employee payables of Euro 5,864 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, 2014, an annual payment of the payable by installments of Euro 46.5 million expiring on September 1, 2014 for the acquisition of 10% of the subsidiary Aquafil Services G.m.b.H., now Aqualeuna G.m.b.H., in addition to insurance payables.

Payables due after 12 months amount to Euro 2,645 thousand and refer to guarantee deposits of customers of Euro 2,500 thousand and to the payable by installments with maturity September 1, 2015 – September 1, 2017 for the purchase of the 10% shareholding of the subsidiary Aqualeuna G.m.b.H..

There are no payables due after 5 years.

ACCRUALS AND DEFERRED INCOME

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

	December 2013	December 2012
Accrued expenses:		
Loans and borrowing	1.638	2.631
Insurance	59	64
Other	1.003	870
TOTALE	2.700	3.565
Deferred income:		
Grants for plant and machinery	1.605	2.420
Other	83	0
Grants ex provincial law 6/99	326	633
TOTAL	2.014	3.053
TOT. ACCR. EXP. AND DEF. INCOME	4.714	6.618

- Interest payable on loans and borrowings include accrued interest on the shareholder loan, calculated from September 25, 2013 to December 31, 2013, equal to Euro 1,046 thousand.
- Deferred income relating to plant and machinery grants of Euro 1,605 thousand mainly refer to the grants 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 of Aquafil S.p.A. previously commented in the paragraph dedicated to "Receivables from others".

MEMORANDUM ACCOUNTS

Guarantees received

Guarantees for Euro 1,757 thousand were given to Aquafil S.p.A. as warranty for the return of products in relation to commercial contracts.

Derivative financial instruments

During the year no new contracts were signed. Details of derivative instruments are reported in the following table.

Institute	Type	Notional value	Commencement	Maturity
Banca Popolare di Verona	IRS	3,125,000	28/03/2012	28/03/2016
Banca Popolare di Milano	IRS	6,000,000	21/03/2012	30/06/2016
Cassa Centrale Banca	IRS	1,545,815	20/03/2012	30/06/2015
Banca Popolare di Sondrio	IRS	5,333,333	31/07/2012	31/07/2016
Banca Antonveneta	IRS	3,600,000	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 2013	December 2012
by business line		
Polyamide, polypropylene and other polymers, ammonium sulphate and other chemical derivatives	456.808	486.241
Engineering	7.389	7.050
Other revenues	7.964	6.193
TOTAL	472.161	499.484
per area geografica		
Italy	115.844	111.727
Abroad	356.317	387.757
TOTAL	472.161	499.484

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

	December 2013	December 2012
Acme Plastic S.r.l.	1.114	2.660
Aquafil Tecnopolimeros S.l.	641	1.773
Aquafil Polymers G.m.b.H.	0	575
TOTAL	1.755	5.009

Capitalisation of internal constructions

The aggregate, which amounts to Euro 1,886 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 2013	December 2012
Personnel grants	37	33
Other	402	1.156
Grants in P&L	439	1.189
Other revenues and income		
Rental income	316	26
Gains on fixed assets disposal	211	42
Insurance compensation	57	132
Recovery of expenses	177	164
Prior year income	3	22
Other income	1.886	2.619
Utilisation of other provisions	0	496
Utilisation doubtful debt provision	62	0
Software fees	264	0
Tax consultant and directors recoveries	230	0
Other revenues and income	3.206	3.502
TOTAL	3.645	4.691

Grants concerning income of Euro 439 thousand relates to the grant received on the research project referred to in the account "Receivables from others within 12 months" of Euro 293 thousand, the "De minimis" on leases for Euro 13 thousand, personnel training grants for Euro 37 thousand and the grant of Euro 95 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.

OPERATING COSTS

Raw materials, supplies, consumable stores and merchandise

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

	December 2013	December 2012
Raw materials and semifinished goods	239.883	250.143
Supplies and consumable stores	23.595	23.051
Other purchases and merchandise	5.731	7.367
TOTAL	269.209	280.561

Services

The breakdown is as follows (Euro thousands):

	December 2013	December 2012
External processing	2.332	1.734
Transport of purchases	1.974	1.914
Electricity, propulsive energy, water and gas	35.778	36.467
Maintenance	5.467	5.665
Warehousing, management of external deposits	2.679	4.536
Cleaning and security	1.096	1.140
Waste disposal	1.404	1.274
Stationery	214	239
Post and telephone charges	371	425
Insurance	1.440	1.283
Services for staff	601	576
Technical consultancy	943	1.395
Fees for technical assistance	93	176
Commercial consultancy	12	115
Legal, tax and administrative consultancy	1.080	1.077
Company expenses	28	35
Membership fees	278	261
Newspapers and magazines	32	27
Enasarco commissions and contributions	3.084	3.970
Travelling	1.848	1.693
Commercial information	105	86
Fairs and exhibitions	187	284
Advertising expenses	433	597
Insurance credits	830	932
Entertainment expenses	540	717
Transport of sales	12.976	14.326
Other sale expenses	833	649
Other services	584	350
Emoluments for Statutory Auditors	197	203
Emoluments for Directors	1.451	1.940
Temporary work	312	267
Canteen	629	691
Non-bank charges and commissions	248	195
Consulting and rental costs ICT assist.	2.610	3.339
TOTAL	82.686	88.577

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 1,283 thousand and Euro 93 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 S.p.A.	Statutory Audit	86
Aquafil S.p.A.	Audit of Consolidated Accounts	16
Aquafil Engineering Plastic S.p.A.	Statutory Audit	7
Aquaspace S.p.A.	Statutory Audit	9
Borgolon S.p.A.	Statutory Audit	16
MTX Fibre S.r.l.	Statutory Audit	10
Tessilquattro S.p.A.	Statutory Audit	11
TOTAL		155

The amounts refer to the proposals approved by the respective shareholders' meetings for the 3-year period 2013-2015 and include quarterly reviews.

Rents, leasing and similar costs

The breakdown is as follows (Euro thousands):

	December 2013	December 2012
Rent	2.040	770
Industrial rent	1.727	1.377
Operating leasing	1.097	782
Leasing fees	9	0
Commercial rent	26	45
TOTAL	4.898	2.974

The significant increase in rental charges concerned Julon d.d. for the rental of a factory from the Aquafin Holding S.p.A group company Aquasava d.o.o..

Personnel costs

Personnel costs are broken down in the income statement.

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

	December 2013	December 2012	Average
Production workers	1.892	1.614	1.753
Office staff	466	451	459
Middle managers	39	41	40
Managers	32	32	32
TOTAL	2.429	2.138	2.284

Compared to the previous year, employee numbers increased by 291. In particular, the increase of 232 employees compared to the previous year follows the acquisition of the business unit by Aqualeuna G.m.b.H..

The total cost also includes the temporary labour cost.

Amortisation, depreciation and write-downs

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

	December 2013	December 2012
a) Amortisation intangible assets	3.129	3.420
b) Depreciation tangible assets	23.281	24.413
c) Other write-downs of assets	0	0
d) Write-downs curr. accounts receiv. & cash available	811	2.614
TOTAL	27.221	30.447

Provisions for risks

The provision amounts to Euro 77 thousand and refers to the supplementary indemnity provision for agents.

Other provisions

This refers to a prudent provision of Euro 150 thousand of Aquafil Engineering Plastics S.p.A. to cover any liabilities which could arise in relation to the spin-off operation.

Other operating costs

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

	December 2013	December 2012
Non-deductible VAT	42	55
ICI (Council tax)	862	902
Various taxes	123	122
Capital losses on disposal of assets	133	44
Losses on receivables	8	0
Rounding	0	0
Bonuses to customers	2	3
Other costs	693	709
Scholarships	24	21
Sanctions and fines	1	32
Penalties on waste	170	0
TOTAL	2.057	1.888

FINANCIAL INCOME AND CHARGES

INVESTMENT INCOME

Investment income from other companies for Euro 42 thousand concerns dividends received by Aquafil S.p.A. for dividends distributed by Trentina Finanziaria S.p.A. for Euro 21 thousand and from Re Energi Capital for Euro 21 thousand.

OTHER FINANCIAL INCOME

Income from non-current receivables amounts to Euro 1,534 thousand and relates to interests on loans to the parent company Aquafin Holding S.p.A. for Euro 1,499 thousand and the associated company Xlance Fibre Italia S.r.l. for Euro 35 thousand.

Other income comprises (Euro thousands):

	December 2013	December 2012
Miscellaneous interest	4	31
Interest income on bank accounts	204	107
Interest income from customers	8	2
TOTAL	216	140

INTEREST EXPENSE AND OTHER FINANCIAL CHARGES

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

	December 2013	December 2012
Interest expense on HC Romeo Sarl loan	6.621	7.261
Interest exp. on current accounts with banks	732	831
Interest on mortgage loans	3.261	3.952
Interest on bank borrowings	0	26
Interest expense to other lenders	147	30
Interest expense on export advances	1.404	1.499
Interest expense on import loans	300	478
Discounts on commercial bills	1.133	1.308
Factoring expense	201	160
Interest expense on commercial operations	21	16
Interest payable to leasing companies	379	618
Bank expenses and commissions	669	723
Cash discounts	3.052	3.563
TOTAL	17.920	20.465

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.

WRITE-DOWNS

The item relates to the cost arising from the write-down of shareholdings in associated companies according to the equity method and specifically Euro 137 thousand concerning Aquafil Technopolimeros SI and Xlance Fibre Italia S.r.l. for Euro 291 thousand.

EXTRAORDINARY INCOME AND CHARGES

INCOME

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

	December 2013	December 2012
Gains on assets disposal	28.790	0
Prior year income	143	244
Prior years' taxes	41	0
Other extraordinary income	56	59
Collection of bad debts	37	4
TOTAL	29.067	307

As already reported in the changes in the investments of the companies included in the consolidation scope, the gain was almost exclusively realised by the company Aquafil Engineering Plastics S.p.A. following the conferment and subsequent sale of the company Aquafil EP srl..

CHARGES

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

	December 2013	December 2012
Losses on asset disposals	35	
Losses on sale of investments	9	2
Prior years' taxes	234	106
Prior year charges	78	356
Other extraordinary charges	2.880	101
Personnel mobility charges	784	469
Fixed asset write-downs	3.474	0
TOTAL	7.494	1.034

The extraordinary charges relate to costs concerning the conferment project relating to Aquafil Engineering Plastics S.p.A., including extraordinary remuneration to the Directors.

Fixed asset write-downs refers to service plant and property write-downs of the Slovakian chemical company Cenon S.r.o., as previously outlined. The "personnel mobility charges" refers almost exclusively to the provision of the company Borgolon S.p.A. following the restructuring project of the company in course, relating to the expected leaving incentive charges.

INCOME TAXES

The breakdown is as follows (Euro thousands):

	December 2013	December 2012
Current taxes:		
Current taxes - Ires	1.912	2.515
Current taxes - Irap	1.183	1.522
Other taxes	2.743	588
Total	5.838	4.625
Deferred taxes:		
Ires - Deferred tax assets and liabilities	(2.870)	(3.829)
Irap - Deferred tax assets and liabilities	(36)	34
Other deferred tax assets and liabilities	(186)	(185)
Total	(3.092)	(3.980)
TOTAL	2.746	645

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 2013-2015 three-year period in accordance with Article 177 and ff. of the Income Tax Code.

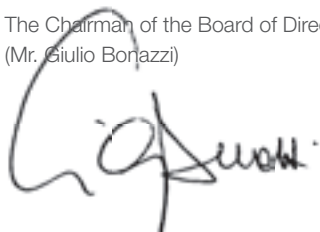
Therefore, the financial statements take account of the effects of the transfer of tax positions arising from the "tax consolidation" and specifically recognise the consequent credit/debt relationships towards the consolidating company.

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

	December 2013	December 2012
Current taxes:		
	5.838	4.625
Temporary differences from statutory financial stat.	Taxes	Taxes
tax losses	(1.608)	(1.860)
amortisation and depreciation	(129)	(30)
elimination of exempt items		(112)
write-down of receivables	120	(610)
supplementary indemnity provision for agents	63	(27)
other	(14)	(82)
Consolidation transactions:		
IAS 17	(785)	(837)
depreciation/gains	(219)	31
tax losses	8	(501)
other transactions compliance of accounting principles	(528)	48
Total	(3.092)	(3.980)
TOTAL	2.746	645

Arco, March 31 2014

The Chairman of the Board of Directors of Aquafil S.p.A.
(Mr. Giulio Borzazzi)







65. Cash Flow Statement

AQUAFIL GROUP S.P.A. - CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2013**CASH FLOW STATEMENT**

(in Euro thousands)

2013**2012****Cash flow operating activities**

Net profit	25.910	1.257
Amortisation and depreciation	26.410	27.833
Write-down of intangible and tangible fixed assets	3.474	0
Net change in provision for staff termination pay	(651)	(390)
Net change in the provisions for risks	3.563	(201)
(Increase)/Decrease in inventories	(258)	4.802
(Increase) /Decrease in accounts receivables from customers	(518)	14.774
(Increase)/Decrease in accounts receivables from associated customers	1.051	1.384
(Increase)/Decrease in accounts receivables from parent companies	(2.150)	(1.196)
(Increase)/Decrease in other accounts receivable	(656)	(48)
(Increase)/Decrease in tax receivables	248	(933)
(Increase)/Decrease in deferred tax assets	978	(735)
(Increase)/Decrease in accrued income and prepaid expenses	157	17
Increase (Decrease) in advance payments	(303)	2.888
Increase (Decrease) trade payables	(2.678)	4.299
Increase in trade payables due to change in consolidation area	47	0
Increase/(Decrease) in amounts payable to associated companies	(99)	(1.221)
Increase/(Decrease) in amounts payable to parent companies	0	0
Increase/(Decrease) in taxes payable	286	1.353
Increase/(Decrease) in accounts payable to social security institutions	(103)	(10)
Increase/(Decrease) in other accounts payable	108	(2.248)
Increase/(Decrease) in accrued expenses and deferred income	(1.906)	(836)
	52.910	50.789

Investing activities

Investments in tangible assets	(20.347)	(15.564)
Investments in intangible assets	(3.088)	(3.844)
Increase in intangible assets due to change in consolidation area	121	0
Disposals of tangible assets	10.019	84
Disposals of intangible assets	128	28
Net effect in intangible/tangible assets due to exchange rate differences	1.014	395
Increase in equity investments	(398)	(3)
Disposals in equity investments	62	(25)
Other equity changes	(2.673)	
	(15.163)	(18.930)

AQUAFIL GROUP S.P.A. - CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2013

CASH FLOW STATEMENT

(in Euro thousands)

2013

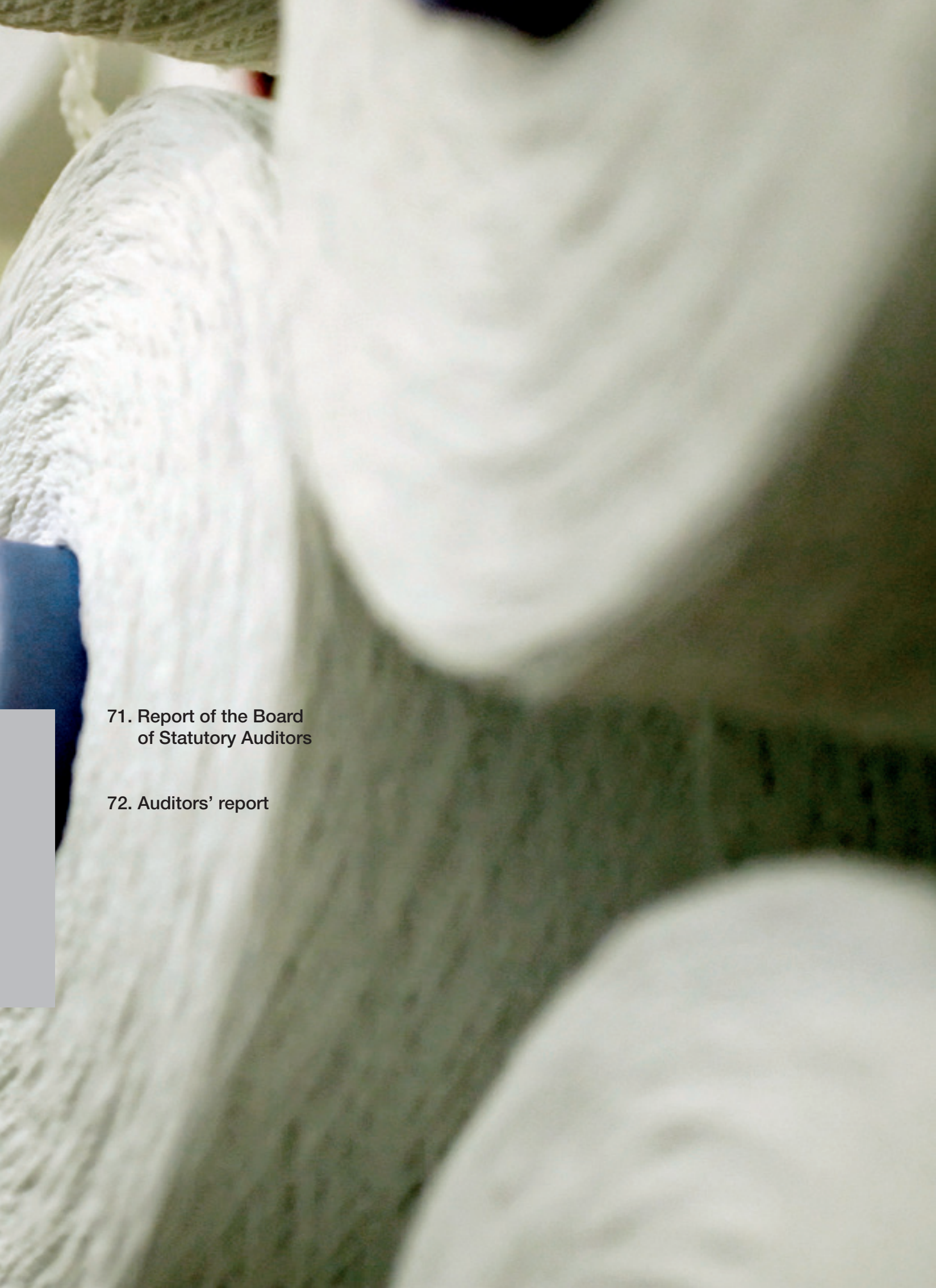
2012

Financing activities

(Increase) /Decrease in financial accounts receivable from subsidiaries/associates	3.111	(1.452)
(Increase) /Decrease in financial accounts receivable from parent company	(4.298)	5.617
(Increase) /Decrease in financial accounts receivable from others	0	73
Effect of exchange rate differences on amounts due to others	3	1
Increase /(Decrease) payables to other lenders	1.716	0
Increase in amounts due to banks	34.335	38.955
Repayment of loans	(1.649)	0
Loans and transfer of amounts to short-term borrowings	(39.984)	(52.281)
Exchange rate difference on loans	(366)	(129)
Increase/(Decrease) in amounts payable to parent companies	1.412	1.995
Increase/(Decrease) in amounts payable to shareholders	(32.306)	7.029
Distribution of dividends	(5.033)	(8.116)
Other changes in provisions	(470)	225
Net effect of translation differences	(1.228)	(129)
	(44.757)	(8.212)
Total cash flow	(7.009)	23.648
Cash and banks-opening balance (*)	(62.175)	(85.823)
Cash and banks-closing balance (*)	(69.184)	(62.175)

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





71. Report of the Board
of Statutory Auditors

72. Auditors' report

Report of the board of statutory auditors on the Consolidated Financial Statements at December 31, 2013

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

Dear Shareholders,

We have examined the Group's Consolidated Financial Statements at December 31, 2013, 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.

At December 31, 2013, the consolidation scope changed as illustrated in the Notes to the Financial Statements: the company Aquafil do Brasil entered the consolidation scope while the companies Aquafil Power s.r.l. and Aquafil Polymers G.m.b.H. were no longer consolidated.

The consolidated Balance Sheet reports a Group consolidated net profit for the year of Euro 25,854 thousand and is summarised below in Euro/000.

ASSETS

Assets	461,049
Liabilities	379,775
Shareholders' equity	81,274
- of which minority interest share capital and profit	292
- of which Group share capital and profit	80,982
Total Liabilities and Shareholders' Equity	461,049
Accounts, Guarantees, risks and other memorandum accounts	1,757

The Highlights of the Consolidated Income Statement are as follows:

INCOME STATEMENT

A) Value of production	479,483
B) Costs of production	-454,745
Difference A) -B)	24,738
C) Financial income and charges	-17,249
D) Adjustment to financial assets	-407
E) Extraordinary income and charges	21,574
Profit before taxes	28,656
Income taxes	-2,746
Net profit	25,910
Minority interest profit	56
Group net profit	25,854

The Board of Statutory Auditors reviewed the compliance by the Directors in the preparation of the consolidated financial statements 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).

Arco, April 15, 2014

The Board of Statutory Auditors

Mr. PIETRO MONTI

Mr. ANDREA FASAN

Mr. PAOLO NICOLAI



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 2013. 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.
- 2 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 standards require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes as required by law, reference is made to our report dated 15 April 2013.
- 3 In our opinion, the consolidated financial statements of Aquafil Group as of 31 December 2013 comply with the laws governing the criteria for their preparation; accordingly, they have been prepared clearly and give a true and fair view of the financial position and result of operations of the Group.
- 4 We wish to emphasise that:
 - as commented in the director's report and in the disclosure notes, during 2013 the subsidiary Aquafil Engineering Plastic SpA has carried out an extraordinary transaction with significant positive effects on the consolidated income statement of the Group;

PricewaterhouseCoopers SpA

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- significant transactions exist with other companies of the Aquafil Holding Group, of which the most significant are described by the Directors in the explanatory notes in chapter "Receivables from parent companies".
- 5 The directors of Aquafil SpA are responsible for the preparation of a report on operations in compliance with the applicable laws. Our responsibility is to express an opinion on the consistency of the report on operations with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard 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 2013.

Trento, 15 April 2014

PricewaterhouseCoopers SpA

Signed by

Alberto Michelotti
(Partner)

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



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