

Consolidated  
financial  
statements

2014

**AQUAFIL**   
synthetic fibres and polymers

AQUAFIL





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Aquafil Group



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at 31 december 2014



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**Board of  
Directors**

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GIULIO BONAZZI	Chairman and CEO
CARLO BONAZZI	Honorary Chairman
ADRIANO VIVALDI	Executive Director
FABRIZIO CALENTI	Executive Director
EDI KRAUS	Director
MAURO MORETTI	Director
MICHELE PRENCIPE	Director

**Board of  
Statutory Auditors**

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PIETRO MONTI	Chairman
PAOLO NICOLAI	Statutory Auditor
MASSIMO GAZZANI	Statutory Auditor

**Independent  
Audit Firm**

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PRICEWATERHOUSECOOPERS S.p.A.





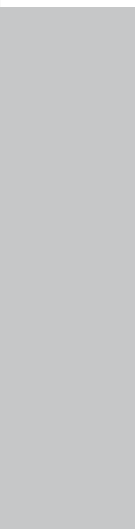
2. Group Consolidated Highlights

4. Group structure



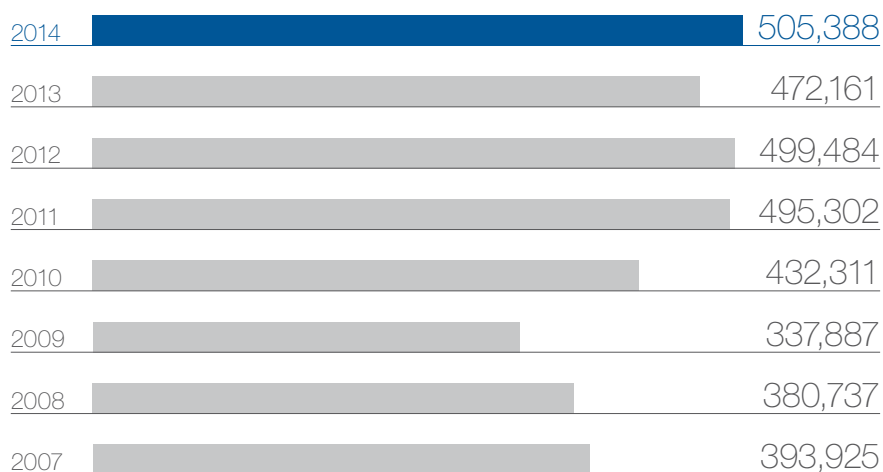


# Consolidated Financial Statements

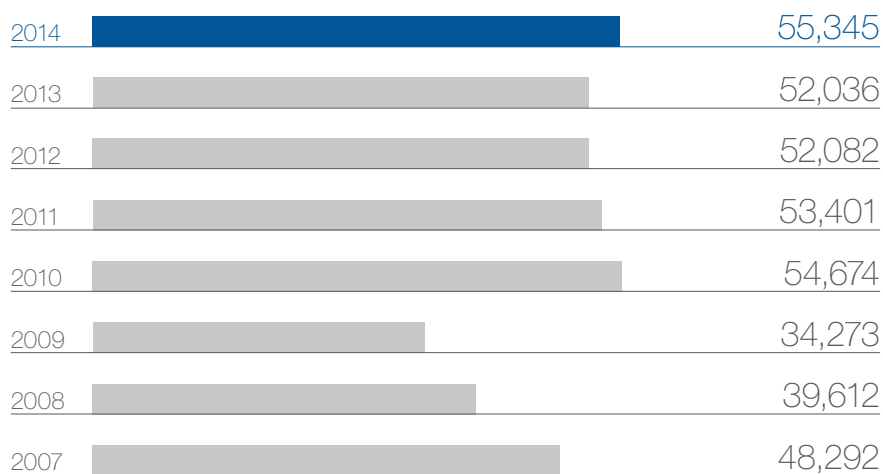


# Group Consolidated Highlights

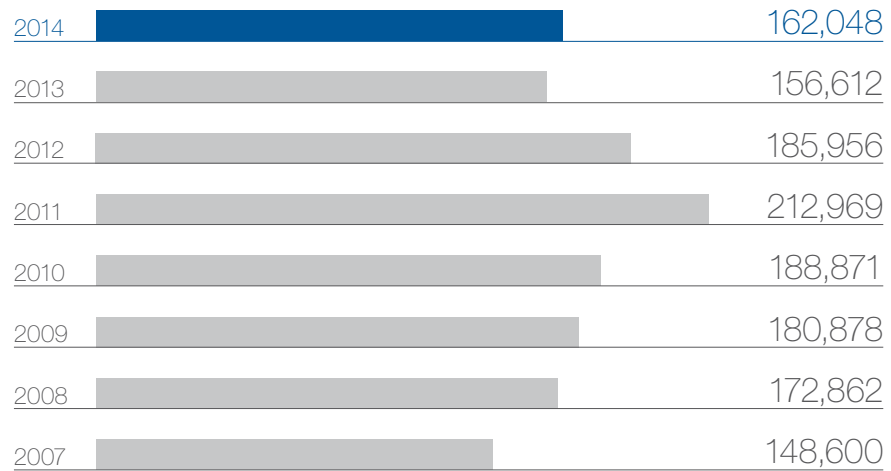
## Net revenues (amounts in million of Euros)



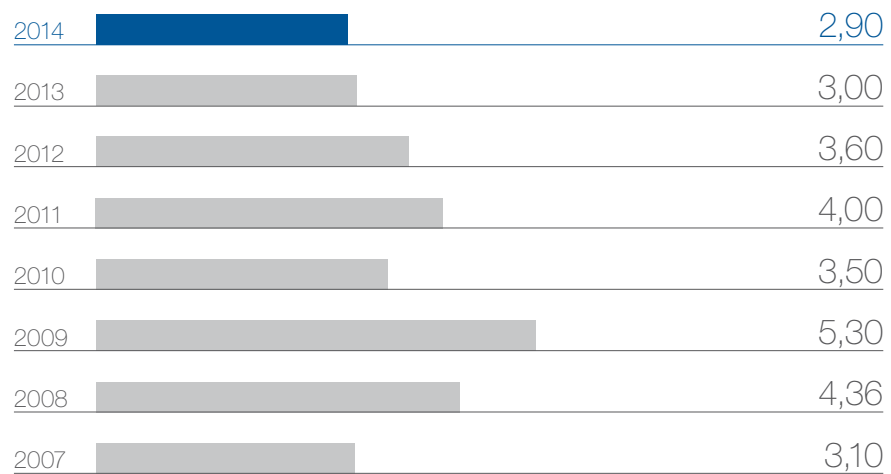
## EBITDA (amounts in million of Euros)



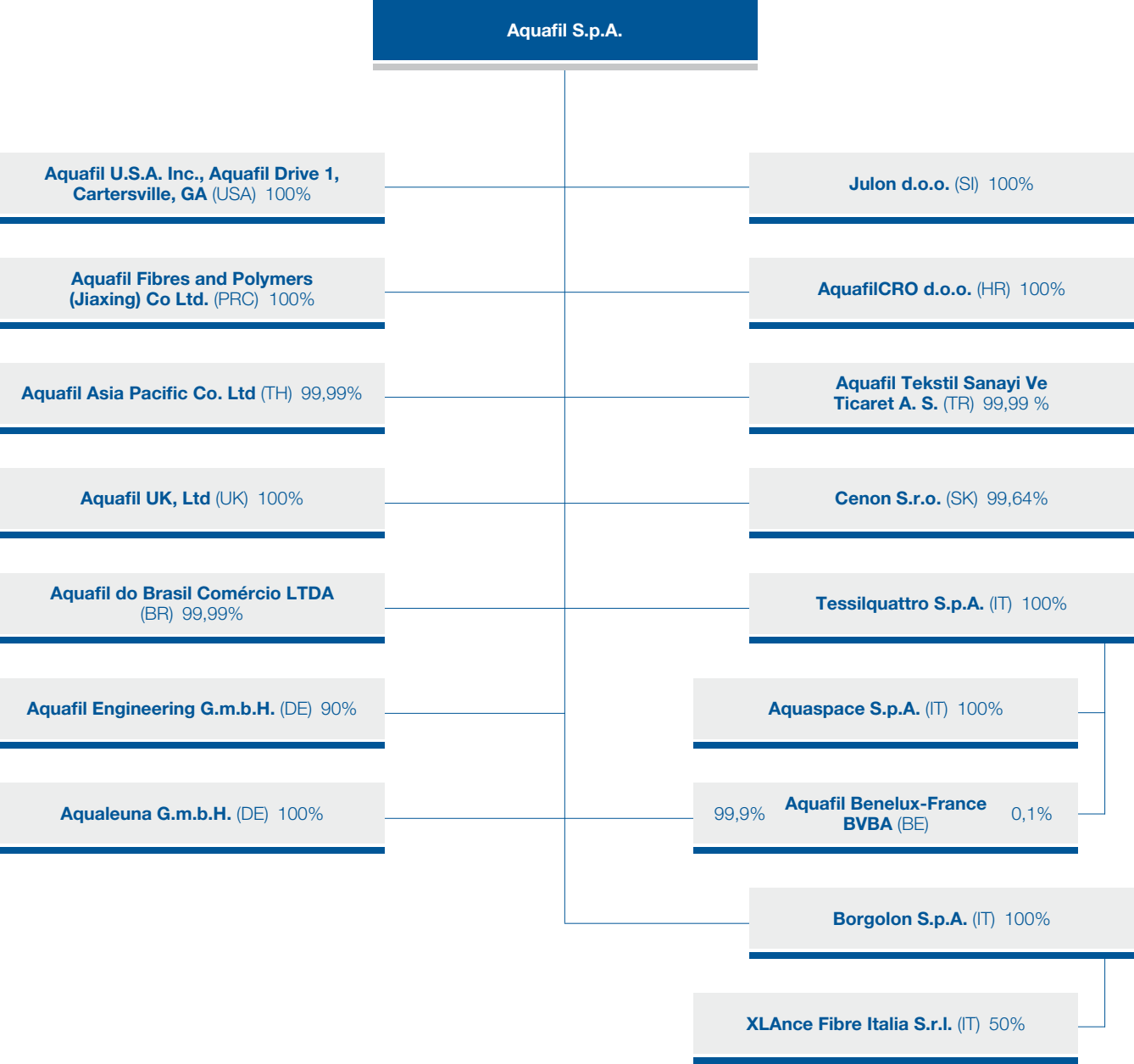
**Total net financial debt** (amounts in million of Euros)



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



# Group structure





AQUAFAN

← Direzione d'azienda  
← 547





## 9. 2014 Directors' Report







# 2014 Directors' Report

Dear Shareholders,

the financial statements which we present for your approval report "Revenues from sales and services" of Euro 597.2 million and a Net Profit of Euro 6.5 million, after income taxes and net deferred taxes of Euro 2.4 million. The Board of Directors of the Parent Company Aquafil S.p.A. prepared the consolidated financial statements of the Aquafil Group for the 2014 financial year in accordance with Legislative Decree No. 127 of April 9, 1991 and Legislative Decree No. 32/2007 and which present "Revenues from sales and services" of Euro 505.4 million and a Group Net Profit of Euro 9.0 million.

## CORPORATE BOARDS

### **Board of Directors:**

Giulio Bonazzi	Chairman & Chief Executive Officer
Carlo Bonazzi	Honorary Chairman
Adriano Vivaldi	Executive Director
Fabrizio Calenti	Executive Director
Edi Kraus	Director
Mauro Moretti	Director
Michele Prencipe	Director

### **Board of Statutory Auditors:**

Pietro Monti	Chairman
Paolo Nicolai	Statutory Auditor
Massimo Gazzani	Statutory Auditor

### **Independent Audit Firm**

PricewaterhouseCoopers S.p.A. - Trento (Italia), 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.

## PARENT COMPANY AQUAFIL S.P.A. DETAILS

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 REA 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 scope.

## THE AQUAFIL GROUP

The Aquafil Group in 2014 consolidated 16 companies located in 12 countries (Italy, Germany, Slovenia, Croatia, Belgium, Scotland, Slovakia, Turkey, USA, Thailand, China and Brazil) and carries out at 15 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 G.m.b.H., by Aqualeuna G.m.b.H. and by Aquafil Uk Ltd. 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).

### Main changes to the Group structure in the year

In 2014, the Italian consolidated companies Aquafil Engineering Plastics S.p.A. and MTX Fibre S.r.l. were merged into the Parent Company Aquafil S.p.A..

The Slovenian company Aquaset Tekstilna Tovarna Senozece d.d. was merged into Julon d.o.o..

The Turkish company Aquafil Bulgari Iplik Tekstil Sanayi Ve Ticaret A.S. changed its name to Aquafil Tekstil Sanayi Ve Ticaret A.S.

The technopolymers moulding distribution company Acme Plastic S.r.l. was sold to the majority shareholder.

The new BCF fibre reprocessing textile flooring company Aquafil UK, Ltd., Mill Road, Kilbirnie, Ayrshire, Scotland entered the consolidation scope.

The Aquafil Group produces polyamide 6 fibres and polymers, ECONYL® special fibres and polymers and polyamide 6.6 fibres, the Dryarn® and Microlon® special microfibers for textile use and the XLA™ elastic fibre. The final applications of Group products principally concerns textile flooring, with particular focus on the “contract” segment, the high-end “automotive” segment, recycled products and specialised clothing (underwear, hosiery and sporting apparel).

Group activities concern two major business areas:

- a) **BCF** (Bulk Continuous Filament): polyamide yarns for textile flooring;
- b) **NTF** (Nylon Textile Fibres): textile yarns for specific uses in the clothing segment.

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

## 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 Financial Position**: 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 (in thousands of Euro):

Description	2014		2013	
Net revenues	505.388	100,0%	472.161	100,0%
EBITDA	55.345	11,0%	52.036	11,0%
EBIT	28.642	5,7%	24.738	5,2%

### Key balance sheet and financial indicators (in thousands of Euro):

Description	31 december 2014	31 december 2013
Consolidated Net Equity	(92.066)	(81.274)
Net Financial Position		
<i>N.F.P. - third parties</i>	(187.434)	(152.154)
<i>N.F.P. - shareholders</i>	25.387	(4.457)
<b>Total N.F.P.</b>	<b>(162.048)</b>	<b>(156.612)</b>
<b>N.F.P./EBITDA</b>	<b>(2,9)</b>	<b>(3,0)</b>

## ECONOMIC ENVIRONMENT, PERFORMANCE OF THE AQUAFIL GROUP AND 2014 RESULTS

### Economic overview

In 2014, global GDP improved slightly, with the United States contributing significantly and the GDP review in the third quarter revealing that the US economy grew at the fastest rate for over a decade, driven by durable good spending and private investment, in addition to government spending.

On the other hand, Europe again in 2014 has not yet found the path to recovery, with weak economic conditions perpetuating low investment and high unemployment levels.

The EU continues to be affected by its governance limits, the differences among the member states, the lack of economic reforms and a deficit of trust between the institutions and the citizenry at large. Germany - the motor of the European economy - revised its growth forecasts downwards and the German PMI index in November slipped into recessionary territory, as it did in Italy and France. European inflation remained low throughout the year, raising the risk of deflation - which however for the moment has not materialised. The two most important events which Europe will face in the new year and which are expected to impact competitiveness are the introduction of European quantitative easing and the implementation of the Juncker plan - the Euro 315 billion package over three years to stimulate investment.

Italy reported a contraction in 2014, with the deficit/GDP ratio maintained at 3%; sacrifices were however needed to achieve this result. During the year, some tentative signs of a recovery for Italian household consumption were evident, thanks to government policies and low inflation levels and, in the final part of the year, the reduction in energy costs. Uncertainties surrounding Italy remain, although Europe recognises that Italy is taking important steps on the road to reform, particularly in terms of the labour market. High unemployment levels, at historic maximums and rising, remain a major worry.

China continues to develop apace, although slightly easing back on previous years. Russia presents a differing picture however, having being plunged into economic chaos, beginning with the conflict with Ukraine, resulting in heavy sanctions from the United States and the European Union, in addition to the collapse in the price of oil and the currency crisis. The energy market and the economy are closely linked in Russia: the energy sector represents a quarter of GDP, 70% of exports and half of the Government tax take.

The Euro/Dollar exchange rate reported an average of USD 1.33/Euro for the year, in line with 2013 - although significantly fluctuating during the year. While increasing in the first half of 2014 (+4.3% on 2013), a significant depreciation brought the Euro to USD 1.23 in December, with a gradual further reduction in Q1 2015. This volatility stems from a range of factors, including the surprising recovery of the US economy, which, from the second quarter onwards, exceeded even the most optimistic growth expectations, in addition to the differing monetary policies pursued by the respective central banks. The FED in fact concluded its quantitative easing, readying itself to raise interest rates, while the ECB only adopted this policy in January 2015. In Europe, this measure followed the reduction of the reference interest rates on refinancing operations to support bank lending to households and non-financial companies, with a view to bringing inflation to just below 2%, although these actions did not produce the expected benefits.

Average oil prices in 2014 were approx. USD 100 per barrel, reducing 8.5% on the 2013 average. After two years of continual stability, from July 2014 a persistent decline set in, with an average in December of USD 63.6 per barrel, a historic low since 2009. The structural conditions which have produced a glut, contributed to also by the decision of OPEC to maintain the production ceiling unchanged, were principally behind the price drop. Over the year, global economic growth forecasts were lowered a number of times due to the slowdown of the Chinese economy and continued stagnation in Europe. On the supply side, in the first part of the year, despite the US production boom (whose level of demand is increasingly not met by imports), the geopolitical tension between Russia and Ukraine and disorder in Libya supported price levels. Caprolactam prices perform similarly to oil, although with a greater delay, and in the initial months of the year showed signs of stabilisation, with a possible slight recovery.

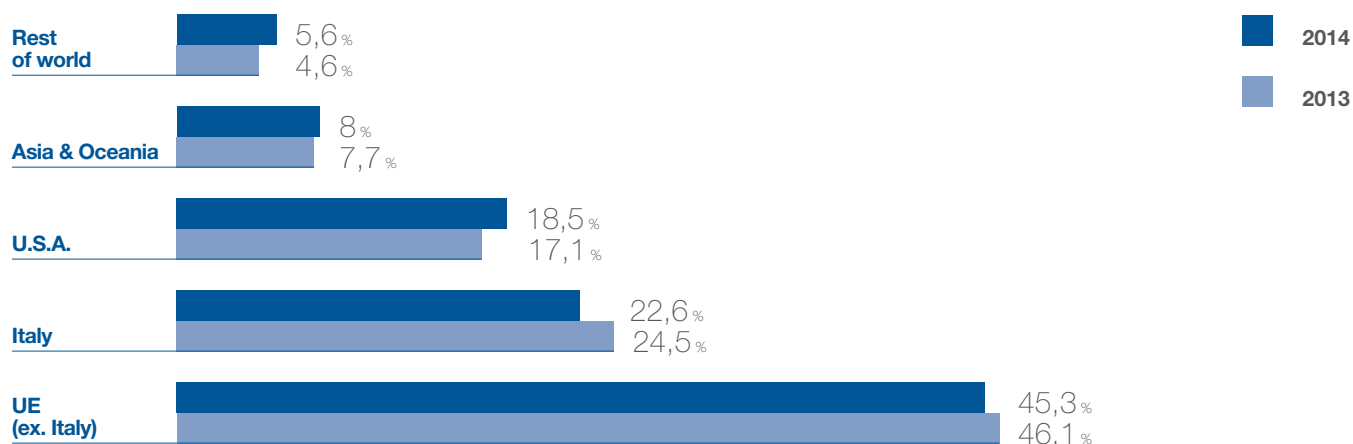
## Operating performance

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

Ref.	Description	2014	2013
A1	Revenues from sales and services	505.388	472.161
A2	Change in inventories	12.207	1.791
A4	Capitalisation of internal construction costs	3.477	1.886
A5	Other revenues and income	4.114	3.645
<b>A</b>	<b>Value of production</b>	<b>525.186</b>	<b>479.483</b>
B6 B11	Raw materials, supplies, consum. & merch.	(289.546)	(261.313)
B7-8,B13-14	Service and other operating costs	(95.962)	(89.791)
B9	Personnel costs	(84.333)	(76.343)
	<b>EBITDA</b>	<b>55.345</b>	<b>52.036</b>
B10a-b	Amortisation & Depreciation	(26.161)	(26.410)
B10c-d,B12	Provisions and write-downs	(542)	(888)
<b>A - B</b>	<b>EBIT</b>	<b>28.642</b>	<b>24.738</b>
C	Net financial income and charges	(11.689)	(17.249)
D,E20-21	Extra. inc. & cges., net write-downs & reval.	(4.987)	21.167
	<b>Profit before taxes and minority interest</b>	<b>11.966</b>	<b>28.656</b>
E22	Income tax	(2.846)	(2.746)
	<b>Net profit before minority interest share</b>	<b>9.120</b>	<b>25.910</b>
23	Minority interest profit	83	56
24	Group net profit	9.037	25.854
	<b>Profit + depreciation</b>	<b>35.198</b>	<b>52.264</b>

In 2014, the Group reported sales revenues of Euro 505.4 million, up 7% (+33.2 million) compared to the previous year, substantially due to higher volumes sold. This volume growth was seen across all three major polyamide 6 BCF fibre for textile flooring markets - Europe, Asia Pacific and the USA. In particular, the expected benefit from the strategic strengthening on the core polyamide 6 BCF fibre for textile flooring market in 2013 from the acquisition of the BCF fibre production unit from the third largest European sector producer was confirmed, with a significant improvement for Aquafil products in terms of European high quality segment market share. Through this competitive strengthening actions in its core sector, Aquafil has consolidated its position as the leading European producer, in addition to growth on the US and Asian markets. The geographic breakdown of consolidated Group sales and service revenues indicates increased non-European sales, with the highest growth returned by the US, with Italy and the rest of Europe not performing as strongly, as outlined in the following table together with the prior year figures. It is noted that a significant proportion of Italian sales concerned an overseas end product customer.

## Consolidated sales outside the Group



The breakdown of revenues by business area, compared with 2013, reflects the exit from the “Engineering Plastics” business unit and the growth of the “BCF” core business unit, with a slight contraction in the share of the “NTF” business unit.

## Consolidated sales outside the Group



**Personnel costs** increased 10.5% from Euro 76.3 million to Euro 84.3 million, principally as a result of the expanded workforce: employee numbers increased from 2,593 FTE at the end of 2013, including contracted workers, to 2,785 at the end of 2014, an increase of 192. Of these, the most significant change concerned the Aquafil USA (+89), AquafilCRO (+24) and Julon (+76) facilities, in addition to the entry into the consolidation scope of Aquafil UK, with 69 employees.

**EBITDA** increased 6.2%, from Euro 52 million to Euro 55.3 million, with a margin of 11%.

**EBIT** increased from Euro 24.7 million to Euro 28.6 million. The doubtful debt provisions take into account the client credit risk and the amount of credit risk not covered by the relative insurance policies of the receivable undertaken in the various final markets. Insurance is undertaken with leading debt insurance companies and the hedging of exposure is considered strong and stable compared to the previous year.

**Net financial charges** reduced from Euro 17.2 million to Euro 11.7 million, following (a) the full repayment of the shareholder loan from HC Romeo S.a.r.l., settled in June 2014 and (b) the reduction in the spreads on short-term loans and new loans beyond 12 months undertaken in the year. Net exchange gains contributed to reducing net financial charges by Euro 2.9 million.

**Extraordinary income and charges** report a charge of Euro 4 million compared to a profit of Euro 21.2 million in 2013, which benefitted from the extraordinary gain from the sale of the “Engineering Plastics” business unit. The breakdown of these charges is reported in the Explanatory 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 2.8 million. Current taxes amounted to Euro 3.7 million, due to taxes on profits in foreign countries and IRES and IRAP taxes on Italian income.

The group consolidated **result** reports a net profit of Euro 9 million.

## GROUP BALANCE SHEET AND FINANCIAL POSITION

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

Reclassified assets (in thousands of Euro)		31/12/2014	31/12/2013
<b>Fixed assets</b>			
BI	Intangible assets	10.784	11.147
BII	Property, plant & equipment	168.581	153.810
A,BIII (v. N.I.)	Financial and other fixed assets	3.808	4.246
<b>1. Fixed assets</b>		<b>183.173</b>	<b>169.203</b>
<b>Net working capital</b>			
CI	Inventories	147.233	130.702
CII1-4	Trade receivables	32.900	45.344
CII4bis-5, D	Other receivables	21.497	16.674
D6,D7* (v. N.I.),D9-10	Trade payables	(97.031)	(84.333)
D12-14, E	Other payables	(18.845)	(21.605)
<b>2. Net Working Capital</b>		<b>85.754</b>	<b>86.782</b>
C	Employee leaving indemnity provision	(6.926)	(7.330)
B	Provisions for risks and charges	(7.888)	(10.769)
B, C	<b>3. Provisions for risks &amp; employee leaving indem.</b>	<b>(14.814)</b>	<b>(18.099)</b>
<b>(1+2+3) = 4. Net capital employed</b>		<b>254.113</b>	<b>237.886</b>

\*\* net of lease payables

Reclassified liabilities and equity (in thousands of Euro)		31/12/2014	31/12/2013
<b>Shareholders' equity:</b>			
AI	Share capital	(19.686)	(19.686)
AII-VIII	Reserves	(62.969)	(35.442)
AIX	Net profit	(9.037)	(25.854)
<b>a) Group Shareholders' Equity</b>		<b>(91.692)</b>	<b>(80.982)</b>
AX	<b>b) Minority interest shareholders' equity</b>	<b>(374)</b>	<b>(292)</b>
<b>1. Total shareholders' equity</b>		<b>(92.066)</b>	<b>(81.274)</b>
<b>Net Financial Position:</b>			
CIII,CIV,BIII3	Medium/long term securities, liquidity	55.048	57.112
D4 (v. N.I.)	Banks and financial institutions - short term	(85.650)	(78.580)
D4 (v. N.I.)	Bank and financial institutions - medium/long-term*	(135.843)	(108.740)
D7 (v. N.I.)	Leasing debt	(19.273)	(20.231)
D1,5	Payables to other lenders	(1.716)	(1.716)
<b>a) net financial position - third parties</b>		<b>(187.434)</b>	<b>(152.154)</b>
BIII2, CII4, D11	Net receivables from parent companies	25.387	26.051
D3	Shareholder payables - medium/long term	0	(30.508)
<b>b) net financial position - shareholders</b>		<b>25.387</b>	<b>(4.457)</b>
<b>(a+b) = 2. Net Financial Position</b>		<b>(162.048)</b>	<b>(156.612)</b>
<b>(1+2) = 3. Source of funds</b>		<b>(254.114)</b>	<b>(237.886)</b>

\* Includes short-term and medium/long-term portion of loans

The **net capital employed** increased Euro 16.2 million, due to the increase in the net balance of fixed assets of Euro 14 million and the decrease in net working capital (Euro 1 million), which offset the reduction in the risks provisions (Euro 3.2 million). The depreciation at year-end of the Euro against the currencies in which the financial statements of the non-Euro denominated subsidiaries are presented had significant effects on the opening balances expressed in foreign currencies, as detailed in the Explanatory Notes and commented upon in this Report for the most significant accounts.

In terms of the breakdown of net working capital, fixed assets report:

1) the increase in (a) investments in property, plant and equipment for Euro 41.6 million, principally relating to the projects to increase the production

capacity for BCF fibres and which include the translation differences of foreign currencies for Euro 4.3 million and (b) investments in intangible assets for Euro 3 million;

2) the reduction following the disposal of property, plant and equipment for Euro 3.9 million;

3) the decrease for amortisation and depreciation in the year of Euro 26.2 million.

Net working capital decreased Euro 1 million, due to the combined effect of:

1) an increase in the value of inventory of Euro 16.5 million, due to (a) the slowdown in customer orders over the final months of the year, with postponement of deliveries to January, in view of the rapid drop in the price of raw materials, resulting in increased inventories due to the need to maintain the Group production plant fully operational to ensure a high service level for the elevated number of orders with delivery in January 2015 and (b) the additional amounts of polymers and yarns requiring delivery by sea from Europe to the USA and China to satisfy these overseas markets during the start-up of the new expanded production facilities;

2) the change in year-end trade receivables (Euro 12.4 million) and payables (Euro 12.7 million), this latter deriving also from the increase in customer advances for Euro 9.5 million;

3) the change in other working capital receivables and payables for a total of Euro 7.6 million.

Provisions for risks and charges reduced Euro 3.3 million, principally due to the payment of the extraordinary provision for employee restructuring at the German company Aqualeuna G.m.b.H..

Group **Shareholders' Equity** increased Euro 10.7 million due to the combined effect of the result for the year (Euro 9 million), translation differences (Euro 3.7 million) and the distribution of dividends to the shareholder Aquafin Capital S.p.A. (Euro 2 million); the changes are illustrated in the Notes.

The **net financial position** reports an increase in the debt of Euro 5.3 million - particularly due to:

a) the loan from HC Romeo S.a.r.l. was fully repaid for Euro 30.5 million, plus cumulative interest in the period, through the undertaking of new medium-term operations, including principally an unsecured line of Euro 25 million with Banca IMI S.p.A. and an unsecured line of Euro 8 million with ICCREA Banca Impresa S.p.A. and BCC Banca di Verona; the operation extended the average debt duration and reduced the average cost of debt.

b) the receivable from Aquafin Holding S.p.A. remained substantially unchanged due to the effects from interest matured and taxes offset within the national tax consolidation; the dividend of Euro 10 million recognised as a payable to parent companies was not paid in the year to Aquafin Holding S.p.A.. The individual changes are outlined in the Notes;

c) liquidity in current accounts of Euro 54 million and Euro 1 million for securities corresponding to the liquidity of the various Group companies held in a number of countries in current accounts as liquidity reserves and to satisfy payments at the beginning of the month;

d) short-term bank debt principally comprises self-financing advances on sales invoices substantially in Italy, from import advances and other short-term loans.

e) medium-long term bank debt decreased due to the repayments due in the year of Euro 55.7 million and increased due to medium term loans received in the year of Euro 80.7 million, which include operations in settlement of the HC Romeo S.a.r.l. shareholder loan;

f) leasing debt decreased due to the payments made in the year of Euro 1 million.

g) payables to other lenders concerned the loan disbursed in 2013 by the company Finest S.p.A., Pordenone for Euro 1.7 million in the interest of the subsidiary AquafilCRO, in support of investment projects at the Croatian facility.

## PERFORMANCE BY BUSINESS AND INTRA-GROUP TRANSACTIONS

### **BCF Business Unit polyamide 6 yarns for textile flooring**

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. 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.o.o., with Slovenian facilities in Ljubljana, Store and Ajdovscina, Aqualeuna G.m.b.H. with facilities in Leuna (Germany), Aquafil USA Inc. with two 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), Aquafil UK, Ltd. with facilities in Kilbirnie (Scotland) 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 principally the "contract" markets (hotels, offices and public environment), the automotive (internal upholstery for cars) sector and the residential sector. This business unit is engaged in a high level of continuous product innovation, renewing each year a significant number of its products, thanks to the research and development at its style centre together with developers of the client companies 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, therefore at the end of the life cycle of polyamide based products, thanks to the ECONYL® process regeneration technology.

During the year, the business unit increased production volumes across all three regions (Europe, USA and Asia), thanks to the Aqualeuna facility becoming fully operational and the start-up of the extended facilities in China and the USA. In the summer of 2014 a new reprocessing production site was acquired for polyamide 6 fibres in Scotland, which will improve the service level provided to the United Kingdom customers.

### **NTF Business Unit yarns for textile use/clothing**

The production of fibres for textile/clothing use is undertaken by the companies Aquafil S.p.A., Julon d.o.o. with Slovenian production sites in Ljubljana and Senozece, AquafilCRO d.o.o., with production site in Oroslavje (Croatia), Aquafil Tekstil Sanayi Ve Ticaret A.S. with production site in Istanbul (Turkey), Borgolon S.p.A. with production site in Varallo Pombia (Italy) and Aquafil do Brasil Comercio Ltda (Brazil). XLance Fibre Italia S.r.l. also belongs to the NTF business unit, held 50% by Borgolon S.p.A., with XLA® yarn spinning carried out at the Borgolon S.p.A. facility in Varallo Pombia (NO). The business unit produces and reprocesses polyamide 6 and 66 fibres, Dryarn® and XLA® polypropylene microfibers for men's and women's hosiery, knitwear and non-run fabrics for underwear, sportswear and special technical applications. The markets concerns producers in the clothing, underwear and sportswear sectors. In 2014, business unit production volumes and revenues contracted slightly, particularly in the final part of the year, with a

recovery in the initial months of 2015. The company Julon d.o.o. changed its status from d.d. to doo.. The company MTX Fibre S.p.A. was merged into Aquafil S.p.A..

### Business Unit Energy & Recycling

The Group carries out ongoing research and development in the sustainability and development integration field for all the various business units. The support principally concerns (a) the promotion of innovative technical projects for production process energy efficiency, the reduction of CO2 emissions and water consumption (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 life cycle 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. The Italian Group facilities utilise energy produced from renewable sources, whose source is guaranteed by the European certification RECS (Renewable Energy Certificate System).

### Other activities

The company which belonged to the former engineering plastics business unit sold to the Domo Chemicals N.V. Group in 2013, Aquafil Engineering Plastics S.p.A., owner of the industrial building rented to the Domo Group, was merged by incorporation into Aquafil S.p.A., which therefore sub-entered into the ownership of the building and the rental contract.

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.

Aquafil Engineering G.m.b.H., Berlin (D) carries out industrial chemical plant design and supply for customers outside the Group and during the year achieved strong earnings.

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

The following table summarises intercompany transactions:

(in thousands of Euro)	Revenues	Costs	Fin. Receivables	Trade Receivables	Fin. Payables	Trade Payables
Tessilquattro S.p.A.	103.401,3	96.978,6	0,0	15.996,0	0,0	16.194,7
Aquafabric S.r.l.	0,0	0,0	0,0	0,0	0,0	0,2
Aquafil S.p.A.	322.003,9	267.358,7	9.090,0	33.924,8	29.667,1	57.676,1
AquafilCRO doo	32.459,5	47.008,3	0,0	980,0	0,0	5.439,1
Aquaspace S.p.A.	11.509,8	13.010,8	0,0	6.797,8	0,0	642,6
Aqualys S.A.	0,0	3,6	0,0	0,0	0,0	0,0
Aquafil Tecnopolimeros S.l.	0,0	0,0	0,0	241,8	0,0	0,0
Aquafil Bulgari Iplik A.S.	2.937,4	38,2	1.350,0	30,6	0,0	15,2
Acme Plastic S.r.l.	1,6	0,0	0,0	0,0	0,0	0,0
Aquafin Holding S.p.A.	618,3	0,0	36.493,7	908,8	0,0	12.383,0
Italedil S.r.l.	0,0	0,0	0,0	0,0	0,0	0,2
Aquafil USA Inc	40.865,1	8.575,8	0,0	15.579,7	0,0	4.556,0
Julon d.d.	171.154,3	236.680,6	7.000,0	28.488,2	7.000,0	14.429,3
Aquafil Asia Pacific Co. Ltd	9.626,9	61,2	0,0	2.630,9	0,0	2,0
Borgolon S.p.A.	17.344,3	14.509,3	0,0	1.694,0	2.801,5	6.011,0
Cenon S.r.o.	7,3	0,0	250,0	9,9	0,0	0,0
Aquafil Power S.r.l.	0,0	0,0	0,0	0,5	0,0	0,0
HC Romeo S.a.r.l.	0,0	1.714,5	0,0	0,0	0,0	0,0
Aquafil Jiaxing Co. Ltd	4.924,9	434,6	13.620,0	5.656,5	0,0	1,0
Metexa BVBA	8,8	961,3	0,0	0,1	0,0	158,9
GB&P S.r.l.	0,0	1.156,5	0,0	0,0	0,0	0,0
Xlance Fibre Italia S.r.l.	1.027,0	0,0	0,0	107,3	0,0	0,0
Aquasava doo	0,0	1.350,0	0,0	0,0	0,0	111,3
Aquafin Capital S.p.A.	0,0	0,0	0,0	0,3	0,0	0,0
Aqualeuna GmbH	1.800,9	32.641,5	5.851,3	544,4	0,0	2.202,2
Aquafil UK Ltd	667,4	107,3	1.348,1	1.013,3	0,0	60,5
GB&P USA, LLC.	0,0	0,0	494,2	0,0	0,0	0,0
<b>Total</b>	<b>720.358,7</b>	<b>722.590,8</b>	<b>75.497,3</b>	<b>114.604,9</b>	<b>39.468,6</b>	<b>119.883,3</b>



## TRANSACTIONS WITH THE PARENT COMPANY AND RELATED PARTIES

The transactions between the Parent Company and Aquafil S.p.A. concern financial transactions and transactions for the settlement of accounts receivable and payable arising from the tax consolidation of Aquafin Holding S.p.A., which included the Aquafil Group companies Aquaspace S.p.A., Tessilquattro S.p.A. and Borgolon S.p.A.. Limited commercial transactions have been carried out with related companies of Aquafin Holding S.p.A., which are outlined in the Notes.

During the year Aquafil S.p.A. approved and distributed dividends to the shareholder Aquafin Capital S.p.A. for Euro 2 million, while the distribution approved in 2013 in favour of the former direct shareholder Aquafin Holding S.p.A., for the residual Euro 10 million, remains suspended and not yet paid.

Following the Group restructuring carried out by the Aquafil S.p.A. shareholders in the year, completed in October 2014, Aquafin Capital S.p.A. acquired and undertook full ownership of Aquafil S.p.A..

## RESEARCH AND DEVELOPMENT ACTIVITY

Research and development activity in 2014 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 and easy cleaning features of BCF yarns for textile flooring;
- development of innovative BCF polymers and fibres, with intrinsic fire resistant properties;
- improvement of colouring and protection against light and atmosphere of twisted and straight filaments;
- recovery and reusability feasibility study of colours used in the yarn masters;
- optimisation of energy yields at the production and reprocessing facilities;
- industrial creation of the XLA fibre, through the activities carried out by the joint venture XLance Fibre Italia S.r.l.;
- 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 Technology Institute in Genoa, the Maribor University (Slovenia), the Ljubiana 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 and production activities in fact may introduce dynamics which could compromise the future of the coming generations: climate changes, pollution, uncontrolled consumption of natural resources, inequality of social structures.

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 the business units and operating companies, an expression of the new business outlook and summarised by The Eco Pledge®:

- direct commitment to the ongoing reduction of the environmental impact of production activities
- design of increasingly sustainable products
- a close focus on the sustainability needs of all stakeholders and the local communities in the countries which host Group activities
- training of internal staff on environmental sustainability
- pursuit of close relations with Clients which consider sustainability as a development strategy, in the firm belief that this path will also strengthen our leadership
- involving customers in the procurement of reject products and in co-marketing and awareness-raising actions (Aquafil Reclaiming Program)
- ensuring that the Group efficiency policy is more 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 roots of the enterprise in the individual regions through a continual focus on employees and local staff.
- complying with applicable laws in the different Countries in which the Group operates;
- 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 following developments within the various Group companies are reported for the year:

- 1) *Aqualeuna G.m.b.H.*: the production unit acquired from the conferring Xentrys Leuna G.m.b.H. has a workforce of 183. In the initial months of the year, through the contractual social plan established by local regulations, signed by the company and the social partners, 49 employees departed the company; the redundancy cost was incurred by the company through the provision allocated for this purpose in 2013.
- 2) *Borgolon S.p.A.*: in March 2014 the mobility procedure was introduced and in July 2014 an application for a second year of the Extraordinary Temporary Lay-Off scheme was presented. The relative risks provision was allocated in 2013 the total cost of the procedure to be incurred by the company; 47,344 hours of the Employee Temporary Lay-Off Scheme were utilised, equalling 31% of total annual hours.
- 3) *Aquaspace S.p.A.*: in April the mobility procedure was introduced for 20 employees and the mobility agreement signed. In September 2014, an application for a second year of the Extraordinary Temporary Lay-Off Scheme was presented, approved with Ministerial Decree No. 82425. 29,390 hours of the Employee Temporary Lay-Off Scheme were utilised, equalling 16% of total annual hours.
- 4) *Tessilquattro S.p.A.*: the company agreements for annual bonuses and profit sharing were revised and updated and an agreement for the Temporary Lay-Off Scheme was signed for a total duration of 8 weeks.

The various Group companies adopt mechanisms of variable remuneration to link the remuneration of the employee categories to the achievement of the productivity, efficiency and quality objectives and provide certain additional healthcare benefits to their employees to those conferred under category contracts.

## HEALTH, SECURITY AND THE ENVIRONMENT

The Aquafil Group is committed to its core principles of protecting the environment, workplace security, and in general the protection of health, safety and the environment. 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 company policy is implemented through a clear definition of the worker health and safety protection roles, based on a systematic approach to the management of workers health and safety which permits ongoing operating improvements, in order to continually reduce worker and environmental risks. The evaluation of risk, reported in the Risk Assessment Document (RAD), is the main safety management system instrument, through which risk control is defined, in addition to the prevention and protection measures to be adopted and monitored.

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 - despite the significant increase in hours worked - 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 has brought further benefits in terms of involving 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 carried out, which are based also on 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 2014 no major accidents with environmental impact occurred.

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

## MAIN RISK FACTORS 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, may affect the operations, economic and financial conditions and the prospects for the Company and the Group.

### **Risks associated with economic conditions**

Many factors which impact the general economic 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 affect the economic and financial situation of the Group.

The international economic crisis continued in 2014, with a consequent impact on financial institutions, industrial enterprises, the strength of the international banking system and consumption. General 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 handles 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 2014, 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 to implement 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 centralised 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 exchange rate risk is connected with the geographic distribution of its commercial activities, which brings export flows denominated in currencies other than that of the area of production. In particular, the Group is mainly exposed to exports from the Eurozone to other areas (mainly US Dollars and UK Sterling, Thailand Baht, Chinese Yuan and Australian Dollars).

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 interest rate risk, the Group hedges such through traditional hedging 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 difficulties in the collection of receivables, as well as to the risk of general reduction in customer credit lines limits set by credit insurance companies which might lead to a worsening of credit risk and/or a negative impact on the growth prospects of the businesses on the Group's economic results. The Group's exposure to credit risk relates to the possibility of insolvency (default) and/or in the deterioration of the credit rating of a counterparty and is managed through adequate valuation instruments of all counterparties by a dedicated credit management department, utilising the appropriate instruments to carry out constant monitoring, on a daily basis, of the behaviour and credit rating of clients.

The Group hedges its credit risk through insurance policies on the client exposure, undertaken with primary debt insurance companies. External companies providing 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 figures**

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

### **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 secured 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) adopt high security and procedural standards/advanced authentication and profiling systems for access to data bases 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..

Aquafin Capital S.p.A. wholly owns Aquafil S.p.A. 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., Aquaspace S.p.A., Tessilquattro S.p.A. 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 has adopted the organisation, management and control model as per Legislative Decree No. 231 of June 8, 2001, including the conduct code and operating procedures. The model was approved by the Boards of the Group's Italian companies, with contemporaneous involvement of the organisational structures of the foreign subsidiaries.

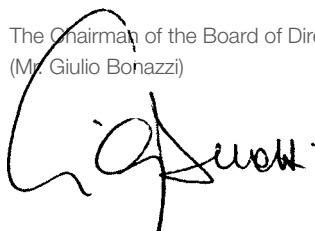
## OUTLOOK

Contained global growth, driven by the United States, is forecast for 2015. Risks remain concerning the strength of the Eurozone recovery, the extent of the slowdown in China and the other emerging economies and in terms of financial stability. The price of oil is expected to remain stable or recover slightly from the beginning of the year. The European fibre market has seen signs of a good recovery at the beginning of the new year, with the US market confirming the significant growth already apparent in 2015. The weakening of the Euro has aided European competitiveness which, if continued during the year, may further support the growth of the European market.

Although the uncertainty stemming from the prolonged weakness of the domestic and international economy continues, based on these indications, the Aquafil Group - thanks to a productive presence on the three continents where our core markets are located and our consolidated leadership position - expects to grow the margin on 2014.

Arco, 31 march 2015

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 2014





**ASSETS****A) SUBSCRIBED CAPITAL UNPAID**

- Called up	0	0
- Not called up	0	0
<b>TOTAL SHAREHOLDER RECEIVABLES</b>	<b>0</b>	<b>0</b>

**B) NON-CURRENT ASSETS**

## I) INTANGIBLE ASSETS

1) Formation, start-up and similar costs	312	257
2) Research, development and advertising costs	5	0
3) Industrial patents and intellectual property rights	2.566	3.027
4) Concessions, licenses, trademarks and similar rights	836	692
5) Goodwill	0	0
6) bis. Consolidation difference	91	405
7) Assets under development and payments on account	565	277
8) Other intangible assets	6.409	6.489
	<b>10.784</b>	<b>11.147</b>

## II) TANGIBLE ASSETS

1) Land and buildings	76.388	84.195
2) Plant and machinery	77.263	59.874
3) Industrial and sales equipment	541	1.054
4) Other tangible assets	2.023	1.485
5) Assets under construction and payments on account	12.366	7.202
	<b>168.581</b>	<b>153.810</b>

## III) FINANCIAL ASSETS

## 1) Investments in:

a) Subsidiaries	0	0
b) Associated companies	2.400	2.898
c) Parent companies	0	0
d) Other companies	1.188	1.188
	<b>3.588</b>	<b>4.086</b>

## 2) Accounts receivable:

a) Subsidiaries		
due within 1 year	0	0
due after 1 year	0	0
	<b>0</b>	<b>0</b>
b) Associated companies		
due within 1 year	0	0
due after 1 year	0	0
	<b>0</b>	<b>0</b>
c) Parent companies		
due within 1 year	0	3.168
due after 1 year	36.494	33.261
	<b>36.494</b>	<b>36.429</b>
d) Other accounts receivable		
d.1) other Group companies		
due within 1 year	494	0
due after 1 year	0	0
	<b>494</b>	<b>0</b>
d.2) other debtors		
due within 1 year	4	4
due after 1 year	216	156
	<b>220</b>	<b>160</b>

## 3) Other securities

	1.000	1.000
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## 4) Treasury shares

	0	0
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<b>TOTAL CURRENT ASSETS</b>	<b>221.161</b>	<b>206.632</b>
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**C) CURRENT ASSETS**

## I) INVENTORIES

1) Raw materials, supplies and consumable stores	50.649	48.467
2) Products in course of manufacture and semifinished goods	0	0

**ASSETS**

3) Contract work in process	0	0
4) Finished goods and merchandise	96.528	82.115
5) Advances	56	120
	<b>147.233</b>	<b>130.702</b>
II) CURRENT ACCOUNTS RECEIVABLE:		
1) Customers		
due within 1 year	34.434	48.055
due after 1 year	1.465	74
less: allowance for doubtful receivables	(3.349)	(3.261)
	<b>32.550</b>	<b>44.868</b>
2) Subsidiaries		
due within 1 year	1	1
due after 1 year	0	0
	<b>1</b>	<b>1</b>
3) Associated companies		
due within 1 year	349	475
due after 1 year	0	0
	<b>349</b>	<b>475</b>
4) Parent companies		
due within 1 year	910	5.585
due after 1 year	0	0
	<b>910</b>	<b>5.585</b>
4-bis) Tax receivables		
due within 1 year	8.030	5.487
due after 1 year	682	379
	<b>8.712</b>	<b>5.866</b>
4-ter) Deferred tax assets		
due within 1 year	1.252	1.795
due after 1 year	6.050	4.382
	<b>7.302</b>	<b>6.177</b>
5) Others		
5. a) other Group companies		
due within 1 year	0	4
due after 1 year	0	0
	<b>0</b>	<b>4</b>
5. b) other debtors		
due within 1 year	4.082	3.438
due after 1 year	0	0
	<b>4.082</b>	<b>3.438</b>
<b>TOTAL RECEIVABLES</b>	<b>53.906</b>	<b>66.414</b>
III) CURRENT FINANCIAL ASSETS		
1) Investments in subsidiaries	0	0
2) Investments in associated companies	0	0
3) Investments in parent companies	0	0
4) Investments in other companies	0	0
5) Treasury shares	0	0
6) Other securities	0	0
	<b>0</b>	<b>0</b>
IV) CASH AND CASH EQUIVALENTS		
1) Cash at banks and post offices	53.060	55.048
2) Cheques	969	1.038
3) Cash and cash equivalents on hand	19	26
	<b>54.048</b>	<b>56.112</b>
<b>TOTAL CURRENT ASSETS</b>	<b>255.187</b>	<b>253.228</b>
<b>ACCRUED INCOME AND PREPAID EXPENSES</b>		
- Other accrued income and prepaid expenses	1.401	1.189
- Issue discounts and other expenses	0	0
<b>TOTAL ACCRUED INCOME AND PREPAID EXPENSES</b>	<b>1.401</b>	<b>1.189</b>
<b>TOTAL ASSETS</b>	<b>477.749</b>	<b>461.049</b>

**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	58.991	31.464
VIII) PROFITS (LOSSES) CARRIED FORWARD	0	0
IX) PROFIT (LOSS) FOR THE YEAR	9.037	25.854
<b>GROUP SHAREHOLDERS' EQUITY</b>	<b>91.692</b>	<b>80.982</b>
X) NET EQUITY ATTRIBUTABLE TO MINORITY INTEREST	374	292
<b>Minority interest</b>	<b>374</b>	<b>292</b>
<b>TOTAL GROUP AND MINORITY SHAREHOLDERS' EQUITY</b>	<b>92.066</b>	<b>81.274</b>

**B) PROVISIONS FOR LIABILITIES AND CHARGES**

1) Pension funds and similar charges	0	0
2) Provision for taxes	5.198	3.073
3) Other provisions	2.690	7.696
<b>TOTAL PROVISIONS FOR LIABILITIES AND CHARGES</b>	<b>7.888</b>	<b>10.769</b>

**C) STAFF TERMINATION PAY**

<b>6.926</b>	<b>7.330</b>
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**D) ACCOUNTS PAYABLE**

1) Bonds		
due within 1 year	0	0
due after 1 year	0	0
	<b>0</b>	<b>0</b>
2) Convertible bonds		
due within 1 year	0	0
due after 1 year	0	0
	<b>0</b>	<b>0</b>
3) Shareholders financial payables		
due within 1 year	0	0
due after 1 year	0	30.508
	<b>0</b>	<b>30.508</b>
4) Amounts due to banks		
due within 1 year	142.554	125.296
due after 1 year	78.939	62.024
	<b>221.493</b>	<b>187.320</b>
5) Amounts due to other lenders		
due within 1 year	0	0
due after 1 year	1.716	1.716
	<b>1.716</b>	<b>1.716</b>
6) Advances		
due within 1 year	15.011	5.451
due after 1 year	0	0
	<b>15.011</b>	<b>5.451</b>
7) Suppliers		
due within 1 year	83.943	80.297
due after 1 year	17.350	18.814
	<b>101.293</b>	<b>99.111</b>
8) Debt instruments payable		
due within 1 year	0	0
due after 1 year	0	0
	<b>0</b>	<b>0</b>
9) Subsidiaries		
due within 1 year	0	0
due after 1 year	0	0
	<b>0</b>	<b>0</b>

**LIABILITIES AND EQUITY**

10) Associated companies		
due within 1 year	0	0
due after 1 year	0	0
	<b>0</b>	<b>0</b>
11) Parent companies		
due within 1 year	12.511	15.965
due after 1 year	0	0
	<b>12.511</b>	<b>15.965</b>
12) Taxes payable		
due within 1 year	4.396	4.173
due after 1 year	0	0
	<b>4.396</b>	<b>4.173</b>
13) Accounts payable to social security institutions		
due within 1 year	2.868	2.743
due after 1 year	0	0
	<b>2.868</b>	<b>2.743</b>
14) Other accounts payable		
14. a) other Group companies		
due within 1 year	112	515
due after 1 year	0	0
	<b>112</b>	<b>515</b>
14. b) other creditors		
due within 1 year	7.789	6.815
due after 1 year	1.394	2.645
	<b>9.183</b>	<b>9.460</b>
<b>TOTAL ACCOUNTS PAYABLE</b>	<b>368.583</b>	<b>356.962</b>
<b>E) ACCRUALS AND DEFERRED INCOME</b>		
- Other accruals and deferred income	2.286	4.714
- Issue premiums	0	0
<b>TOTAL ACCRUALS AND DEFERRED INCOME</b>	<b>2.286</b>	<b>4.714</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>477.749</b>	<b>461.049</b>

**MEMORANDUM ACCOUNTS**

<b>BANK GUARANTEES RECEIVED FROM THIRD PARTIES</b>	<b>0</b>	<b>1.757</b>
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**INCOME STATEMENT****A) VALUE OF PRODUCTION**

1) REVENUES FROM SALES AND SERVICES	505.388	472.161
2) CHANGE IN INVENTORIES OF PRODUCTS IN COURSE OF MANUFACTURE, SEMIFINISHED AND FINISHED GOODS	12.207	1.791
3) CHANGE IN INVENTORIES OF CONTRACT WORK IN PROCESS	0	0
4) CAPITALISATION OF INTERNAL CONSTRUCTION COSTS	3.477	1.886
5) OTHER REVENUES AND INCOME:		
- grants related to income	1.317	1.279
- other revenues and income	2.797	2.366
	<b>4.114</b>	<b>3.645</b>
<b>TOTAL OPERATING REVENUES</b>	<b>525.186</b>	<b>479.483</b>

**B) OPERATING COSTS**

6) PURCHASE OF RAW MATERIALS, SUPPLIES, CONSUMABLE STORES AND MERCHANDISE	(291.469)	(269.209)
7) COST OF SERVICES	(88.152)	(82.686)
8) RENT, LEASING AND SIMILAR COSTS	(5.528)	(4.898)
9) PERSONNEL COSTS:		
a) salaries and wages	(67.766)	(60.765)
b) social security	(14.090)	(13.278)
c) staff termination pay	(2.477)	(2.300)
d) pension and similar costs	0	0
e) other costs	0	0
	<b>(84.333)</b>	<b>(76.343)</b>
10) AMORTISATION, DEPRECIATION AND WRITE-DOWNS		
a) amortisation of intangible assets	(3.383)	(3.129)
b) depreciation of tangible assets	(22.778)	(23.281)
c) write-down of intangible and tangible assets	0	0
d) write-down of current accounts receivable and of cash and cash equivalents	(436)	(811)
	<b>(26.597)</b>	<b>(27.221)</b>
11) CHANGES IN INVENTORIES OF RAW MATERIALS, SUPPLIES, CONSUMABLE STORES AND MERCHANDISE	1.923	7.896
12) PROVISION FOR RISKS	(106)	(77)
13) OTHER PROVISIONS	(244)	(150)
14) SUNDRY OPERATING COSTS	(2.038)	(2.057)
<b>TOTAL COSTS OF PRODUCTION</b>	<b>(496.544)</b>	<b>(454.745)</b>

**OPERATING PROFIT (A-B)****28.642****24.738****C) FINANCIAL INCOME AND CHARGES**

15) INCOME FROM INVESTMENTS:		
- in subsidiaries	0	0
- in associated companies	0	0
- in other companies	27	42
	<b>27</b>	<b>42</b>
16) OTHER FINANCIAL INCOME:		
a) from non-current accounts receivable		
- from subsidiaries	0	0
- from associated companies	0	35
- from parent companies	618	1.499
- other companies	0	0
	<b>618</b>	<b>1.534</b>
b) from non-current securities other than shares	0	0
c) from current securities other than shares	<b>10</b>	<b>26</b>
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	123	216
	<b>123</b>	<b>216</b>
17) INTEREST EXPENSE AND OTHER FINANCIAL CHARGES		
- subsidiaries	0	0
- associated companies	0	0
- parent companies	0	0
- others	(15.375)	(17.920)
	<b>(15.375)</b>	<b>(17.920)</b>

**INCOME STATEMENT**

17-bis) EXCHANGE GAINS/LOSSES	2.908	(1.147)
<b>TOTAL FINANCIAL INCOME AND CHARGES</b>	<b>(11.689)</b>	<b>(17.249)</b>
<b>D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS</b>		
18) REVALUATIONS		
a) of investments	0	21
b) of non-current financial assets other than shares	0	0
c) of current securities other than shares	0	0
	<b>0</b>	<b>21</b>
19) WRITE-DOWN		
a) of Group companies investments	(448)	(428)
b) of non-current financial assets other than shares	0	0
c) of current securities other than shares	0	0
	<b>(448)</b>	<b>(428)</b>
<b>TOTAL ADJUSTMENTS</b>	<b>(448)</b>	<b>(407)</b>
<b>E) EXTRAORDINARY INCOME AND CHARGES</b>		
20) EXTRAORDINARY INCOME		
- gains on disposals	0	28.790
- other extraordinary income	1.031	277
	<b>1.031</b>	<b>29.067</b>
21) EXTRAORDINARY CHARGES		
- losses on disposals	(28)	(44)
- prior years' taxes	(50)	(234)
- other extraordinary charges	(5.492)	(7.215)
	<b>(5.570)</b>	<b>(7.493)</b>
<b>Total extraordinary income and charges</b>	<b>(4.539)</b>	<b>21.574</b>
<b>PROFIT BEFORE TAXES (A-B+-C+-D+-E)</b>	<b>11.966</b>	<b>28.656</b>
22) INCOME TAXES FOR THE YEAR		
- current taxes	(3.670)	(5.838)
- differed taxes	824	3.092
<b>Total income taxes for the year</b>	<b>(2.846)</b>	<b>(2.746)</b>
<b>RESULT FOR THE YEAR INCLUDING THE PORTION ATTRIBUTABLE TO MINORITY INTEREST</b>	<b>9.120</b>	<b>25.910</b>
23) PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO MINORITY INTEREST	83	56
<b>23) PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP</b>	<b>9.037</b>	<b>25.854</b>



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

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

The financial statements included in the consolidated accounts are prepared as at December 31, 2014, 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 where deemed necessary to present a true and fair view, even if such disclosures are not required by specific legislation.

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

## CONSOLIDATION SCOPE

In addition to the Parent Company Aquafil S.p.A., the companies included in the consolidation scope at December 31, 2014 were the following:

### COMPANIES CONSOLIDATED LINE-BY-LINE (\* converted at exchange rate at 31 December 2014)

Name and registered office	Share capital at Dec. 31, 2014 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%
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)	5.313.576	100,00%			100,00%	100,00%
Aquafil CRO d.o.o., Milana Prpiča 114 - 49243 Oroslavje (Croazia)	7.508.542	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%
Aquafil Tekstil Sanayi Ve Ticaret A.S. Turgutreis Mah. Giyimkent-Atisalani- Eseler-Istanbul (Turchia)	626.745	99,99%			99,99%	99,99%
Aquafil Asia Pacific Co. Ltd - 300/31 Moo 1 Eastern Seaboard Industrial Estate-Rayong (Thailand)	1.343.415	99,99%			99,99%	99,99%
Aquafil Benelux-France B.V.B.A. - Evolis 102 - 8530 Harelbeke (Belgio)	20.000	99,90%	Tessilquattro	0,10%	100,00%	100,00%
Aquafil Do Brasil Comercio LTDA-Av. Do Berimbau 106 - S.Paulo	45.317	99,99%			100,00%	100,00%
Aquafil Synthetic Fibres and Polymers (Jiaxing) Co. Ltd No 338 North Changsheng Road, Jiaxing 314033 - RPC	11.312.930	100,00%			100,00%	100,00%
Aquafil UK Ltd - Mill Road - Kilbirnie - Ayrshire - Scotland - KA25 7DZ	2	100,00%			100,00%	100,00%
Aqualeuna G.m.b.H. - Am Haupttor - Bau 3116 06237 Leuna DE	2.325.000	100,00%			100,00%	100,00%
Borgolon S.p.A. Strada Statale 32 "Ticinese" nr. 12 - Varallo Pombia (NO)	7.590.000	100,00%			100,00%	100,00%
Cenon Sro - M.R. Stefanika 71 Zilina (Slovacchia)	26.472.681	99,64%			99,64%	99,64%
Julon d.d., Letaliska Cesta, 15 - Ljubljana (Slovenia)	13.135.728	100,00%			100,00%	100,00%

### COMPANIES CONSOLIDATED AT EQUITY

The following companies are consolidated under the equity method:

- Xlance Fibre S.r.l. - Via Linfano, 9 - 38062 Arco (TN), with share capital of Euro 100,000, held 50% by the subsidiary Borgolon S.p.A..

The following companies measured at equity exited the consolidation scope:

- Acme Plastics S.r.l. - Via della Tecnica, 11/A - Correggio (RE), held 22%, as sold to third parties in the year. The sale resulted in a loss of Euro 27 thousand.
- Aquafil Tecnopolimeros S.I. - Priorat, 56-58 Pol. Ind. Can Carner - Castellar del Vallès (Spain) - held 40%. In 2014, the company was fully written down; negotiations are in progress for the sale of the investment to third parties.

The consolidation scope changed as follows during the year:

- Aquafil Engineering Plastics S.p.A. and Mtx Fibre S.r.l.:  
With merger deed of November 24, 2014, signed in the presence of notary Piero Avella, file No. 149532, case No. 26934, the companies were merged by incorporation into Aquafil S.p.A.. The merger for accounting and tax purposes was effective January 1, 2014, as permitted respectively by Article 2504-bis, paragraph 3 and Article 172, paragraph 9 of the Income Tax Law, approved with Presidential Decree No. 917 of December 22, 1986, while legal effects run from December 1, 2014, date of enrolment at the Company's Register.  
Following the merger, the investment of the company Borgolon S.p.A. – S.S. Ticinese, No. 12 – 28040 Varallo Pombia (NO), which Mtx Fibre S.r.l. holds in full, passed directly to Aquafil S.p.A..
- Julon d.o.o.:  
Julon changed its form from d.d. (Italian equivalent - S.p.A.) to d.o.o. (Italian equivalent - S.r.l.). No change in the ownership structure of the company took place as a result of the amendment, which comprises 314,779 shares, for a total value of Euro 13,135,728.  
In May 2014, the company Aquaset TTS d.d., a wholly-owned subsidiary of Julon d.o.o. was merged by incorporation into the company, with retroactive accounting and tax effects from January 1, 2014.
- AquafilCRO d.o.o.:  
AquafilCRO d.o.o. increased the share capital without cash consideration from HRK 50,000 thousand to HRK 56,900 thousand, through the utilisation of 2013 profits for HRK 6,985 thousand.
- Aquafil Tekstil Sanayi Ve Ticaret A.S.:  
The Turkish company Aquafil Bulgari Iplik Tekstil Sanayi Ve Ticaret A.S. at the beginning of 2014 changed its name.
- Aquafil Synthetic Fibres and Polymers (Jiaxing) Co. Ltd.  
Aquafil S.p.A. increased its holding in the company following a payment of Euro 4,217 thousand in the initial months of the year. Following this increase, the share capital of the company Aquafil Synthetic Fibres and Polymers (Jiaxing) Co. Ltd amounted to Yuan 93,260,029. This was undertaken to extend the production capacity of the yarn and polyamide 6 fibre reprocessing production facility. In accordance with Chinese investment regulations, the company must cover the funding of the investment with a share capital increase for at least 40% of the total investment.

The following companies joined the consolidation scope:

- Aquafil UK Ltd:  
In June 2014, Aquafil S.p.A. acquired a Scottish-registered company in the form of a shelf company, previous incorporated by the legal firm Dickson Minto W.S. under the name DMWS 1039 Limited, with a share capital of GBP 1. The company name was subsequently changed to Aquafil UK Ltd - Mill Road, Kilbirnie - Ayrshire KA257DZ - Scotland.  
Aquafil UK Ltd acquired the BCF reprocessing business unit, including the machinery and inventory and transferred from the previous company approx. 72 employees. The value of the investment was approx. Euro 1.4 million.  
The Company carries out the interlacing, twisting and heat setting of BCF fibres for the English market, on its own behalf and on behalf of other fibre producers.  
At the beginning of March 2015, the company increased its share capital by GBP 749,999, through utilisation of part of the loan received. Following the operation, the share capital amounts to GBP 750,000, comprising of 750,000 shares of GBP 1 each.

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

## **CONSOLIDATION PRINCIPLES**

The consolidation principles utilised are described below.

## **CONSOLIDATION METHODS**

### **Line-by-line consolidation**

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

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

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

eliminated.

### Equity method consolidation

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

### Translation into Euro of the financial statements of foreign companies

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

The exchange rates applied are as follows:

	December 2014 Year-end exch. rate	2014 Average exch. rate
US Dollar	1,2141	1,32850
Croatian Kuna	7,6580	7,63440
Chinese Yuan	7,5358	8,18570
Turkish Lira	2,8320	2,90650
Thai Baht	39,9100	43,14690
Brazilian Real	3,2207	3,12111

## ACCOUNTING POLICIES

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

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

## ACCOUNTING PRINCIPLES

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

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

**Payables**

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 shown in the memorandum accounts as the amount of the guarantee given; if the amount guaranteed at the period's closing date is less than the guarantee given, this is indicated in the 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 account reports the notional value of currency and commodities hedging contracts in place at June 30, 2013 translated into Euro at the forward exchange rate, as these are considered, exclusively from an accounting treatment viewpoint, of a speculative nature.



## **OTHER INFORMATION**

### **TAX 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. pursuant to Article 117 and subsequent of the Income Tax Code.

- for the three-year period 2013-2015 for Aquafil S.p.A., Tessilquattro S.p.A. and Aquaspace S.p.A..
- for the three-year period 2012-2014 for Borgolon S.p.A..

In addition to the companies mentioned above, from 2014 the parent company Aquafin Capital S.p.A. and the related company Aquafil Power S.r.l. took part in the tax consolidation.

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/debit relationships towards the consolidating company.

### **TRANSLATION OF FOREIGN CURRENCY ACCOUNTS**

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

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

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

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 (in thousands of Euro)

	1) Formation, start-up and similar costs	2) Research, development & advertising costs	3) Patents and intellectual property rights	4) Concess., licen., trademarks & similar costs	6) Assets under develop, and payments on account	7) Other intangible assets	Consolidation differences	TOTAL
<b>Previous year</b>								
Gross amount	431	0	4.703	4.757	277	15.853	9.459	35.479
Accumulated amortisation	174	0	1.676	4.066	0	9.364	9.054	24.334
<b>Total at December 31, 2013</b>	<b>257</b>	<b>0</b>	<b>3.027</b>	<b>692</b>	<b>277</b>	<b>6.489</b>	<b>405</b>	<b>11.147</b>
Increases	38	5	0	509	420	1.881	0	2.853
Decreases	0	0	0	0	0	-4	0	-4
Reclassifications	0	0	0	32	-132	234	0	134
Write-downs	0	0	0	0	0	0	0	0
Change in the consolidation scope	0	0	0	0	0	0	0	0
Exchange differences	29	0	0	-2	0	54	0	81
<b>Total hist. cost Dec. 31, 2014</b>	<b>498</b>	<b>5</b>	<b>4.703</b>	<b>5.296</b>	<b>565</b>	<b>18.018</b>	<b>9.459</b>	<b>38.544</b>
Increases	11	0	461	397	0	2.200	314	3.383
Decreases	0	0	0	0	0	-4	0	-4
Reclassifications	0	0	0	0	0	0	0	0
Write-downs	0	0	0	0	0	0	0	0
Change in the consolidation scope	0	0	0	0	0	0	0	0
Exchange differences	1	0	0	-2	0	49	0	48
<b>Total accum. amort. Dec. 31, 2014</b>	<b>186</b>	<b>0</b>	<b>2.137</b>	<b>4.461</b>	<b>0</b>	<b>11.609</b>	<b>9.368</b>	<b>27.761</b>
<b>Residual value Dec. 31, 2014</b>	<b>312</b>	<b>5</b>	<b>2.566</b>	<b>836</b>	<b>565</b>	<b>6.409</b>	<b>91</b>	<b>10.784</b>

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 1,881 thousand almost entirely concerns costs incurred by Aquafil S.p.A. for the management of ICT projects and for the capitalisation of indirect taxes and preliminary expenses for the sourcing of new mortgages of loans.

The Consolidation difference of an original Euro 152 thousand at December 31, 2014 amounts to Euro 91 thousand and concerns the difference between the purchase cost and the share of net equity, equal to 10% of the company Aqualeuna GmbH, acquired in 2013. This difference is amortised on a straight-line basis over 5 years and the amortisation for 2014 amounted to Euro 30.4 thousand.

**TANGIBLE ASSETS** (in thousands of Euro)

	1) Land and buildings	2) Plant and machinery	3) Industrial and sales equipment	4) Other tangible assets	5) Assets under construction and payments on account	TOTAL
<b>Previous year</b>						
Historical cost	107.139	320.886	9.021	6.133	7.202	450.381
Revaluations	19.050	1.237	15	7	0	20.309
Write-downs	-501	-10.276	0	0	0	-10.777
<b>Total historical cost at December 31, 2013</b>	<b>125.689</b>	<b>311.847</b>	<b>9.036</b>	<b>6.140</b>	<b>7.202</b>	<b>459.914</b>
Accumulated depreciation at December 31, 2013	41.494	251.973	7.982	4.655	0	306.104
<b>Net value at December 31, 2013</b>	<b>84.195</b>	<b>59.874</b>	<b>1.054</b>	<b>1.486</b>	<b>7.202</b>	<b>153.810</b>
Increases	1.552	19.841	172	918	15.167	37.650
Decreases	-5.298	-1.126	-132	-414	-394	-7.364
Reclassifications	-2.811	12.647	0	1	-10.187	-350
Revaluations	0	0	0	0	0	0
Write-downs	0	0	0	0	0	0
Change in the consolidation scope	0	0	0	0	0	0
Exchange differences	835	6.016	20	214	578	7.663
<b>Total historical cost at December 31, 2014</b>	<b>119.967</b>	<b>349.226</b>	<b>9.096</b>	<b>6.859</b>	<b>12.366</b>	<b>497.513</b>
Depreciation	3.625	18.005	690	457	0	22.778
Utilisations	-1.679	-1.097	-132	-384	0	-3.292
Reclassifications	0	0	0	0	0	0
Change in the consolidation scope	0	0	0	0	0	0
Exchange differences	139	3.082	15	109	0	3.344
<b>Total Accum. Depr. at December 31, 2014</b>	<b>43.579</b>	<b>271.963</b>	<b>8.555</b>	<b>4.836</b>	<b>0</b>	<b>328.933</b>
<b>Residual value at December 31, 2014</b>	<b>76.388</b>	<b>77.263</b>	<b>541</b>	<b>2.023</b>	<b>12.366</b>	<b>168.581</b>

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 37,650 thousand, with net disposals for Euro 4,072 thousand, of which historical value amounts to Euro 7,363 thousand, and are composed of as follows:

**• land and buildings**

Increases: amounting to Euro 1,552 thousand. These break down as follows:

- AquafilCRO d.o.o.: the increase of Euro 505 thousand concerns the acquisition of land and a building adjacent to the company and maintenance works on the existing buildings;
- Aquaspace S.p.A.: the increase of Euro 552 thousand concerns building works of the new filtration plant;
- Aquafil S.p.A.: the increase of Euro 412 thousand relates to the reconstruction of the warehouse at Via Linfano No.18 after the fire; The remaining portion of investments relates to improvements to the real estate assets of the other companies included in the consolidation scope.

Decreases: net decreases totalled Euro 3,619 thousand and almost exclusively concern the sale of the production site of the company Aquafil USA Inc to the related company GB&P USA.

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

Increases: amounting to Euro 36,098 thousand. These break down as follows:

- Aquafil S.p.A.: the overall increase is equal to Euro 3.7 million, of which Euro 1.2 concerning "Assets under construction and payments on account". The investments refer principally to the upgrading of existing plant and the construction of the new master unit.
- Tessilquattro S.p.A.: the total increase of Euro 0.6 million concerns the development of the twisting plant and improvements to existing plant;
- Aquaspace S.p.A.: the total increase of Euro 4.6 million relates to the costs incurred for the construction of the purification plant;
- Aquafil USA Inc.: the total increase of Euro 13.4 million is due to the construction and transfer of plant to a new facility owned by GB&P USA, in addition to improvements to existing plant;
- Aquafil Jiaying Ltd.: the increase of Euro 5.3 million concerns the extended yarn production capacity;
- AquafilCRO d.o.o.: the increase of Euro 2.2 million concerns the extension of the texturising plant;
- Aqualeuna GmbH.: the total increase of Euro 0.7 million is due to the increase in the production capacity and improvements to existing plant;
- Julon d.d.: the total increase of Euro 4.5 million relates principally to the actions and improvements on ECONYL® plant.
- Aquafil UK Ltd: the total increase of Euro 1.1 thousand concerns the purchase of plant;

Net Decreases: Net decreases amounted to Euro 4,072 thousand, principally concerning the sale by Aquafil USA Inc. of land and buildings to the related company GB&P USA LLC.

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 152,888 thousand to secure the loans granted and broken down under the item “Amounts due to banks”.

## FINANCIAL ASSETS

### a) Investments in associated companies

This exclusively concerns the investment of Euro 2,400 thousand, recognised to the consolidated financial statements at equity, in the company Xlance Fibre Italia S.r.l., with registered office in Arco, Via Linfano 9, held 50% by Borgolon S.p.A., with a share capital of Euro 100,000. The investment was written down in the current year for Euro 448 thousand, corresponding to 50% of the loss for the year. The company’s corporate scope is to produce and sell synthetic filaments and fibres, in addition to the research and development necessary for this activity. The company continues to focus on the development of an innovative elastomeric fibre called XLA and the adoption of improved production processes, 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 Euro 1,188 thousand.

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

- 250,000 shares of 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 of a nominal value of Euro 1, for a total of Euro 919,380 of the share capital of La Finanziaria Trentina S.p.A..

## Receivables

The Company had no accounts receivable beyond 5 years.

### Receivables from holding companies

The table below shows the movements in financial transactions:

	Opening bal.	Increases	Reclass.	Closing bal.
<b>within 12 months</b>				
Aquafin Holding S.p.A.	3.168	0	-3.168	0
<b>TOTAL</b>	<b>3.168</b>	<b>0</b>	<b>-3.168</b>	<b>0</b>
<b>over 12 months</b>				
Aquafin Holding S.p.A.	33.261	65	3.168	36.494
<b>TOTAL</b>	<b>33.261</b>	<b>65</b>	<b>3.168</b>	<b>36.494</b>

### Reclassifications:

Financial receivables beyond 12 months of Julon dd from Aquafin Holding S.p.A. were ceded to Aquafil S.p.A. and reclassified to the beyond 12 months account.

### Increases:

The increases concern the capitalisation of interest in the year of Euro 618,296 and the offsetting of the overall tax payable of the companies involved in the tax consolidation of Euro 553,643.

The receivables are of a financial nature and interest bearing.

### Receivables from other group companies

d1) Receivables from “other Group companies” of Euro 494 thousand correspond to the receivables of Aquafil USA Inc. from the company GB&P USA LLC.

### Other receivables

d2) “other debtors” of Euro 265 thousand mainly refer to guarantee deposits paid to suppliers and employee loans.

## Other securities

The Deposit Certificates from Banca Popolare Emilia Romagna – Nominal value Euro 1,000,000, with duration 21/08/2013 – 21/08/2014, were traded at the beginning of September 2014; contemporaneously, new Banca Popolare Emilia Romagna Deposit Certificates were purchased for a nominal value of Euro 1,000,000, with duration 01/09/2014 – 01/09/2015, at a fixed rate at 1.15%. These securities are restricted to guarantee an unsecured loan of Euro 3 million granted by the bank.

## CURRENT ASSETS

### INVENTORIES

Inventories at 31/12/2014 are composed as follows (in thousands of Euro):

	December 2014	December 2013
1) Raw materials, supplies and consumable stores	50.649	48.467
4) Finished goods and merchandise	96.528	82.115
5) Advances	56	120
<b>TOTAL</b>	<b>147.233</b>	<b>130.702</b>

The account includes an obsolescence provision of Euro 505 thousand.

The change on the previous year derives from the full operability of the production plant and on the other hand the slowdown in customer orders in the final months of the year, who postponed delivery to January in view of the drop in raw material prices.

### RECEIVABLES

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

	December 2014	December 2013
1) Customers	32.550	44.868
2) Subsidiaries	1	1
3) Associated companies	349	475
4) Parent companies	910	5.585
4) BIS Tax receivables	8.712	5.866
4) TER Deferred tax assets	7.302	6.177
5) a) Other Group companies	0	4
5) b) Other debtors	4.082	3.438
<b>TOTAL</b>	<b>53.906</b>	<b>66.414</b>

Analysis by geographic region (in thousands of Euro):

	Italy	Europe	North America	Rest of world	TOTAL
1) Customers	4.603	9.900	9.594	8.453	32.550
2) Subsidiaries	1	0	0	0	1
3) Associated companies	107	242	0	0	349
4) Parent companies	910	0	0	0	910
4) BIS Tax receivables	1.807	2.010	2.627	2.268	8.712
4) TER Deferred tax assets	5.060	1.438	257	547	7.302
5) a) Other Group companies	0	0	0	0	0
5) b) Other debtors	2.766	544	161	611	4.082
<b>TOTAL</b>	<b>15.254</b>	<b>14.134</b>	<b>12.639</b>	<b>11.879</b>	<b>53.906</b>

### 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 3,349 thousand was set aside. The allowance for doubtful receivables recorded at December 31, 2013 for Euro 3,261 thousand was utilised for Euro 348 thousand in relation to write-offs and increased by Euro 436 thousand as a result of the allocation for the year. The exchange rate effect was Euro 10 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 2014	December 2013
Aquafil Tecnopolimeros S.l.	242	395
Acme Plastic S.r.l.	0	80
Xlance Fibre Italia S.r.l.	107	0
<b>TOTAL</b>	<b>349</b>	<b>475</b>

### Receivables from parent companies

These include a receivable due within 12 months from the parent company Aquafil Holding S.p.A. equal to Euro 910 thousand deriving from tax credits.

### Tax receivables

The breakdown is as follows (in thousands of Euro):

	December 2014	December 2013
<b>Tax receivables within 12 months</b>		
Income taxes	2.641	442
VAT receivable	5.050	4.717
Withholding taxes	241	137
Interest	76	76
Tax receivables Law 296/09	4	4
Other tax credits	17	85
Other tax receivables	1	24
<b>TOTAL</b>	<b>8.030</b>	<b>5.487</b>
<b>Tax receivables over 12 months</b>		
Income taxes	304	0
Other tax receivables	378	379
<b>TOTAL</b>	<b>682</b>	<b>379</b>

## Deferred tax assets

The breakdown is as follows (in thousands of Euro):

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.

	December 2014	December 2013
<b>Deferred tax assets within 12 months</b>		
losses carried forward	32	0
allowance for receivables	31	652
sales rep. and maintenance expenses	107	127
other	180	136
gains	236	236
personnel	387	246
inventory write-down	279	399
<b>TOTAL</b>	<b>1.252</b>	<b>1.795</b>
<b>Deferred tax assets beyond 12 months</b>		
losses carried forward	547	642
allowance for receivables	626	5
other provisions	245	237
sales rep. and maintenance expenses	32	84
other	41	0
exchange differences	5	5
amortisation, depreciation, leasing costs	3.329	2.059
supp. indemnity prov. for agents	205	205
depreciation on tangible asset revaluation	682	728
depreciation on asset write-downs	258	338
inventory write-down	79	79
<b>TOTAL</b>	<b>6.050</b>	<b>4.382</b>

## Other receivables

Other debtors due within 12 months

	December 2014	December 2013
<b>Receivables from others within 12 months:</b>		
Sundry advances	6	6
Employees	357	3
Other receivables	574	252
Pension and social security institutions	367	342
Public administration	1.881	1.841
Advances to suppliers	195	138
Other advances	391	414
Earnings equalisation fund	311	443
<b>TOTAL</b>	<b>4.082</b>	<b>3.438</b>

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

- The receivable from the Trento Province, 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 corresponds to 50% of the grant (Euro 3 million) which will be released once the Autonomous Province of Trento has reviewed the preliminary documentation presented in the year. The grant was recognised to the income statement in proportion to the advancement of costs incurred for the project.
- The receivable from the Trento Province under Provincial Law 6/99, concerning a grant in relation to a research project for the creation of a nylon 6 nano-reinforced polyamide fibre for the auto market. This receivable corresponds to 50% of the grant recognised (Euro 367 thousand). The receivable of Euro 184 thousand is the remaining 50% which will be granted on conclusion of the presentation project. 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 Euros):

	December 2014	December 2013
1) Cash at banks and post offices	53.060	55.049
2) Cheques	969	1.038
3) Cash and cash equivalents on hand	19	26
<b>TOTAL</b>	<b>54.048</b>	<b>56.112</b>

The item mainly relates to the balance at year-end of the Group companies current accounts. Euro 2,394 thousand of the Aquafil Engineering GmbH current account is restricted as guarantee for advance payments on contracts in course.

## ACCRUED INCOME AND PREPAID EXPENSES

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

	December 2014	December 2013
<b>Accrued income:</b>		
Interest on other receivables	18	39
Other	471	137
<b>TOTAL</b>	<b>489</b>	<b>177</b>
<b>Prepaid expenses:</b>		
Insurance premiums	188	114
Sureties	40	31
Other	307	536
Fairs and exhibitions	65	51
ICT Consulting	195	161
Leasing maintenance	76	81
Tax and administrative consulting	40	40
<b>TOTAL</b>	<b>912</b>	<b>1.012</b>
<b>TOTAL ACCRUED INCOME AND PREPAID EXPENSES</b>	<b>1.401</b>	<b>1.189</b>

There are no accrued income and prepaid expenses over 5 years.



# Notes to the main liability and equity accounts

## CONSOLIDATED GROUP NET EQUITY

The total of Euro 91,692 thousand breaks down as follows (in thousands of Euro):

Account	31.12.2013	Changes in the year				31.12.2014
		Allocation of prior year profit	Translation difference	Distribution of dividends & reclass.	Net profit for the year	
I. Share Capital	19.686					19.686
II. Share premium reserve	0					0
III. Revaluation reserve	41					41
IV. Legal reserve	3.936					3.936
VII. Other reserves	31.466	25.854	3.673	(2.000)		58.993
VIII. Retained earnings	0					0
IX. Net profit for the year	25.854	(25.854)			9.037	9.037
<b>Total Group shareholders' equity</b>	<b>80.982</b>	<b>0</b>	<b>3.673</b>	<b>(2.000)</b>	<b>9.037</b>	<b>91.692</b>
Minority interest profit/(loss)	56	(56)			83	83
Minority interest shareholders' equity	236	56				292
<b>Total shareholders' equity – minority interest</b>	<b>292</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>83</b>	<b>375</b>
<b>Total Group and minority interest shareholders' equity</b>	<b>81.274</b>	<b>0</b>	<b>3.673</b>	<b>(2.000)</b>	<b>9.120</b>	<b>92.067</b>

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

## SHARE CAPITAL

The share capital amounts to Euro 19,685,556 and is composed of 26,542,000 ordinary shares without nominal value.

On October 29, 2014, the majority shareholder Aquafin Capital S.p.A., which held 72.71% of the share capital of Aquafil S.p.A., acquired the remaining shares, consisting of 6,900,000 class B shares (26% of the share capital) and 342,000 class A shares (1.29% of the share capital).

The company adopted a new By-Laws which establishes that all shares comprising the share capital attribute equal rights, consequently eliminating every reference to classes of shares and their respective rights and, more generally, simplifying the governance rules of the Company. Consequently, all shares were converted into ordinary shares.

Within the Aquafin Capital S.p.A. financing operation, a lien on Aquafil S.p.A. shares was undertaken.

## 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 375 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, 2014

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, 2014 (in thousands of Euro) is shown below:

	Net result	Net equity
Net equity and net result as per financial statements of the Parent Company	6.512	89.829
recording of leasing as per finance method of Aquafil S.p.A.	(66)	-28
elimination of intercompany transaction effects	1.724	1.715
differing measurement in consolidation of investment in AquafilCRO	17	(512)
other	850	688
<b>Net equity and net result for the year pertaining to Group</b>	<b>9.037</b>	<b>91.692</b>
Minority interest net equity and net profit	83	375
<b>Net equity and net result as per consolidated financial statements</b>	<b>9.120</b>	<b>92.067</b>

## PROVISIONS FOR RISKS AND CHARGES

### Tax provisions

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

	December 2014	December 2013
Leasing	273	502
Accumulated depreciation	3.968	107
Other adjust. in application of Group accounting standards	956	2.465
<b>TOTAL</b>	<b>5.198</b>	<b>3.073</b>

The increase in deferred taxes relates to the company Aquafil USA Inc. which received a tax bonus of 50% of investments made in 2014.

### Other provisions

The account amounts to Euro 2,690 thousand and is comprised of risk provisions of Euro 249 thousand relating to Aqualeuna GmbH, the agent supplementary indemnity of Euro 892 thousand of Borgolon S.p.A. and Aquafil S.p.A, a mobility charges provision of Euro 571 thousand concerning Borgolon S.p.A., client guarantee provisions on engineering orders of Euro 600 thousand of Aquafil Engineering GmbH and provisions for other risks and charges of Euro 378 thousand of various companies of the group.

## 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 2014	December 2013
Opening balance	7.330	7.981
Provisions	228	115
Utilisations	632	766
<b>CLOSING BALANCE</b>	<b>6.926</b>	<b>7.330</b>

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 368,583 thousand. The amounts due after 5 years are indicated separately. The analysis is provided below.

	December 2014	December 2013
Amounts due to shareholders	0	30.508
Amounts due to banks	221.493	187.320
Amounts due to other lenders	1.716	1.716
Advances	15.011	5.451
Amounts due to suppliers	101.293	99.111
Amounts due to parent companies	12.511	15.965
Taxes payable	4.396	4.173
Amounts due to soc. sec. institut.	2.868	2.743
Other Group companies	112	515
Other creditors	9.183	9.460
<b>TOTAL</b>	<b>368.583</b>	<b>356.962</b>

Analysis by geographic region (in thousands of Euro):

	Italy	Europe	North America	Rest of World	Total
4) Amounts due to banks	167.649	25.061	26.333	2.450	221.493
5) Amounts due to other lenders	1.716	0	0	0	1.716
6) Advances	12.054	2.893	0	64	15.011
7) Amounts due to suppliers	34.769	56.783	7.803	1.937	101.293
11) Amounts due to parent companies	12.511	0	0	0	12.511
12) Tax payables	3.954	371	0	71	4.396
13) Amounts due to soc. sec. instit.	2.137	723	0	7	2.868
14) a) Other Group companies	0	111	0	0	112
14) b) Other creditors	6.754	1.718	230	481	9.183
<b>TOTAL</b>	<b>241.545</b>	<b>87.660</b>	<b>34.366</b>	<b>5.011</b>	<b>368.583</b>

### Amounts due to shareholders

The loan from HC Romeo Sarl, which at December 31, 2013 amounted to Euro 30,508 thousand, was fully repaid together with interest of Euro 1,714 thousand.

## Amounts due to banks

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

	Balances at December 2014				Balances at December 2013
	within 12 months	over 12 months within 5 years	over 5 years	Total	
Current accounts	139			139	260
Export advances	30.892			30.892	28.588
Import financing	12.040			12.040	11.024
Advances on invoices	42.486			42.486	37.822
Other payables	92			92	885
	<b>85.650</b>	<b>0</b>	<b>0</b>	<b>85.650</b>	<b>78.579</b>
<b>Loans:</b>					
I.M.I.	5.000	17.500	0	22.500	0
Monte Paschi Siena NY	2.200	4.000	0	6.200	0
Abanka	3.000	0	0	3.000	7.750
HVB Splitska banca	965	2.161	0	3.126	3.830
SKB banca	0	0	0	0	2.660
Cassa Centrale Casse Rurali Trentine	1.470	2.815	0	4.285	1.534
Banca di Verona	1.884	5.216	0	7.100	5.000
Gorenjska Banka	11.331	0	0	11.331	11.602
Cassa Rurale Valsabbia Paganella	206	35	0	241	437
Cassa Rurale Rovereto	663	1.713	467	2.843	3.489
TMB Bank	460	0	0	460	1.012
Credito Valtellinese	3.344	3.215	0	6.559	9.742
Biverbanca	795	1.705	0	2.500	970
Cassa Risparmio di Bolzano	969	0	0	969	2.241
Postna Banka Slovenije	0	0	0	0	4.000
Veneto Banka	2.000	1.556	0	3.556	0
Cassa Rurale Raiffeisen Alto Adige	674	522	0	1.195	1.177
Banca Popolare di Sondrio	2.755	3.253	0	6.009	5.333
Banca Popolare di Milano	2.000	1.000	0	3.000	5.214
Banca Antonveneta	3.220	740	0	3.960	7.180
Regions Bank	2.850	14.012	820	17.682	7.779
Banca Popolare di Verona	1.511	760	0	2.271	3.771
Banca Popolare Emilia Romagna	1.013	699	0	1.712	2.685
Hypo Alpe Adria Bank	0	1.381	0	1.381	0
Sparkasse	567	500	0	1.067	833
Nova Ljubljanska Banka	0	0	0	0	857
Volksbank	1.286	2.143	0	3.429	4.715
ICBC Bank	124	1.866	0	1.991	0
Banca di Trento e Bolzano	1.762	0	0	1.762	3.427
GE Capital	1.500	4.500	0	6.000	7.500
Banca Popolare di Vicenza	857	1.714	0	2.571	3.000
Finest	200	800	0	1.001	1.001
Banca Popolare Friuladria	1.206	3.210	0	4.415	0
Reiffeisen Bank RBA	1.091	637	0	1.728	0
<b>Total loans</b>	<b>56.904</b>	<b>77.652</b>	<b>1.287</b>	<b>135.843</b>	<b>108.741</b>
<b>Total due to banks</b>	<b>142.554</b>	<b>77.652</b>	<b>1.287</b>	<b>221.493</b>	<b>187.320</b>

With reference to the loans granted, assets have been mortgaged to the value of Euro 152,888 thousand.

## 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 item includes advance payments received from customers for supplies not yet delivered for Euro 15,011 thousand and principally refer for Euro 2,130 thousand to Aquafil Engineering G.m.b.H., for Euro 12,686 thousand to Aquafil S.p.A. and for Euro 193 thousand to Borgolon S.p.A.. The advances received by Aquafil S.p.A. concerned supplies provided, principally from Domo Engineering Plastics Italy S.p.A. for Euro 8,196 thousand and from Contifibre S.p.A. for Euro 3,500 thousand.

## Amounts due to suppliers

	December 2014	December 2013
<b>Within 12 months</b>		
Third party suppliers	82.021	78.410
Liabilities for leasing - Due within 12 months	1.922	1.887
<b>TOTAL</b>	<b>83.943</b>	<b>80.297</b>
<b>Over 12 months</b>		
Third party suppliers	0	470
Liabilities for leasing - Due over 12 months	17.350	18.344
<b>TOTAL</b>	<b>17.350</b>	<b>18.814</b>
<b>TOTAL</b>	<b>101.293</b>	<b>99.111</b>

Amounts due for leases after 5 years amounted to Euro 10.6 million.

## Payables to parent companies

Payables due within 12 months amount to Euro 12,511 thousand and entirely 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 to participate in the consolidated taxation regime for Euro 2,541 thousand;
- the payable of Aquafil S.p.A. for dividends approved but partially not paid totalling Euro 9,967 thousand.
- trade payables of Euro 3 thousand.

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

	December 2014	December 2013
<b>Within 12 months</b>		
Tessilquattro S.p.A.	697	3.277
Aquafil S.p.A.	11.780	9.967
Aquaspace S.p.A.	4	0
Aquafil EngineeringPlastics S.p.A.	0	2.695
Mtx Fibre S.r.l.	0	3
Borgolon S.p.A.	29	23
<b>TOTAL</b>	<b>12.511</b>	<b>15.965</b>

## Tax payables

The total of Euro 4,396 thousand breaks down as follows (in thousands of Euro):

	December 2014	December 2013
<b>within 12 months</b>		
IRAP	473	-8
Withholding taxes	1.236	1.380
VAT	2.242	232
Other payables	237	280
Other taxes	208	2.289
<b>TOTAL</b>	<b>4.396</b>	<b>4.173</b>

## Payables to social security institutions

These total Euro 2,868 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 d.o.o., belonging to the Aquafin Holding S.p.A. Group, for Euro 112 thousand.

### Other creditors

Payables due within 12 months amount to Euro 7,789 thousand and principally refer to employee payables of Euro 7,033 thousand and an annual payment of the payable by installments of Euro 46.5 thousand expiring on September 1, 2015 for the acquisition of 10% of the subsidiary Aquafil Services GmbH, in addition to other payables.

Payables due after 12 months amount to Euro 1,394 thousand and refer to guarantee deposits of customers of Euro 1,300 thousand and the payable by installments with maturity September 1, 2016 - September 1, 2017 for the acquisition of 10% of the subsidiary Aquafil Services GmbH, in addition to other payables.

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 Euros):

	December 2014	December 2013
<b>Accruals:</b>		
Interest on loans and borrowing	642	1.638
Insurance	91	59
Other	248	1.003
<b>TOTAL</b>	<b>981</b>	<b>2.700</b>
<b>Deferred income:</b>		
Grants for plant and machinery	1.081	1.605
Other	118	83
Grants ex provincial law 6/99	106	326
<b>TOTAL</b>	<b>1.305</b>	<b>2.015</b>
<b>TOTAL ACCRUALS AND DEF. INCOME</b>	<b>2.286</b>	<b>4.714</b>

Deferred income relating to plant grants of Euro 1,018 thousand relates to grants issued by the Ministry for the Economy to the companies Julon d.o.o. on the recycling project ECONYL® being implemented at the Slovenian company Julon d.d. and AquafilCRO d.o.o for investment in production plant.

## MEMORANDUM ACCOUNTS

### Derivative financial instruments

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

Institute	Type	Notional	Commence ment	Maturity
Banca Popolare di Verona	IRS	1,875,000	28/03/2012	28/03/2016
Banca Popolare di Milano	IRS	3,000,000	21/03/2012	30/06/2016
Cassa Centrale Banca	IRS	542,068	20/03/2012	30/06/2015
Banca Popolare di Sondrio	IRS	3,555,555	31/07/2012	31/07/2016
Banca Antonveneta	IRS	1,800,000	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

## VALUE OF PRODUCTION

### Revenues from sales and services

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

	December 2014	December 2013
<b>by business line</b>		
Polyamide, polypropylene and other polymers	489.433	456.809
Other revenues	10.048	7.965
<b>TOTAL</b>	<b>505.388</b>	<b>464.774</b>
<b>by geographic area</b>		
Italy	113.257	115.844
Abroad	392.131	356.317
<b>TOTAL</b>	<b>505.388</b>	<b>472.161</b>

Revenues from sales and services included revenues from Xlance Fibre S.r.l., not included in the consolidation scope, for Euro 1,027 thousand.

### Capitalisations of internal constructions

The aggregate, which amounts to Euro 3,477 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 thousands of Euro):

	December 2014	December 2013
<b>Operating grants</b>		
Personnel grants	52	37
Other	1.264	1.242
<b>Grants in P&amp;L</b>	<b>1.317</b>	<b>1.279</b>
<b>Other revenues and income</b>		
Rental income	579	316
Gains on fixed assets disposal	349	211
Insurance compensation	23	57
Recovery of expenses	277	177
Other income	1.089	1.110
Utilisation of other provisions	256	0
Software fees	69	265
Tax consultant and directors recoveries	73	230
Penalties received on supply contract	83	0
<b>Other revenues and income</b>	<b>2.797</b>	<b>2.366</b>
<b>TOTAL</b>	<b>4.114</b>	<b>3.645</b>

Operating grants for Euro 1,317 thousand comprise:

- for Euro 484 thousand Aquafil S.p.A. concerning the grant received for the research project referred to in the account "Receivables from others within 12 months" of Euro 321 thousand, the "De minimis" on leases for Euro 13 thousand, grants for personnel training courses for Euro 53 thousand, the grant of Euro 97 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.
- for Euro 833 thousand Julon d.o.o. concerning the grants principally provided by the Slovenian Ministry for the Economy for the "ECONYL®" project. For comparability, Euro 840 thousand in 2013 was reclassified from the other income account.

The other income account includes for Euro 1,017 thousand services invoiced by the company Borgolon S.p.A. to the associated XLance Fibre Italia S.r.l. within the services contract for the provision of productive know-how.

## COSTS OF PRODUCTION

### Raw materials, supplies, consumable stores and merchandise

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

	December 2014	December 2013
Raw materials and semifinished goods	258.651	239.883
Supplies and consumable stores	26.139	23.595
Other purchases and merchandise	6.679	5.731
<b>TOTAL</b>	<b>291.469</b>	<b>269.209</b>

### Services

The breakdown is as follows (in thousands of Euro):

	December 2014	December 2013
External processing	3.024	2.332
Transport of purchases	2.385	1.974
Electricity, propulsive energy, water and gas	37.266	35.778
Maintenance	5.610	5.467
Warehousing, management of external deposits	2.925	2.679
Cleaning and security	1.141	1.096
Waste disposal	1.205	1.404
Stationery	257	214
Post and telephone charges	413	371
Insurance	1.501	1.440
Services for staff	633	601
Technical consultancy	885	943
Fees for technical assistance	156	93
Commercial consultancy	1	12
Legal, tax and administrative consultancy	1.244	1.080
Company expenses	23	28
Membership fees	239	278
Newspapers and magazines	31	32
Enasarco commissions and contributions	2.712	3.084
Travelling	1.992	1.848
Commercial information	71	105
Fairs and exhibitions	162	187
Advertising expenses	648	433
Insurance credits	766	830
Entertainment expenses	513	540
Transport of sales	14.635	12.976
Other sale expenses	673	834
Other services	927	584
Emoluments for Statutory Auditors	200	197
Emoluments for Directors	1.323	1.452
Temporary work	395	312
Software licenses	4	0
Canteen	635	629
Non-bank charges and commissions	314	248
Consulting and rental costs ICT assist.	3.183	2.610
Supervisory board fees	60	0
<b>TOTAL</b>	<b>88.152</b>	<b>82.686</b>

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 scope, amounted to Euro 1,183 thousand and Euro 98 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	3
Aquaspace S.p.A.	Statutory Audit	9
Borgolon S.p.A.	Statutory Audit	16
MTX Fibre S.r.l.	Statutory Audit	4
Tessilquattro S.p.A.	Statutory Audit	11
<b>TOTAL</b>		<b>145</b>

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 (in thousands of Euro):

	December 2014	December 2013
Rent	446	690
Industrial rent	3.560	3.077
Hire charges	1.496	1.097
Leasing fees	0	9
Commercial rent	26	26
<b>TOTAL</b>	<b>5.528</b>	<b>4.898</b>

Specifically:

- Rent for Euro 446 thousand concerns lodging expenses;
- Industrial rent concerns charges on the production facilities and warehouses of Julon d.o.o. for Euro 2,193 thousand, Aquafil USA Inc. for Euro 383 thousand, Borgolon S.p.A. for Euro 292 thousand, Tessilquattro S.p.A. for Euro 279 thousand, Aquafil S.p.A. for Euro 231 thousand and Euro 182 thousand from other Group companies.
- Hire charges refers to charges for third party equipment incurred by all group companies and in particular Aquafil S.p.A. for Euro 467 thousand, AquafilCRO d.o.o for Euro 289 thousand, Aquafil USA Inc for Euro 189 thousand and Aqualeuna for Euro 350 thousand.

### Personnel costs

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

The number of employees, by category, is provided as follows:

	December 2014	December 2013	Average
Production workers	2.215	1.892	2.054
Office staff	498	466	482
Middle managers	39	39	39
Managers	33	32	33
<b>TOTAL</b>	<b>2.785</b>	<b>2.429</b>	<b>2.607</b>

Compared to the previous year, employee numbers increased 356. The difference concerns for 69 employees the acquisition of Aquafil UK, for 89 employees Aquafil USA and 240 at Julon, of which 164 temporary personnel confirmed under long-term contracts.

The total cost includes also the temporary labour cost.

## Amortisation, depreciation and write-downs

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

	December 2014	December 2013
a) Amortisation intangible assets	3.383	3.129
b) Depreciation of tangible assets	22.778	23.281
c) Write-down of current receiv. and cash available	436	811
<b>TOTAL</b>	<b>26.596</b>	<b>27.220</b>

## Provisions for risks

The provision amounts to Euro 106 thousand and refers to the supplementary indemnity provision for agents.

## Other provisions

This refers to a prudent provision of Euro 244 thousand of Aquafil Engineering GmbH.

## Other operating costs

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

	December 2014	December 2013
Non-deductible VAT	43	42
ICI (Council tax)	913	862
Various taxes	170	123
Capital losses on disposal of assets	54	133
Losses on receivables	26	8
Bonuses to customers	4	2
Other costs	766	693
Scholarships	25	24
Penalties on supply contracts	38	171
<b>TOTAL</b>	<b>2.038</b>	<b>2.057</b>

## FINANCIAL INCOME AND CHARGES

### INVESTMENT INCOME

Investment income from other companies for Euro 27 thousand concerns dividends received from Aquafil S.p.A. for dividends distributed by Trentina Finanziaria S.p.A..

### OTHER FINANCIAL INCOME

Income from non-current receivables amounts to Euro 618 thousand and relates to interests on loans to the parent company Aquafil Holding S.p.A..

Income from current securities, which does not comprise equity investments, amounts to Euro 10 thousand relating to the interest matured on deposit certificates recognised to "Other Securities".

Other income comprises (in thousands of Euro):

	December 2014	December 2013
Miscellaneous interest	33	12
Interest income on bank accounts	90	204
<b>TOTAL</b>	<b>123</b>	<b>216</b>

## INTEREST EXPENSE AND OTHER FINANCIAL CHARGES

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

	December 2014	December 2013
Charges from Group companies	1.715	6.621
Interest exp. on current accs. with banks	716	732
Interest on mortgage loans	4.877	3.261
Interest on bank borrowings	229	0
Interest expense to other lenders	177	147
Interest expense on export advances	1.312	1.405
Interest expense on import loans	425	300
Discounts on commercial bills	995	1.133
Factoring expense	248	201
Interest expense on commercial operations	24	21
Interest payable to leasing companies	300	379
Bank expenses and commissions	670	669
Cash discounts	3.651	3.052
Other charges	38	0
<b>TOTAL</b>	<b>15.375</b>	<b>17.920</b>

## 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

### WRITE-DOWNS

The item concerns the charge for the write-down on the investment measured at equity in the associated company Xlance Fibre Italia S.r.l. of Euro 448 thousand.

## EXTRAORDINARY INCOME AND CHARGES

### INCOME

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

	December 2014	December 2013
Gains on assets disposal	0	28.790
Prior year income	983	144
Prior years' taxes	5	41
Other extraordinary income	41	56
Collection of bad debts	2	37
<b>TOTAL</b>	<b>1.031</b>	<b>29.067</b>

Prior year income included insurance repayments received for the fire at the factory in 2013 of Aquafil Engineering Plastics S.p.A., now merged into Aquafil S.p.A., for Euro 510 thousand.

## CHARGES

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

	December 2014	December 2013
Losses on asset disposals	0	35
Loss on sale of investments	28	9
Prior year's taxes	50	234
Prior year charges	683	78
Other extraordinary charges	4.077	2.880
Personnel mobility charges	733	784
Fixed asset write-downs	0	3.474
<b>TOTAL</b>	<b>5.570</b>	<b>7.495</b>

Other extraordinary charges include costs incurred by Aquafil USA for Euro 2,978 thousand concerning the spin-off operation which provided also for a new lay-out of the production site enabling expanded company operations, Euro 750 thousand for extraordinary remuneration of Directors of Aquafil S.p.A and Tessilquattro S.p.A. and other costs for Euro 161 thousand to be allocated to the other group companies.

## INCOME TAXES

The breakdown is as follows (in thousands of Euro):

	December 2014	December 2013
<b>Current taxes:</b>		
Current taxes - Ires	2.205	1.912
Current taxes - Irap	1.054	1.183
Other taxes	411	2.743
<b>Total</b>	<b>3.670</b>	<b>5.838</b>
<b>Deferred taxes:</b>		
Ires - Deferred tax assets and liabilities	(1.916)	(2.870)
Irap - Deferred tax assets and liabilities	(69)	(36)
Other deferred tax assets and liabilities	1.161	(186)
<b>Total</b>	<b>(824)</b>	<b>(3.092)</b>
<b>TOTAL</b>	<b>2.846</b>	<b>2.746</b>

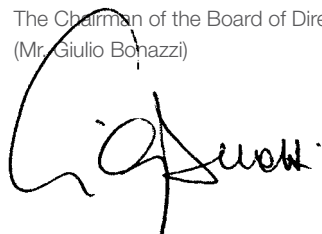
Aquafil S.p.A., Aquaspace S.p.A., Tessilquattro S.p.A. and Borgolon S.p.A. opted for the group taxation procedure as chosen by Aquafil Holding S.p.A. in accordance with Article 177 and subsequent of the Income Tax Code.

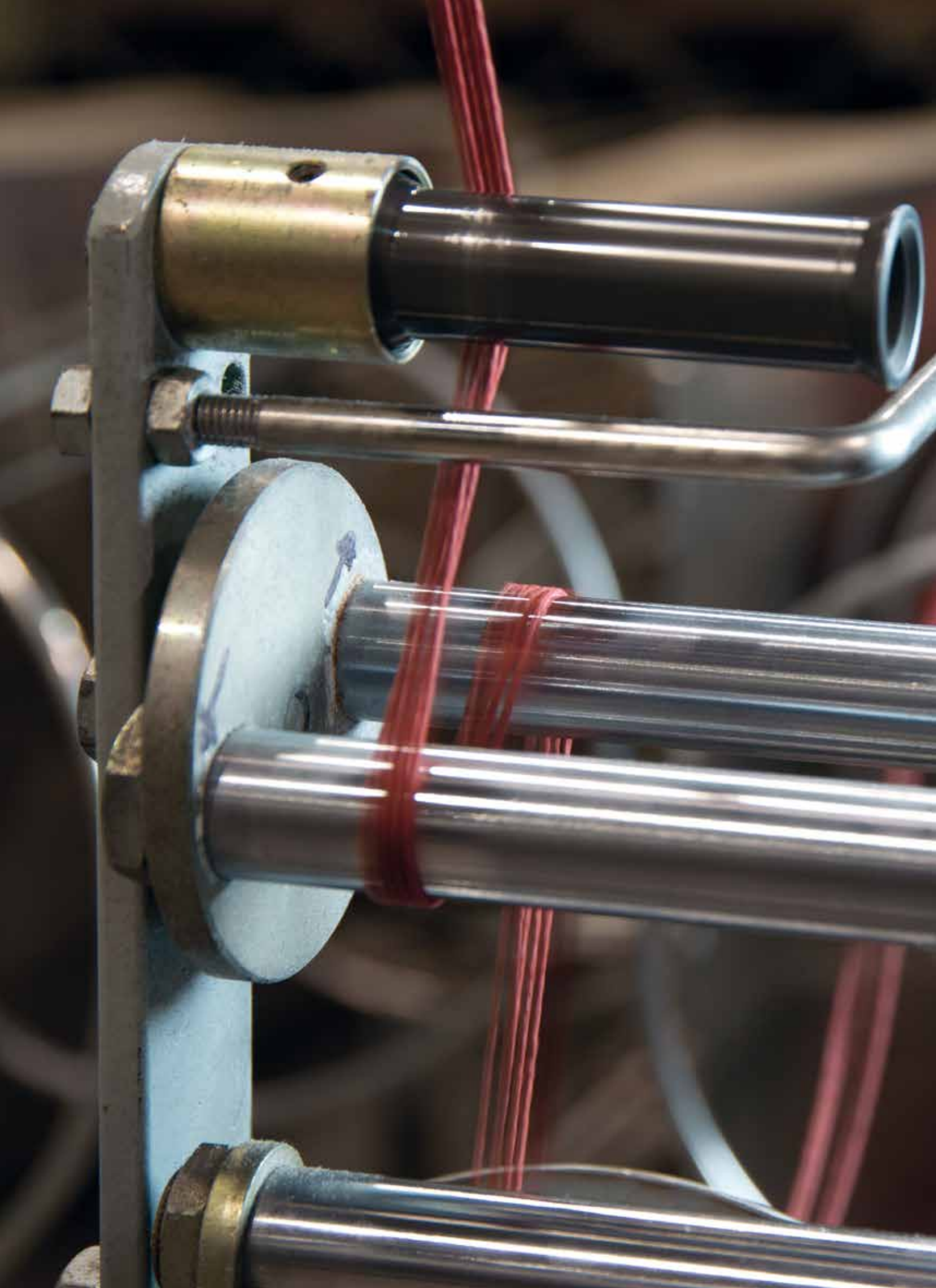
Therefore, the financial statements take account of the effects of the transfer of tax positions arising from the “tax consolidation” and specifically recognise the consequent credit/debit relationships towards the consolidating company.

	December 2014	December 2013
<b>Current taxes:</b>	<b>3.670</b>	<b>5.838</b>
<b>Temporary differences from statutory financial stat.</b>	<b>Taxes</b>	<b>Taxes</b>
tax losses	(772)	(1.608)
amortisation and depreciation	901	(129)
write-down of receivables	3	120
supplementary indemnity provision for agents	0	63
other	(49)	(14)
<b>Consolidation transactions:</b>		
IAS 17	(130)	(785)
depreciation/gains	(922)	(219)
tax losses	0	8
other transactions compliance of accounting principles	145	(528)
<b>Total</b>	<b>(824)</b>	<b>(3.092)</b>
<b>TOTAL</b>	<b>2.846</b>	<b>2.746</b>

Arco, 31 march 2015

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







65. Cash Flow Statement





**AQUAFIL S.P.A. GROUP 2014 CONSOLIDATED FINANCIAL STATEMENTS**
**CASH FLOW STATEMENT**

(in thousands of Euro)

**2014**
**2013**
**A. Cash flow from operating activities**

Net profit	9.120	25.910
Income taxes	2.846	2.746
Interest expense (interest income)	11.689	17.249
(Gains)/losses on sale of assets	(349)	(211)
<b>1. Profit (loss) for the year before taxes, interest, dividends and gains/losses from disposals</b>	<b>23.306</b>	<b>45.694</b>
<i>Non-cash adjustments not offset by net working capital</i>	<i>26.739</i>	<i>30.648</i>
Risk provisions	350	227
Employee leaving indemnity provision	228	115
Amortisation & Depreciation	26.161	26.410
Impairments		3.474
Other non-cash adjustments		422
<b>2. Cash flow before working capital changes</b>	<b>50.045</b>	<b>76.342</b>
<i>Change in net working capital</i>	<i>1.898</i>	<i>(8.542)</i>
Decrease/(increase) in inventories	(16.531)	(258)
Decrease/(increase) in trade receivables	12.318	(518)
Decrease/(increase) in receivables from associated companies	126	1.051
Decrease/(increase) in receivables from parent companies	4.675	(2.150)
Decrease/(increase) in accrued income and prepaid expenses	(212)	157
Increase/(decrease) in accruals and deferred income	(2.428)	(1.906)
Increase/(decrease) in payables to associated companies	0	(99)
Other changes in net working capital	3.949	(4.819)
<b>3. Cash flow after net working capital changes</b>	<b>51.943</b>	<b>67.800</b>
<i>Other adjustments</i>	<i>(15.552)</i>	<i>(14.679)</i>
Interest received/(paid)	(11.689)	(17.249)
Dividends received		
(Utilisation of provisions)	(3.863)	(2.367)
Changes in provisions for allocation acquisition of BU		4.937
<b>4. Cash flow after adjustmentss</b>	<b>36.391</b>	<b>53.121</b>
<b>Cash flow from operating activities (A)</b>	<b>36.391</b>	<b>53.121</b>

**B. Cash flow from financing activities**

<b>Property, plant &amp; equipment</b>	(32.879)	(10.539)
(Investments)	(37.300)	(20.347)
Sales price of disposals	4.421	9.808
<b>Intangible assets</b>	(2.987)	(2.839)
(Investments)	(2.987)	(3.088)
Sales price of disposals	0	128
Increase in intangible assets from changes to consolidation scope	0	121
<b>Financial assets</b>	498	(3.009)
(Investments)	0	(398)
Sales price of disposals	51	62
Other equity investment changes	447	(2.673)
Exchange rate effect on tangible and intangible assets	(4.353)	1.014
<b>Cash flow from investing activities (B)</b>	<b>(39.721)</b>	<b>(15.374)</b>

**AQUAFIL S.P.A. GROUP 2014 CONSOLIDATED FINANCIAL STATEMENTS**
**CASH FLOW STATEMENT**

(in thousands of Euro)

**2014**
**2013**
**C. Cash flow from financing activities**

<b>Minority equity</b>	(17.666)	(38.026)
Increase in bank borrowings	80.718	34.335
Increase in payables to other lenders from changes to consolidation scope	0	0
Repayment of loans	(4.148)	(1.649)
Loans and transfer to short-term bank payables	(61.363)	(39.984)
Exchange difference on loans	1.708	(366)
(Increase)/decrease financial receivables from subsidiaries/associates	(494)	3.111
(Increase)/decrease financial receivables from parent companies	(65)	(4.298)
(Increase)/decrease other financial receivables	(47)	0
Effect of translation differences on other loans	(13)	3
Increase/(decrease) payables to other lenders	0	1.716
Increase in payables to other lenders from changes to consolidation scope	0	0
Increase/(decrease) payables to parent companies	(3.454)	1.412
Increase/(decrease) payables to shareholders for loans	(30.508)	(32.306)
Share capital increase payments	0	0
<b>Own funds</b>	1.673	(6.731)
Distribution of dividends	(2.000)	(5.033)
Other reserves changes	0	(470)
Other changes in reserves from changes in the consolidation scope	0	0
Net effect of translation differences	3.673	(1.228)
<b>Cash flow from financing activities (C)</b>	<b>(15.993)</b>	<b>(44.757)</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(19.323)</b>	<b>(7.009)</b>
<b>Opening cash and cash equivalents (*)</b>	<b>(69.184)</b>	<b>(62.175)</b>
<b>Closing cash and cash equivalents (*)</b>	<b>(88.507)</b>	<b>(69.184)</b>

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







70. Report of the Board  
of Statutory Auditors

72. Auditors' report

# Board of Statutory Auditors' Report on the 2014 Financial Statements

*in accordance with Article 2429, paragraph 2 of the Civil Code*

Dear Shareholders,

The Board of Statutory Auditors carried out the supervisory and control activities required by law and in accordance with the conduct principles for Boards of Statutory Auditors recommended by the Italian accounting profession (Consigli Nazionali dei Dottori Commercialisti e dei Ragionieri). We present our activities and the results of such in the present report.

The financial statements of Aquafil S.p.A. for the year ended December 31, 2014 and prepared in accordance with applicable accounting standards, reporting a net profit of Euro 6,512,384, have been presented for your approval. The 2014 consolidated financial statements were also presented, which report a group net profit of Euro 9.037 million.

The Board of Directors report outlines the operating and financial performances of the Group companies and the principal operations undertaken or in progress and describes the projects implemented to improve the production structure and strengthen the corporate organisation. The Board of Statutory Auditors considers it beneficial to outline such information so as to present a clearer picture of the current and future situation, rather than a simple presentation of the figures.

The independent audit firm, appointed to certify the Financial Statements, has already stated that its opinion will not raise any matters in relation to the parent company and consolidated financial statements.

The Board of Statutory Auditors met with the independent audit firm for a beneficial exchange of the information acquired within their respective control activities. The financial statements of the Company and the Group consolidated financial statements were prepared by the Directors in accordance with law and were appropriately communicated to the Board of Statutory Auditors, together with the respective Directors' Reports of the company and of the Group.

The Directors did not apply any exemptions permitted by law for the preparation of the financial statements.

The Board of Statutory Auditors in 2014 performed verifications in compliance with law, taking account of the communications and indications concerning corporate controls and relating to the activities of the Board of Statutory Auditors.

The Board of Statutory Auditors therefore, in compliance with Article 2429 of the Civil Code, reports the following:


1. The most important economic and financial operations carried out by the Company in 2014 were described exhaustively by the Board of Directors in the Directors' Report. The Board of Statutory Auditors was informed of such through participation at the meetings of the Board of Directors, in addition to meetings with senior company management. The Board found that the operations put in place were not imprudent, hazardous, in conflict of interest, contrary to the motions of the Shareholders' Meetings and the By-Laws or such as to compromise the company's assets.
2. In 2014, no atypical and/or unusual operations were undertaken with third parties, Group companies or related parties; the operations undertaken by Aquafil with other Group Companies and related parties are described in the Directors' Report, with outlining also of their economic effects. The Board of Statutory Auditors considers that these operations are appropriate and in the interests of the company. The principal operations with related parties and with subsidiaries and associated companies are summarised in a table reported in the explanatory notes: these principally concern financial management, also through the centralisation of cash flows, financial consultancy services, including the undertaking of group agreements with the lending institutions, tax consultancy services, contractual services and those concerning the development of human resources.

3. The Board assessed the disclosure provided by the Directors in their report and in the notes as adequate in relation to transactions with related parties and intercompany transactions at April 15, 2015.
4. The independent audit firm reviewed the financial statements and stated that their report will not raise any issues.
5. In 2014, no petitions were received in accordance with Article 2408 of the Civil Code.
6. In 2014, the Board of Statutory Auditors did not receive any notices.
7. The Board of Statutory Auditors attended all meetings of the Board of Directors in 2014. The Board of Statutory Auditors held all of its scheduled meetings.
8. The Board considers that the Company complied with the principles of correct administration and that the motions of the Board of Directors were undertaken in the interests of the Company. The interim operating results in comparison to the plans, budgets and updated forecasts were closely analysed and the subject of extended debate at the Board of Directors' meetings, in addition to all aspects concerning the key operations.
9. The Board of Statutory Auditors, in terms of its remit and taking account of the recent review of the ownership structure and in accordance with the new recently approved strategic plan, currently considers the organisational structure of the Company as adequate. The Board of Statutory Auditors reviewed the structures, responsibility levels, powers and managerial flows, evaluating the capacity of the organisation to exercise adequate strategic – operational control, in addition to controlling the productive, commercial and administrative-accounting direction of the entire Group. The Board considered that management acquire in a timely and reliable manner the necessary and useful information and that they respond with adequate and effective actions. The procedures and the scope utilised and the directions given, in terms of operational control, were sufficient to adequately execute these activities and the executive powers were drawn up with clarity and rationality.
10. The Board of Statutory Auditors supervised the adequacy of the internal control system, collating information from, among others, the Directors, from the Executive Directors, in addition to the internal control manager.
11. The Board of Statutory Auditors, for its remit, considered the administrative/accounting system adequate and appropriate to correctly represent operating events. From the exchange of information with the finance department manager and the meetings with the independent audit firm, we report the correct functioning of the system.
12. The Board of Statutory Auditors, in the course of its verifications, during the year did not encounter omissions, citable events or serious irregularities and therefore does not bring any matters to the attention of the Shareholders' AGM.
13. The Board of Statutory Auditors does not present any proposals to the Shareholders' AGM further to those presented below in relation to the approval of the Financial Statements. The Board of Statutory Auditors, in light of the considerations outlined and within its remit, proposes the approval of the financial statements at December 31, 2014, as prepared by the Board of Directors.

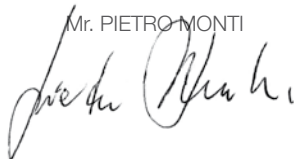
We thank you for the trust granted to us.

Arco, April 15, 2015  
The Board of Statutory Auditors

Mr. PAOLO NICOLAI



Mr. PIETRO MONTI



MR. MASSIMO GAZZANI





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

To the sole shareholders  
Aquafil SpA  
Viale Linfano 9  
Arco - Trento

- 1 We have audited the consolidated financial statements of Aquafil Group as of 31 December 2014. 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 2014.

- 3 In our opinion, the consolidated financial statements of Aquafil Group as of 31 December 2014 comply with the laws governing the criteria for their preparation; accordingly, they have been prepared clearly and give a true and fair view of the financial position and result of operations of the Group.
- 4 We wish to emphasise that significant transactions exist with other companies of the Aquafil Holding Group, of which the most significant are described by the Directors in the explanatory notes in chapter "Receivables from parent companies".

### **PricewaterhouseCoopers SpA**

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- 5 The directors of Aquafil SpA are responsible for the preparation of a report on operations in compliance with the applicable laws. Our responsibility is to express an opinion on the consistency of the report on operations with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard 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 2014.

Trento, 15 April 2015

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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