

Consolidated  
financial  
statements

2015

**AQUAFIL**   
synthetic fibres and polymers







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**Board of  
Directors**

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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**

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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.





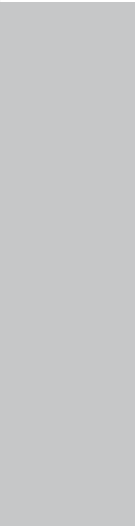
2. Group Consolidated Highlights

4. Group structure



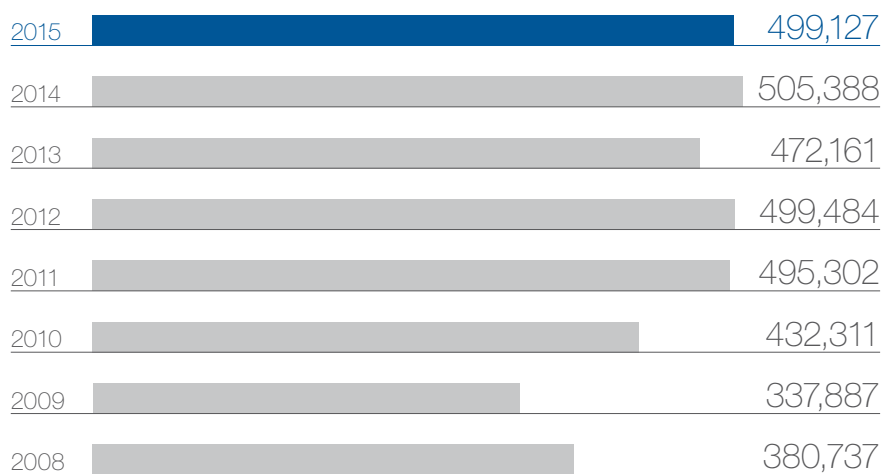


# Consolidated Financial Statements

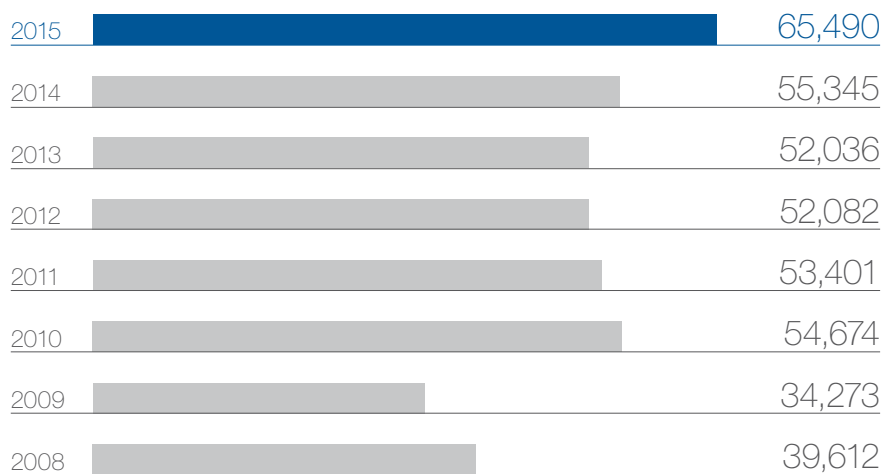


# Group Consolidated Highlights

## Net revenues (amounts in thousands of Euros)



## EBITDA (amounts in thousands of Euros)



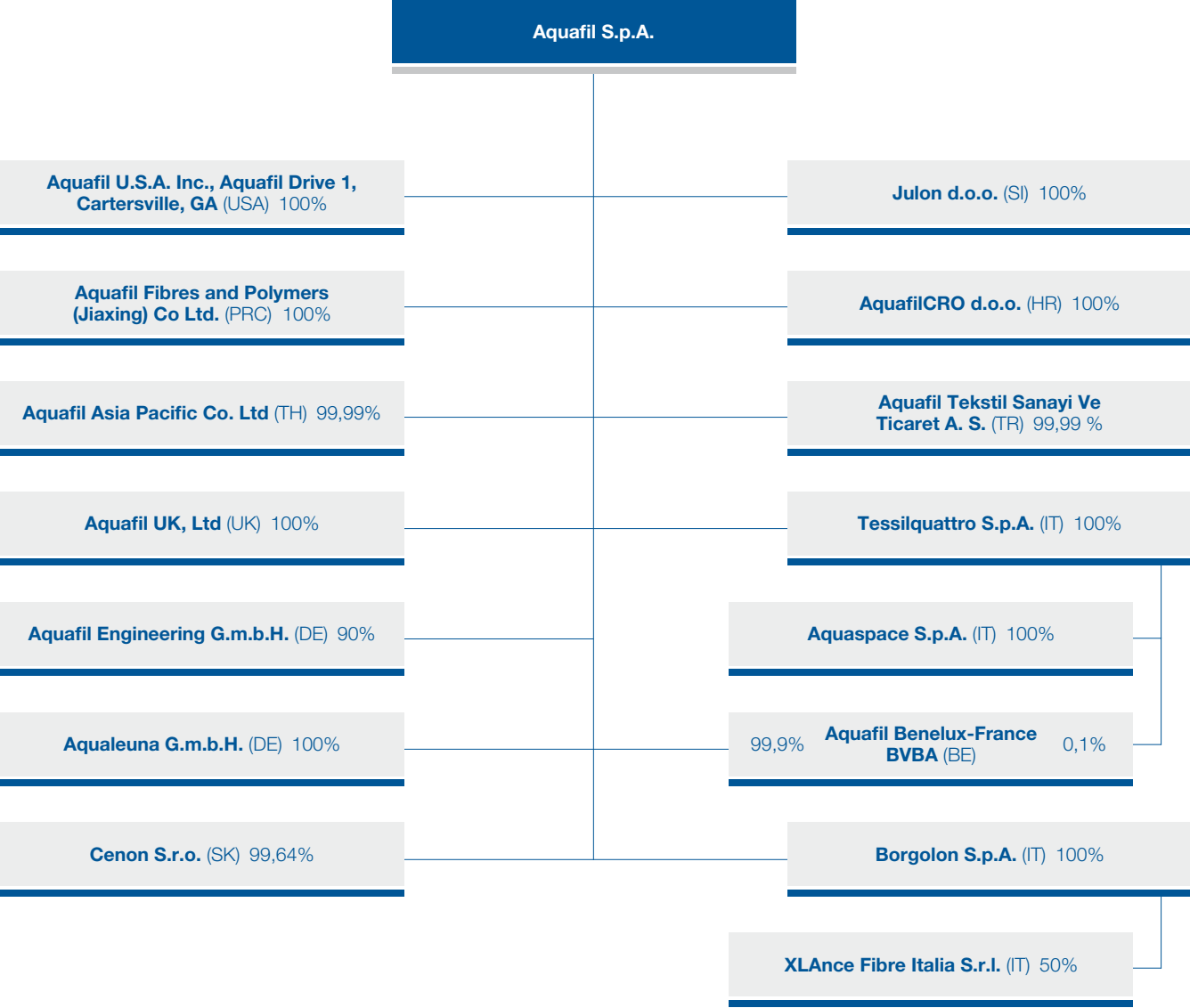
**Total net financial debt** (amounts in thousands of Euros)

2015	143,973
2014	162,048
2013	156,612
2012	185,956
2011	212,969
2010	188,871
2009	180,878
2008	172,862

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

2015	2,20
2014	2,90
2013	3,00
2012	3,60
2011	4,00
2010	3,50
2009	5,30
2008	4,36

# Group structure

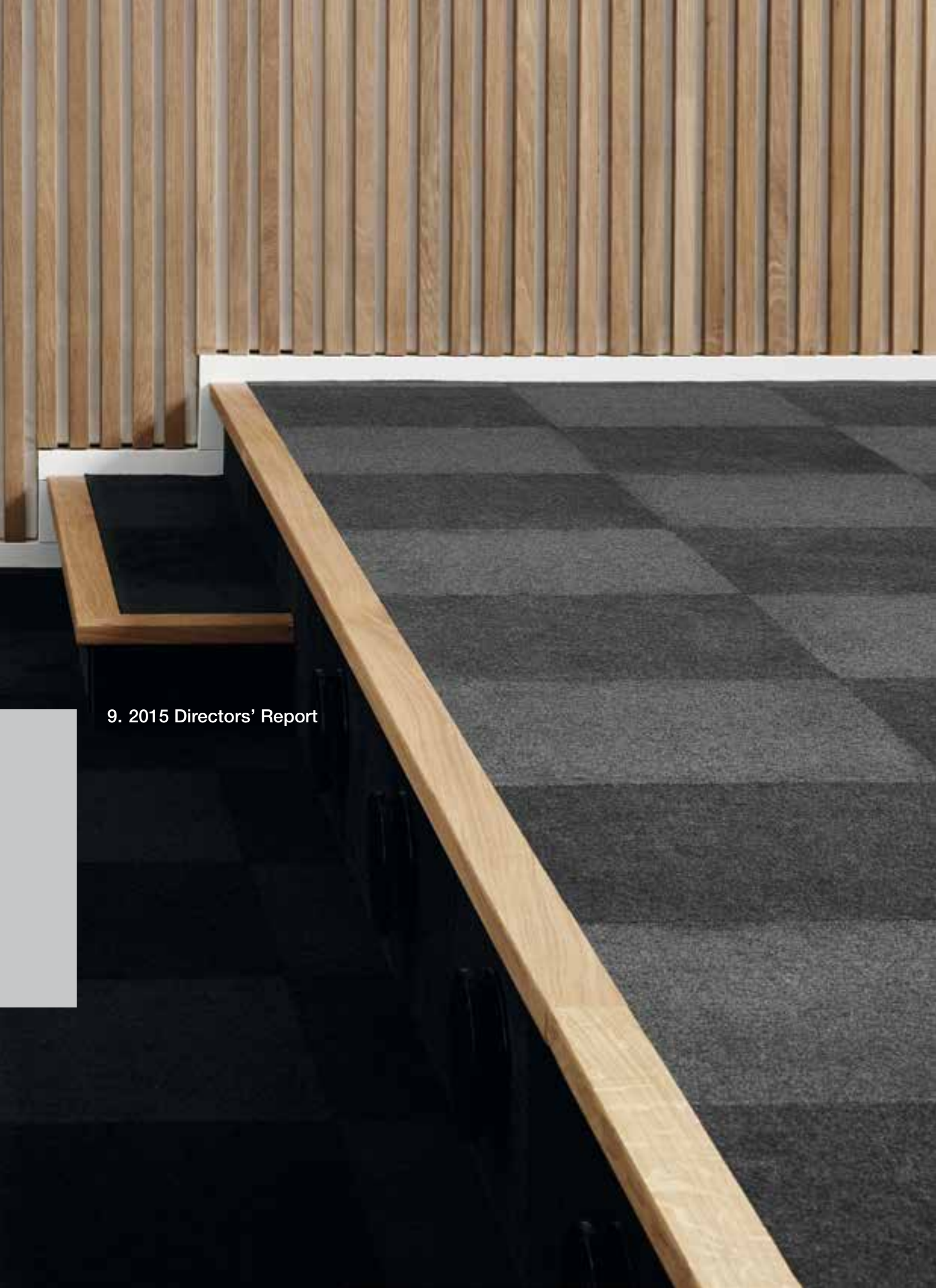




AQUAFAN

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9. 2015 Directors' Report





# 2015 Directors' Report

Dear Shareholders,

the financial statements which we present for your approval report "Revenues from sales and services" of Euro 534.1 million and a Net Profit of Euro 16.5 million, after income taxes and net deferred taxes of Euro 4.8 million. The Board of Directors of the Parent Company Aquafil S.p.A. prepared the consolidated financial statements of the Aquafil Group for the 2015 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 499.1 million and a Group Net Profit of Euro 13.7 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 (Italy), Via Grazioli, 73

The Board of Directors and the Board of Statutory Auditors will remain in office until the approval of the financial statements for the year 2016. The Independent Audit Firm were appointed for the period 2013-2015.

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

Registered Office: Via Linfano, 9 - Arco (TN) - 38062 - Italy

Telephone: +39 0464 581111- Fax: +39 0464 532267

Certified e-mail: pec.aquafil@aquafil.legalmail.it

E-mail: info@aquafil.com

Website: www.aquafil.com

Share capital: Euro 19,685,556.00 fully paid-in

Tax and VAT number and Trento Company Registration Number: IT00123150229

Trento REA No. 74842 - enrollment date: 1/10/1969

## 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 in the Report, where appropriate, on the most significant matters concerning the companies included in the consolidation scope.

## THE AQUAFIL GROUP

The Aquafil Group in 2015 consolidated 15 companies located in 11 countries (Italy, Germany, Slovenia, Croatia, Belgium, Scotland, Slovakia, Turkey, USA, China and Thailand) 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 Synthetic Fibres and Polymers (Jiaxing) Co. Ltd. (China) and Aquafil Asia Pacific Co. Ltd (Thailand).

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

In 2015, the commercial company Aquafil Do Brasil Comercio LTDA – S. Paulo (Brazil) was placed into voluntary liquidation.

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 high-end textile flooring, with particular focus on the “contract” and “automotive” segments, the high-end residential segment and specialised clothing applications (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	2015		2014	
Net revenues	499,127	100%	505,388	100%
EBITDA	65,490	13.1%	55,345	11.0%
EBIT	35,894	7.2%	28,642	5.7%

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

Description	31 december 2015	31 december 2014
Consolidated Net Equity	(106,577)	(92,066)
Net Financial Position		
<i>N.F.P. - third parties</i>	(181,558)	(187,434)
<i>N.F.P. - shareholders</i>	37,585	25,387
<b>Total N.F.P.</b>	<b>(143,973)</b>	<b>(162,048)</b>
<b>N.F.P./EBITDA</b>	<b>2.2</b>	<b>2.9</b>

## AQUAFIL GROUP OPERATING PERFORMANCE

2015 was a very strong year for the Aquafil Group, with the operating profit increasing significantly on previous years and the net debt considerably reducing.

The core business of polyamide 6 BCF yarns for textile flooring reported increased sales volumes of over 3.5%, with growth in Europe, Asia (very significant) and a slight contraction in the USA. The NTF clothing yarns business unit reported a contained contraction in sales volumes and for industrial polymer operations.

Consolidated revenues of Euro 499.1 million reduced 1.2% on the previous year, due to the significant reduction in the price of the raw material caprolactam, which was reflected in finished product sales prices.

EBITDA totalled Euro 65.5 million, up 18.4% on the previous year (13.1% margin). Net profit totalled Euro 13.7 million, compared to Euro 9.1 million in 2014.

The net debt at December 31, 2015 was Euro 144 million, improving on Euro 162 million at the end of 2014, against an increase in net equity of Euro 14.5 million to Euro 106.5 million.

In 2015 the international expansion of production operations continued, supported by investments to expand production capacity and support technological improvement in the three Group production areas (Europe, USA and China). The Group extended its fibre product market reach, thanks also to improved competitiveness on the non-European markets due to Euro/USD exchange rate movements; during the year a number of new important commercial relations were established with clients operating on the upper-end of the Far East Asian market, which may soon bring a major expansion for production at Jiaying. The Group seeks therefore to continue its international development, both through the organic growth of the current product portfolio and the acquisition of products or companies, in order to strengthen the presence on high potential markets.

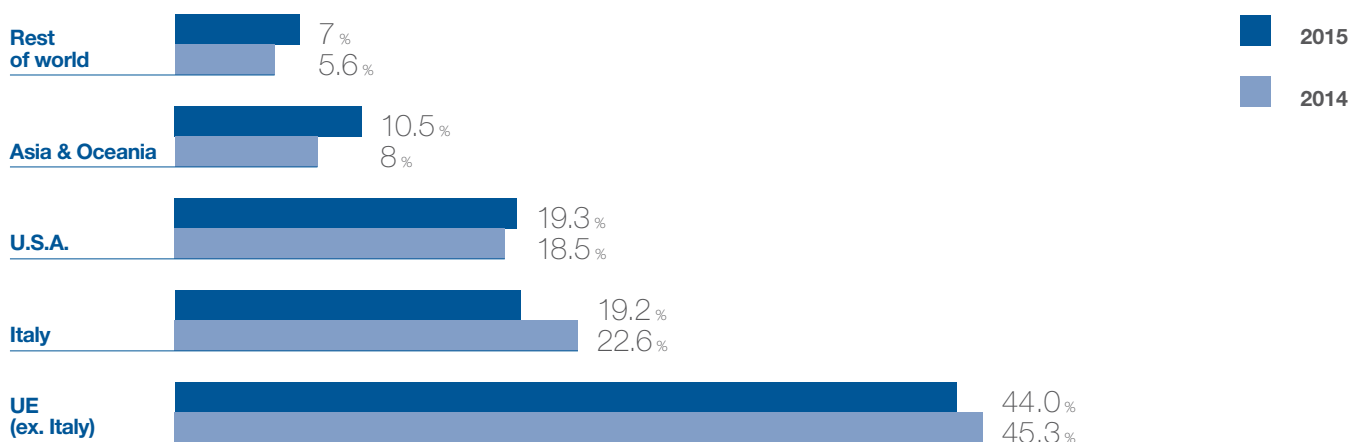
### Operating performance

The 2015 Income Statement compared with the previous year is reported below:

Ref.	Description	2015	2014
A1	Revenue from sales and services	499,127	505,388
A2	Change in inventories	(3,213)	12,207
A4	Capitalisation of internal construction costs	2,248	3,477
A5	Other revenues and income	3,676	4,114
<b>A</b>	<b>Value of production</b>	<b>501,837</b>	<b>525,186</b>
B6 B11	Raw materials, supplies, consumables & merch.	(243,969)	(289,546)
B7-8,B13-14	Service and other operating costs	(99,222)	(95,962)
B9	Personnel costs	(93,156)	(84,333)
	<b>EBITDA</b>	<b>65,490</b>	<b>55,345</b>
B10a-b	Amortisation & Depreciation	(29,142)	(26,161)
B10c-d,B12	Provisions and write-downs	(454)	(542)
<b>A - B</b>	<b>EBIT</b>	<b>35,894</b>	<b>28,642</b>
C	Net financial income and charges	(13,063)	(11,689)
D,E20-21	Extra. inc. & charges, net write-downs & reval.	(3,588)	(4,987)
	<b>Profit before taxes and minority interest</b>	<b>19,243</b>	<b>11,966</b>
E22	Income taxes	(5,475)	(2,846)
	<b>Net profit before minority interest share</b>	<b>13,769</b>	<b>9,120</b>
23	Minority interest profit	48	83
24	Group net profit	13,720	9,037
	<b>Profit + depreciation</b>	<b>42,862</b>	<b>35,198</b>

In 2015, international sales increased from Euro 392.1 million to Euro 403.3 million, up 2.8% and accounting for 80.8% of total revenues. Italian market sales principally derived from (a) the NTF business unit to domestic clients which in turn derive a significant amount of revenues from export and (b) the BCF business unit for the sale of nylon 6 polymers and waste. The breakdown of revenues by region is outlined in the following graph:

#### Consolidated revenues: Breakdown



The breakdown of revenues by business area, in comparison with 2014, highlights the growth of the Group's "BCF" core business unit, while the "NTF" unit saw a small volume contraction on the previous year and reduced revenues due to the additional impact of the reduction of raw material prices, subsequently partially transferred onto sales prices.

#### Consolidated sales outside the Group



**Personnel costs** increased 10.4%, from Euro 84.3 million to Euro 93.1 million. The average Group workforce increased by 138 employees, from 2,608 average employees in 2014 to 2,746 in 2015; the workforce movement followed production developments at the various facilities, which on average reported high saturation levels. Cost comparisons with the previous year highlight increases particularly (a) at Aquafil USA Inc., whose 2014 figures were impacted also by personnel capitalisation costs related to the start-up in 2014 of BCF yarn and reprocessing production plant, (b) at Aquafil S.p.A., related to production increases in 2015 at Aquafil UK Ltd., whose production plant started up in 2014 and therefore only from 2015 reports the fully operational workforce cost and (c) in China, related to expanded production in the year.

**EBITDA** increased 18.3%, from Euro 55.3 million to Euro 65.5 million, with the margin increasing from 11% to 13.1%. The higher Group margin relates to both business units and across all regions, deriving from the mix of high-end products sold, good quality production and a lower proportion of industrial costs, deriving also from the lean production initiatives at a number of Group facilities.

**Amortisation and depreciation** increased principally due to the entry into use of the new plant in 2014, particularly at Aquafil USA Inc. and Aquafil Jiaying Co. Ltd.

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.

**EBIT** increased from Euro 28.6 million to Euro 35.9 million, due to the increased EBITDA and partially curtailed by the increase in amortisation and depreciation.

**Net financial charges**, including exchange gains, increased from 11.7 million to Euro 13.1 million; interest and financial charges alone decreased from Euro 15.4 million to 13.7 million, due to the reduction in interest rates and of spreads on short-term loans and new loans due beyond 12 months contracted in the year.

**Extraordinary income and charges** report a charge of Euro 3 million, compared to Euro 4.5 million in 2014. The breakdown of extraordinary income and charges and the adjustments to financial assets are 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 5.5 million, compared to Euro 2.8 million in the previous year. Current taxes amounted to Euro 6.6 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 13.7 million, compared to Euro 9 million in 2014.

## GROUP BALANCE SHEET AND FINANCIAL POSITION

The reclassified consolidated balance sheet and financial position are outlined below:

<b>Reclassified assets</b> (in thousands of Euro)		31/12/2015	31/12/2014
	<b>Fixed assets:</b>		
BI	Intangible assets	10,980	10,784
BII	Property, plant and equipment	154,036	168,581
A, BIII (v. Note)	Financial and other	3,445	3,808
	<b>1. Total fixed assets</b>	<b>168,461</b>	<b>183,173</b>
	<b>Net working capital:</b>		
CI	Inventories	154,306	147,233
CI1-4	Trade receivables	31,142	32,900
CI4bis-5, D	Other receivables	21,570	21,497
D6, D7 (v. Note), D10	Trade payables	(77,227)	(97,031)
D12-14, E	Other payables	(32,013)	(18,845)
	<b>2. Total net working capital</b>	<b>97,778</b>	<b>85,754</b>
	<b>Provisions for risks and employee leaving indemnity</b>		
C	Employee leaving indemn. prov.	(6,272)	(6,926)
B	Provisions for risks and charges	(9,417)	(7,888)
B, C	<b>3. Total provisions for risks and employee leaving indemnity</b>	<b>(15,689)</b>	<b>(14,814)</b>
	<b>(1+2+3) = 4. Net capital employed</b>	<b>250,550</b>	<b>254,114</b>
<b>Reclassified liabilities and equity</b> (in thousands of Euro)		31/12/2015	31/12/2014
	<b>Shareholders' equity:</b>		
AI	Share capital	(19,686)	(19,686)
AII-VIII	Reserves	(72,815)	(62,969)
AIX	Net Profit	(13,720)	(9,037)
	<b>Group Shareholders' Equity</b>	<b>(106,221)</b>	<b>(91,692)</b>
AX	<b>Minority interest shareholders' equity</b>	<b>(356)</b>	<b>(374)</b>
	<b>1. Total shareholders' equity</b>	<b>(106,577)</b>	<b>(92,066)</b>
	<b>Net Financial Position:</b>		
CIII, CIV, BIII2	Liquidity, securities & short-term fin. receiv.	46,310	55,048
D4 (v. Note)	Bank and financial institutions - short term	(5,460)	(85,650)
D4 (v. Note)	Bank and financial institutions- Medium/long-term*	(148,020)	(135,843)
D7 (v. Note)	Leasing debt	(17,672)	(19,273)
D1,5	Bonds and other financial payables	(56,716)	(1,716)
	<b>a) net financial position - third parties</b>	<b>(181,558)</b>	<b>(187,434)</b>
BIII2, CI4, D11	<b>b) Net financial position - shareholders</b>	<b>37,585</b>	<b>25,387</b>
	<b>(a+b) = 2. Net Financial Position</b>	<b>(143,973)</b>	<b>(162,048)</b>
	<b>(1+2) = 3. Source of funds</b>	<b>(250,550)</b>	<b>(254,114)</b>

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

In the consolidation process, the balance sheet items expressed in foreign currencies of the Group were impacted by the write-back/write-down of opening balance sheet items in 2015 (**currency conversion effects**): given the significant depreciation of the Euro, principally against the US and Chinese currencies, the changes in the balance sheet items compared to 2014 arose partly due to this factor.

The **net capital employed** remained almost unchanged on 2014, due to the combined effect of the reduction in net fixed assets (Euro 14.7 million) and the increase in net working capital (Euro 12 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 capital employed, fixed assets report:

- 1) the increase in (a) investments in property, plant and equipment for Euro 15.7 million, principally relating to the projects to increase the production capacity for BCF fibres and (b) investments in intangible assets for Euro 3 million;
- 2) the reduction following the disposal of net property, plant & equipment for Euro 6.4 million, including the disposal of the factory to the lessee Domo Engineering Plastics Italy S.p.A.;
- 3) the decrease for amortisation and depreciation in the year of Euro 29 million.

Net working capital increased Euro 12 million, as follows:

- 1) the increase in the value of inventories of Euro 7.1 million, principally in the companies Aquafil USA Inc., Aquafil S.p.A. and Aquafil UK Ltd.;
- 2) the reduction in the payable at year-end to suppliers and customer advances (Euro 21.4 million), due to the effect on year-end balances of the lower purchase price of raw materials and also the settlement of customer advances received in 2014 for Euro 7.6 million;
- 3) the increase in other payables of working capital for Euro 13.1 million, due to the increase in IRES payables to the tax consolidating company and for deposits received from clients.

The provisions for risks and charges increased Euro 1.5 million, as broken down in the notes.

Group **Shareholders' Equity** increased Euro 14.5 million due to the result for the year (Euro 13.7 million), translation differences (Euro 2.4 million) and the distribution of dividends to the shareholder Aquafin Capital S.p.A. (Euro 1.6 million). The changes are broken down in the Notes.

The **net debt** decreased Euro 18.1 million, from Euro 162 million to Euro 143.9 million, the NFP to third parties reduced Euro 5.9 million (from Euro 187.4 million to 181.5 million), while the debt to holding companies for financial payables reduced Euro 12.1 million, substantially due to the payment of the payable for dividends to be distributed to Aquafin Holding S.p.A., fully settled in the year.

Thanks also to the particularly favourable European financial market conditions which continued to be granted to businesses with high credit ratings, during the year the Group sourced new medium-term non-bank funding and carried out a general review of short and medium-term relations with the financial institutions across the various regions. In relation to new non-bank funding, the parent company Aquafil S.p.A. issued two non-listed bonds for a total of Euro 55 million - the first, with support from Mediobanca S.p.A., was issued in June 2015 for Euro 50 million and was fully subscribed by the US insurance Group "Prudential", with ten-year duration until settlement, at a fixed rate in Euro; the second was issued in November 2015 for Euro 5 million and was fully subscribed by the "Trentino Aldo-Adige Strategic Fund", with 9.5 year duration before settlement and at a fixed rate. The funding sourced from the bond and the new unsecured medium-term funding operations undertaken with banking counterparties, principally by the parent company Aquafil S.p.A., enabled the Group to achieve important objectives, including principally, (a) the almost complete transfer of the short-term banking line debt to medium/long-term debt, with the maintenance of credit lines to satisfy funding flexibility and/or cost opportunities, (b) a lengthening of the average debt duration, with a medium-term repayment profile in line with the Group's cash generation plan, (c) a reduction in the guarantees given in support of the credit lines, (d) a significant reduction of the spreads on the various types of banking contracts, through the advance repayment and/or renegotiation of more costly operations in the various countries in which the Group operates, in particular in Italy, Slovenia, Croatia and China. The breakdown of the short and medium-term operations is provided in the Explanatory Notes.

Short-term bank debt therefore reduced from Euro 85.7 million to Euro 5.4 million, while medium/long-term debt increased Euro 12.2 million, from Euro 135.8 million to Euro 148 million, due to the combined effect of (a) the repayment of instalments maturing in the year and of contracts settled in advance for Euro 121.3 million and (b) new medium-term loans signed and issued in the year of Euro 133.5 million.

Liquidity in current accounts of Euro 46.3 million corresponds 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.

The financial receivable from the parent company Aquafin Holding S.p.A. of Euro 37 million increased due to the capitalisation of interest matured in the year. During the year, the residual payable of the dividend of Euro 10 million approved in 2013 was paid. The individual changes are outlined in the Notes.

Leasing debt decreased due to the payments made in the year of Euro 1.6 million.

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; the conditions of this loan were also improved.

## 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 yarns, principally polyamide 6 BCF-based, for the textile flooring market, in which Aquafil is the European leader and among the leaders globally, proposing a range of very high quality products. The Group produces and markets also limited volumes of polyester fibres for certain textile flooring applications. 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 facilities in Ljubljana, Store and Ajdovscina (Slovenia), 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 Jiaxing (China), Aquafil UK, Ltd. with facilities in Kilbirnie (Scotland) and the commercial companies Aquafil Benelux-France BVBA, with facilities in Harelbeke (Belgium). Commercial activities are undertaken principally with industrial clients, which in turn produce for the intermediate/end-consumer markets, whose sectors are principally (a) the “contract” markets (hotels, offices and public environments), (b) internal car floors and subordinately, (c) residential textile flooring. The BCF business unit is involved in constant product and production technology innovation, with the annual updating of a significant number of collection products; the research and development is carried out by the internal development centre in collaboration with developers within client companies and architectural studies upon the final users of carpets.

A significant proportion of polyamide 6 fibres are produced using the regenerated ECONYL® raw material: the ECONYL® industrial process employs top quality caprolactam, entirely comparable with the virgin material deriving from the traditional oil refining process, utilising as a raw material industrial recovered polyamide based materials (pre-consumer) and/or disposed of at the end of their life cycle (post-consumer).

During the year, the BCF business unit increased production volumes, in particular in Asia and Oceania, where the Group’s high-end products are receiving an increasingly warm welcome from clients and where the Chinese production and commercial “Hub” in Jiaxing is proving strategic for customer service. Volumes also improved in Europe and were substantially stable in the US. Increasing overall revenues reflect the decrease in the raw material price, which was partially transferred onto sales prices.

The BCF business unit includes also the production and sale of polyamide 6 polymers and waste destined for the “engineering plastics” sector; these operations were carried out by the Group with client companies of the Domo Chemicals N.V. Group, to which in 2013 the Aquafil Group sold the specific “EP” business unit. In 2015 the volume of polymers sold contracted, as did prices and consequently revenues. During the year, Aquafil S.p.A. sold to Domo Engineering Plastics Italy S.p.A. the production facility located in Arco (TN), via Linfano 16, which this latter utilised under lease for its “engineering plastics” production operations. The disposal resulted in a property gain for Aquafil S.p.A., as described in the Explanatory Notes.

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

The NTF 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. The production/sale of fibres for textile/clothing use is undertaken by the companies Aquafil S.p.A. in Arco, Borgolon S.p.A. with production facilities in Varallo Pombia (Italy), Julon d.o.o. with facilities in Ljubljana and Senozece (Slovenia), AquafilCRO d.o.o., with facilities in Oroslavje (Croatia) and Aquafil Tekstil Sanayi Ve Ticaret A. S., with commercial operations based in Istanbul (Turkey).

The commercial company Aquafil do Brasil Comercio Ltda (Brazil) was placed into liquidation, which was incorporated for a specific sales project for the Brazilian market of XLA® fibres, which has been completed successfully. The company XLance Fibre Italia S.r.l., held 50% by Borgolon S.p.A. and 50% by one of the major European textile fibre players, which undertook the XLA® project in partnership with the Group, was involved in the spinning and sale of the special elastomeric XLA® fibre produced at Borgolon S.p.A.’s facility in Varallo Pombia (NO). In 2015, production volumes contracted slightly, with average sales prices reducing following the contraction in raw material prices, which consequently reduced revenues.

### **Energy & Recycling**

The Group continuously supports the business units in terms of sustainability which is carried out principally through:

- the promotion of innovative technical projects for production process energy efficiency and the reduction of emissions and water consumption;
- the promotion of the use of raw materials from recycling, in addition to the design and manufacturing of entirely recyclable products at the end of their life cycle;
- 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.

### **Other activities**

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

Aquafil Engineering G.m.b.H., Berlin (Germany) carries out industrial chemical plant design and supply for customers outside the Group and in part for Group companies: during the year the company achieved good earnings and has a net cash position.

With the other related companies to which reference is not expressly made, commercial operations are undertaken at arm’s length, in consideration of the features of the goods and services rendered.

The following table summarises intercompany transactions:

(in Euro thousands)	Revenues	Costs	Financial Receivables	Trade Receivables	Financial Payables	Trade Payables
Tessilquattro S.p.A.	104,101	95,882	0	5,941	0	4,415
Aquafil Engineering G.m.b.H.	0	1	0	0	0	0
Aquafil S.p.A.	300,197	247,466	5,140	21,897	46,538	40,491
AquafilCRO doo	28,653	40,334	1,000	1,866	0	1,248
Aquaspace S.p.A.	11,962	15,412	0	11,205	0	2,768
Aquafil Bulgari Iplik A.S.	2,715	54	1,350	31	0	21
Aquafin Holding S.p.A.	541	0	37,034	1	0	7,964
Italedil S.r.l.	0	0	0	0	0	0
Aquafil USA Inc	44,836	14,165	0	19,664	0	3,803
Julon d.d.	131,239	210,563	21,000	8,859	0	14,714
Aquafil Asia Pacific Co. Ltd	15,625	336	0	3,815	0	225
Borgolon S.p.A.	21,434	12,164	0	1,394	5,840	2,467
Cenon S.r.o.	11	0	350	21	0	0
Aquafil Power S.r.l.	1	0	0	1	0	0
Aquafil Jiaxing Co. Ltd	4,942	1,641	18,035	3,193	0	261
Metexa BVBA	5	1,135	0	3	0	196
GB&P S.r.l.	0	971	0	0	0	114
Xlance Fibre Italia S.r.l.	1,208	3	0	73	0	0
Aquasava doo	0	1,350	0	0	0	323
Aquafin Capital S.p.A.	0	0	0	1	0	0
Aqualeuna G.m.b.H.	2,783	29,604	4,000	20	0	3,499
Aquafil UK Ltd	1,586	1,832	1,354	1,743	0	360
GB&P USA, LLC.	0	885	551	0	0	0
<b>Total</b>	<b>671,839</b>	<b>673,798</b>	<b>89,814</b>	<b>79,728</b>	<b>52,378</b>	<b>82,869</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..

The Aquafil Group carried out commercial transactions with related companies of Aquafin Holding S.p.A., which are outlined in the Notes.

During the year, Aquafil S.p.A. approved and executed the distribution of dividends to the shareholder Aquafin Capital S.p.A. of Euro 1.6 million and paid to Aquafin Holding S.p.A. the residual amount for dividends approved in 2013 and not yet distributed at the beginning of the year of Euro 9.967 million.

With the exception of that indicated above, to our knowledge, there were no other transactions or contracts with related parties which, with regard to materiality upon the financial statements, may be considered significant in terms of value or conditions.

## RESEARCH AND DEVELOPMENT ACTIVITY

The research and development of the BCF yarns for flooring and NTF yarns for clothing business units principally involved the polymerisation of polyamide 6, the ECONYL® regeneration process, BCF spinning, end reprocessing and the control processes. In particular:

- a new type of PA6 polymer with high stain resistance and ease of maintenance for applications on soft to the touch yarns was developed and industrialised;
- research and development of modified polymers with permanent anti-flame resistance, for final application in the flooring sectors which require such features began;
- the industrial launch of a mathematical simulation model of the performances of materials employed for the continual depolymerisation of ECONYL® was carried out;
- new technological regeneration procedures of caprolactam for the ECONYL® process were implemented, obtained from products with high waste content and post-consumer waste;
- a research project into a new generation of twisted yarns with better colouring and light and ozone resistance features was carried out;
- the research and technological development of the reprocessing phases of BCF fibres for improved production yields and in terms of the consumption of compressed air continued;
- a doctorate research project for the development of high definition sensors for the continual monitoring of the various production process phases was launched.

Research was also carried in partnership with external research entities, principally including the University of Trento, the University of Ljubljana, the National Chemical Institute of Slovenia, the Slovenian Chemicals and Chemical Technology Faculty and the Slovenian research company MikroCaps d.o.o..



## SUSTAINABILITY

Sustainability is central to the Group's development strategy: the individual Group companies pursue their business objectives in respect of the need to protect the planet, social equity and the individual; the globalisation of business activities in fact may create situations which compromise the future of coming generations: climate change, pollution, uncontrolled consumption of non-renewable natural resources and societal imbalances. 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 integrated 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;
- 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;
- sensitivity to the issues which prompt clients to consider sustainability as a development strategy;
- involving customers in the procurement of reject products and in co-marketing and awareness-raising actions (Aquafil Reclaiming Program);
- preference for suppliers who demonstrate greater sensitivity and involvement in sustainability;
- 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;
- compliance with applicable laws in the different Countries in which the Group operates;
- self-producing energy from renewable and/or low emission sources of carbon dioxide.

The Group's Environmental Team publishes annually the Sustainability Report focused on all stakeholders, including in particular clients, suppliers, employees and local communities, which highlights the environmental investments and the results achieved in relation to energy, waste, emissions, water, security, compliance with the REACH regulation and commitment towards partners and the local community activities.

## HUMAN RESOURCES AND INDUSTRIAL RELATIONS

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.

The following developments within the various Group companies are reported for the year:

- 1) *Aquafil S.p.A.*: the new company trade union representative was elected and the result-based bonus supplementary agreement was updated. The workforce expanded also due to the consolidation of the temporary personnel contracts, increasing the number of employees to 554 at year-end.
- 2) *Aquafil UK Ltd.*: during the year a company production performance flexibility agreement was introduced; the workforce at year-end numbered 65.
- 3) *AquaLeuna G.m.b.H.*: the workforce decreased by 49 employees, from 183 to 134, due to the completion of the contractual social plan agreed between the company and the social partners in 2014 and completed in the initial months of 2015.
- 4) *Aquaspace S.p.A.*: on August 31, 2015 the Extraordinary Temporary Lay-Off Scheme was concluded with the placement into mobility of 15 employees; the workforce at year-end numbered 75. The Extraordinary Temporary Lay-Off Scheme hours in the year numbered 8,490, equal to 5.12% of total annual hours. During the year, a supplementary labour flexibility agreement was signed with the trade unions.
- 5) *Borgolon S.p.A.*: on June 30, 2015 the Extraordinary Temporary Lay-Off Scheme concluded with the placement into mobility in the year of 28 employees; the workforce at year-end numbered 46. 21,975 hours of the Employee Temporary Lay-Off Scheme were utilised, equalling 18.41% of total annual hours.
- 6) *Tessilquattro S.p.A.*: a number of supplementary agreements were extended and revised with the trade unions, in particular for the production flexibility component; the workforce at year-end numbered 195.

## 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. As part of the health, safety and environmental management system the Group implemented at key production facilities common risk protection measures, such as: the assessment of risk, the training and education of workers, appropriate maintenance levels, environmental protection systems to minimise environmental impacts, adequate emergency measures and correct levels of health supervision. The Group systematically monitors and analyses injuries and accidents at the varying production sites, in addition to any work-related illnesses. Through a systemic health, security and environmental management approach, the Group seeks not only to comply with country specific production facility regulations, but also to continually improve the management of these issues.

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 to reduce health and safety risks for workers. In relation to the Italian companies, the updating of the Risk Assessment document (RAD) is carried out on an ongoing basis as taking account of subsequent improvement actions made to the workplace environment, in addition to supplementing the assessment of new operations or amendments to work processes. The training, education and knowledge of workers are considered key preventative instruments for health, safety and environmental matters. Workplace health and safety training plans are implemented to improve the ability of individuals within the overall com-

pany organisation. The company seeks to involve all personnel with regard to the risks and prevention and protection measures adopted, in order to reduce the rate of accidents caused by human error, which is the principal cause of accidents at Group companies. Maintenance is considered a key prevention activity. Workplace equipment, plant and machinery have continual maintenance schedules, carried out both by internal employees and outsourcers. Contract works by external companies are managed through appropriate internal procedures which provide for the verification of the suitability of businesses and the sharing, for the Italian companies, of the "Interference Risk Assessment Document" (IRAD), in order to reduce to the minimum and, where possible, to eliminate potential interferences between the operations of outsourced companies and normal company operations. Particular attention is focused on all environmental aspects, in order to protect the environment and prevent any type of pollution. In particular, the environmental management system extends beyond the prompt control of compliance with applicable laws and regulations for the prevention of any problems to an ongoing improvement programme of company conduct towards the surrounding environment. In 2015, at the Aquafil S.p.A. production facility, the entity DNV reconfirmed the certification of the environmental management system, recognised in compliance with UNI EN ISO 14001/04 and certified the compliance of the safety management system to the BS OHSAS 18001:2007 standard, integrated with the ISO 9001:2008 quality system and of the UNI EN ISO 14001/04 environment. During the year, no highly serious events were reported, such as deaths, serious injuries and/or work-related illnesses. The risk index (the frequency index x gravity index) of accidents at the various Group production facility however deteriorated on the previous year, as a cumulative effect of the improvements made at a majority of production facilities and, on the other hand, accidents at certain companies which penalised, due to frequency or gravity, the result of these companies in the previous year. The average weighted risk index of the Group in 2015 was 2.19 compared to 1.73 in 2014.

## 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 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 liquidity risk to which the Group is exposed relates to the inability to source sufficient funding for operations, in addition to industrial and commercial operations. The principal factors which determine the liquidity situation of the Group are, on the one hand, the resources generated and absorbed by the operating and investment activities and on the other the maturity dates and the renewal of the payable or liquidity of the financial commitments and also market conditions. The Group can avail of on-demand liquidity and has a significant availability of credit lines granted by a number of leading Italian and international banks. The Group believes that the funds and credit lines currently available, in addition to those that will be generated from operating and financial activities, will permit the satisfaction of its requirements deriving from investment activities, working capital management and the repayment of debt in accordance with their maturities.

### 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 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, operating in an international context, carries out operations and transactions in currencies other than the Euro and therefore is exposed to exchange rate risk. Significant and sudden exchange rate movements could negatively impact the financial results and the equity value of the Group. The Group's geographic diversification strategy involves a gradual increase in exposure to commercial trade in foreign currencies. Many Group companies are however exposed to a contained level of exchange rate risk stemming from operations, as in the individual countries a portion of cash flows, sales and also costs are denominated in the accounting currency of the country. The Group, and not for speculative purposes, also carries out exchange rate hedging operations.

The Group is also exposed to interest rate movement risks. The Group uses external funding and utilises on-demand liquidity from monetary and financial market instruments. Changes in the interest rates impact on the cost and return of the various forms of loans and uses, with an effect therefore on the consolidated financial charges. The Group policy seeks to limit interest rate fluctuation risk through undertaking fixed or variable rate medium/long-term loans; hedging is carried out through the trading of derivative instruments (e.g. IRS - Interest Rate Swaps), utilised only for hedging purposes and not for speculative purposes.

The volatility of oil and energy commodity prices is offset through contractual hedging and/or raw material price and energy sources and sales price indexing contracts.

### **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.

### **IT resource management and data security risks**

The modern pervasive use of IT devices to manage company activities and the necessary interconnection of company IT systems with external IT infrastructure (web and networks) exposes the systems to potential risks in terms of the availability, integrity and confidentiality of data, in addition to the availability and efficiency of IT systems.

In order to guarantee efficient continuity of operations, the Group has for some time implemented a disaster recovery and business continuity system to ensure an immediate replication of the main legacy system stations. In addition, active data and company applications security is guaranteed by multiple levels of protection, both physical and logistical, at server level and client level, and advanced authentication and database and network access procedures.

## **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., Borgolon S.p.A., Aquafil Power S.r.l. and Aquafin Capital 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 Articles 177 to 128 of Pres. Decree 917/1986, as amended by Legs. Decree No. 344/2003. 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 supplemented the organisation, management and control model as per Legislative Decree No. 231 of June 8, 2001, including the conduct code and company operational management procedures, as updated by (a) Law No. 186 of December 15, 2014 which introduced the new "Anti-money laundering" offense, (b) Law No. 68 of May 22, 2015 enacting the environmental offense provisions, (c) Law No. 69 of May 27, 2015 enacting the offenses against public administration, mafia-type associations and falsified accounting provisions and (d) the new Confindustria Guidelines (approved on July 21, 2014). The model and the integrations were approved by the Boards of the Group's Italian companies, with contemporaneous involvement of the organisational structures of the foreign subsidiaries.

### **Group IRES (Corporate Income Tax) taxation procedure**

The companies Aquafil S.p.A., Aquaspace S.p.A., Tessilquattro S.p.A., Borgolon S.p.A., Aquafil Power S.r.l. and Aquafin Capital S.p.A decided to renew for the 2016-2019 three-year period involvement in the Group taxation procedure overseen by Aquafin Holding S.p.A., as governed by Articles 117 to 129 of the Consolidated Income Tax Law, as per Presidential Decree No. 917 of December 22, 1986.

## **OUTLOOK**

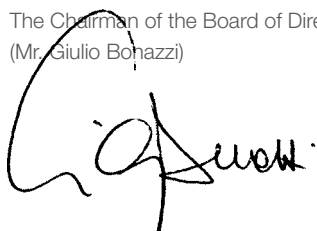
The Group's international markets remain uncertain, impacted by oil price movements, financial market developments, the country risk for certain regions and possible exchange market volatility.

An improved Group performance for 2016 is however forecast, both in terms of earnings and the debt level.

Signs of slowdown were evident on the US market in the initial months of the new-year, together with positive European market numbers and very encouraging signs for the Far East and Oceania.

Arco, March 30, 2016

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


A handwritten signature in black ink, appearing to read 'Giulio Bohazzi', is written over the printed name of the Chairman of the Board of Directors.



# 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 2015





**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	320,949	312,379
2) Research, development and advertising costs	0	5,250
3) Industrial patents and intellectual property rights	2,104,167	2,565,500
4) Concessions, licenses, trademarks and similar rights	761,167	836,431
5) Goodwill	0	0
6) bis. Consolidation difference	60,938	91,338
7) Assets under development and payments on account	1,472,727	564,642
8) Other	6,260,045	6,409,211
	<b>10,979,993</b>	<b>10,784,751</b>

## II) TANGIBLE ASSETS

1) Land and buildings	67,806,287	76,388,456
2) Plant and machinery	76,857,811	77,262,847
3) Industrial and sales equipment	7,933	540,572
4) Other tangible assets	2,299,472	2,023,476
5) Assets under construction & payments on account	7,064,843	12,366,059
	<b>154,036,346</b>	<b>168,581,410</b>

## III) FINANCIAL ASSETS

## 1) Investments in:

a) Subsidiaries	0	0
b) Associated companies	2,053,815	2,399,740
c) Parent companies	0	0
d) Other companies	1,188,381	1,188,381
	<b>3,242,196</b>	<b>3,588,121</b>

## 2) Accounts receivable:

a) Subsidiaries		
within 1 year	0	0
after 1 year	0	0
	<b>0</b>	<b>0</b>
b) Associated companies		
within 1 year	0	0
after 1 year	0	0
	<b>0</b>	<b>0</b>
c) Parent companies		
within 1 year	0	0
after 1 year	37,034,032	36,493,715
	<b>37,034,032</b>	<b>36,493,715</b>
d) Other accounts receivable		
d) 1 other Group companies		
within 1 year	551,116	494,193
after 1 year	0	0
	<b>551,116</b>	<b>494,193</b>
d) 2 other debtors		
within 1 year	169	3,881
after 1 year	202,289	215,710
	<b>202,458</b>	<b>219,591</b>

## 3) Other securities

	0	1,000,000
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## 4) Treasury shares

	0	0
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	<b>41,029,802</b>	<b>41,795,620</b>
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**TOTAL NON-CURRENT ASSETS**

	<b>206,046,141</b>	<b>221,161,781</b>
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**C) CURRENT ASSETS**

## I) INVENTORIES

1) Raw materials, supplies and consumable stores	58,743,060	50,648,946
2) Products in course of manufacture and semifinished goods	0	0

**BALANCE SHEET** (amounts in Euros)**December 2015****December 2014****ASSETS**

3) Contract work in process	0	0
4) Finished goods and merchandise	95,563,422	96,528,159
5) Advances	0	55,713
	<b>154,306,482</b>	<b>147,232,818</b>
II) RECEIVABLES:		
1) Customers		
within 1 year	32,517,968	34,433,525
after 1 year	390,501	1,464,671
less: allowance for doubtful receivables	(1,840,047)	(3,348,518)
	<b>31,068,422</b>	<b>32,549,678</b>
2) Subsidiaries		
within 1 year	723	534
after 1 year	0	0
	<b>723</b>	<b>534</b>
3) Associated companies		
within 1 year	72,514	349,060
after 1 year	0	0
	<b>72,514</b>	<b>349,060</b>
4) Parent companies		
within 1 year	1,921	910,238
after 1 year	0	0
	<b>1,921</b>	<b>910,238</b>
4-bis) Tax receivables		
within 1 year	7,250,910	8,029,604
after 1 year	562,387	682,260
	<b>7,813,297</b>	<b>8,711,864</b>
4-ter) Deferred tax assets		
within 1 year	2,249,625	1,251,861
after 1 year	6,068,626	6,049,694
	<b>8,318,251</b>	<b>7,301,555</b>
5) Others		
5. a) other Group companies		
within 1 year	0	0
after 1 year	0	0
	<b>0</b>	<b>0</b>
5. b) other debtors		
within 1 year	3,388,920	4,082,183
after 1 year	0	0
	<b>3,388,920</b>	<b>4,082,183</b>
<b>TOTAL RECEIVABLES</b>	<b>50,664,048</b>	<b>53,905,112</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	45,197,723	53,059,501
2) Cheques	1,095,577	969,393
3) Cash and cash equivalents on hand	16,278	18,672
	<b>46,309,578</b>	<b>54,047,566</b>
<b>TOTAL CURRENT ASSETS</b>	<b>251,280,108</b>	<b>255,185,496</b>
<b>ACCRUED INCOME AND PREPAID EXPENSES</b>		
- Other accrued income and prepaid expenses	2,047,444	1,400,524
- Issue discounts and other expenses	0	0
<b>TOTAL ACCRUED INCOME AND PREPAID EXPENSES</b>	<b>2,047,444</b>	<b>1,400,524</b>
<b>TOTAL ASSETS</b>	<b>459,373,693</b>	<b>477,747,801</b>

**LIABILITIES****A) SHAREHOLDERS' EQUITY**

I) SHARE CAPITAL	19,685,556	19,685,556
II) SHARE PREMIUM RESERVE	0	0
III) REVALUATION RESERVES	41,140	41,140
IV) LEGAL RESERVE	3,937,111	3,937,111
V) RESERVE FOR OWN SHARES IN PORTFOLIO	0	0
VI) STATUTORY RESERVES	0	0
VII) OTHER RESERVES	68,836,578	58,991,801
VIII) PROFIT (LOSSES) CARRIED FORWARD	0	0
IX) PROFIT (LOSS) FOR THE YEAR	13,720,305	9,036,597
<b>GROUP SHAREHOLDERS' EQUITY</b>	<b>106,220,690</b>	<b>91,692,205</b>
X) NET EQUITY ATTRIBUTABLE TO MINORITY INTEREST	355,881	374,336
<b>Minority interest</b>	<b>355,881</b>	<b>374,336</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>106,576,571</b>	<b>92,066,541</b>

**B) PROVISIONS FOR RISKS AND CHARGES**

1) Pension funds and similar charges	0	0
2) Provision for taxes	5,392,905	5,197,925
3) Other	4,024,278	2,689,522
<b>TOTAL PROV. FOR RISKS AND CHARGES</b>	<b>9,417,183</b>	<b>7,887,447</b>

**C) STAFF TERMINATION PAY**

	<b>6,271,782</b>	<b>6,925,744</b>
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**D) PAYABLES**

1) Bonds		
within 1 year	0	0
after 1 year	55,000,000	0
	<b>55,000,000</b>	<b>0</b>
2) Convertible bonds		
within 1 year	0	0
after 1 year	0	0
	<b>0</b>	<b>0</b>
3) Shareholders financial payables		
within 1 year	0	0
after 1 year	0	0
	<b>0</b>	<b>0</b>
4) Amounts due to banks		
within 1 year	48,447,119	142,553,924
after 1 year	105,033,033	78,939,242
	<b>153,480,152</b>	<b>221,493,166</b>
5) Amounts due to other lenders		
within 1 year	0	0
after 1 year	1,715,665	1,715,665
	<b>1,715,665</b>	<b>1,715,665</b>
6) Advances		
within 1 year	7,397,098	15,010,955
after 1 year	0	0
	<b>7,397,098</b>	<b>15,010,955</b>
7) Suppliers		
within 1 year	71,563,505	83,943,088
after 1 year	15,938,463	17,350,405
	<b>87,501,968</b>	<b>101,293,493</b>
8) Debt instruments payable		
within 1 year	0	0
after 1 year	0	0
	<b>0</b>	<b>0</b>
9) Subsidiaries		
within 1 year	0	0
after 1 year	0	0
	<b>0</b>	<b>0</b>

**BALANCE SHEET** (amounts in Euros)**December 2015****December 2014****LIABILITIES**

10) Associated companies		
within 1 year	0	43
after 1 year	0	0
	<b>0</b>	<b>43</b>
11) Parent companies		
within 1 year	8,077,552	12,511,368
after 1 year	0	0
	<b>8,077,552</b>	<b>12,511,368</b>
12) Taxes payable		
within 1 year	3,855,189	4,395,642
after 1 year	0	0
	<b>3,855,189</b>	<b>4,395,642</b>
13) Accounts payable to social security institutions		
within 1 year	2,894,120	2,867,504
after 1 year	0	0
	<b>2,894,120</b>	<b>2,867,504</b>
14) Other payables		
14. a) other Group companies		
within 1 year	323,702	111,648
after 1 year	0	0
	<b>323,702</b>	<b>111,648</b>
14. b) other creditors		
within 1 year	9,033,119	7,788,833
after 1 year	6,843,534	1,393,516
	<b>15,876,653</b>	<b>9,182,349</b>
<b>TOTAL PAYABLES</b>	<b>336,122,099</b>	<b>368,581,833</b>
<b>E) ACCRUALS AND DEFERRED INCOME</b>		
- Other accruals and deferred income	986,058	2,286,236
- Issue premiums	0	0
<b>TOTAL ACCRUALS AND DEFERRED INCOME</b>	<b>986,058</b>	<b>2,286,236</b>
<b>TOTAL LIABILITIES</b>	<b>459,373,693</b>	<b>477,747,801</b>

**PROFIT AND LOSS ACCOUNT****A) VALUE OF PRODUCTION**

1) REVENUES FROM SALES AND SERVICES	499,126,523	505,388,038
2) CHANGE IN INVENTORIES OF PRODUCTS IN COURSE OF MANUF, SEMI-FIN. & FIN. GOODS	(3,213,214)	12,207,265
3) CHANGE IN INV. OF CONTRACT WORK IN PROG.	0	0
4) CAPITALISATION OF INTERNAL CONSTR. COSTS	2,248,041	3,476,525
5) OTHER REVENUES AND INCOME:		
- grants related to income	837,171	1,317,677
- other revenues and income	2,838,639	2,796,500
	<b>3,675,810</b>	<b>4,114,177</b>
<b>TOTAL VALUE OF PRODUCTION</b>	<b>501,837,160</b>	<b>525,186,005</b>

**B) COSTS OF PRODUCTION**

6) PURCHASE OF RAW MAT., SUPPLIES, CONSUMABLE STORES AND MERCHANDISE	(250,983,849)	(291,468,743)
7) COST OF SERVICES	(89,881,505)	(88,151,792)
8) RENTS, LEASING AND SIMILAR COSTS	(6,723,819)	(5,528,164)
9) PERSONNEL COSTS:		
a) salaries and wages	(76,264,312)	(67,765,534)
b) social security	(14,514,642)	(14,089,684)
c) staff termination pay	(2,377,540)	(2,476,506)
d) pension and similar rights	0	0
e) other costs	0	0
	<b>(93,156,494)</b>	<b>(84,331,724)</b>
10) AMORT., DEPRECIATION AND WRITE-DOWNS		
a) amortisation of intangible assets	(3,054,660)	(3,382,779)
b) depreciation of tangible assets	(26,087,016)	(22,777,625)
c) write-down of intangible and tangible assets	0	0
d) write-down of current accounts receivables and of cash and cash equivalents	(394,507)	(435,669)
	<b>(29,536,183)</b>	<b>(26,596,073)</b>
11) CHANGES IN INVENTORIES OF RAW MAT., SUPPLIES, CONSUMABLE STORES & MERCHANDISE	7,015,322	1,922,823
12) PROVISION FOR RISKS	(59,673)	(106,359)
13) OTHER PROVISIONS	(631,940)	(244,423)
14) SUNDRY OPERATING COSTS	(1,984,578)	(2,038,463)
<b>TOTAL COSTS OF PRODUCTION</b>	<b>(465,942,719)</b>	<b>(496,542,918)</b>
<b>DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION</b>	<b>35,894,441</b>	<b>28,643,087</b>

**C) FINANCIAL INCOME AND CHARGES**

15) INCOME FROM INVESTMENTS:		
- in subsidiaries	0	0
- in associated companies	0	0
- in other companies	33,486	26,884
	<b>33,486</b>	<b>26,884</b>
16) OTHER FINANCIAL INCOME:		
a) from non-current accounts receivable:		
- from subsidiaries	0	0
- from associated companies	0	0
- from parent companies	540,317	618,296
- other companies	0	0
	<b>540,317</b>	<b>618,296</b>
b) from non-current securities other than shares	0	0
c) from current securities other than shares	<b>6,016</b>	<b>10,325</b>
d) income other than the above:		
- from subsidiaries	0	0
- from associated companies	0	0
- from parent companies	0	0
- others	264,242	122,633
	<b>264,242</b>	<b>122,633</b>
17) INTEREST EXPENSE & OTHER FINANCIAL CHARGES		
- from subsidiaries	0	0
- from associated companies	0	0
- from parent companies	0	0
- other companies	(13,656,726)	(15,374,721)
	<b>(13,656,726)</b>	<b>(15,374,721)</b>

**PROFIT AND LOSS ACCOUNT**

17-bis) EXCHANGE GAINS AND LOSSES	(250,423)	2,907,671
<b>TOTAL FINANCIAL INCOME AND CHARGES</b>	<b>(13,063,088)</b>	<b>(11,688,912)</b>
<b>D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS</b>		
18) REVALUATIONS		
a) of investments	0	0
b) of non-current financial assets other than shares	0	0
c) of current securities other than shares	0	0
	<b>0</b>	<b>0</b>
19) WRITE-DOWNS		
a) of Group companies investments	(595,925)	(447,653)
b) of non-current financial assets other than shares	0	0
c) of current securities other than shares	0	0
	<b>(595,925)</b>	<b>(447,653)</b>
<b>TOTAL ADJUSTMENTS</b>	<b>(595,925)</b>	<b>(447,653)</b>
<b>E) EXTRAORDINARY INCOME AND CHARGES</b>		
20) EXTRAORDINARY INCOME		
- gains on disposals	2,928,191	0
- other income	528,300	1,030,938
	<b>3,456,491</b>	<b>1,030,938</b>
21) EXTRAORDINARY CHARGES		
- losses on disposals	(28,458)	(27,721)
- prior years' taxes	(2,545,113)	(49,503)
- other charges	(3,874,960)	(5,494,919)
	<b>(6,448,529)</b>	<b>(5,572,143)</b>
<b>Total extraordinary income and charges</b>	<b>(2,992,038)</b>	<b>(4,541,205)</b>
<b>PROFIT BEFORE TAXES</b>	<b>19,243,390</b>	<b>11,965,317</b>
22) INCOME TAXES FOR THE YEAR		
- current taxes	(6,556,179)	(3,669,821)
- deferred taxes	1,081,318	823,875
<b>Total income taxes for the year</b>	<b>(5,474,861)</b>	<b>(2,845,946)</b>
<b>RESULT FOR THE YEAR INCLUDING THE PORTION ATTRIB. TO MINORITY INTEREST</b>	<b>13,768,529</b>	<b>9,119,371</b>
23) PROFIT FOR THE YEAR ATTRIBUTABLE TO MINORITY INTEREST	48,222	82,777
<b>23) PROFIT ATTRIBUTABLE TO THE GROUP</b>	<b>13,720,305</b>	<b>9,036,594</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. Explanatory notes



# Explanatory notes

## 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, 2015, 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, 2015 were the following:

### COMPANIES CONSOLIDATED LINE-BY-LINE (amounts in Euros converted at 31/12/2015 exchange rate)

Name and registered office	Share capital at Dec. 31, 2015	% of direct holding	Additional indirect holding through	% indirect holding	% total holding	% 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 (Croatia)	9,368,544	100.00%			100.00%	100.00%
Aquafil Engineering G.m.b.H., Duester haupt strasse, 13 - Berlino (Germany)	255,646	90.00%			90.00%	90.00%
Aquafil Tekstil San. Ve Ticaret A.S. - Orucreis Mah, Giykoop Vadi Cad. No: 108 D 280 Esenler-Istanbul (Turkey)	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 (Belgium)	20,000	99.90%	Tessilquattro	0.10%	100.00%	100.00%
Aquafil Synthetic Fibres and Polymers (Jiaxing) Co. Ltd - No 338 North Changsheng Road, Jiaxing 314033 - RPC	18,976,532	100.00%			100.00%	100.00%
Aquafil UK Ltd -Mill Road - Kilbirnie – Ayrshire – Scotland - KA25 7DZ	1,021,868	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 (Slovakia)	26,472,681	99.64%			99.64%	99.64%
Julon d.o.o., 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 consolidation scope changed as follows during the year:

- AquafilCRO d.o.o.:  
AquafilCRO d.o.o. increased the share capital without cash consideration from HRK 56,900 thousand to HRK 71,100 thousand, through the utilisation of 2014 profits for HRK 14,200 thousand.
- Aquafil UK L.t.d.:  
Aquafil S.p.A. increased its investment in the company by GBP 749,999, through use of part of the loan in place with the subsidiary. Following the operation, the share capital amounts to GBP 750,000, comprising of 750,000 shares of GBP 1 each.

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

Aquafil S.p.A. increased its holding in the company following a payment of Euro 7,210 thousand in October 2015. Following this increase, the share capital of the company Aquafil Synthetic Fibres and Polymers (Jiaxing) Co. Ltd amounted to Yuan 148,352,002, corresponding to Euro 19 million. This was undertaken to extend the production capacity of the yarn and polyamide 6 fibre reprocessing production facility and for the planned settlement of a loan with a local institution.

- **Aquafil Do Brasil Comercio LTDA:**

The company was liquidated on completion of the commercial project. The value of net equity of Real 690 thousand at December 31, 2014, corresponding to Euro 214 thousand, net of general expenses, resulting in a loss of Euro 28 thousand, was entirely received.

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 associate company, 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 investees

Assets and liabilities on the balance sheets of foreign investees 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 2015 Year-end rate	2015 Average rate
US Dollar	1.0887	1.109512
Croatian Kuna	7.638	7.613701
Chinese Yuan	7.0608	6.973325
Turkish Lira	3.1765	3.025457
Baht	39.248	38.027804
Brazilian Real	4.3117	3.700435
UK Sterling	0.73395	0.725835

## 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:

- a. the financial statement items have been valued in accordance with the general criteria of prudence and on a going concern basis;
- b. the profits realised at the closing date of the fiscal year were exclusively included;
- c. all income and charges for the year, regardless of when they were received or incurred, are reported in the financial statements;
- d. any risks and losses pertaining to the year, which became known after the year ended, are included in the financial statements;
- e. 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. This consolidation difference is amortised over 5 years.

## 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:

Description	Rates
1. Buildings and light constructions	3% - 6% - 10%
2. General plant and machinery	7.5% - 10% - 12.5% - 14% - 15%
3. Industrial and commercial equipment	12.5% - 25% - 40%
4. Other assets:	
4.1. Transport vehicles	25%
4.2. Internal transport	20%
4.3. Office furniture and machines	12% - 20%
4.4. EDP	20%

In the event of a permanent impairment in the value of an asset, regardless of the depreciation recorded to date, the asset is written down accordingly; if in future years, the reasons for the write-down no longer apply, the asset is reinstated to its original value.

#### **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**

Payables 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.

## **Intra-company transactions**

In order to maximise synergies between group companies, in organisational, production and distribution terms, the company undertakes organisational, commercial, financial and service transactions with group companies.

These transactions are undertaken at normal market conditions.

All significant receivable and/or payable/cost and revenue transactions undertaken in the period between Group companies were appropriately eliminated on the preparation of the consolidated financial statements.

## **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 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 2015-2017 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 collection of receivables and settlement 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.

## **AGREEMENTS AS PER ARTICLE 2427 22-TER OF THE CIVIL CODE**

In accordance with Article 2427, first paragraph, point 22-ter) of the Civil Code, it is stated in addition that there are no off-balance sheet commitments, whose risks and benefits are considered significant for the company or for the balance sheet and operating results of the Company.

## **REPRESENTATION OF VALUES**

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

# Notes to the main asset captions

## FIXED 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

	Formation, start-up and similar costs	Research, develop. & advertising costs	Patents & intellectual property rights	Concessions, licences, trademarks and similar costs	Assets under development and payments on account	Other Intangible Assets	Consol. differences	Total
Historic cost	496,704	5,250	4,703,263	5,297,940	564,642	18,017,317	9,459,004	38,544,121
Acc. amort. (-)	184,325	0	2,137,763	4,461,509	0	11,608,106	9,367,666	27,759,369
Write-downs (-)	731	0	0	0	0	0	0	731
<b>31/12/2014</b>	<b>312,379</b>	<b>5,250</b>	<b>2,565,500</b>	<b>836,431</b>	<b>564,642</b>	<b>6,409,211</b>	<b>91,338</b>	<b>10,784,751</b>
Increases	0	0	0	199,036	907,943	1,873,615	0	2,980,594
Reclassifications	0	0	0	28,766	640	810,355	0	839,761
Decreases (-)	0	5,250	0	139,528	499	763,762	0	909,039
Amortisation (-)	10,240	0	461,333	302,998	0	2,249,689	30,400	3,054,660
Other changes	18,810	0	0	139,459	0	180,315	0	338,584
Total changes	8,570	(5,250)	(461,333)	(75,265)	908,084	(149,166)	(30,400)	195,240
<b>31/12/2015</b>	<b>320,949</b>	<b>0</b>	<b>2,104,167</b>	<b>761,167</b>	<b>1,472,727</b>	<b>6,260,045</b>	<b>60,938</b>	<b>10,979,993</b>
Historic cost	516,291	0	4,703,263	5,387,287	1,472,726	19,976,712	9,459,004	43,125,055
Acc. amort. (-)	195,341	0	2,599,096	4,626,121	0	13,716,667	9,398,066	32,145,063
<b>31/12/2015</b>	<b>320,949</b>	<b>0</b>	<b>2,104,167</b>	<b>761,167</b>	<b>1,472,727</b>	<b>6,260,045</b>	<b>60,938</b>	<b>10,979,993</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. They are 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 account also includes the increase in the year of Euro 1,874 thousand, almost entirely concerning costs incurred by Aquafil S.p.A. for the capitalisation of preparatory expenses, commissions and other contractual charges for the issue of new loans and 2 bond loans. The reclassification of Euro 810 thousand principally concerns the transfer from orders recognised to Aquafil S.p.A..

The decrease of Euro 764 thousand related to costs capitalised in previous years by Aquafil S.p.A. for the issue of loans settled in advance of contractual maturity.

The Consolidation difference, still in place, of an original Euro 152 thousand at December 31, 2015 amounts to Euro 61 thousand and concerns the difference between the purchase cost and the share of net equity, equal to 10% of the company Aqualeuna G.m.b.H., acquired in 2013. This difference is amortised on a straight-line basis over 5 years and the amortisation for 2015 amounted to Euro 30.4 thousand.

## Property, plant & equipment

	Land & buildings	Plant and machinery	Industrial & commercial equipment	Other	Assets under development and payments on account	Total
Historic cost	101,418,098	344,238,664	9,040,163	6,710,760	12,366,059	473,773,744
Revaluations	19,050,157	1,236,840	15,231	7,377	0	20,309,605
Acc. deprec. (-)	43,579,799	257,936,120	8,514,822	4,694,661	0	314,725,402
Write-downs (-)	500,000	10,276,536	0	0	0	10,776,536
<b>31/12/2014</b>	<b>76,388,456</b>	<b>77,262,847</b>	<b>540,572</b>	<b>2,023,476</b>	<b>12,366,059</b>	<b>168,581,410</b>
Increases	309,632	8,265,169	136,640	752,378	6,268,318	15,732,137
Reclassifications	627,939	10,279,877	16,959	89,557	(11,873,989)	(859,657)
Decreases (-)	8,132,731	2,592,793	17,794	591,327	299,882	11,634,527
Depreciation (-)	3,235,284	21,579,662	679,148	592,922	0	26,087,016
Write-downs (-)	1,000,000	0	0	0	0	1,000,000
Other changes	2,848,276	5,222,371	10,704	618,308	604,338	9,303,997
Total changes	(8,582,168)	(405,038)	(532,639)	275,994	(5,301,215)	(14,545,066)
<b>31/12/2015</b>	<b>67,806,287</b>	<b>76,857,811</b>	<b>7,933</b>	<b>2,299,472</b>	<b>7,064,843</b>	<b>154,036,346</b>
Historic cost	112,247,947	357,217,821	9,193,636	7,176,250	7,064,844	492,900,498
Acc. deprec. (-)	44,441,659	280,360,011	9,185,703	4,876,780	0	338,864,153
Write-down (-)	500,000	10,276,536	0	0	0	10,776,536
<b>31/12/2015</b>	<b>67,806,287</b>	<b>76,857,811</b>	<b>7,933</b>	<b>2,299,472</b>	<b>7,064,843</b>	<b>154,036,346</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 15,732 thousand, with net disposals for Euro 6,360 thousand, of which historical value amounts to Euro 11,634 thousand, and are composed of as follows:

### • Land and buildings

Increases: these amount to Euro 309 thousand for improvements to the real estate assets of the companies included in the consolidation scope.  
Decreases: net decreases totalled Euro 5,537 thousand and exclusively concern the disposal of the property complex at Via Linfano No. 18 of Aquafil S.p.A. to the company which previously leased the property since June 2013, generating a gain of approx. Euro 2.9 million.  
Write-downs: during the year the property of the subsidiary Cenon S.r.o. was written down. After this operation the net book value of the fixed assets principally relating to real estate amounted to Euro 2 million at December 31, 2014.

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

Increases: these totalled Euro 15,422 thousand. These break down as follows:

- Aquafil S.p.A.: the overall increase is equal to Euro 1.5 million, of which Euro 0.16 concerning "Assets under development and payments on account". Investments principally concern improvements to existing plant.
- Aquaspace S.p.A.: the total increase of Euro 1 million relates to costs incurred principally for the completion of purification plant;
- Aquafil USA Inc.: the total increase of Euro 3.7 million related to the purchase of new yarn and reprocessing lines, in addition to improvements to existing plant;
- Aquafil Jiaying Ltd.: the increase of Euro 1.8 million concerns the extended yarn production capacity at the Jiaying site;
- AquafiCRO d.o.o.: the increase of Euro 2.2 million concerns the extension of the texturising plant;
- Aqualeuna G.m.b.H.: the total increase of Euro 0.8 million is due to improvements to existing plant;
- Julon d.d.: the total increase of Euro 4 million relates principally to the actions and improvements on all plant and in particular on ECONYL® plant.

Reclassifications: these refer to the reallocation from "Assets under development and payments on account" to the other items for assets which came into operation in the course of the financial year and for Euro 0.9 million the reclassification commented upon concerning Intangible Assets.

Mortgages are registered on corporate assets for a total amount of Euro 39,866 thousand to secure the loans granted and broken down under the item "Amounts due to banks".

## FINANCIAL ASSETS

### b) Investments in associated companies

This exclusively concerns the investment of Euro 2,054 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 596 thousand, corresponding to 50% of the loss for the year.

The company's corporate scope is the production, sale, research and development of synthetic filaments and fibres. The company continues to focus on the development and production of the 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.

### d) Investments in other companies

Investments in other companies are stated at cost for an overall amount of Euro 1,188 thousand, as follows:

Name and registered office	December 2015	December 2014
Consorzio Nazionale Imballaggi, Via del Vecchio Po	804	830
Trentino Export S.c.a.r.l., Via Degasperi, 77 Trento	2,614	2,614
Banca Cooperativa del Carso	181	181
Confidi, Via Degasperi 77, Trento	4,648	4,648
Banca di Verona, Via Forte Tomba, Verona	10,650	10,650
Cassa Rurale Rovereto	103	77
RE Energy Capital Sicar	250,000	250,000
La Finanziaria Trentina	919,380	919,380
<b>TOTAL</b>	<b>1,188,381</b>	<b>1,188,381</b>

## Receivables

The Company had no accounts receivable beyond 5 years.

### Receivables from holding companies

The table below shows the movements in financial transactions:

	December 2015	December 2014	Change
Aquafin Holding S.p.A.	37,034,032	36,493,715	540,317
<b>TOTAL</b>	<b>37,034,032</b>	<b>36,493,715</b>	<b>540,317</b>

The change relates to the capitalisation of interest in the period.

The receivables are of a financial nature and interest bearing.

### Receivables from other group companies

d1) Receivables from "other Group companies" of Euro 551 thousand correspond to the receivables of Aquafil USA Inc. from the company GB&P USA LLC.

### Other receivables

d2) "Other debtors" of Euro 202 thousand mainly refer to guarantee deposits paid to suppliers and employee loans.

### Other Securities

Deposit Certificates from the Banco Popolare Emilia Romagna – Nominal value Euro 1,000,000, duration 01/09/2014 – 01/09/2015 were traded in the year.

## CURRENT ASSETS

### INVENTORIES

Inventories at 31/12/2015 are composed as follows:

Description	December 2015	December 2014	Change
Raw materials and Ancillary - Gross Value	58,743,060	50,648,946	8,094,114
Finished goods and merchandise - Gross Value	95,563,422	96,528,159	(964,738)
Advances - Gross value	0	55,713	(55,713)
<b>TOTAL</b>	<b>154,306,482</b>	<b>147,232,818</b>	<b>7,073,663</b>

The account includes an obsolescence provision of Euro 505 thousand concerning slow moving prior year stock.

### RECEIVABLES

Current account receivables are composed as follows:

	December 2015	December 2014	Changes	within one year	beyond one year
Customers	31,068,422	32,549,678	(1,481,256)	30,677,921	390,501
Subsidiaries	723	534	189	723	0
Associated companies	72,514	349,060	(276,546)	72,514	0
Parent companies	1,921	910,238	(908,317)	1,921	0
Tax Receivables	7,813,297	8,711,864	(898,565)	7,250,910	562,387
Deferred tax assets	8,318,251	7,301,555	1,016,696	2,249,625	6,068,626
Others	3,388,920	4,082,183	(693,264)	3,388,919	0
<b>TOTAL</b>	<b>50,664,048</b>	<b>53,905,112</b>	<b>(3,241,063)</b>	<b>43,642,533</b>	<b>7,021,514</b>

The breakdown by region is reported below:

	Italy	Europe	USA	Central and South America	Rest of the World	TOTAL
1) Customers	4,234,280	8,821,059	4,442,435	342,021	13,228,627	31,068,422
2) Subsidiaries	723	0	0	0	0	723
3) Associated companies	72,514	0	0	0	0	72,514
4) Parent companies	1,921	0	0	0	0	1,921
4) BIS Tax receivables	3,716,478	2,863,665	424,409	0	808,745	7,813,297
4) TER Deferred tax assets	5,141,249	2,406,079	209,492	0	561,431	8,318,251
5) b) Other debtors	906,140	361,633	170,034	0	1,951,113	3,388,920
<b>TOTAL</b>	<b>14,073,305</b>	<b>14,452,436</b>	<b>5,246,370</b>	<b>342,021</b>	<b>16,549,916</b>	<b>50,664,048</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 1,840 thousand was set aside. The allowance for doubtful receivables recorded at December 31, 2014 for Euro 3,349 thousand was utilised for Euro 1,838 thousand in relation to write-offs and increased by Euro 394 thousand as a result of the allocation for the year. The exchange rate effect was Euro 8 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 amount to Euro 72,514, are due within 12 months and relate to receivables of the company Borgolon S.p.A. from Xlance Fibre Italia S.r.l..

### Receivables from parent companies

These include a trade receivable due within 12 months of Euro 1,921 from the parent company Aquafin Holding S.p.A..

### Tax receivables

The table below shows the breakdown for this category:

	December 2015	December 2014
<b>Tax receivables within 12 months</b>		
Income taxes	935,443	2,640,560
VAT Receivables	5,987,476	5,050,067
Withholding taxes	95,573	241,124
Interest	76,264	76,264
Tax receivables Law 296/09	3,956	3,956
Other tax credits	49,914	16,966
Other tax receivables	102,285	665
<b>TOTAL TAX RECEIVABLES WITHIN 12 MONTHS</b>	<b>7,250,910</b>	<b>8,029,604</b>
<b>Tax receivables beyond 12 months</b>		
Income taxes	202,685	304,027
VAT Receivables	60	60
Other tax receivables	359,642	378,172
<b>TOTAL TAX RECEIVABLES BEYOND 12 MONTHS</b>	<b>562,387</b>	<b>682,260</b>
<b>TOTAL TAX RECEIVABLES</b>	<b>7,813,297</b>	<b>8,711,864</b>

### Deferred tax assets

The table below shows the breakdown for this category:

	December 2015	December 2014
<b>Deferred tax assets within 12 months</b>		
losses carried forward	0	32,013
allowances for receivables	34,904	31,299
other provisions	725,405	0
sales rep. and maintenance expenses	120,190	107,323
other	295,766	179,557
gains	236,248	236,248
personnel	404,710	386,844
inventory write-down	432,402	278,577
<b>TOTAL</b>	<b>2,249,625</b>	<b>1,251,861</b>
<b>Deferred tax assets beyond 12 months</b>		
doubtful debts provision	190,914	626,202
other provisions	1,313,175	245,544
sales rep. and maintenance expenses	3,390	32,222
other	36,000	41,250
losses carried forward	583,584	546,799
exchange differences	0	5,446
amortisation, depreciation, leasing charges	2,880,105	3,328,533
supp. indemnity prov. for agents	177,968	205,444
depreciation on revaluations	636,277	682,156
depreciation on asset write-down	177,463	257,598
inventory write-down	69,750	78,500
<b>TOTAL</b>	<b>6,068,626</b>	<b>6,049,694</b>
<b>TOTAL DEFERRED TAX ASSETS</b>	<b>8,318,251</b>	<b>7,301,555</b>

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.

## Receivables from others

Other debtors due within 12 months

	December 2015	December 2014
Miscellaneous advances	1,299	6,333
Employees	307,557	357,085
Other receivables	444,310	573,590
Pension and social security institutions	310,225	366,514
Public administration	261,739	1,881,276
Advances to suppliers	221,748	194,786
Advances for working capital	1,721,623	391,335
Lay-off scheme receivables	120,419	311,264
<b>TOTAL</b>	<b>3,388,920</b>	<b>4,082,183</b>

Public administration receivables principally concern Aquafil S.p.A. and 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 Aquafil S.p.A 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.

The receivable from the Trento Province, in accordance with Provincial Law 6/99, referring 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 in 2014, was received in the year.

## CASH AND CASH EQUIVALENTS

Cash at bank and on hand is composed as follows:

	December 2015	December 2014	Change
1) Bank & postal deposits	45,197,723	53,059,501	(7,861,778)
2) Cheques on hand	1,095,577	969,393	126,184
3) Cash & cash equivalents on hand	16,278	18,672	(2,394)
<b>TOTAL</b>	<b>46,309,578</b>	<b>54,047,566</b>	<b>(7,737,988)</b>

The item mainly relates to the balance at year-end of the Group companies current accounts. For further details on movements in the year, reference should be made to the Cash Flow Statement.

There were no restrictions on liquidity.

## 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:

Description	December 2015	December 2014	Changes in the year
Other accrued income	853,852	488,898	364,954
Prepaid expenses	1,193,592	911,626	281,966
<b>D) ACCRUED INCOME &amp; PREPAID EXPENSES</b>	<b>2,047,444</b>	<b>1,400,524</b>	<b>646,920</b>

	December 2015	December 2014	Change
Interest on other receivables	7,166	17,539	(10,373)
Other	846,686	471,359	375,327
<b>TOTAL ACCRUED INCOME</b>	<b>853,852</b>	<b>488,898</b>	<b>364,954</b>
Insurance premiums	113,687	193,533	(79,846)
Leasing charges	11,653	4,500	7,153
Rental	5,220	0	5,220
Sureties	26,704	40,262	(13,558)
Other	524,132	278,714	245,418
Fairs and exhibitions	48,691	65,266	(16,575)
ICT Consulting	235,986	195,022	40,964
Leasing maintenance	131,609	76,088	55,521
Employees	48,790	6,331	42,459
Tax and administrative consulting	47,120	51,910	(4,790)
<b>TOTAL PREPAID EXPENSES</b>	<b>1,193,592</b>	<b>911,626</b>	<b>281,966</b>
<b>TOTAL ACCRUED INCOME AND PREPAID EXPENSES</b>	<b>2,047,444</b>	<b>1,400,524</b>	<b>646,920</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 106,220,690 thousand breaks down as follows (in thousands of Euro):

Account	31.12.2014	Changes in the year					Net profit for the year	31.12.2015
		Allocation of prior year profit	Change in the consolidation scope	Exchange differences	Distribution of dividends and reclassifications	Other changes		
Share Capital	19,686							19,686
Share premium reserve	0							0
Revaluation reserve	41							41
Legal reserve	3,937							3,937
Other reserves	58,992	9,037		2,421	(1,600)	(13)		68,837
Retained earnings	0							0
Net profit for the year	9,037	(9,037)					13,720	13,720
<b>Total Group net equity</b>	<b>91,692</b>	<b>0</b>	<b>0</b>	<b>2,421</b>	<b>(1,600)</b>	<b>(13)</b>	<b>13,720</b>	<b>106,221</b>
Minority interest profit/(loss)	83	(83)					48	48
Minority interest net equity	291	83			(67)			307
<b>Total Minority interest net equity</b>	<b>374</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(67)</b>	<b>0</b>	<b>48</b>	<b>355</b>
<b>Total Group and minority interest net equity</b>	<b>92,067</b>	<b>0</b>	<b>0</b>	<b>2,421</b>	<b>(1,667)</b>	<b>(13)</b>	<b>13,768</b>	<b>106,576</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.

## 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 28,701 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.

- the effects of the conversion of the financial statements of the Group companies expressed in currencies other than the Euro;
- the dividend distributed to the parent company Aquafin Capital S.p.A;
- the allocation of the 2014 result.

## MINORITY INTEREST CAPITAL AND RESERVES

The balance of Euro 356 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, 2015

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, 2015 is shown below (in thousands of Euro):

	Net result	Net equity
<b>Net equity and net result as per financial statements of the parent company</b>	<b>16,526</b>	<b>107,176</b>
recording of leasing as per finance method of Aquafil S.p.A.	(2,415)	220
elimination of intercompany transaction effects	364	(1,008)
differing measurement in consolidation of investment in AquafilCRO	17	(503)
other	(771)	336
<b>Net equity and net result for the year pertaining to Group</b>	<b>13,721</b>	<b>106,221</b>
<b>Minority interest net equity and net profit</b>	<b>48</b>	<b>356</b>
<b>Net equity and net result as per consolidated financial statements</b>	<b>13,769</b>	<b>106,577</b>

### PROVISIONS FOR RISKS AND CHARGES

#### Tax provisions

This account includes deferred taxes on deferred income items and is comprised of:

	December 2015	December 2014
On gains on sale of assets	1,230,175	(128,644)
On fiscal adjustments & accel. depreciation	20,230	25,011
On others	4,142,501	5,301,557
<b>TOTAL</b>	<b>5,392,905</b>	<b>5,197,925</b>

During the year, the Italian companies did not opt for the so-called "maxi depreciation" introduced by the 2016 Stability Law.

#### Other provisions

These amounted to Euro 4,024 thousand and comprise the agent supplementary indemnity provision for Euro 1,003 thousand of Borgolon S.p.A. and Aquafil S.p.A., a provision of Euro 2,476 thousand for the adjustment to fair value at year-end of the indexed long-term raw material supply contracts of Aquafil S.p.A. and client guarantee provisions concerning engineering orders of Euro 338 thousand of Aquafil Engineering G.m.b.H..

### 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:

	Staff termination pay - movements in the year
<b>Opening balance</b>	<b>6,925,744</b>
Provisions	257,282
Utilisations	911,245
Total changes	653,962
<b>CLOSING BALANCE</b>	<b>6,271,782</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

These total Euro 336,122,099. The amounts due after 5 years are indicated separately. The analysis is provided below.

	December 2015	December 2014	change	within one year	beyond one year	beyond five years
D) PAYABLES						
Bonds	55,000,000	0	55,000,000	0	55,000,000	38,714,285
Amounts due to banks	153,480,152	221,493,166	(68,013,015)	48,447,119	105,033,033	0
Amounts due to other lenders	1,715,665	1,715,665	0	0	1,715,665	0
Advances	7,397,098	15,010,955	(7,613,857)	7,397,098	0	0
Amounts due to suppliers	87,501,968	101,293,493	(13,791,524)	71,563,505	15,938,463	0
Amounts due to associated companies	0	43	(43)	0	0	0
Amounts due to parent companies	8,077,552	12,511,368	(4,433,816)	8,077,552	0	0
Tax Payables	3,855,189	4,395,642	(540,453)	3,855,189	0	0
Amounts due to soc. sec. institutions	2,894,120	2,867,504	26,616	2,894,120	0	0
Other payables	16,200,355	9,293,997	6,906,359	9,356,821	6,843,534	0
<b>TOTAL</b>	<b>336,122,099</b>	<b>368,581,833</b>	<b>(32,459,733)</b>	<b>151,591,404</b>	<b>184,530,695</b>	<b>38,714,285</b>

The breakdown by region is reported below:

	Italy	Europe	USA	Rest of the World	TOTAL
1) Bonds	5,000,000	0	50,000,000	0	55,000,000
4) Amounts due to banks	128,265,718	3,100,000	22,114,433	0	153,480,152
5) Amounts due to other lenders	1,715,665	0	0	0	1,715,665
6) Advances	6,186,372	1,200,721	0	10,004	7,397,098
7) Amounts due to suppliers	30,295,691	49,406,038	6,148,264	1,651,975	87,501,968
11) Amounts due to parent companies	8,077,552	0	0	0	8,077,552
12) Tax payables	1,935,473	1,270,655	0	649,061	3,855,189
13) Amounts due to social security instit.	2,158,464	728,536	0	7,120	2,894,120
14) a) Other Group companies	398	323,304	0	0	323,702
14) b) Other creditors	7,481,405	1,900,204	5,783,075	711,971	15,876,653
<b>TOTAL</b>	<b>191,116,738</b>	<b>57,929,458</b>	<b>84,045,772</b>	<b>3,030,131</b>	<b>336,122,099</b>

## Bonds

In 2015, Aquafil S.p.A. issued two bond loans with the following features:

- bond loan for Euro 50,000,000 subscribed on June 23, 2015 by the following:

The PrudenThe Prudential Insurance Company of America for Euro 25,405,075.69

Prudential Legacy Insurance Company of New Jersey Euro 21,478,272.48

Pruco Life Insurance Company Euro 3,116,651.83

Interest Rate: fixed

Coupon maturity: June 23 - December 23: first coupon December 23, 2015.

Repayment: 7 annual instalments of Euro 7,142,857.14 from June 23, 2019 to June 23, 2025.

The loan is supported by guarantees from Tessilquattro S.p.A., Julon d.o.o., AquafilCRO d.o.o. and Aquafil USA Inc. and establishes balance sheet and inter-company covenants, which were fully complied with at the reporting date.

- bond loan for Euro 5,000,000 subscribed on November 23, 2015 by the following:

La Finanziaria Internazionale Investments S.G.R. on behalf of the Trentino-Alto Adige Strategic Fund.

Interest Rate: fixed

Coupon maturity: January 31 - July 31: first coupon July 31, 2016.

Repayment: 15 half-yearly instalments of Euro 333,333.50 from January 31, 2018 to January 31, 2025.

## Amounts due to banks

Amounts due to banks, detailed by maturity, are as follows:

	Balances at December 2015				Balances at December 2014
	due within 1 year	beyond 1 year, within 5 years	due beyond 5 years	Total	Total
Current accounts	45,768			45,768	139,378
Export advances	0			0	30,892,660
Import financing	0			0	12,040,440
Advances on invoices	5,375,295			5,375,295	42,485,817
Other payables	39,166			39,166	91,963
<b>Total</b>	<b>5,460,229</b>	<b>0</b>	<b>0</b>	<b>5,460,229</b>	<b>85,650,258</b>
<b>Loans:</b>					
I.M.I.	0	0	0	0	22,500,000
Monte Paschi Siena	727,273	1,272,727	0	2,000,000	6,200,000
Bank Koper	500,000	0	0	500,000	0
Abanka	0	0	0	0	3,000,000
HVB Splitska banca	0	0	0	0	3,126,270
Cassa Centrale Casse Rurali Trentine	3,420,618	9,393,274	0	12,813,892	4,285,013
Banca di Verona	7,118,150	10,340,444	0	17,458,594	7,100,221
Gorenjska Banka	0	0	0	0	11,330,453
Cassa Rurale Valsabbia Paganella	35,187	0	0	35,187	240,800
Cassa Rurale Rovereto	415,911	1,760,734	0	2,176,645	2,843,220
TMB Bank	0	0	0	0	459,652
Credito Valtellinese	3,214,974	0	0	3,214,974	6,559,375
Biverbanca	832,731	872,427	0	1,705,158	2,500,000
Cassa Risparmio di Bolzano	0	0	0	0	969,053
Cassa Risparmio di Ferrara	656,928	1,180,827	0	1,837,755	0
Postna Banka Slovenije	2,600,000	0	0	2,600,000	0
Veneto Banka	2,532,696	2,374,425	0	4,907,121	3,555,725
Cassa Rurale Raiffeisen Alto Adige	488,578	1,011,422	0	1,500,000	1,195,132
Banca Popolare di Sondrio	2,807,865	445,386	0	3,253,251	6,008,544
Banca Popolare di Milano	4,660,641	14,049,815	0	18,710,456	3,000,000
Banca Antonveneta	0	0	0	0	3,960,000
Regions Bank	3,019,564	13,680,408	0	16,699,972	17,682,777
Banca Popolare di Verona	2,509,881	5,250,000	0	7,759,881	2,271,208
Banca Popolare Emilia Romagna	2,191,622	1,814,997	0	4,006,619	1,712,027
Hypo Alpe Adria Bank	0	0	0	0	1,380,625
Sparkasse	0	0	0	0	1,066,667
Volksbank	0	0	0	0	3,428,571
ICBC Bank	0	15,000,000	0	15,000,000	1,990,499
Banca di Trento e Bolzano	0	0	0	0	1,761,801
GE Capital	2,240,000	5,405,000	0	7,645,000	6,000,000
Banca Popolare di Vicenza	700,000	1,400,000	0	2,100,000	2,571,429
Finest	197,906	614,815	0	812,721	1,000,453
Banca Popolare Friuladria	2,116,364	4,166,331	0	6,282,695	4,415,336
Reiffeisen Bank RBA	0	0	0	0	1,728,056
Mediobanca	0	15,000,000	0	15,000,000	0
<b>Total loans</b>	<b>42,986,889</b>	<b>105,033,032</b>	<b>0</b>	<b>148,019,921</b>	<b>135,842,908</b>
<b>Total due to banks</b>	<b>48,447,119</b>	<b>105,033,033</b>	<b>0</b>	<b>153,480,152</b>	<b>221,493,166</b>

With reference to the loans granted, assets have been mortgaged to the value of Euro 39,866 thousand.

The loan contracts provide for the payment of variable interest, plus a market spread.

The loans with the following Institutions establish financial and equity covenants, which had been fully complied with at the reporting date:

- ICBC;
- Mediobanca;
- GE Capital;
- Banca Popolare di Vicenza;
- Banca Popolare di Milano;
- Banca di Verona.

### 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 7,397 thousand and refers for Euro 6,739 thousand to Aquafil S.p.A., for Euro 382 thousand to Aquafil Engineering G.m.b.H., for Euro 180 thousand to Borgolon S.p.A. and for Euro 96 to Julon.

### Amounts due to suppliers

	December 2015	December 2014
Third Party Suppliers - Due within 12 months	69,830,129	82,020,612
Liabilities for Leasing - Due within 12 months	1,733,376	1,922,476
<b>TOTAL WITHIN 12 MONTHS</b>	<b>71,563,505</b>	<b>83,943,088</b>
Third Party Suppliers - Due over 12 months	0	0
Liabilities for Leasing - Due over 12 months	15,938,463	17,350,405
<b>TOTAL OVER 12 MONTHS</b>	<b>15,938,463</b>	<b>17,350,405</b>
<b>TOTAL</b>	<b>87,501,968</b>	<b>101,293,493</b>

Amounts due for leases after 5 years amounted to Euro 8.9 million.

### Payables to parent companies

Payables due within 12 months amount to Euro 8,078 thousand and entirely relate to Aquafil S.p.A. payables to parent companies:

- Aquafin Holding S.p.A. concerning payables for taxes for participation in the consolidated tax regime for Euro 7,964 thousand;
- GB&P S.r.l. for trade payables of Euro 114 thousand.

### Tax payables

These amount to Euro 3,855,189 and comprise:

	December 2015	December 2014
IRAP	(47,743)	473,185
Withholding taxes	1,275,972	1,235,567
VAT	1,178,076	2,241,706
Other payables	227,141	236,813
Other taxes	1,221,742	208,371
<b>TOTAL</b>	<b>3,855,189</b>	<b>4,395,642</b>

## Payables to social security institutions

These total Euro 2,894 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 concerns the payables to the related company Aquasava d.o.o., belonging to the Aquafin Holding S.p.A. Group, for Euro 324 thousand.

### Other creditors

Payables due within 12 months amount to Euro 9,033 thousand and principally refer to employee payables of Euro 8,171 thousand, in addition to other payables.

Payables due after 12 months amount to Euro 6,844 thousand and refer to guarantee deposits of customers of Euro 6,797 thousand and the payable by installments with maturity September 1, 2016 - September 1, 2017 for the acquisition of 10% of the subsidiary Aquafil Services G.m.b.H., 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:

Description	December 2015	December 2014	Changes in the year
Accruals	602,208	980,163	(377,956)
Other deferred income	383,850	1,306,073	(922,223)
<b>E) ACCRUALS AND DEFERRED INCOME</b>	<b>986,058</b>	<b>2,286,236</b>	<b>(1,300,179)</b>
	December 2015	December 2014	Changes
<b>Accruals:</b>			
Interest on loans and borrowing	276,437	642,081	(365,644)
Interest on bonds	64,167	0	64,167
Insurance	81,169	91,086	(9,917)
Other	180,434	246,996	(66,562)
Commissions	0	0	0
<b>TOTAL</b>	<b>602,208</b>	<b>980,163</b>	<b>(377,956)</b>
<b>Deferred income:</b>			
Grants for plant and machinery	291,628	1,082,184	(790,556)
Rental income with early maturity	0	118,333	(118,333)
Other	92,222	0	92,222
Grants as per Law 6/99	0	105,556	(105,556)
<b>TOTAL</b>	<b>383,850</b>	<b>1,306,073</b>	<b>(922,223)</b>
<b>TOTAL ACCRUALS AND DEFERRED INCOME</b>	<b>986,058</b>	<b>2,286,236</b>	<b>(1,300,179)</b>

The reduction is principally due to the recognition to the Income Statement of grants, principally concerning the Italian Group companies.

## MEMORANDUM ACCOUNTS

### Derivative financial instruments

Details of derivative instruments are reported in the following table.

Institute	Type	Notional	Commencement	Maturity
Banca Popolare di Verona	IRS	625,000	28/03/2012	28/03/2016
Banca Popolare di Milano	IRS	1,000,000	21/03/2012	30/06/2016
Banca Popolare di Sondrio	IRS	1,777,778	31/07/2012	31/07/2016
Banca Popolare di Milano	IRS	13,334,058	15/09/2015	30/09/2020
Cassa Centrale Banca	IRS	10,000,000	03/09/2015	03/09/2019
Veneto Banca	IRS	3,356,986	24/04/2015	30/06/2019
Mediobanca	IRS	15,000,000	31/12/2015	30/09/2019

The fair value of the derivative contracts at the reporting date was negative for Euro 141 thousand.

The contracts are considered of a hedging nature as strictly related both in notional terms and cash flow maturities to mortgages undertaken with the same credit institutions.

The subsidiary Aquafil USA has an IRS contract in place which, although for the hedging of a financial payable, does not fully comply with the technical requirements to be recognised as such; therefore, the company recognised to the financial statements the relative fair value at year-end of Euro 49 thousand.

# Notes to the main income statement accounts

## VALUE OF PRODUCTION

### Revenues from sales and services

The revenues from sales and services consist of:

By business line	2015	2014
Polyamide, polypropylene and other polymers	488,429,366	495,340,128
Other revenues	10,697,157	10,047,910
<b>TOTAL</b>	<b>499,126,523</b>	<b>505,388,038</b>

By geographic area:

Geographic Area	2015	2014
Italy	95,864,367	113,258,952
Overseas	403,262,156	392,129,086
<b>TOTAL</b>	<b>499,126,523</b>	<b>505,388,038</b>

### Capitalisations of internal constructions

The aggregate, which amounts to Euro 2,248 thousand, is mainly made up of the costs incurred within the Group for the construction of machinery and equipment.

### Other revenues and income

This account is comprised as follows:

	2015	2014
Personnel grants	14,867	52,434
Other	822,304	1,265,243
<b>GRANTS IN P&amp;L</b>	<b>837,171</b>	<b>1,317,677</b>
Rental income	381,748	579,215
Gains on fixed assets disposal	156,948	349,448
Insurance compensation	10,666	22,563
Recovery of expenses	250,081	277,299
Rounding	364	1,067
Prior year income	6,194	1,362
Other income	1,300,813	1,085,690
Utilisation of other provisions	603,280	255,493
Software fees	0	68,914
Tax consultant and directors recoveries	0	72,508
Penalties received on supply contract	128,545	82,941
<b>TOTAL</b>	<b>3,675,810</b>	<b>4,114,177</b>

Operating grants for Euro 837 thousand comprise:

- for Euro 82 thousand Aquafil S.p.A. and equivalent to the incentive tariffs relating to construction and running costs for the production of energy from the photovoltaic plant for Euro 69 thousand and the "De minimis" grant on leases for Euro 13 thousand.
- for Euro 738 thousand Julon d.o.o. concerning the grants principally provided by the Slovenian Ministry for the Economy for the "ECONYL®" project.
- for Euro 17 thousand Aquaspace for personnel training courses.

The other income account includes for Euro 1,135 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

This account is comprised as follows:

	2015	2014
Raw materials and semi-finished goods	219,206,196	258,650,831
Supplies and consumable stores	26,291,592	26,138,970
Other purchases and products sold	5,486,062	6,678,940
<b>TOTAL</b>	<b>250,983,849</b>	<b>291,468,743</b>

### Services

The table below shows the breakdown:

	2015	2014
External processing	965,354	3,023,767
Transport of purchases	2,092,653	2,385,323
Electricity, propulsive energy, water and gas	38,439,382	37,265,958
Maintenance	6,615,133	5,610,156
Warehousing, management of external storage	3,080,724	2,924,781
Cleaning and security	1,076,972	1,140,908
Waste disposal	1,612,095	1,204,909
Stationary and printing	336,772	256,550
Post and telephone	392,162	412,986
Insurance	2,138,041	1,501,425
Services for staff	811,971	632,655
Technical consultants	999,140	884,976
Fees for technical assistance	137,533	155,488
Commercial consultancy	23,877	1,396
Legal, tax and administrative consultancy	1,343,565	1,243,819
Company expenses	28,722	23,316
Membership fees	250,152	238,530
Newspapers and magazines	34,673	30,738
Ensarco commissions and contributions	2,585,702	2,712,049
Travel and transfer	1,926,479	1,992,179
Commercial information	67,225	71,331
Fairs and exhibitions	202,197	161,724
Advertising expenses	718,450	647,992
Insurance credits	608,242	766,219
Sales representative expenses	581,534	513,191
Transport of sales	14,216,305	14,635,064
Other sales expenses	1,022,829	673,192
Other services	1,109,200	927,297
Emoluments for statutory auditors	153,549	200,062
Emoluments for directors	1,267,660	1,322,574
Temporary work	517,207	395,112
Software licenses	17,076	3,780
Canteen	642,375	634,787
Non-bank charges and commissions	215,444	313,777
Consulting and rental costs ICT assist.	3,585,167	3,183,337
Supervisory board fees	65,941	60,447
<b>TOTAL</b>	<b>89,881,505</b>	<b>88,151,792</b>

The reduction in external processing costs from Euro 3 million in 2014 to Euro 1 million in 2015 is principally due to the reduction in textile sector revenues, and in particular in the hosiery sector.

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 1,239 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 for the Italian Group companies (in thousands of Euro).

Company	Activity	Annual Fee
Aquafil S.p.A.	Statutory Audit	86
Aquafil S.p.A.	Audit of Consolidated Accounts	16
Aquaspace SpA	Statutory Audit	9
Borgolon SpA	Statutory Audit	16
Tessilquattro SpA	Statutory Audit	11
<b>TOTALE</b>		<b>138</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 table below shows the breakdown:

	2015	2014
Rent	464,006	445,764
Industrial rent	4,448,028	3,560,157
Hire	1,785,319	1,497,062
Leasing fees	0	(1,266)
Commercial rent	26,466	26,447
<b>TOTAL</b>	<b>6,723,819</b>	<b>5,528,164</b>

In particular:

- 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 2,315 thousand, Aquafil USA Inc. for Euro 1,050 thousand, Borgolon S.p.A. for Euro 292 thousand, Tessilquattro S.p.A. for Euro 281 thousand, Aquafil S.p.A. for Euro 278 thousand and Euro 232 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 473 thousand, AquafilCRO d.o.o for Euro 305 thousand, Aquafil USA Inc for Euro 343 thousand and Aqualeuna for Euro 300 thousand.

## Personnel costs

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

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

	Closing 2014	Increases	Decreases	Reclassifications	Closing 2015
Production workers	2,215	149	218	(7)	2,139
Office staff	498	12	22	7	495
Middle managers	39	4	4	0	39
Managers	33	1	1	0	33
<b>TOTAL</b>	<b>2,785</b>	<b>166</b>	<b>245</b>	<b>0</b>	<b>2,706</b>

	Average headcount
Production workers	2,177
Office staff	497
Middle managers	39
Managers	33
<b>TOTAL</b>	<b>2,746</b>

The total cost includes also the temporary labour cost. The increases in the year principally concern the companies Julon d.o.o. and Aquafil S.p.A., while the most significant decreases relate to Aqualeuna G.m.b.H. and Julon d.o.o..

## Provisions for risks

The provision amounts to Euro 60 thousand and refers to the supplementary indemnity provision for agents.

## Other provisions

The account includes provisions for other risks of Euro 458 thousand for Aquafil Engineering G.m.b.H. and of Euro 174 thousand for Aquafil Jiaxing Co Ltd.

## Other operating costs

This accounts consists of:

	2015	2014
Non-deductible VAT	49,903	42,737
Property tax	894,767	912,641
Other taxes	132,567	166,729
Losses on disposal of assets	28,081	53,803
Losses on receivables	3,551	25,543
Rounding	1,478	207
Bonuses to customers	2,627	4,139
Other charges	826,222	766,135
Scholarships	31,236	24,921
Penalties and fines	1,145	3,691
Penalties on supply contracts	13,000	37,918
<b>TOTAL</b>	<b>1,984,578</b>	<b>2,038,463</b>

## FINANCIAL INCOME AND CHARGES

### INVESTMENT INCOME

Investment income from other companies for Euro 33 thousand concerns dividends received from Aquafil S.p.A. distributed by Trentina Finanziaria S.p.A..

### OTHER FINANCIAL INCOME

Income from non-current receivables amounts to Euro 540 thousand and relates to interests on loans to the parent company Aquafin Holding S.p.A..

Income from current securities, which does not comprise equity investments, amounts to Euro 6 thousand relating to the interest matured on deposit certificates recognised to "Other Securities".

### OTHER INCOME

Other income comprises:

	2015	2014
Other interest	173,655	32,692
Interest exp. on current accts.	84,321	89,511
Interest on customer receivables	0	430
Discounts on purchases	6,267	0
<b>TOTAL</b>	<b>264,242</b>	<b>122,633</b>

## INTEREST EXPENSE AND OTHER FINANCIAL CHARGES

This account is comprised as follows:

	2015	2014
Bond loan	1,151,723	70
Due to banks	8,303,225	9,495,245
Other	4,201,778	5,879,406
<b>TOTAL</b>	<b>13,656,726</b>	<b>15,374,721</b>

These include:

	2015	2014
<b>Third parties:</b>		
Interest and other financial charges	173,528	1,714,509
Interest on bonds	1,151,723	70
Interest exp. on current accounts	940,452	715,633
Interest on mortgage loans	4,356,763	4,876,903
Interest on bank borrowings	471,302	229,162
Interest expense to other lenders	36,100	176,471
Interest expense on export advances	719,017	1,311,881
Interest expense on import loans	163,521	425,385
Interest on commercial bills	327,692	994,902
Interest on factoring	219,203	247,644
Interest expense on commercial operations	45,461	23,896
Interest payable to leasing companies	190,154	299,475
Bank expenses and commissions	1,059,814	669,841
Cash discounts	3,769,371	3,650,893
Other charges	32,624	38,060
<b>TOTAL INTEREST EXPENSE</b>	<b>13,656,726</b>	<b>15,374,721</b>

## EXCHANGE GAINS AND LOSSES

Net exchange losses amounted to Euro 250,423.

## IMPAIRMENTS ON FINANCIAL ASSETS

### WRITE-DOWNS

The account concerns the write-down, deriving from the alignment to its equity value, for Euro 596 thousand of the investment in the associate Xlance Fibre Italia S.r.l. according to the equity method.

## EXTRAORDINARY INCOME AND CHARGES

### INCOME

This account is comprised as follows:

	2015	2014
Gains on asset disposals	2,927,191	0
Gains on investment disposals	1,000	0
Prior year income	251,906	982,937
Prior year taxes	220,472	4,720
Other extraordinary income	55,922	41,194
Collection of bad debts	0	2,087
<b>TOTAL</b>	<b>3,456,491</b>	<b>1,030,938</b>

The gain on asset disposal concerns the building at Via Linfano No.18 of Aquafil S.p.A..

The gain on investment disposal relates to the disposal to third parties of the associate Aquafil Tecnopolimeros S.A. – Spain – held 40%, which in 2014 was entirely written down.

## CHARGES

This account is comprised as follows:

	2015	2014
Losses on asset disposals	28,458	27,721
Taxes relating to previous periods	2,545,113	49,503
Prior year charges	1,213,397	682,769
Other extraordinary charges	696,072	4,078,468
Personnel mobility charges	965,491	733,680
Write down of fixed assets	1,000,000	0
<b>TOTAL</b>	<b>6,448,531</b>	<b>5,572,141</b>

The other extraordinary charges principally comprise the write-down of obsolete raw materials by Aqualeuna G.m.b.H..

Taxes relating to previous years relate to the tax recovery by the Tax Agency for the years 2009-2013.

Prior year charges include the write-off of costs capitalised in previous years concerning the signing of loans settled in advance of contractual maturity in the year for Euro 579 thousand.

Personnel mobility charges relate to costs incurred for personnel leaving incentives at the following companies:

- Aquafil S.p.A Euro 200 thousand
- Aquaspace S.p.A. Euro 503 thousand
- Julon d.d. Euro 223 thousand
- Borgolon Euro 39 thousand

The loss of Euro 28 thousand concerns the disposal of the investment in the company Aquafil Do Brasil LTDA, liquidated on completion of the commercial project.

The write-down of fixed assets refers to the property write-down of the Slovakian chemical company Cenon S.r.o..

## INCOME TAXES

The table below shows the breakdown for this category:

	2015	2014
<b>Current taxes:</b>		
Current taxes - IRES	4,370,948	2,205,300
Current taxes - IRAP	587,388	1,053,715
Other taxes	1,597,843	410,806
<b>Total</b>	<b>6,556,179</b>	<b>3,669,821</b>
<b>Deferred taxes:</b>		
IRES - Deferred tax assets and liabilities	(250,336)	(1,915,998)
IRAP - Deferred tax assets and liabilities	(11,399)	(68,016)
Other deferred tax assets and liabilities	(819,583)	1,160,139
<b>Total</b>	<b>(1,081,318)</b>	<b>(823,875)</b>
<b>TOTAL</b>	<b>5,474,861</b>	<b>2,845,946</b>

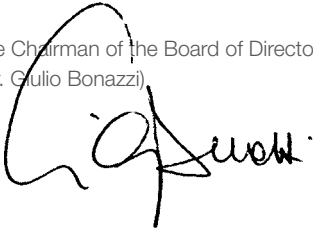
	Dicembre 2015	Dicembre 2014
<b>Current taxes:</b>	<b>6,556</b>	<b>3,670</b>
<b>Temporary differences from statutory financial statements</b>		
tax losses	(421)	(772)
amort. & depreciation-gains	275	901
risk provisions	(714)	
provision for doubtful debts	435	3
other	117	(49)
<b>Consolidation transactions:</b>		
IAS 17	(1,146)	(130)
amort. & depreciation-gains	439	(922)
tax losses	0	0
other transactions for compliance of accounting standards	(66)	145
<b>Total temporary differences</b>	<b>(1,081)</b>	<b>(824)</b>
<b>TOTAL</b>	<b>5,475</b>	<b>2,846</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.

Arco, March 30, 2016

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











65. Cash Flow Statement



**A. Cash flow from operating activities**

Net profit	13,768,528	9,119,374
Income taxes	5,474,861	2,845,946
Interest expense (interest income)	13,063,087	11,688,913
(Gains)/losses on sale of assets	(3,084,139)	(349,448)
<b>1. Profit (loss) for the year before taxes, interest, dividends and gains/losses from disposals</b>	<b>29,222,337</b>	<b>23,304,785</b>
<i>Non-cash adjustments not offset by net working capital</i>	<i>30,094,576</i>	<i>26,739,412</i>
Risk provisions	691,613	350,782
Employee leaving indemnity provision	261,287	228,226
Amortisation & Depreciation	29,141,676	26,160,404
<b>2. Cash flow before working capital changes</b>	<b>59,316,913</b>	<b>50,044,197</b>
<i>Change in net working capital</i>	<i>(20,734,182)</i>	<i>1,898,598</i>
Decrease/(increase) in inventories	(7,073,663)	(16,531,236)
Decrease/(increase) in trade receivables	1,481,257	12,317,553
Decrease/(increase) in receivables from subsidiaries	(189)	0
Decrease/(increase) in receivables from associated companies	276,546	125,938
Decrease/(increase) in receivables from parent companies	908,317	4,675,058
Increase/(decrease) in payables to subsidiaries	0	0
Increase/(decrease) in payables to associated companies	(43)	50
Increase/(decrease) in payables to shareholders and parent companies	5,533,283	0
Increase/(decrease) in accruals and deferred income	(1,300,180)	(2,428,879)
Decrease/(increase) in accrued income and prepaid expenses	(646,920)	(211,729)
Other changes in net working capital	(19,912,590)	3,951,843
<b>3. Cash flow after net working capital changes</b>	<b>38,582,731</b>	<b>51,942,795</b>
<i>Other adjustments</i>	<i>(13,140,212)</i>	<i>(15,554,067)</i>
Interest received/(paid)	(13,063,087)	(11,688,913)
Dividends received	0	0
(Utilisation of provisions)	(77,125)	(3,865,154)
<b>4. Cash flow after adjustments</b>	<b>25,442,519</b>	<b>36,388,728</b>
<b>Cash flow from operating activities (A)</b>	<b>25,442,519</b>	<b>36,388,728</b>

**B. Cash flow from financing activities**

<b>Property, plant &amp; equipment</b>	(4,427,168)	(32,878,903)
(Investments)	(14,449,111)	(37,299,137)
Write-downs	1,000,000	0
Sales price of disposals	9,021,943	4,420,234
<b>Intangible assets</b>	(3,223,060)	(2,987,679)
(Investments)	(3,820,356)	(2,987,679)
Sales price of disposals	597,296	0
<b>Financial assets</b>	1,345,925	498,374
(Investments)	(250,000)	0
Sales price of disposals	1,000,000	50,721
Other equity investment changes	595,925	447,653
Exchange rate effect on tangible and intangible assets	(4,057,485)	(4,351,579)
<b>Cash flow from investing activities (B)</b>	<b>(10,361,788)</b>	<b>(39,719,787)</b>

**C. Cash flow from financing activities**

<b>Minority equity</b>	90,480,783	(10,757,299)
Bonds	55,000,000	0
Loans and transfer to short-term bank payables	(49,848,489)	(61,363,018)
New loans	130,800,000	80,717,984
Repayment of loans	(56,687,895)	(4,148,311)
Exchange difference on loans	1,830,174	1,708,924
Increase/(decrease) payables for shareholder loans	0	(30,508,159)
Increase/(decrease) financial payables to parent companies	(9,967,100)	(3,453,423)
(Increase)/decrease financial receivables from parent companies	(540,317)	(64,653)
(Increase)/decrease financial receivables from associated companies	0	(451,637)
(Increase)/decrease financial receivables from others	27,578	(500,904)
Effect of translation differences on loans to associated companies	(56,923)	(42,556)
Effect of translation differences on other loans	(10,445)	(10,030)
<b>Own funds</b>	741,503	1,673,000
Distribution of dividends	(1,600,000)	(2,000,000)
Other reserves changes	(79,508)	0
Other changes in reserves from changes in the consolidation scope	0	0
Net effect of translation differences	2,421,011	3,673,000
<b>Cash flow from financing activities (C)</b>	<b>71,288,086</b>	<b>(12,537,723)</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>86,368,817</b>	<b>(19,322,206)</b>
<b>Opening cash and cash equivalents (*)</b>	<b>(88,506,358)</b>	<b>(69,184,151)</b>
<b>Closing cash and cash equivalents (*)</b>	<b>(2,137,541)</b>	<b>(88,506,358)</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 Consolidated Financial Statements at December 31, 2015

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

Dear Shareholders,

We have examined the Group's Consolidated Financial Statements at December 31, 2015, as prepared by the directors and notified to the Board of Statutory Auditors, together with the Directors' Report. The consolidated financial statements, as for the statutory accounts, are audited by PricewaterhouseCoopers S.p.A. who issued on April 14, 2016 their report and do not highlight any significant issues.

The consolidation principles and the accounting policies applied are in line with those used in the previous financial year. At December 31, 2015, the consolidation scope was unchanged on the previous year, while we highlight that in 2015 the commercial company Aquafil Do Brasil Comercio LTDA – S. Paulo (Brazil) was placed in voluntary liquidation, as outlined in the Directors' Report.

The consolidated Balance Sheet reports a consolidated net profit for the year for the group of € 13,720 thousand and is summarised in the following values in €.

## BALANCE SHEET

<b>Assets</b>	<b>459,373,693</b>
<b>Liabilities</b>	<b>352,797,122</b>
<b>Shareholders' Equity</b>	<b>106,576,571</b>
- of which minority interest share capital and profit	355,881
- of which Group share capital and profit	106,220,690
<b>Total liabilities and shareholders' equity</b>	<b>459,373,693</b>

The key Consolidated Income Statement figures are as follows:

## INCOME STATEMENT

A) Value of production	501,837,160
B) Costs of production	-465,942,719
Difference A) -B)	35,894,441
C) Financial income and charges	-13,063,088
D) Adjustment to financial assets	-595,925
E) Extraordinary income and charges	-2,992,038
<b>Profit before taxes</b>	<b>19,243,388</b>
Income taxes	-5,474,861
<b>Net Profit</b>	<b>13,768,527</b>
Minority interest profit	48,222
<b>Group profit</b>	<b>13,720,305</b>

The Board of Statutory Auditors oversaw compliance by the Directors in the preparation of the consolidated financial statements with the Civil Code introduced by Legislative Decree No. 127/1991, implementing the VII EEC Directive, as interpreted and supplemented by the standards issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili).

Arco, April 14, 2016

The Board of Statutory Auditors:

Mr. PIETRO MONTI  
(Chairman, Board of Statutory Auditors)

Mr. PAOLO NICOLAI  
(Statutory Auditor)

Mr. MASSIMO GAZZANI  
(Statutory Auditor)



## INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

To the sole shareholder of  
AQUAFIL SPA

### **Report on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of the AQUAFIL Group, which comprise the balance sheet as of 31 December 2015, the income statement for the year then ended and related notes.

#### *Directors' responsibility for the consolidated financial statements*

The directors of AQUAFIL SPA are responsible for the preparation of consolidated financial statements that give a true and fair view in compliance with the Italian laws governing the criteria for their preparation.

#### *Auditors' responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11, paragraph 3, of Legislative Decree No. 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In assessing those risks, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view, in order to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **PricewaterhouseCoopers SpA**

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*Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the AQUAFIL Group as of 31 December 2015 and of the result of its operations for the year then ended in compliance with the Italian laws governing the criteria for their preparation.

*Emphasis of matter*

Without qualifying our opinion, we emphasise that significant transactions exist with other companies of the AQUAFIN HOLDING Group, of which the most significant are described by the directors in the explanatory notes in chapter "Receivables from parent companies".

**Report on compliance with other laws and regulations**

*Opinion on the consistency of the report on operations with the consolidated financial statements*

We have performed the procedures required under auditing standard (SA Italia) No° 720B in order to express an opinion, as required by law, on the consistency of the report on operations, which is the responsibility of the directors of AQUAFIL SPA, with the consolidated financial statements of the AQUAFIL Group as of 31 December 2015. In our opinion, the report on operations is consistent with the consolidated financial statements of the AQUAFIL Group as of 31 December 2015.

Trento, 14 April 2016

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.*







**Aquafil S.p.A.**

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