



- 2. Group Consolidated Highlights
 - 4. Group structure
-



- 9. 2016 Directors' Report
-



- 25. Consolidated Financial Statements at 31 december 2016
 - 31. Cash Flow Statement
-

INDEX



- 37. Explanatory notes
-



- 69. Report of the Board of Statutory Auditors
- 70. Auditors' report



**Board of
Directors**

GIULIO BONAZZI	Chairman & Chief Executive Officer
CARLO BONAZZI	Honorary Chairman
ADRIANO VIVALDI	Executive Director
FABRIZIO CALENTI	Executive Director
EDI KRAUS	Executive 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.





2. Group Consolidated Highlights

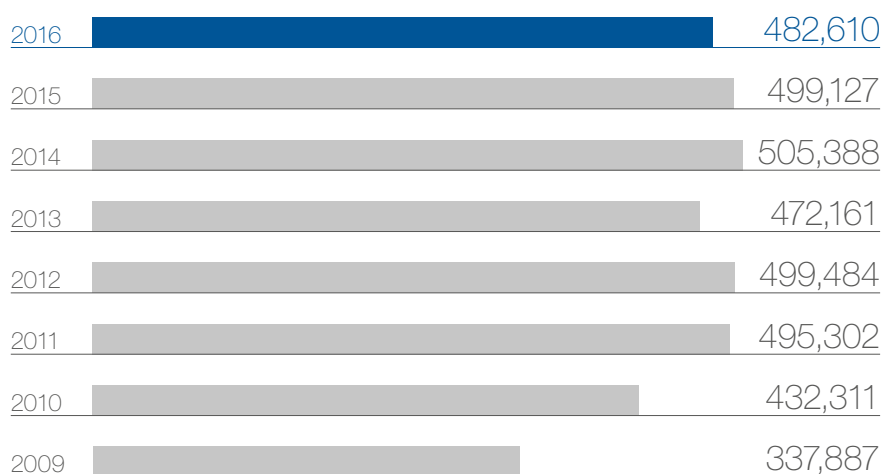
4. Group structure

Consolidated Financial Statements

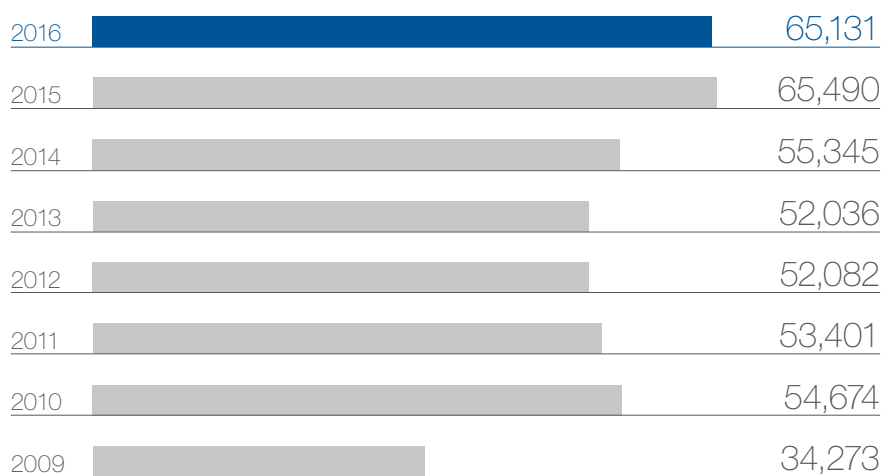


Group Consolidated Highlights

Net revenues (amounts in thousands of Euros)



EBITDA (amounts in thousands of Euros)



Total net financial debt (amounts in thousands of Euros)

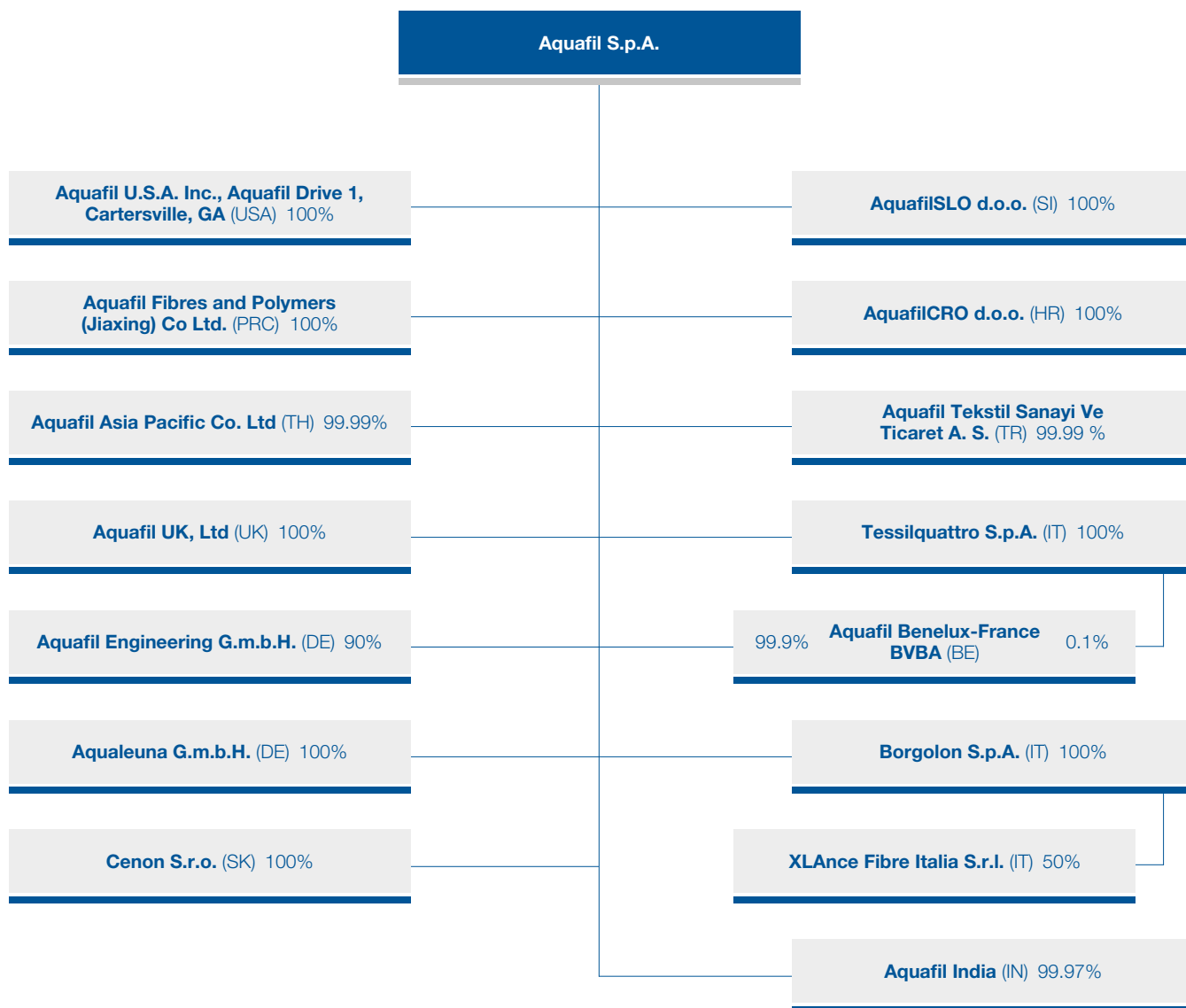
2016	118,940
2015	143,973
2014	162,048
2013	156,612
2012	185,956
2011	212,969
2010	188,871
2009	180,878

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

2016	1,80
2015	2,20
2014	2,90
2013	3,00
2012	3,60
2011	4,00
2010	3,50
2009	5,30

Group structure

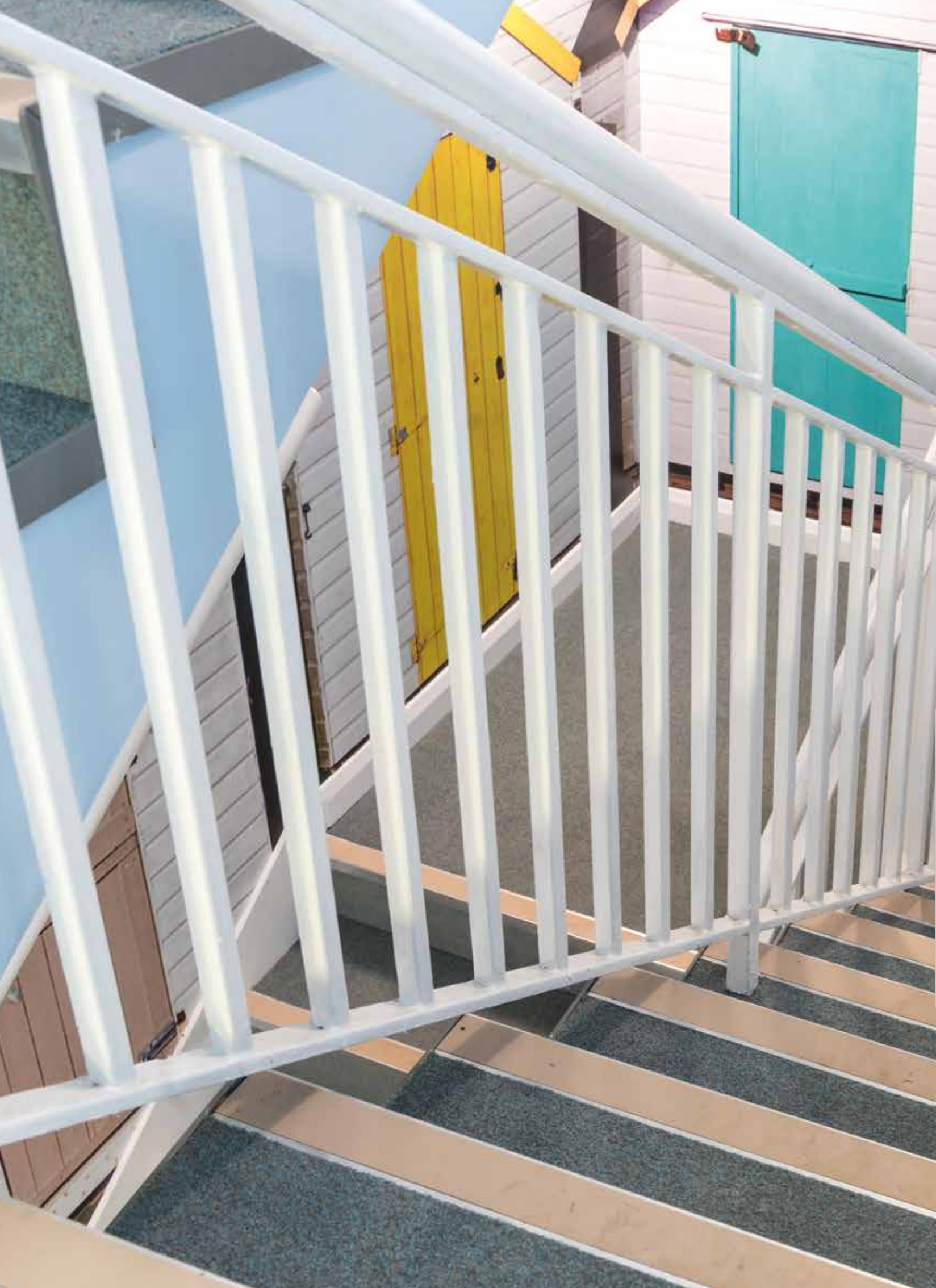
at 31.12.2016





AQUAFAN

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9. 2016 Directors' Report

2016 Directors' Report

Dear Shareholders,

the financial statements which we present for your approval report "Revenues from sales and services" of Euro 505.6 million and a Net Profit of Euro 18.7 million, after income taxes and net deferred taxes of Euro 3.2 million. The Board of Directors of the Parent Company Aquafil S.p.A. prepared the consolidated financial statements of the Aquafil Group for the 2016 financial year in accordance with Legislative Decree No. 127 of April 9, 1991 and Legislative Decree 32/2007, applying the new provisions as per Legislative Decree 139/2015 and the new OIC accounting standards; these consolidated financial statements present "Revenues from sales and services" of Euro 482.6 million and a Group Net Profit of Euro 20.7 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	Executive Director
Mauro Moretti	Director
Michele Prencipe	Director

Board of Statutory Auditors:

Pietro Monti	Chairman
Paolo Nicolai	Statutory Auditor
Massimo Gazzani	Statutory Auditor

Independent Audit Firm:

PricewaterhouseCoopers S.p.A. – Trento (Italia), Via della Costituzione 33

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 2016-2018.

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 2016 consolidated 14 companies located in 11 countries (Italy, Germany, Slovenia, Croatia, Belgium, Scotland, Slovakia, Turkey, USA, China and Thailand) and carries out at 14 facilities the production and sale of polymers and nylon synthetic fibers, in addition to plant engineering.

End consumer sales are mainly undertaken through:

- in Europe by the Parent Company Aquafil S.p.A., Borgolon S.p.A., Aquafil Uk Ltd. and Aquafil Engineering G.m.b.H.;
- in Non-European markets by the production companies present locally and therefore in the US by Aquafil USA Inc., in Turkey by Aquafil Tekstil San. Ve. Ticaret A.S. and in the Far East markets by Aquafil Synthetic Fibres and Polymers (Jiaxing) Co. Ltd. (China) and by Aquafil Asia Pacific Co. Ltd (Thailand).

Main changes to the Group structure in the year

In 2016, the company Aquafil India Private Limited was incorporated, with registered office in New Delhi and a with minimum share capital; the company is currently not operative.

During the year the company Aquaspace S.p.A. was deconsolidated with the company sold by Tessilquattro S.p.A. to Aquafin Holding S.p.A.. Tessilquattro S.p.A. acquired from Aquaspace S.p.A. the BCF synthetic fiber dyeing activities, which therefore remain part of the BCF core business activities, while Aquaspace S.p.A. only maintained the water treatment activities on behalf of the Aquafil Group and third parties and the leasing of industrial buildings; for further information on the operation, reference should be made to the paragraph below "Significant events in the year". The Slovenian company Julon d.o.o. changed its name to AquafilSlo d.o.o..

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

Group activities concern two major business areas:

- BCF** (Bulk Continuous Filament): polyamide yarns for textile flooring;
- 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 sustainability.

AQUAFIL GROUP CONSOLIDATED HIGHLIGHTS

Definition of indicators:

- **EBITDA**: the difference between revenues from sales and raw material costs, cost of services, personnel costs and other monetary operating costs; this represents the margin before amortisation and depreciation, financial and extraordinary items and income taxes.
- **EBIT**: the difference between EBITDA and the value of amortisation, depreciation and impairments; this represents the margin before financial and extraordinary items and income taxes.
- **Net Financial Position**: the algebraic sum of cash and cash equivalents and current and non-current financial accounts receivable and payable. The performance indicators described above were calculated based on the financial statements and reclassifying non-recurring items, illustrated in the Explanatory Notes, to the account "Net extraordinary income and charges, write-downs and revaluations".

Key Financial Highlights (in thousands of Euro):

Description	2016		2015	
Net revenues	482,610	100%	499,127	100%
EBITDA	65,131	13.5%	65,490	13.1%
EBIT	38,879	8.1%	35,894	7.2%

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

Description	31/12/2016	31/12/2015
Consolidated Net Equity	(123,853)	(106,469)
Net Financial Position		
<i>N.F.P. - third parties</i>	(156,435)	(181,558)
<i>N.F.P. - shareholders</i>	37,496	37,585
Total N.F.P.	(118,939.7)	(143,972.9)
N.F.P./EBITDA	1.8	2.2

Significant events in the year

On September 30, 2016, the group company Tessilquattro S.p.A. sold the entire shareholding in Aquaspace S.p.A. to the indirect parent company Aquafin Holding S.p.A., at a price of Euro 4,008 thousand. The investment was sold for an amount corresponding to its contribution to the 2015 consolidated financial statements and therefore generated no significant effect in the 2016 consolidated financial statements.

On October 1, 2016, the group company Tessilquattro S.p.A. subsequently acquired the dyeing business unit from Aquaspace S.p.A., thereby acquiring the activities undertaken in the production site at Rovereto (TN), via del Garda 40, of knitwear, dyeing and winding of raw fabric which were acquired from the parent company Aquafil S.p.A. and from other group companies. The additional economic results from these activities therefore related to the period October-December 2016.

The business unit was sold for a final price of Euro 735 thousand.

Relating to the former subsidiary Aquaspace S.p.A., considering the excessive operating implications for consolidation until September 30, 2016, it was decided to deconsolidate the company from January 1, 2016; this resulted in the recording in the 2016 consolidated financial statements of approx. Euro 7.1 million of revenues and a similar amount of costs and inventories not eliminated.

ECONOMIC OVERVIEW, PERFORMANCE OF THE AQUAFIL GROUP AND 2016 RESULTS

Economic overview

The global economy in 2016, despite the many uncertainties, overcame without significant consequences the fears over the electoral choices in the United States and referenda in the United Kingdom and in Italy, and the ongoing conflicts in the Middle East and terrorist attacks.

GDP and international trade returned strong figures in the period: following the increased vibrancy of the leading global economies in the second half of the year, signs of recovery and small improvements in commercial trade were apparent, which however remains rather weak.

In the United States, the growth benefitted from an improved jobs market and accommodating Federal Reserve policies. Following the US Presidential elections, internal uncertainties and therefore for the global economy heightened, particularly with regards to increased public spending and protectionist measures, with restrictions on trade and immigration. Japanese growth continues to be sluggish, while the continued gradual deceleration of the Chinese economy will likely reflect on the other emerging economies. European growth overall was again moderate.

On the one hand, public finances, the jobs market and private consumption improved. On the other, a number of obstacles remain such as political uncertainty both for the EU as a whole and in a number of member countries, sluggish growth - also outside of the European Union - and an insufficient recovery in global trade which does not adequately support exports.

According to the latest economic forecasts from the European Commission the risk remains that the mediocre economic performances of recent years will slow growth; in addition, in the coming years the European economy can no longer count on the exceptional support which it benefitted thanks to external factors such as the collapse of the oil price and currency depreciation. Germany reported growth ahead of the Eurozone average, with French growth below average. In the United Kingdom, despite all the uncertainties surrounding the manner of the country's exit from the European Union, the economic recovery continued to be strong, upsetting the predictions of a sharp slowdown in the wake of the referendum result. Due to the uncertainty generated by "Brexit", it may however not be discounted that in the coming months investment and growth may begin to slow. In Italy, growth was rather contained and well below the European average; however, the public finances have improved, both in terms of the deficit and the debt and some encouraging signs of improvement have been seen on the jobs market, in addition to recovering consumption and industrial production. On the other hand, the slower recovery of domestic demand - and partly of exports - is reflected in the contained pace of growth, which however has been accompanied by persistently low inflation. Finally, the more expansive fiscal policies implemented should support consumption and household spending, as well as improved business balance sheets and new investment projects.

The Euro/Dollar exchange rate in 2016 remained substantially stable compared to 2015, at an average USD 1.11/Euro. On the other hand, analysing the monthly movements, we note a progressive appreciation of the Euro between January and May (in May reaching a high of 1.16) and a significant decline in the final quarter with a minimal value on December 20 of 1.04, a level not seen since 2003. The downward trend intensified following the Brexit referendum, with analysts' lower expectations for a recovery of the European economy without the United Kingdom driving investors to massive purchases of Dollars, in addition to the interest rate hike by the FED in the last quarter of the year.

On the oil markets, the average annual Brent price declined 16%, from USD/BBL 53.7 in 2015 to 45.1 USD/BBL in 2016. After the minimum level in January, Brent began an upward trend and gradually appreciated in particular in the second part of the year with more sustained growth at the beginning of 2017. The price of the intermediary chemical derivative caprolactam, which is the constituting raw material for the majority of the products sold by the Group (polymers and polyamide 6 fibers) in part followed the price of oil, with an average annual price approx. 5% lower than the 2015 average and an upward price trend in the final part of the year and at the beginning of 2017.

Group operating performance

2016 reported strong results for the Acquafil Group, which confirmed the good gross operating profit reported in 2015, together with an improved net profit and reduced Group net debt.

Both the core business of polyamide 6 BCF fibers for textile flooring and the NTF business confirmed the sales volumes of the previous year, with strong growth in the Far East markets, more limited growth on the European markets and a slowdown in the United States, limited to the summer period.

The 2016 income statement compared with the previous year, reporting in a separate line the non-recurring items for the two years, is reported below:

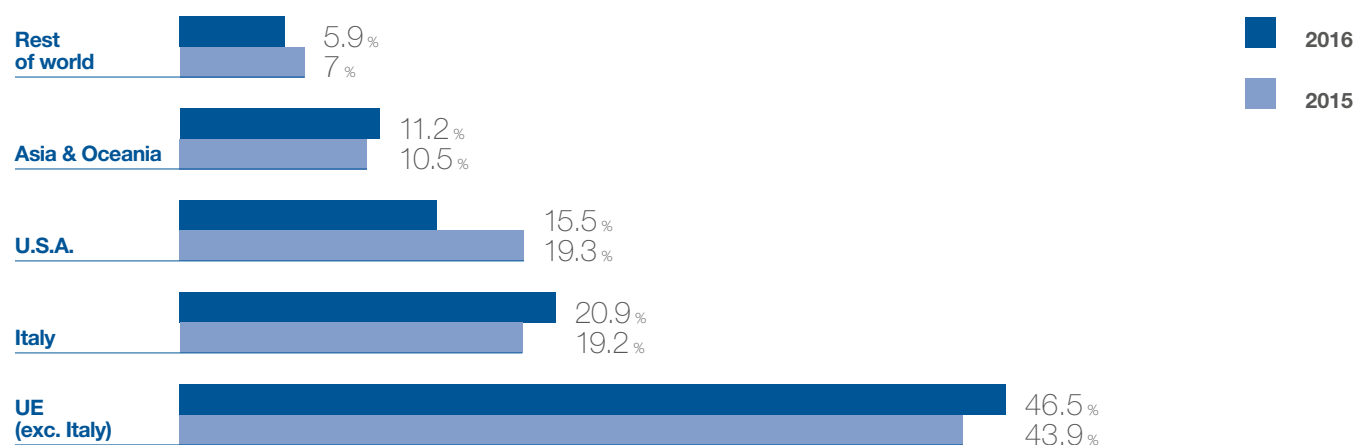
Rif.	Descrizione	2016	2015
A1	Revenue from sales and services	482,610	499,127
A2	Change in inventories	(1,964)	(3,213)
A4	Capitalisation of internal construction costs	874	2,248
A5	Other revenues and income	3,004	3,676
A	Value of production	484,523	501,837
B6 B11	Raw materials, supplies, consumables & merch.	(237,025)	(243,969)
B7-8,B13-14	Service and other operating costs	(91,788)	(99,222)
B9a, b, c	Personnel costs	(90,579)	(93,156)
	EBITDA	65,131	65,490
B10a-b	Amortisation & Depreciation	(25,133)	(29,142)
B10c-d,B12	Provisions and write-downs	(1,118)	(454)
A - B	EBIT	38,879	35,894
C	Net financial income and charges	(7,942)	(13,063)
D,Non ricorr (see Note)	Non-recurring income and charges, write-downs and revaluations of financial assets and liabilities	(3,536)	(3,588)
	Profit before taxes and minority interest	27,401	19,243
20	Income taxes	(6,602)	(5,475)
	Net profit before minority interest share	20,799	13,769
21	Minority interest profit	107	48
21	Group net profit	20,693	13,720
	Profit + depreciation	45,826	42,863

Consolidated revenues of Euro 482.6 million reduced 3.3% 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. Over the last few years an indexing mechanism of the fiber sales price to the raw material prices was progressively introduced to a significant number of customers, which permits a stabilisation of the margins against changes in raw material prices.

The breakdown of consolidated revenues by region illustrates growth in the Far East markets and in Europe against a contraction in the USA. Italian market sales principally derived from the NTF business unit to domestic clients, which in turn derive a significant amount of revenues from export; a large part of revenues in Italy derive from the sale of polymers and scrap polyamide 6.

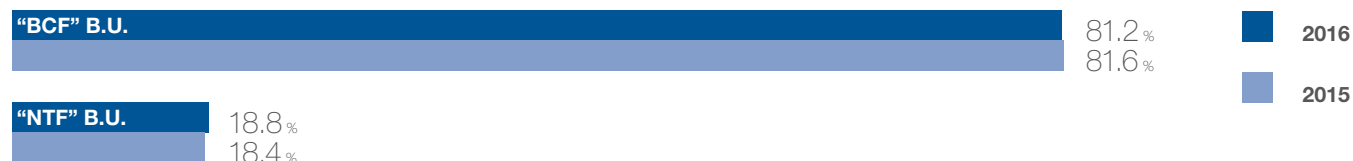
The breakdown of revenues by region is outlined in the following graph:

Consolidated revenues: regional breakdown



The breakdown of revenues by business sector compared to the previous year reports substantial stability between the two sectors, both in value terms and volumes sold.

Consolidated sales outside the Group



Personnel costs decreased 2.8%, from Euro 93.2 million to Euro 90.6 million. The Group average headcount decreased by 26, reducing from an average 2,746 employees in 2015 to 2,720 in 2016, principally due to the effects of the exit from the consolidation of the water purification activities of Aquaspace S.p.A.. The headcount at year-end on the other hand increased on the end of 2015 by 28 employees, increasing from 2,706 to 2,734 employees; the largest increases related to Aquafil Fibres and Polymers (Jiaxing) Co. Ltd. and AquafilSLO d.o.o..

The **EBITDA** amounts to Euro 65.1 million, substantially in line with the previous year, with a revenue margin of 13.5%.

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 35.9 million to Euro 38.9 million due to the increased EBITDA and lower depreciation as some fixed assets were fully depreciated.

Net financial charges, including exchange gains amounting to Euro 1.5 million, decreased from 13.1 million to Euro 7.9 million, with a net decrease of Euro 5.1 million; interest and financial charges alone decreased from Euro 14.3 million to 10.1 million, due to the reduction in interest rates and of spreads on short-term loans and new loans contracted in the year.

The effect of **non-recurring income and charges**, which are included in the reclassified financial statements for the calculation of the operating results, amount to Euro 2.4 million; the breakdown of these items is illustrated 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 6.6 million, compared to Euro 5.5 million in the previous year. Current taxes amounted to Euro 5.4 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 20.7 million, compared to Euro 13.7 million in 2015.

GROUP BALANCE SHEET AND FINANCIAL POSITION

The table below shows the reclassified consolidated balance sheet.

Assets		31/12/2016	31/12/2015
	Fixed assets:		
BI	Intangible assets	10,143	10,980
BII	Property, plant and equipment	152,830	154,036
BIII (1),2d),2d bis))	Financial and other	3,050	3,445
	1. Total fixed assets	166,023	168,461
	Net working capital:		
CI	Inventories	151,999	154,306
CII1-4	Trade receivables	34,446	31,142
CII-5, 5 quarter, CII5, D	Other receivables	17,068	21,617
D6,D7 (see Note),D10	Trade payables	(82,574)	(77,227)
D11-12-14, E	Other payables	(31,009)	(32,013)
	2. Total net working capital	89,930	97,824
	Provisions risk, employees leaving indemnity:		
C	Employee leaving indem. prov.	(6,063)	(6,272)
B	Provisions for risks/charges	(7,098)	(9,572)
B, C	3. Total provisions for risks	(13,161)	(15,844)
	(1+2+3) = 4. Net capital employed	242,793	250,442
Liabilities and equity		31/12/2016	31/12/2015
	Equity:		
AI	Share capital	(19,686)	(19,686)
AII-VIII	Reserves	(83,088)	(72,707)
AIX	Net Profit	(20,693)	(13,720)
	Group Shareholders' Equity	(123,466)	(106,113)
AX	Min. int. shareholders' eq.	(386)	(356)
	1. Total Shareholders'	(123,853)	(106,468)
	Net Fin. Position:		
CIII7,CIV,BIII2	Liquidity, securities & short-term fin. receiv.	81,562	46,310
D4 (see Note)	Banks and financial institutions - short term	(500)	(5,460)
D4 (see Note)	Bank and financial institutions- Medium/long-term *	(164,524)	(148,020)
D7 (see Note)	Leasing payables	(16,257)	(17,672)
D1,5	Bonds and other financial payables	(56,716)	(56,716)
	a) net financial position - third parties	(156,435)	(181,558)
BIII2, CII4,	(b) Net receivables parent	37,496	37,585
	(a+b) = 2. Net Financial Position	(118,940)	(143,973)
	(1+2) = 3. Source of funds	(242,792)	(250,442)

* 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 2016 (currency conversion effects) principally between the Euro the US and Chinese currencies: the changes in the balance sheet items compared to 2015 arose partly due to this factor.

The net capital employed decreased Euro 7.6 million compared to 2015 due to the effect of the reduction in net fixed assets (Euro 2.4 million) and net working capital (Euro 7.9 million). The balance sheet effect of the deconsolidation of Aquaspace S.p.A., limited to the water purification activities on behalf of third parties, is described in the Explanatory Notes.

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

- 1) increases in (a) investments in property, plant and equipment for Euro 39.1 million, principally relating to the projects to increase the production capacity for BCF fibers, especially in China and from the new development projects relating to the NTF fibers, in particular in Slovenia, (b) investments in intangible assets for Euro 2.7 million;
- 2) decreases for the sale of net fixed assets of Euro 9.2 million, of which Euro 7.7 million as a net effect of the deconsolidation of the purification activities of Aquaspace S.p.A.;
- 3) decrease for amortisation and depreciation in the year of Euro 25.1 million.

Net working capital decreased Euro 7.9 million, due to the combined effect of:

- 1) the decrease in the value of inventories of Euro 2.3 million;
- 2) increase in payables at year-end of Euro 5.3 million;

The provisions for risks and charges decreased Euro 2.5 million, as broken down in the notes.

Group Shareholders' Equity increased Euro 17.4 million due to the result for the year (Euro 20.7 million) and the distribution of dividends to the shareholder Aquafin Capital S.p.A. (Euro 3.1 million). The changes are broken down in the Notes.

The **net debt** decreased Euro 25.0 million, from Euro 144.0 million to Euro 118.9 million; the NFP to third parties reduced Euro 25.1 million (from Euro 181.6 million to 156.4 million), while the debt to holding companies for financial payables remained unchanged at Euro 37.5 million. Thanks to the continual favorable conditions which the financial markets offer to companies with high credit ratings, the Group stipulated new medium/long-term loans at advantageous conditions. Short-term bank debt therefore reduced from Euro 5.5 million to Euro 0.5 million, while medium/long-term debt increased Euro 16.5 million, from Euro 148.0 million to Euro 164.5 million, due to the combined effect of (a) the repayment of installments maturing in the year of Euro 46 million (b) the deconsolidation of the payable of Aquaspace S.p.A. for Euro 5 million (c) new medium term loans stipulated and drawn down in the year for Euro 67 million. Liquidity in current accounts (including also restricted deposits) of Euro 81.6 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 current account and short-term credit lines granted by Italian banks at year-end amount to Euro 130 million and were not utilised.

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. Leasing payables decreased due to the payments made in the year of Euro 1.4 million.

No repayments were made of the bonds, as both were still within the pre-capital repayment period.

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 d.o.o., in support of investment projects at the Croatian facility.

PERFORMANCE BY BUSINESS AND INTRA-GROUP TRANSACTIONS

BCF Business Unit polyamide 6 yarns for textile flooring

The core business of the Aquafil Group is the production, reprocessing and sale of 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 to end customers. The Group also produces and markets polyester fibers 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), Tessilquattro S.p.A., with production based in Cares (Italy) and in Rovereto (Italy), AquafilSLO 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., with production based in Rayong (Thailand), Aquafil Synthetic Fibres and Polymers Co. Ltd., with production based in Jiaxing (China), Aquafil UK, Ltd. with facilities in Kilbirnie (Scotland) and the commercial company Aquafil Benelux-France BVBA, with offices in Harelbeke (Belgium). During the year, the company Tessilquattro S.p.A. acquired the dyeing activities from Aquaspace S.p.A., a company which was deconsolidated, as previously described in the paragraph "Significant events in the year".

Commercial activities are undertaken with industrial clients, which in turn produce for the intermediate/end-consumer markets, whose sectors are principally (a) the "contract" markets (hotels, offices and large public environments), (b) internal high-end car floors and (c) residential textile flooring.

The product and technological process innovation continues, which annually permits the renewal of a significant number of product collections; 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 fibers are produced using the caprolactam from regenerated ECONYL®: the ECONYL® industrial process employs top quality caprolactam, no longer transforming products based on the refining process of oil, 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).

The BCF business unit includes also (a) the production and sale of polyamide 6 polymers and waste destined for the "engineering plastics" sector; these operations were principally carried out with client companies of the Domo Chemicals N.V. Group, to which in 2013 the Aquafil Group sold the "Engineering Plastics" business unit and (b) the activity undertaken by Aquafil Engineering G.m.b.H., Berlin (Germany) for the design and supply of industrial chemical plant for third parties and in part for group companies.

NTF Business Unit yarns for textile use/clothing

The NTF business unit produces and reprocesses polyamide 6 and 66 fibers, 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 concern producers in the clothing, underwear and sportswear sectors. The production/sale of fibers 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, Novara (Italy), AquafilSLO 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).

During the year, the company Aquafil India Private Limited was incorporated, with registered office in New Delhi. The objective of the company, which currently does not undertake any operating activities, is to develop commercial activities on the Indian polyamide clothing market.

The company XLance Fibre Italia S.r.l., held 50% by Borgolon S.p.A. and 50% by a third party shareholder, was involved in the spinning and sale of the special elastic XLA® fibre produced at Borgolon S.p.A.'s facility in Varallo Pombia (NO). The commercial activities of XLance Fibre Italia S.r.l. did not achieve the expected growth, despite the good technological quality of the fiber and for this reason, at the beginning of 2017, Borgolon S.p.A. sold the entire shareholding to a new third party shareholder which will continue the development independently.

The valuation in the financial statements of Borgolon S.p.A. of the investment held in XLance Fibre Italia S.r.l. at year end was in line with the disposal value, resulting in a write-down of Euro 1.2 million. For further information on the subsidiary Borgolon S.p.A., reference should be made to the paragraph "Subsequent events to year end" in the Explanatory Notes.

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 and regeneration processes, in addition to the design and manufacturing of recyclable products at the end of their life cycle;
- the promotion of a culture of sustainability within the Group, through the ongoing training of employees, and externally with all stakeholders and 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.

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.	107,320	94,323	0	27,257	0	20,902
Aquafil Engineering GmBH	630	2	0	0	0	0
Aquafil S.p.A.	293,843	230,075	7,840	60,308	43,719	83,555
AquafilCRO doo	25,514	40,213	1,000	968	0	5,280
Aquaspace S.p.A.	7,455	11,865	79	1,610	0	1,624
Aquafil Bulgari Iplik A.S.	2,767	51	1,350	31	0	17
Aquafin Holding S.p.A.	460	0	37,492	451	0	3,352
Aquafil USA Inc	26,026	11,424	0	23,946	0	3,149
AquafilSLO d.o.o.	127,792	205,067	19,000	37,745	0	41,932
Aquafil Asia Pacific Co. Ltd	10,681	303	0	855	0	111
Borgolon S.p.A.	22,289	11,109	0	7,428	8,538	1,744
Cenon S.r.o.	19	0	500	41	0	0
Aquafil Power S.r.l.	0	0	0	1	0	0
Aquafil Jiaxing Co. Ltd	10,527	1,834	13,050	4,819	0	480
Metexa BVBA	9	952	0	5	0	127
GB&P S.r.l.	0	929	0	0	0	0
Xlance Fibre Italia S.r.l.	881	23	0	0	0	15
Aquasava doo	0	1,525	0	0	0	867
Aqualeuna GmbH	619	30,232	6,600	591	0	2,426
Aquafil UK Ltd	5,976	8,417	1,341	1,355	0	1,493
GB&P USA, LLC.	0	945	0	0	0	0
Aquafil India Private Limited	0	0	0	1,326	(15)	1,402
Total	642,808	649,289	88,251	166,085	52,272	165,674

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 Aquafil Holding S.p.A., which included the Aquafil Group companies Tessilquattro S.p.A. and Borgolon S.p.A.. The Aquafil Group carried out commercial transactions with related companies of Aquafil 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 Aquafil Capital S.p.A. of Euro 3.1 million. Transactions with related parties were undertaken in line with market conditions.

With the exception of that indicated above 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 anti-stain polymer was industrialised;
- research and development continued on modified polymers with permanent anti-flame resistance, for final application in the flooring sectors which require such features; a specific patent was acquired to support the development project;
- new technologies were developed and applied industrially for the regeneration process of ECONYL® caprolactam, obtained from products with high waste and post-consumer waste content;
- research and development continued, with partial industrialisation, of the recovery processes of waste material from the water aquaculture network for the production of ECONYL® caprolactam; two patent requests were filed relating to the recovery process;
- the research project into a new generation of twisted yarns with better colouring and light and ozone resistance features was updated;
- new mass coloration techniques were developed for the NTF fibers for the use of special materials with fluorescent colors;
- innovative NTF textile fibers were developed for protection from UV rays;

The know-how of the research and development team was enriched by the frequent and consolidated studies undertaken with industrial and academic partners, among which principally the University of Trento, the University of Salerno, the Slovenian National Chemical Institute, the Slovenian Chemical Faculty and the Ljubljana Chemical Technology Faculty, the Slovenian Jožef Stefan Research Institute, CENTI (Centre for Nanotechnology and Smart Materials) in Portugal and the IOS (Institute for Environmental Protection and Sensors) in Slovenia, and other minor partners.

SUSTAINABILITY

The social sustainability, environmental and economic commitment of the Group in recent years has now become an integral part of its strategy. Each group company in fact pursues their business objectives while remaining cognizant both to the safeguarding of our planet and social equality and protection. 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 logo "The Eco Pledge®" Aquafil's path toward full sustainability:

- direct commitment to the ongoing reduction of the environmental impact of production activities;
- R&D for the development and 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 them in the procurement activities waste products where possible and in co-marketing and education actions promoting the use of scrap as a raw material (Aquafil Reclaiming Program);
- preference for suppliers who demonstrate greater sensitivity and involvement in sustainability. The prototype "ECONYL® Qualified" was developed in 2016 with the support of four suppliers in a pilot project who agreed to collaborate with Aquafil to reduce their impact within the supply chain;
- 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, local communities and non-profit organisations, 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) *Aquaspace S.p.A.*: the company was deconsolidated; the employees relating to the dyeing production cycle, which at year-end numbered 60, were transferred to the company *Tessilquattro S.p.A.* on October 1, 2016.
- 2) *Tessilquattro S.p.A.*: in addition to the above-mentioned increase in the workforce, the new trade union representative was appointed; the total headcount at year-end was 253 employees.
- 3) *Borgolon S.p.A.*: the temporary redundancy programme procedure was activated during the year for approx. two months utilising 1,192 hours, equal to 1.3% of the total annual hours; the headcount at year-end was 44 employees; in February 2017 the decision was communicated of the closure of the production site for the excessive costs in the production processes compared to the principal European competitors in the sector and negotiations commenced with the trade unions to establish the redundancy plan for the employees of the company.
- 4) *AquafilCRO d.o.o.*: the labour contract was renewed in the year.

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 company 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.

The updated certificates of the companies of the Group are reported in the certificates section on the website "www.aquafil.com".

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 Group production sites significantly improved on the previous year both for minor and serious accidents.

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 the individual countries, also in relation to security and privacy: changes in regulations could expose the Group to risks of non-compliance. 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 of the exposures, on a daily basis, of the behaviour and credit standing 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

Complex IT systems support the various activities and business processes. The 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 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

As per Article 2428 of the Civil Code:

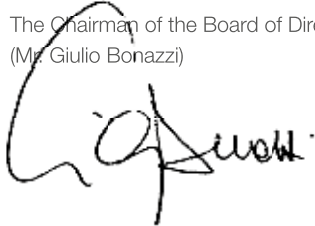
- **Treasury shares:** at December 31, 2016, Aquafil S.p.A. and the other companies of the Group do not own and did not own during the year treasury shares and/or shares of parent companies, in its portfolio or through trust companies or third parties, and no share purchases or sales were made.
- **Group IRES (Corporate Income Tax) taxation procedure:** Aquafil S.p.A., Tessilquattro S.p.A. and Borgolon S.p.A. use the group taxation procedure as chosen by Aquafin Holding S.p.A. for the 2016-2018 three-year period in accordance with Articles 117 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.
- **Transactions with related parties:** Group transactions with related parties are not significant.
- **Secondary offices:** no secondary offices were established.
- **Organisation, management and control model Legislative Decree 231/2001:** the Aquafil Group has updated the organisation, management and control model pursuant to Legislative Decree No. 231 of June 8, 2001, including the conduct code and company procedures for the management of activities, as updated by: (a) Legislative Decree No. 125 of June 21, 2016 which made some amendments to Article 453 c.p. (Counterfeiting of money, spending and introduction into the State after agreement and 461 c.p. (Manufacturing or possession of watermarks or instruments destined for the falsification of money, of stamp duty values and of watermark paper); (b) Law No. 199 of October 29, 2016 which updates the list of offenses inserting sub Article 25 quinquies of Legislative Decree No. 231/2001 "Offenses against persons", the amended Article 603-bis of the Penal Code "Illicit intermediation and exploitation of labour"; (c) Law No. 236 of December 11, 2016 which inserted into the Penal Code Article 601-bis which punishes the traffic of organs from living persons. The new model was approved by the Boards of the Group's Italian companies.

OUTLOOK

The backdrop of uncertainty on the international markets in which the Group operates continues, although with signs of recovery in some of regions, and is impacted by oil price movements, financial market developments, country risk for certain regions and possible currency market volatility. An improved Group performance for 2017 is however forecast, both in terms of earnings and the debt level, with the start to the new year confirming these expectations.

Arco, March 29, 2017

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

A handwritten signature in black ink, appearing to read 'Giulio Bonazzi', written in a cursive style.



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 2016

65. Cash Flow Statement

ASSETS**A) SUBSCRIBED CAPITAL UNPAID**

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

B) NON-CURRENT ASSETS

I) INTANGIBLE ASSETS

1) Formation, start-up and similar costs	481,620	320,949
2) Development Costs	0	0
3) Industrial patents and intellectual property rights	1,654,167	2,104,167
4) Concessions, licenses, trademarks & similar rights	654,858	761,167
5) Goodwill	0	0
5-bis) Consolidation difference	30,538	60,938
6) Assets under development and payments on account	1,146,610	1,472,727
7) Other	6,174,790	6,260,045
	10,142,583	10,979,993

II) TANGIBLE ASSETS

1) Land and buildings	53,095,317	67,806,287
2) Plant and machinery	76,409,487	76,857,811
3) Industrial and commercial equipment	1,432,845	7,933
4) Other tangible assets	2,029,280	2,299,472
5) Assets under development and payments on account	19,863,078	7,064,843
	152,830,007	154,036,346

III) FINANCIAL ASSETS

1) Investments in:

a) Subsidiaries	1,200	0
b) Associated companies	1,100,000	2,053,815
c) Parent companies	0	0
d) companies subject to the control of the parent	0	0
d-bis) other companies	1,689,504	1,188,381
	2,790,704	3,242,196

2) Accounts receivable:

a) Subsidiaries		
within 1 year	0	0
beyond 1 year	0	0
	0	0
b) Associated companies		
within 1 year	0	0
beyond 1 year	0	0
	0	0
c) Parent companies		
within 1 year	0	0
beyond 1 year	37,492,007	37,034,032
	37,492,007	37,034,032
d) companies subject to control of the parent		
within 1 year	0	551,116
beyond 1 year	78,525	0
	78,525	551,116
d-bis) others		
within 1 year	0	169
beyond 1 year	181,248	202,289
	181,248	202,458

3) Other securities

	0	0
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4) Derivative financial instruments - Assets

	0	0
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	40,542,484	41,029,802
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TOTAL FIXED ASSETS

	203,515,074	206,046,141
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C) CURRENT ASSETS

I) INVENTORIES

1) Raw material, ancillaries and consumables	57,885,289	58,743,060
2) Products in course of manufacture and semi-finished goods	0	0

BALANCE SHEET (in Euro)

December 2016

December 2015

ASSETS

3) Contract work in progress	0	0
4) Finished products and goods	93,416,004	95,563,422
5) Advances	697,893	0
	151,999,186	154,306,482
II) RECEIVABLES		
1) Customers		
within 1 year	36,619,155	32,517,968
beyond 1 year	0	390,501
less: allowance for doubtful receivables	(2,173,524)	(1,840,047)
	34,445,631	31,068,422
2) Subsidiaries		
within 1 year	0	723
beyond 1 year	0	0
	0	723
3) Associated companies		
within 1 year	156	72,514
beyond 1 year	0	0
	156	72,514
4) Parent companies		
within 1 year	3,581	1,921
beyond 1 year	0	0
	3,581	1,921
5) Companies subject to control of the parent		
within 1 year	285,610	0
beyond 1 year	0	0
	285,610	0
5-bis) Tax receivables		
within 1 year	4,100,674	7,250,910
beyond 1 year	323,408	562,387
	4,424,082	7,813,297
5-ter) Deferred tax assets		
within 1 year	1,306,564	2,249,625
beyond 1 year	5,082,744	6,102,670
	6,389,308	8,352,295
5-quater) Others		
within 1 year	3,442,612	3,388,920
beyond 1 year	0	0
	3,442,612	3,388,920
TOTAL RECEIVABLES	48,990,980	50,698,092
III) CURRENT FINANCIAL ASSETS		
1) Investments in subsidiaries	0	0
2) Investments in associated companies	0	0
3) Investments in parent companies	0	0
3-bis) Companies subject to control of the parent	0	0
4) Investments in other companies	0	0
5) Derivative financial instruments - Assets	67,498	13,082
6) Other securities	0	0
7) Liquidity subject to restrictions	1,016,736	0
	1,084,234	13,082
IV) CASH AND CASH EQUIVALENTS		
1) Cash at banks and post offices	79,509,527	45,197,723
2) Cheques	1,016,490	1,095,577
3) Cash in hand and similar	18,974	16,278
	80,544,991	46,309,578
TOTAL CURRENT ASSETS	282,619,391	251,327,234
D) ACCRUED INCOME AND PREPAID EXPENSES		
- Accrued income and prepaid expenses	2,458,931	2,047,444
TOTAL ACCRUED INCOME AND PREPAID EXPENSES	2,458,931	2,047,444
TOTAL ASSETS	488,593,396	459,420,819

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) STATUTORY RESERVES	0	0
VI) OTHER RESERVES, SEPARATELY INDICATED	79,109,523	68,728,771
VII) PROFIT (LOSSES) CARRIED FORWARD	0	0
VIII) PROFIT/(LOSS) FOR THE YEAR	20,692,745	13,720,305
IX) NEGATIVE RESERVE FOR TREASURY SHARES IN PORTFOLIO	0	0
GROUP SHAREHOLDERS' EQUITY	123,466,075	106,112,883
X) NET EQUITY ATTRIBUTABLE TO MINORITY INTEREST	386,458	355,881
TOTAL SHAREHOLDERS' EQUITY	123,852,533	106,468,764

B) PROVISIONS FOR RISKS AND CHARGES

1) Pension funds and similar charges	0	0
2) Provision for taxes	5,291,122	5,392,905
3) Derivative financial instruments - liabilities	234,677	204,281
4) Other	1,572,305	4,024,278
TOTAL PROVISIONS FOR RISKS AND CHARGES	7,098,104	9,621,464

C) STAFF TERMINATION PAY

6,062,699	6,271,782
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D) PAYABLES

1) Bonds		
within 1 year	0	0
beyond 1 year	55,000,000	55,000,000
	55,000,000	55,000,000
2) Convertible bonds		
within 1 year	0	0
beyond 1 year	0	0
	0	0
3) Shareholders financial payables		
within 1 year	0	0
beyond 1 year	0	0
	0	0
4) Amounts due to banks		
within 1 year	47,755,702	48,397,771
beyond 1 year	117,268,881	105,033,033
	165,024,583	153,430,804
5) Amounts due to other lenders		
within 1 year	0	0
beyond 1 year	1,715,665	1,715,665
	1,715,665	1,715,665
6) Advances		
within 1 year	12,136,109	7,397,098
beyond 1 year	0	0
	12,136,109	7,397,098
7) Suppliers		
within 1 year	72,252,146	71,563,505
beyond 1 year	14,428,033	15,938,463
	86,680,179	87,501,968
8) Debt instruments payable		
within 1 year	0	0
beyond 1 year	0	0
	0	0
9) Subsidiaries		
within 1 year	0	0
beyond 1 year	0	0
	0	0

BALANCE SHEET (in Euro)**December 2016****December 2015****LIABILITIES**

10) Associated companies		
within 1 year	14,780	0
beyond 1 year	0	0
	14,780	0
11) Parent companies		
within 1 year	2,903,825	8,077,552
beyond 1 year	0	0
	2,903,825	8,077,552
11-bis) Payables to companies subject to the control of the parent		
within 1 year	1,137,466	323,702
beyond 1 year	0	0
	1,137,466	323,702
12) Taxes payables		
within 1 year	3,723,969	3,855,189
beyond 1 year	0	0
	3,723,969	3,855,189
13) Accounts payable to social security institutions		
within 1 year	2,852,352	2,894,120
beyond 1 year	0	0
	2,852,352	2,894,120
14) Other payables		
within 1 year	8,942,184	9,033,119
beyond 1 year	516	6,843,534
	8,942,700	15,876,653
TOTAL PAYABLES	340,131,628	336,072,751
E) ACCRUALS AND DEFERRED INCOME		
- Accruals and deferred income	11,448,432	986,058
TOTAL ACCRUALS AND DEFERRED INCOME	11,448,432	986,058
TOTAL LIABILITIES	488,593,396	459,420,819

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

1) REVENUES FROM SALES AND SERVICES	482,610,154	499,126,523
2) CHANGES IN INVENTORY OF PRODUCTS IN COURSE OF MANU., SEMI-FIN. & FIN. GOODS	(1,964,458)	(3,651,755)
3) CHANGE INVENTORY CONTRACT WORK-IN-PROGRESS	0	0
4) CAPITALISATION OF INTERNAL CONSTRUCTION COSTS	873,670	2,248,041
5) OTHER REVENUES AND INCOME		
- grants related to income	311,965	837,171
- other revenues and income	3,029,963	5,915,830
	3,341,928	6,753,001
TOTAL VALUE OF PRODUCTION	484,861,294	504,475,810

B) COSTS OF PRODUCTION

6) PURCHASE OF RAW MAT., ANCILLARY, CONSUM. AND GOODS	(238,474,817)	(250,983,849)
7) COST OF SERVICES	(83,649,198)	(90,377,420)
8) RENTS, LEASING AND SIMILAR COSTS	(6,615,014)	(6,723,819)
9) PERSONNEL COSTS		
a) salaries and wages	(73,945,230)	(76,264,312)
b) social security	(14,198,588)	(14,514,642)
c) staff termination pay	(2,435,480)	(2,377,540)
d) pension and similar rights	0	0
e) other costs	(439,541)	(918,495)
	(91,018,839)	(94,074,989)
10) AMORTISATION, DEPRECIATION AND WRITE-DOWNS		
a) amortisation of intangible assets	(3,481,976)	(3,054,660)
b) depreciation of tangible assets	(21,651,360)	(26,087,016)
c) write-down of fixed assets	(523,827)	(1,000,000)
d) write-down of current accounts receivables and of cash and cash equivalents	(544,396)	(394,507)
	(26,201,559)	(30,536,183)
11) CHANGES IN INVENTORIES OF RAW MATERIALS, ANCILLARY, CONSUMABLE AND GOODS	(176,277)	7,015,322
12) PROVISION FOR RISKS	(50,274)	(59,673)
13) OTHER PROVISIONS	(8,070)	(631,940)
14) OTHER OPERATING COSTS	(2,144,603)	(2,196,703)
TOTAL COST OF PRODUCTION	(448,338,651)	(468,569,255)

DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION	36,522,643	35,906,556
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C) FINANCIAL INCOME AND CHARGES

15) INCOME FROM INVESTMENTS		
- in subsidiaries	0	0
- in associated companies	0	0
- in companies subject to control of the parent	36,814	33,486
- in other companies	0	1,000
	36,814	34,486
16) OTHER FINANCIAL INCOME		
a) from non-current accounts receivable:		
- from subsidiaries	0	0
- from associated companies	0	0
- from parent companies	457,975	540,317
- from companies subject to control of the parent	15,479	0
- other companies	0	0
	473,454	540,317
b) from non-current securities other than shares	0	0
c) from current securities other than shares	0	6,016
d) income other than the above:		
- from subsidiaries	0	0
- from associated companies	0	0
- from parent companies	0	0
- from companies subject to control of the parent	0	0
- other	133,237	232,217
	133,237	232,217

PROFIT AND LOSS ACCOUNT

17) INTEREST EXPENSE AND OTHER FINANCIAL CHARGES		
- from subsidiaries	0	0
- from associated companies	0	0
- from parent companies	0	0
- from companies subject to control of the parent	0	(173,528)
- other companies	(10,103,866)	(14,122,349)
	(10,103,866)	(14,295,877)
17-bis) EXCHANGE GAINS AND LOSSES	1,518,334	(250,423)
TOTAL FINANCIAL INCOME AND CHARGES	(7,942,027)	(13,733,264)
D) VALUE ADJUSTMENT TO FINANCIAL ASSETS		
18) REVALUATIONS		
a) of investments	0	0
b) of non-current financial assets other than equity investments	0	0
c) of current securities other than equity investments	0	0
d) derivative financial instruments	111,804	0
	111,804	0
19) WRITE-DOWNS		
a) of Group companies investments	(1,203,815)	(595,925)
b) of non-current financial assets other than equity investments	0	0
c) of current securities other than equity investments	0	0
d) derivative financial instruments	(87,577)	0
	(1,291,392)	(595,925)
TOTAL VALUE ADJUSTMENTS TO FINANCIAL ASSETS	(1,179,588)	(595,925)
PROFIT BEFORE TAXES	27,401,028	21,577,367
20) CURRENT AND DEFERRED TAXES		
- current	(5,371,275)	(8,890,158)
- deferred	(1,230,490)	1,081,318
Total income taxes for the year	(6,601,765)	(7,808,840)
NET PROFIT INCLUDING MINORITY INTEREST	20,799,263	13,768,527
21) PROFIT ATTRIBUTABLE TO MINORITY INTEREST	106,518	48,222
21) PROFIT ATTRIBUTABLE TO THE GROUP	20,692,745	13,720,305

A. Cash flow from operating activities

Profit for the year	20,799,265	13,768,528
Income taxes	6,601,868	7,808,840
Interest expense (income)	7,942,026	13,063,087
(Gains)/losses on sale of assets	(195,565)	(3,084,139)
Profit for the year before taxes, interest, dividends and gains/losses from disposals	35,147,594	31,556,316
<i>Non-cash adjustments not offset by net working capital</i>	<i>28,830,974</i>	<i>32,115,141</i>
Provisions	2,493,823	2,377,540
Amortisation & Depreciation	25,133,336	29,141,676
Impairments	1,203,815	595,925
Adjustments to non-cash financial instrument assets and liabilities		
Other non-cash adjustments		
2. Cash flow before working capital changes	63,978,568	63,671,457
<i>Change in net working capital</i>	<i>8,818,690</i>	<i>(29,365,440)</i>
Decrease/(increase) in inventories	2,307,297	(7,073,663)
Increase/(decrease) in trade payables	(821,790)	(13,791,525)
Decrease/(increase) in trade receivables	(3,377,209)	1,481,257
Increase/(decrease) in payables to shareholders and parent companies	(5,173,726)	(4,433,817)
Increase/(decrease) in accrued liabilities and deferred income	10,462,379	(1,300,180)
Decrease/(increase) in prepayments and accrued income	(411,485)	(646,920)
Other changes in working capital	5,833,224	(3,600,592)
3. Cash flow after net working capital change	72,797,258	34,306,017
<i>Other adjustments</i>	<i>(22,009,102)</i>	<i>(18,234,673)</i>
Interest received/(paid)	(7,942,026)	(13,063,087)
(Income taxes paid)	(8,890,158)	(3,669,821)
Dividends received	0	0
(Utilisation of provisions)	(5,176,918)	(1,501,765)
4. Cash flow after adjustments	50,788,156	16,071,344
Cash flow from operating activities (A)	50,788,156	16,071,344

B. Cash flow from financing activities

Property, plant & equipment	(19,457,611)	(4,427,168)
(Investments)	(38,355,163)	(14,449,111)
Write-downs	500,000	1,000,000
Change in consolidation scope	17,113,433	
Sales price of disposals	1,284,119	9,021,943
Intangible assets	(2,658,578)	(3,223,060)
(Investments)	(2,704,888)	(3,820,356)
Sales price of disposals	0	597,296
Change in consolidation scope	46,310	
Financial fixed assets	(752,323)	750,000
(Investments)	(752,944)	(250,000)
Sales price of disposals	0	1,000,000
Change in consolidation scope	621	
Exchange rate effect on tangible and intangible assets	(42,224)	(4,057,485)
Acquisition or sale of subsidiaries or business units net of cash and cash equivalents	(735,613)	
Cash flow from investing activities (B)	(23,646,350)	(10,957,713)

C. Cash flow from financing activities

Third party funds	12,217,257	80,513,683
Bonds	0	55,000,000
Loans and transfer to short-term bank payables	(51,684,612)	(49,848,489)
New loans	67,200,000	130,800,000
Repayment of loans	0	(56,687,895)
Derivative financial instruments	(54,416)	
Exchange difference on loans	303,131	1,830,174
Change in consolidation scope	(3,582,671)	
(Increase)/decrease financial receivables from parent companies	(457,975)	(540,317)
(Increase)/decrease financial receivables from others	464,824	27,578
Change in consolidation scope	11,910	
Effect of translation differences on other loans	17,066	(67,368)
Own funds	(3,415,496)	741,503
Distribution of dividends	(3,100,000)	(1,600,000)
Other reserve changes	(70,000)	(79,508)
Other changes in reserves from changes in the consolidation scope	(84,624)	
Net effect of translation differences	(160,872)	2,421,011
Cash flow from financing activities (C)	8,801,761	81,255,186
	35,943,567	86,368,817
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	35,943,567	86,368,817
Opening cash and cash equivalents (*)	(2,137,541)	(88,506,358)
Closing cash and cash equivalents (*)	33,806,026	(2,137,541)

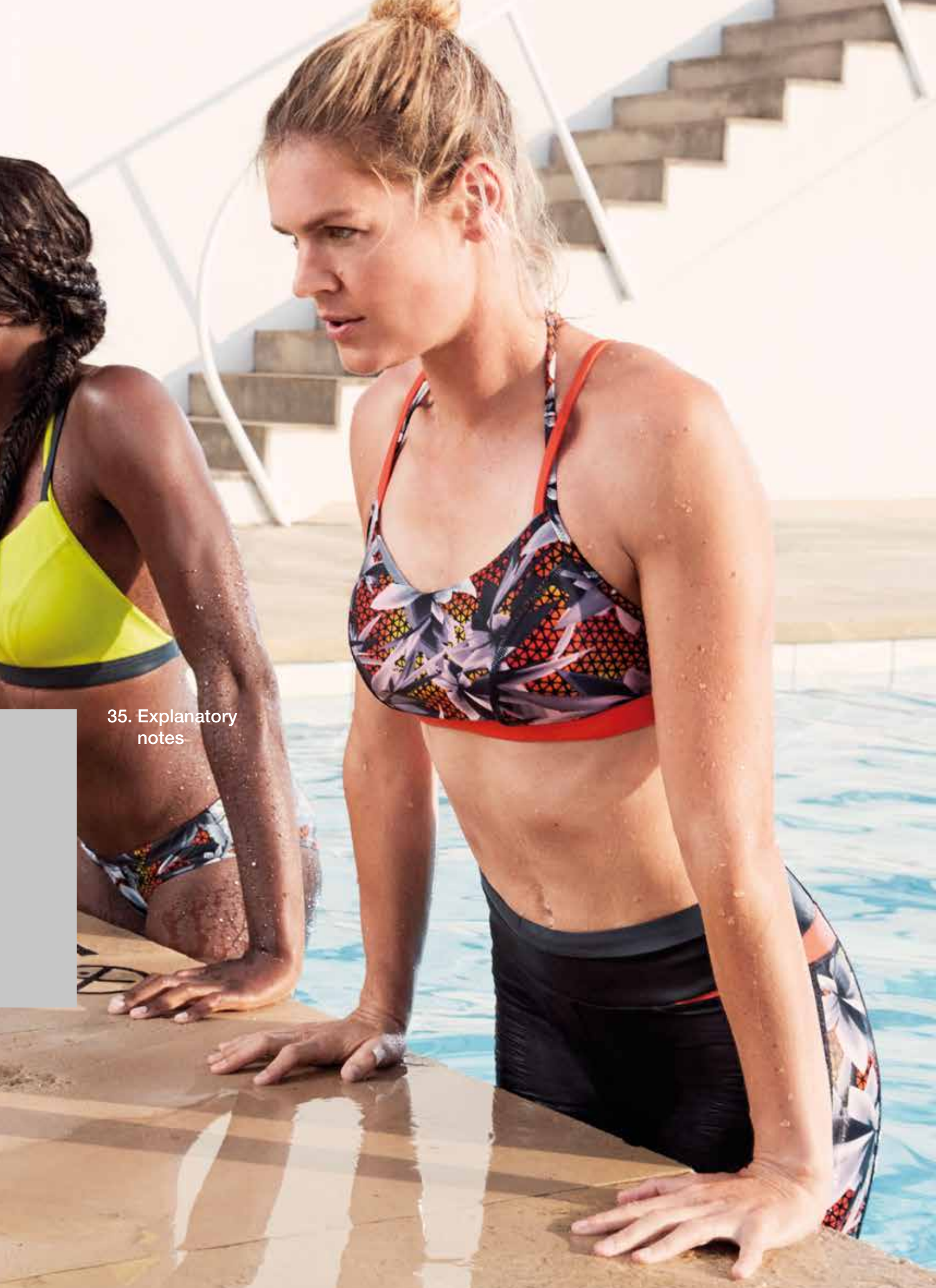
(*) total of cash & cash equiv., other securities in current assets & amounts due to banks within 12 months

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), the Cash Flow Statement 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, 2016, 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 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.

SUBSEQUENT EVENTS TO YEAR END

At the beginning of 2017, the subsidiary Borgolon S.p.A. decided to sell to a third party shareholder the entire holding in the company XLance Fibre Italia S.r.l. for a total price of Euro 1.1 million. The income statement therefore reflects the write-down of the value of the investment at December 31, 2016 to adjust the carrying amount to this amount. Within this transaction, the company XLance Fibre Italia S.r.l. acquired from Borgolon S.p.A. the plant and machinery relating to the XLA[®] spinning process at a value which did not result in a loss for Borgolon S.p.A., in order to maintain industrial production and the continuity of technological development of this fiber already developed by Borgolon S.p.A.. An agreement was reached with the owner of the building at Varallo Pombia for the termination of the rental contract, without any contractual penalties, while XLance Fibre Italia S.r.l. stipulated a new rental contract for the continuation of its production activities of the XLA[®] fiber.

At the beginning of the year the trade unions were informed, in addition to the above-mentioned sale of the investment in XLance Fibre Italia S.r.l. and the consequent discontinuation of the XLA[®] spinning activities by Borgolon S.p.A., also of the decision to discontinue the remaining production activities of the NTF spinning processes on site, due to the structural lack of economic viability of the activities undertaken at Varallo Pombia compared to the competitive conditions in the sector. Negotiations are currently ongoing with the trade unions in order to complete the closure of the production activities, with the objective to define the manner and time period for the departure of employees in accordance with current regulations and existing redundancy programmes. The production discontinued in the Varallo Pombia site will be undertaken at the AquafilSLO Slovenian production facilities which has much larger production capacity and organisational structures and is capable of fully absorbing these production volumes on competitive terms with the principle competitors in the sector.

Although against the backdrop of the announced discontinuation of these activities, the Directors of the investee considered it appropriate to continue to adopt the accounting policies for financial statements based on the going-concern principle as the carrying amounts of the assets are recoverable. In particular:

- the plant and machinery will be transferred, as previously described, to the former investee XLance Fibre Italia S.r.l. without any losses;
- the financial receivables from group companies will be received at their nominal value or assigned to the sole shareholder on liquidation;
- the inventories will be sold to the group company AquafilSLO based on the carrying amount recorded in the financial statements;
- the trade receivables have already been partially received and the realisable value is not lower than the carrying amount.

INTRODUCTION

In 2015, the Italian legislature enacted the "Accounting Reform" pursuant to the European Directive 2013/34 with publication in the Official Gazette of Legislative Decree No. 139/15. The above-mentioned decree integrates and amends the Civil Code which contains the general provisions for the preparation of the annual accounts relating to the statements, accounting policies, explanatory notes and Directors' Report.

The legislative amendments were effective on January 1, 2016. The effects of the changes were recorded by the company, in accordance with OIC standard No. 29, on the opening shareholders' equity at January 1, 2015. The company therefore restated the effects of the changes which would have occurred in the financial statements at December 31, 2015, as if the Accounting Reform was already applied in 2015. The balance sheet and income statement relating to the year 2015, presented in the financial statements for comparative purposes, differ therefore from the financial statements approved by the Shareholders' Meeting of April 29, 2016, to take into account the effects of the Accounting Reform.

The subsequent note "Accounting effects from the Accounting Reform" illustrates the impact of the reform line by line on the income statement and balance sheet.

Accounting effect of the Accounting Reform

The application of the new provisions of Legislative Decree No. 139/2015 and the new OIC standards resulted in, in order to ensure comparability and pursuant to Article 2423-ter fifth paragraph of the Civil Code, the reclassification of the following balances in the 2015 comparative financial statements:

2015 account items		2015 comparative account items	
Extraordinary income	(3,456,491)	3,077,191	Other revenues and income
Extraordinary charges	6,448,532	(438,541)	Change in finished products inventories
		(495,915)	Service costs
		(918,495)	Other personnel costs
		(1,000,000)	Other fixed asset write-downs
		(212,125)	Other operating costs
		1,000	Investment income
		(32,025)	Other income
		(639,152)	Interest and other financial charges
		(2,333,978)	Taxes relative to previous periods
Total reclass.	2,992,040	(2,992,040)	

We also highlight that following the deconsolidation of Aquaspace, as described in the Directors' Report, the payable and receivable balances, relating to the 2015 comparative financial statements, were reclassified from the accounts "receivables from subsidiaries" and "payables to subsidiaries", respectively to the new account items "receivables from companies under control of the parent" and "payables to companies under control of the parent".

The table below illustrates the effects on the Shareholders' Equity which shows the effects of the recognition of the IRS derivative contracts at December 31, 2015 and December 31, 2016.

(Euro thousands)	31/12/2016	31/12/2015
Derivative financial instruments - Assets	67,498	13,082
Derivative financial instruments - Liabilities	- 213,343	- 154,933
Net deferred tax assets	35,003	34,044
TOTAL EFFECT ON SHAREHOLDERS' EQUITY	- 110,843	- 107,807

The impact on Shareholders' Equity at December 31, 2015 was recorded in the account Other reserves. In relation to the impact of these derivative contracts in the 2016 financial statements, reference should be made to the comments below in the paragraph "Accounting treatment of derivative financial instruments".

The financial statements at December 31, 2016, of which the present Explanatory Notes are an integral part in accordance with Article 2423, first paragraph of the Civil Code, correspond to the correctly maintained underlying accounting records and were prepared in accordance with Articles 2423, 2423 ter, 2424, 2424 bis, 2425, 2425 bis, 2425 ter of the Civil Code and the presentation principles established by Article 2423 bis and the accounting policies as per Article 2426 of the Civil Code.

The accounting policies as per Article 2426 of the Civil Code are in line with those used for the preparation of the financial statements in the previous year, with the exception of the accounts for which Legislative Decree No. 139/2015 introduced new accounting criteria and no exceptional events arose which would require the necessity to utilise exemptions pursuant to Article 2423 bis, second paragraph and Article 2423, fifth paragraph of the Civil Code.

CONSOLIDATION SCOPE

In addition to the Parent Company Aquafil S.p.A., the companies included in the consolidation scope at December 31, 2016 were the following (amounts translated at exchanges rates at December 31, 2016):

COMPANIES CONSOLIDATED LINE-BY-LINE

Name and registered office	Share capital at 31.12.2016 Euro	% 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%
Aquafil USA Inc., 1 Aquafil Drive, Cartersville - Georgia GA (USA)	5,313,576	100.00%			100.00%	100.00%
Aquafil CRO d.o.o., Milana Prpiča 114 - 49243 Oroslavje (Croazia)	9,368,544	100.00%			100.00%	100.00%
Aquafil Engineering G.m.b.H., Duester haupt strasse, 13 - Berlino (Germania)	255,646	90.00%			90.00%	90.00%
Aquafil Tekstil San. Ve Ticaret A.S. - Orucreis Mah, Giykoop Vadi Cad. No: 108 D 280 Esenler-Istanbul (Turchia)	626,745	99.99%			99.99%	99.99%
Aquafil Asia Pacific Co. Ltd - 300/31 Moo 1 Eastern Seaboard Industrial Estate-Rayong (Thailand)	1,343,415	99.99%			99.99%	99.99%
Aquafil Benelux-France B.V.B.A.- Evolis 102 - 8530 Harelbeke (Belgio)	20,000	99.90%	Tessilquattro	0.10%	100.00%	100.00%
Aquafil 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	2,189,847	100.00%			100.00%	100.00%
Aqualeuna G.m.b.H. - Am Haupttor – Bau 3116 - 06237 Leuna (DE)	2,325,000	100.00%			100.00%	100.00%
Borgolon S.p.A. Strada Statale 32 "Ticinese" nr. 12 - Varallo Pombia (NO)	7,590,000	100.00%			100.00%	100.00%
Cenon Sro - M.R. Stefanika 71 - Zilina (Slovacchia)	26,472,681	100.00%			100.00%	100.00%
AquafilSlo d.o.o., Letalska Cesta, 15 - Ljubljana (Slovenia)	50,135,728	100.00%			100.00%	100.00%

COMPANIES CONSOLIDATED AT EQUITY

Xlance Fibre S.r.l., Via Linfano n° 9, 38062 Arco (TN), with share capital of Euro 100,000, held 50% by the subsidiary Borgolon S.p.A., was recorded in the consolidated financial statements under the equity method. The entire holding in the company was sold to third parties in February 2017.

The consolidation scope in 2016 changed as follows:

- **Aquafil UK L.t.d.**

Aquafil S.p.A. increased its investment in the company by GBP 1,000,000, through use of part of the loan in place with the subsidiary. Following the operation, the share capital amounts to GBP 1,750,000, comprising of 1,750,000 shares of GBP 1 each.

- **AquafilSlo d.o.o..**

The Slovenian company Julon d.o.o. in April 2016 changed its name to AquafilSlo d.o.o..

AquafilSlo d.o.o. at year end distributed a dividend of Euro 37 million to the parent company Aquafil S.p.A. which, simultaneously, approved the share capital increase of AquafilSlo for a similar amount, increasing the share capital from Euro 13,135,727.67 to Euro 50,135,727.67.

- **Cenon S.r.o.**

Aquafil S.p.A. acquired the 0.36% stake in Cenon S.r.o. held by the minority shareholder for a value of Euro 2,430. Following this operation Aquafil now holds 100% in the share capital of the company.

- **Aquafil India**

The Indian company Aquafil India Private Limited was incorporated in the year, with registered office at New Delhi and with a corporate scope to produce and distribute synthetic fibers, in particular NTF, for the Indian market. The company has an initial share capital of 85,320 Indian Rupee held 99.97% by Aquafil S.p.A. and 0.3% by local shareholders.

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.

Relating to the former subsidiary Aquaspace S.p.A., considering the excessive operating implications for consolidation until September 30, 2016, it was decided to deconsolidate the company from January 1, 2016; this resulted in the recording in the 2016 consolidated financial statements of approx. Euro 7.1 million of revenues and a similar amount of costs and inventories not 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:

	2016 Year-end rate	2016 Average rate
US Dollar	1.05410	1.10690
Croatian Kuna	7.55970	7.53329
Chinese Yuan	7.32020	7.35222
Turkish Lira	3.70720	3.34325
Baht	37.72600	39.04284
UK Sterling	0.85618	0.81948

ACCOUNTING POLICIES

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

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

ACCOUNTING PRINCIPLES

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

required, by the International Accounting Standards Committee (IASC) as approved in Italy by the Commissione nazionale per le società e la borsa (Consob, Italian Securities and Exchange Commission).

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

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

INTANGIBLE ASSETS

They are recorded at purchase or production cost, including any incidental charges, and amortised on a straight line basis over their estimated useful lives when they are available for use.

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.

The industrial patent rights are amortised over 10 years.

Concessions, Licenses and Trademarks are amortised over 10 years.

Other intangible assets are amortised based on the contract duration to which they refer.

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.

Depreciation is recorded when the asset is available and ready for use.

Ordinary maintenance costs incurred to ensure the expected useful life and the original production capacity are fully charged to the income statement. 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.

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.

Impairments

At each reporting date, the company assesses whether indicators suggest that a fixed asset may have been impaired, as per OIC 9. Where such indicators exist, the company estimates the recoverable value of the asset and implements a write-down where this is lower than the corresponding net book value. In the absence of indicators of potential losses in value it is not necessary to determine the recoverable value.

In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

- during the period, a significantly greater decline in an assets value, more than would be expected as a result of the passage of time or normal use;
- significant changes with an adverse effect on the entity during the period, or in the near future, with regards to the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated;

- if market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially;
- the net carrying amount of the assets in the company is higher than their fair value estimated by the company (this estimate will be made for example in relation to the potential sale of all of the business or part of the business);
- the obsolescence or physical deterioration of an asset is evident;
- significant changes with an adverse effect on the entity during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used.

We confirm that there was no indicator of potential loss in value at the preparation date of these financial statements.

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 for impairments in the case in which the investees incur losses which are not expected to be absorbed by profits in the immediate future; the original value is written-back in subsequent years where the reasons for the write-down no longer exist.

Current financial assets

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

This account also includes liquidity subject to restrictions.

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 (including non-current financial assets)

Receivables are recognised in the financial statements according to the amortised cost criterion, taking account of their timing, and their expected realisable value. In particular, the initial recognition value is represented by the nominal value of the receivable, net of all premiums, discounts and rebates, and includes any costs directly attributable to the transaction which generated the receivable. The transaction costs, any commission income and expense and any difference between initial value and nominal value at maturity are included in the calculation of the amortised cost utilising the effective interest method. As permitted by Legislative Decree No. 139/15 at December 31, 2016 the receivables already existing at December 31, 2015 were recorded at their nominal value. A doubtful debt provision is set up against possible insolvency risks, which is assessed against possible non-recoveries periodically and, in any case, at the end of each year, taking into account the non-recovered positions arising or considered probable, and the general underlying economic, sector and country risk. Pursuant to Article 2423, paragraph 4, the amortised cost method is not applied where the effects are immaterial for the purposes of a true and fair representation.

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 recognised to the financial statements according to the amortised cost criterion, taking account of their timing and the expected realisable value. In particular, the initial recognition value is represented by the nominal value of the payable, net of transaction costs and all premiums, discounts and rebates, directly attributable to the transaction which generated the payable. The transaction costs, any commission income and expense and any difference between initial value and nominal value at maturity are included in the calculation of the amortised cost utilising the effective interest method.

As permitted by Legislative Decree No. 139/15 at December 31, 2016 the payables already existing at December 31, 2015 were recorded at their nominal value. Pursuant to Article 2423, paragraph 4, the amortised cost method is not applied where the effects are immaterial for the purposes of a true and fair representation.

Commitments, risks and guarantees

Risks relating to unsecured or secured guarantees given to third parties are stated for an amount equal to the value of the guarantee given.

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.

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.

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 2016-2018 for Aquafil S.p.A and Tessilquattro 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 companies Aquafil Power S.r.l. and Aquaspace S.p.A 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. Reference should be made however to the previous paragraph “Accounting effect of the Accounting Reform”.

AGREEMENTS AS PER ARTICLE 2427 1-TER OF THE CIVIL CODE

In accordance with Article 2427, first paragraph, point 22-ter) of the Civil Code, it is stated 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

	1) Formation, start-up and similar costs	3) Patents and intellectual property rights	4) Concessions, licences, trademarks & similar rights	6) assets under construction and advances	7) Other Intangible Assets	Consol. differences	TOTAL
Previous year							
Gross value	516,290	4,703,263	5,387,288	1,472,727	19,976,712	9,459,004	41,515,284
Accumulated amortisation	195,341	2,599,096	4,626,121	0	13,716,667	9,398,066	30,535,292
Total previous year	320,949	2,104,167	761,167	1,472,727	6,260,045	60,938	10,979,993
Increases	26,359	0	145,389	324,647	1,798,232	0	2,294,627
Decreases	0	0	(46,557)	0	(205,984)	0	(252,541)
Reclassified	209,129	0	71,475	(650,764)	602,285	0	232,125
Write-downs	0	0	(155,066)	0	0	0	(155,066)
Change in consolidation scope	0	0	0	0	(82,290)	0	(82,290)
Exchange differences	(20,831)	0	4,257	0	(16,094)	0	(32,668)
Total historical cost current year	730,946	4,703,263	5,406,786	1,146,610	22,484,828	9,459,004	43,931,438
Accumulated amortization 1.1	195,341	2,599,096	4,626,121	0	13,716,667	9,398,066	30,535,292
Increases	36,032	450,000	319,672	0	2,645,873	30,400	3,481,976
Decreases	0	0	(46,557)	0	0	0	(46,557)
Reclassified	20,913	0	3,850	0	3,086	0	27,849
Write-downs	0	0	(155,066)	0	0	0	(155,066)
Change in consolidation scope	0	0	0	0	(35,980)	0	(35,980)
Exchange differences	(2,960)	0	3,908	0	(19,608)	0	(18,659)
Total accumulated amortisation current year	249,326	3,049,096	4,751,928	0	16,310,038	9,428,466	33,788,855
Residual value current year	481,620	1,654,167	654,858	1,146,610	6,174,790	30,538	10,142,583

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 1,798,232, 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 the management of the ICT projects. The reclassification of Euro 252,541 principally concerns the transfer from orders recognised to Aquafil S.p.A..

The Consolidation difference, still in place, of an original Euro 152,000 at December 31, 2016 amounts to Euro 30,538 and concerns the difference between the purchase cost and the share of net equity, equal to 10% of the company Aqualeuna GmbH, acquired in 2013. This difference is amortised on a straight-line basis over 5 years and the amortisation for 2016 amounted to Euro 30,400.

PROPERTY, PLANT & EQUIPMENT

	Land & buildings	Plant and machinery	Industrial & commercial equipment	Other	Assets under development and advances	Total
Historic cost	94,697,790	366,257,518	9,178,405	7,168,874	7,064,843	484,367,430
Revaluations	19,050,157	1,236,840	15,231	7,377	0	20,309,605
Acc. deprec. (-)	44,441,659	280,360,010	9,185,703	4,876,780	0	338,864,152
Write-downs (-)	1,500,000	10,276,536	0	0	0	11,776,536
31/12/2015	67,806,287	76,857,811	7,933	2,299,472	7,064,843	154,036,346
Increases	167,474	19,156,028	617,585	436,927	17,903,808	38,281,822
Reclassified	119,246	2,230,707	1,619,827	20,820	(4,218,468)	(227,868)
Decreases (-)	36,040	804,582	931	460,993	908,431	2,210,977
Revaluations	0	0	0	0	0	0
Depreciation (-)	2,735,288	17,597,104	724,515	594,452	0	21,651,359
Write-downs (-)	500,000	0	0	0	0	500,000
Change in consolidation scope	(11,677,668)	(5,222,360)	(94,381)	(67,968)	(51,059)	(17,113,436)
Other changes	(48,693)	1,788,985	7,326	395,475	72,384	2,215,477
Total changes	(14,710,969)	(448,326)	1,424,911	(270,191)	12,798,234	(1,206,341)
31/12/2016	53,095,317	76,409,487	1,432,845	2,029,280	19,863,078	152,830,007
Historic cost	78,005,276	374,445,453	10,950,973	6,965,541	19,863,077	490,230,320
Revaluations	19,050,157	1,236,840	15,231	7,377	0	20,309,605
Acc. deprec. (-)	41,960,114	288,996,271	9,533,360	4,943,638	0	345,433,383
Write-down (-)	2,000,000	10,276,536	0	0	0	12,276,536
31/12/2016	53,095,317	76,409,487	1,432,845	2,029,280	19,863,078	152,830,007

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 38,281,822 with net disposals for Euro 1,088,554 and are composed of as follows:

• Land and buildings

Increases: these amount to Euro 167,474 for improvements to the real estate assets of the companies included in the consolidation scope.

Write-downs: during the year, the property of the subsidiary Cenon S.r.o. was written down for Euro 500,000. After this operation, the net book value of the fixed assets - principally relating to real estate - amounted to Euro 1.4 million at December 31, 2016.

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

Increases: these totalled Euro 38,114,348. These break down as follows:

- Aquafil S.p.A.: the total increase is equal to Euro 4.3 million, of which Euro 1.5 million concerning "Assets under development and advances". Investments principally concern improvements to existing plant;
- Tessilquattro S.p.A.: the total increase is equal to Euro 10.1 million and mainly relates to the purchase of the BCF fiber dyeing cycle activities from the former subsidiary Aquaspace S.p.A.;
- Aquafil USA Inc.: the total increase is equal to Euro 2.3 million, related to improvements on existing plant;
- Aquafil Synthetic Fibres and Polymers (Jiaxing) Co. Ltd.: the increase amounts to Euro 4.7 million deriving from the purchase and installation of new BCF spinning lines in addition to improvements on existing plant at the Jiaxing site;
- AquafiCRO d.o.o.: the increase of Euro 0.6 million concerns the extension of the texturising plant;
- Aqualeuna GmbH.: the total increase of Euro 1.4 million relates to the acquisition of new wringers and the revamping of the spinning lines;
- AquafilSLO d.o.o.: the total increase of Euro 15.5 million relates to the improvements on all plant and in particular on the ECONYL® plant, the acquisition of new POY lines and the acquisition of new technology for the production of antistatic fibers.

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

Change in consolidation scope: during the year the company Aquaspace S.p.A. was deconsolidated with the ownership transferred from Tessilquattro S.p.A. to Aquafin Holding S.p.A.. Tessilquattro S.p.A. acquired from Aquaspace S.p.A. the BCF synthetic fiber wringer activities, which therefore remain in the BCF core business activities.

FINANCIAL ASSETS

a) Investments in subsidiaries

The Indian company Aquafil India Private Limited was incorporated in the year, with registered office at New Delhi and with a corporate scope concerning the production and distribution of synthetic fibers, in particular NTF, for the Indian market. The company has an initial share capital of 85,320 Indian Rupee held 99.97% by Aquafil S.p.A. and 0.03% by local shareholders. The value of this investment, consolidated at cost, is Euro 1,200.

b) Investments in associated companies

This exclusively concerns the investment of Euro 1,100,000 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.

At the beginning of 2017, Borgolon S.p.A. sold to a third party shareholder the entire holding in the company XLance Fibre Italia S.r.l. for a total price of Euro 1.1 million. The income statement therefore reflects the write-down of the value of the investment at December 31, 2016 to adjust the carrying amount of the investment to this amount.

d) Investments in other companies

Investments in other companies are stated at cost for an overall amount of Euro 1,689,504, as follows:

Name and registered office	December 2015	December 2016
Consorzio Nazionale Imballaggi, Via del Vecchio Po	804	725
Trentino Export S.c.a.r.l., Via Degasperi, 77 Tren	2,614	2,614
Banca Cooperativa del Carso	181	181
Confidi, Via Degasperi 77, Trento	4,648	4,132
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	1,421,124
TOTAL	1,188,381	1,689,504

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	Changes	December 2016
Aquafin Holding S.p.A.	37,034,032	457,975	37,492,007
TOTAL	37,034,032	457,975	37,492,007

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

The receivables are of a financial nature and interest bearing.

Receivables from companies subject to control of the parent

This account includes Euro 78,525 for guarantee deposits paid by Tessilquattro S.p.A. and Aquafil S.p.A. to Aquaspace S.p.A. relating to the long-term lease contract at via del Garda 40 – Rovereto.

Other receivables

d2) "Other debtors" of Euro 181,248 mainly refer to guarantee deposits paid to suppliers and employee loans.

There are no receivables beyond 12 months, arising during the year, which require the application of the amortised cost method.

CURRENT ASSETS

INVENTORIES

Inventories at 31/12/2016 are composed as follows:

Description	December 2015	Change	December 2016
Raw material, ancillaries and consumables	58,743,060	(857,771)	57,885,289
Finished products and goods	95,563,422	(2,147,418)	93,416,004
Advances (paid)	0	697,893	697,893
TOTAL INVENTORIES	154,306,482	(2,307,296)	151,999,186

The account includes an obsolescence provision of Euro 575,370 concerning slow moving prior year stock.

RECEIVABLES

Current account receivables are composed as follows:

	December 2015	Changes	December 2016	within 1 year	beyond 1 year
Customers	31,068,422	3,377,209	34,445,631	34,445,631	0
Subsidiaries	723	(723)	0	0	0
Associated companies	72,514	(72,358)	156	156	0
Parent companies	1,921	1,660	3,581	3,581	0
Companies under control parent	0	285,610	285,610	285,610	0
Tax Receivables	7,813,297	(3,389,216)	4,424,082	4,100,674	323,408
Deferred tax assets	8,352,295	(1,962,987)	6,389,308	1,306,564	5,082,744
Others	3,388,920	53,692	3,442,612	3,442,612	0
TOTAL	50,698,092	(1,673,069)	48,990,980	43,584,828	5,406,152

The breakdown by region is reported below:

	Italy	Europe	USA	Rest of the World	TOTAL
1) Customers	4,632,191	11,833,572	3,784,437	14,195,431	34,445,631
3) Associated companies	156	0	0	0	156
4) Parent companies	3,581	0	0	0	3,581
5) Companies under control of the parent	285,610	0	0	0	285,610
5-bis) Tax receivables	1,362,721	2,642,283	3,079	377,222	4,385,305
5-ter) Deferred tax assets	4,017,581	1,947,980	(99,899)	523,646	6,389,308
5-quarter) Other debtors	609,339	1,628,664	245,420	997,964	3,481,388
TOTAL	10,911,179	18,052,499	3,933,037	16,094,263	48,990,980

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 2,173,524 was set aside. The allowance for doubtful receivables recorded at December 31, 2015 for Euro 1,840,047 was utilised for Euro 136,359 in relation to write-offs and increased by Euro 544,396 as a result of the allocation for the year. The negative currency effect amounts to Euro 1,195 and the change from the deconsolidation of Aquaspace S.p.A. was Euro 73,365. 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 amounting to Euro 156 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 receivables due within 12 months of Euro 3,581 are due to Aquafil S.p.A. from the holding companies Aquafin Holding S.p.A., Aquafin Capital S.p.A. and GB&P S.r.l.

Crediti veReceivables from companies subject to control of the parent

These refer to receivables due within 12 months of Euro 285,610 from the companies Aquaspace S.p.A. and Aquafin Power S.r.l..

Tax receivables

The table below shows the breakdown for this category:

	December 2015	December 2016
Income taxes	935,443	379,742
VAT Receivables	5,987,476	3,509,714
Withholding taxes	95,573	53,456
Interest	76,264	76,503
Tax receivables Law 296/09	3,956	3,750
Other tax credits	49,914	69,024
Other tax receivables	102,284	8,484
Receivable from holding for fiscal consolidation		
VAT recovery procedures		
TOTAL RECEIVABLES WITHIN 1 YEAR	7,250,910	4,100,674
Income taxes	202,685	
VAT Receivables	60	60
Other tax receivables	359,642	323,347
TOTAL RECEIVABLES BEYOND 1 YEAR	562,387	323,408
TOTAL TAX RECEIVABLES	7,813,297	4,424,082

Deferred tax assets

The table below reports the breakdown for this category:

	Dicembre 2015	Dicembre 2016
Deferred tax assets within 12 months		
statutory - allowances for receivables	34,904	36,050
statutory - other provisions	725,405	0
statutory - sales rep. and maintenance expenses	120,190	30,429
statutory - other	295,766	305,474
consolidated - gains	236,248	236,248
statutory - personnel	404,710	321,035
consolidated - inventory write-down	432,402	377,329
TOTAL	2,249,625	1,306,564
Deferred tax assets beyond 12 months		
statutory - doubtful debts provision	190,914	190,775
statutory - other provisions	1,313,175	1,074,838
statutory - sales rep. and maintenance expenses	3,390	44,118
statutory - other	36,000	36,000
consolidated- losses carried forward	583,584	562,904
consolidated - gains	(380,880)	(744,849)
statutory - amortisation, depreciation, leasing charges	3,260,985	2,912,503
statutory- supp. indemnity prov. for agents	177,968	178,604
consolidated - depreciation on revaluations	636,277	590,398
consolidated- depreciation on asset write-down	177,463	132,700
statutory risk provisions on derivatives	34,044	35,003
statutory - inventory write-down	69,750	69,750
TOTAL	6,102,670	5,082,744
TOTAL DEFERRED TAX ASSETS	8,352,295	6,389,308

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 2016
Miscellaneous advances	1,299	9,848
Employee receivables	307,557	309,265
Other receivables	444,310	368,579
Pension and social security institutions	310,225	310,907
Public administration	261,739	0
Advances to suppliers	221,748	380,925
Advances for working capital	1,721,623	2,056,425
Lay-off scheme receivables	120,419	6,663
TOTAL	3,388,920	3,442,612

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 for Euro 261 thousand was received in the year.

There are no receivables beyond 12 months, arising during the year, which require the application of the amortised cost method.

CURRENT FINANCIAL ASSETS

Derivative financial instruments - Assets

This amounts to Euro 67,498 and refers to the mark-to-market valuation of the derivative financial instruments (IRS) to hedge the medium/long-term loans of the Group at December 31, 2016.

Escrow Bank Deposits

The balance relates to escrow bank deposits of the Group company Aquafil Engineering GMBH, to guarantee the delivery of specific orders.

Cash and cash equivalents

Cash and cash equivalents are composed of as follows:

	December 2015	Change	December 2016
1) Bank & postal deposits	45,197,723	34,311,804	79,509,527
2) Cheques on hand	1,095,577	(79,087)	1,016,490
3) Cash & cash equivalents on hand	16,278	2,696	18,974
TOTAL	46,309,578	34,235,413	80,544,991

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.

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	Change	December 2016
Other accrued income	853,852	113,938	967,790
Prepaid expenses	1,193,592	297,548	1,491,141
D) ACC. IN. & PREPAID EXP.	2,047,444	411,486	2,458,931

	December 2015	Change	December 2016
Interest on other receivables	7,166	(2,307)	4,859
Other	846,686	116,245	962,931
TOTAL ACCRUED INCOME	853,852	113,938	967,790
Insurance premiums	113,687	(57,050)	56,637
Leasing charges	11,653	7,793	19,446
Rental	5,220	(3,034)	2,186
Sureties	26,704	(22,199)	4,505
Other	524,132	290,137	814,269
Fairs and exhibitions	48,691	12,928	61,619
ICT Consulting	235,986	28,446	264,432
Leasing maintenance	131,609	45,133	176,742
Employees	48,790	(1,805)	46,985
Tax and administrative	47,120	(2,800)	44,320
TOTAL PREPAID EXPENSES	1,193,592	297,549	1,491,141
TOTAL ACC. INC. & PREPAID EXPENSES	2,047,444	411,487	2,458,931

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

Notes to the main liability accounts

CONSOLIDATED GROUP NET EQUITY

The total of Euro 123,466,075 thousand breaks down as follows:

Account	31.12.2015	Changes in the year					Net profit for the year	31.12.2016
		Allocation of prior year profit	Change in the consol. scope	Exchange differences	Distribution of dividends & reclass.	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	68,729	13,720	(79)	(152)	(3,100)	(9)		79,109
Net profit for the year	13,720	(13,720)					20,693	20,693
Total Group net equity	106,113	0	(79)	(152)	(3,100)	(9)	20,693	123,467
Minority interest profit/(loss)	48	(48)					107	107
Minority interest net equity	307	48	(6)		(70)			279
Total Minority interest net equity	355	0	(6)	0	(70)	0	107	386
Total Group and minority interest net equity	106,468	0	(85)	(152)	(3,170)	(9)	20,800	123,853

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 25,786 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.

Other Reserves changed in the year, principally due to:

- 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 2015 result;
- the allocation of the gains and losses from previous years of the 2015 derivative instruments result.

We highlight that the 2015 opening balance includes the effect of the recognition of the mark-to-market of the derivatives in place at December 31, 2015, as commented upon in the previous paragraph "Accounting effects of the accounting reform".

MINORITY INTEREST CAPITAL & RESERVES

The balance of Euro 386,458 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, 2016

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, 2016 is shown below:

	Net profit	Net Equity
Net equity and net result as per financial statements of the Parent Company	18,681	122,412
recording of leasing as per finance method of Aquafil S.p.A.	207	(2,236)
elimination of intercompany transaction effects	489	2,564
differing measurement in consolidation of investment in AquafilCRO	17	(486)
Other	1,298	1,212
Net equity and net result for the year pertaining to Group	20,692	123,466
Minority interest net equity and net profit	110	386
Net equity and net result as per consolidated financial statements	20,802	123,852

PROVISIONS FOR RISKS AND CHARGES

Tax provisions

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

	December 2015	December 2016
On gains on sale of assets	1,230,175	952,084
On fiscal adjustments & accel. depreciation	20,230	18,901
On others	4,142,501	4,320,137
TOTAL	5,392,905	5,291,122

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

Derivative financial instruments - liabilities

These amount to Euro 234,677 and relate to the mark-to-market valuation of the derivative financial instruments (IRS) to hedge the medium/long-term loans of the Group at December 31, 2016. An amount of Euro 213,343 (Euro 154,933 at December 31, 2015) refers to the impact of the application of the new OIC standards (as previously commented upon in the paragraph "Accounting effects of the Accounting Reform"), and Euro 21,334 (Euro 53,725 at December 31, 2015) refers to the mark-to-market of the IRS derivative contracts held by Aquafil USA which were already measured in the financial statements as they did not have the technical features, from an accounting viewpoint, for treatment as hedging derivatives.

Other provisions

These amount to Euro 1,572,305 and comprise the agent supplementary indemnity provision for Euro 1,204 thousand of Borgolon S.p.A., Tessilquattro and Aquafil S.p.A. and client guarantee provisions concerning engineering orders of Euro 310 thousand of Aquafil Engineering GmbH. The decrease compared to the previous year mainly relates to the reversal of the provision recorded by Aquafil S.p.A. in 2015 for Euro 2.5 million, as the relative contract was concluded during the current year.

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	2016
Opening balance	6,271,782
Provisions	592,162
Utilisations	(188,775)
Consolidation change	(612,471)
Total changes	(209,083)
CLOSING BALANCE	6,062,699

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 340,131,628 The amounts due after 5 years are indicated separately. The analysis is provided below.

	December 2015	change	December 2016	within one year	beyond one year
D) PAYABLES					
Bonds	55,000,000	0	55,000,000	0	55,000,000
Amounts due to banks	153,480,151	11,544,431	165,024,582	47,755,702	117,268,881
Amounts due to other lenders	1,715,665	0	1,715,665	0	1,715,665
Advances	7,397,098	4,739,011	12,136,109	12,136,109	0
Trade Payables	87,501,969	(821,791)	86,680,179	72,252,146	14,428,033
Associated companies	0	14,780	14,780	14,780	0
Parent companies	8,077,552	(5,173,727)	2,903,825	2,903,825	0
Companies under control of parent	323,702	813,764	1,137,466	1,137,466	0
Tax Payables	3,855,190	(131,220)	3,723,969	3,723,970	0
Social security institutions	2,894,121	(41,769)	2,852,352	2,852,353	0
Other payables	15,876,653	(6,933,953)	8,942,701	8,942,184	516
TOTAL	336,122,099	4,009,527	340,131,628	151,718,534	188,413,095

Relating to payables beyond 12 months, arising during the year, the application of the amortised cost method would not have resulted in significant effects and therefore they were recorded at nominal value.

The breakdown by region is reported below:

Payables by Region	Italy	Europe	USA	Rest of the World	TOTAL
1) Bonds	55,000,000	0	0	0	55,000,000
4) Amounts due to banks	150,427,098	0	14,597,485	0	165,024,583
5) Amounts due to other lenders	1,715,665	0	0	0	1,715,665
6) Advances	7,000,449	4,669,536	380	465,744	12,136,109
7) Amounts due to suppliers	30,438,641	47,548,606	6,935,497	1,751,969	86,680,179
10) Associated companies	14,780	0	0	0	14,780
11) Parent companies	2,903,825	0	0	0	2,903,825
11-bis) Companies under control of parent	270,466	867,000	0	0	1,137,466
12) Tax payables	1,426,086	1,256,844	203,966	837,073	3,723,969
13) Social security institutions	2,167,766	683,174	0	1,412	2,852,352
14) other payables	6,179,417	1,791,662	0	971,622	8,942,701
TOTAL	257,544,191	56,816,822	21,737,328	4,027,820	340,131,628

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 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: 23/6 – 23/12: first coupon 23/12/2015.
 Repayment: 7 annual instalments of Euro 7,142,857 from June 23, 2019 to June 23, 2025. The loan is supported by covenants from Tessilquattro S.p.A., AquafilSLO d.o.o., AquafilCRO d.o.o. and Aquafil USA Inc., which were fully complied with at the reporting date.
- bond loan for Euro 5,000,000 subscribed on November 23, 2015 by Finanziaria Internazionale Investments S.G.R. on behalf of the Trentino-Alto Adige Strategic Fund.
 Interest Rate: fixed.
 Coupon maturity: 31/1 – 31/7: first coupon 31/7/2016.
 Repayment: 15 half-yearly instalments of Euro 333,333 from January 1, 2018 to January 1, 2025.

Amounts due to banks

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

	Balances at December 2016				Balances at December 2015
	within one year	1 - 5 years	beyond 5 years	Total	Total
Current accounts	32,368			32,368	45,768
Advances on invoices	446,695			468,028	5,325,947
Other payables	21,333			21,333	39,166
Total	500,396	0	0	500,396	5,410,881
Loans:					
Monte Paschi Siena	727,273	545,455	0	1,272,728	2,000,000
Bank Koper	0	0	0	0	500,000
Cassa Centrale Casse Rurali Trentine	3,092,122	9,478,204	0	12,570,326	12,813,893
Banca di Verona	6,733,844	9,824,577	0	16,558,421	17,458,594
Cassa Rurale Valsabbia Paganella	0	0	0	0	35,187
Cassa Rurale Rovereto	0	0	0	0	2,176,645
Deutsche Bank	1,240,639	3,450,362	0	4,691,001	0
Credito Valtellinese	2,508,843	632,807	0	3,141,650	3,214,974
Biverbanca	872,427	0	0	872,427	1,705,158
Cassa Risparmio di Bolzano	3,833,333	5,750,000	0	9,583,333	0
Cassa Risparmio di Ferrara	669,618	510,992	0	1,180,610	1,837,755
Postna Banka Slovenije	0	0	0	0	2,600,000
Veneto Banca	1,004,722	1,369,313	0	2,374,035	4,907,121
Cassa Rurale Raiffeisen Alto Adige	499,676	511,252	0	1,010,928	1,500,000
Banca Popolare di Sondrio	445,386	0	0	445,386	3,253,252
Banca Popolare di Milano	4,905,626	14,144,189	0	19,049,815	18,710,456
Regions Bank	3,118,679	11,010,777	0	14,129,456	16,699,972
Banca Popolare di Verona	4,250,000	11,000,000	0	15,250,000	7,759,881
Banca Popolare Emilia Romagna	2,282,256	4,328,178	0	6,610,434	4,006,619
ICBC Bank	0	15,000,000	0	15,000,000	15,000,000
Banca di Trento e Bolzano	1,250,000	8,750,000	0	10,000,000	0
GE Capital	2,240,000	3,165,000	0	5,405,000	7,645,000
Banca Popolare di Vicenza	700,000	700,000	0	1,400,000	2,100,000
Finest	201,408	413,490	0	614,898	812,721
Banca Popolare Friuladria	2,679,454	5,684,288	0	8,363,742	6,282,695
Mediobanca	4,000,000	11,000,000	0	15,000,000	15,000,000
Total loans	47,255,306	117,268,881	0	164,524,187	148,019,922
Total due to banks	47,755,702	117,268,881	0	165,024,583	153,430,804

With reference to the loans granted, assets have been mortgaged to the value of Euro 19,534 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 12,136,109 and refers for Euro 7,756 thousand to Aquafil S.p.A., for Euro 3,636 thousand to Aquafil Engineering G.m.b.H., for Euro 477 thousand to Borgolon S.p.A. and for Euro 266 to Aquafil Synthetic Fibres (Daxing) Co. Ltd.

Trade payables

Amounts due for leases beyond 5 years amount to Euro 7.2 million.

	December 2015	December 2016
Third Party Suppliers - Due within 12 months	69,830,130	70,407,792
Liabilities for Leasing - Due within 12 months	1,733,376	1,844,353
Total within 12 months	71,563,506	72,252,145
Third Party Suppliers - Due over 12 months	0	15,605
Liabilities for Leasing - Due over 12 months	15,938,463	14,412,427
Total over 12 months	15,938,463	14,428,032
TOTAL	87,501,969	86,680,177

Payables to associated companies

Payables due within 12 months amount to Euro 14,780 and relate to payables of AquafilCRO d.o.o. to the associated company Xlance Fibre Italia S.r.l.

Payables to parent companies

Payables due within 12 months amount to Euro 2,903,825 and entirely relate to Aquafil S.p.A. payables to the parent company Aquafin Holding S.p.A. relating to the national tax consolidation regime.

Payables to companies subject to the control of the parent

Payables due within 12 months amount to Euro 1,137,466 and relate to AquafilSLO d.o.o. payables to Aquasava d.o.o. (subsidiary of Aquafin Holding S.p.A.) for Euro 867 thousand and of Aquafil S.p.A. and Tessiquattro S.p.A. to Aquaspace S.p.A. (subsidiary of Aquafin Holding S.p.A.) for Euro 270 thousand.

Tax payables

These amount to Euro 3,723,969 and comprise:

	December 2015	December 2016
Corporate income tax payables	(39,952)	(39,995)
IRAP regional tax payables	(7,791)	(7,791)
Withholding taxes	1,275,972	1,319,164
VAT	1,178,076	1,160,671
Other tax payables	227,142	233,462
Other taxes	1,221,742	1,058,372
TOTAL	3,855,188	3,723,969

Payables to social security institutions

These total Euro 2,852,352 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 creditors

Payables due within 12 months amount to Euro 8,942,184 and principally refer to employee payables of Euro 7,840 thousand, in addition to other payables. Payables due beyond 12 months amount to Euro 516 and refer to guarantee deposits of customers. There are no payables due beyond 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	Changes	December 2016
Accruals	602,206	221,317	823,523
Other deferred income	383,850	10,241,062	10,624,912
E) ACCRUED & DEFERRED INCOME	986,058	10,462,379	11,448,435

	December 2015	Changes	December 2016
Accruals:			
Interest on loans and borrowing	276,437	(80,170)	196,267
Interest on bonds	64,167	62,291	126,458
Insurance	81,169	(19,781)	61,388
Other	180,434	258,975	439,409
TOTAL	602,207	221,315	823,522
Deferred income:			
Grants for plant and machinery	291,628	(48,098)	243,530
Other	92,222	10,289,160	10,381,382
TOTAL	383,850	10,241,062	10,624,912
TOTAL ACCRUED & DEFERRED INCOME	986,057	10,462,377	11,448,434

Other deferred income: from January 1, 2016, the worldwide contract for the supply and development of products between the Aquafil Group and the US listed Group Interface became operational. Against a series of benefits on the conditions of supply and the obligation to purchase annual minimum volumes, Interface paid USD 12 million as contribution to the contractual commitments for a total period of 8 years. The portion of this contribution relating to future years was therefore recorded under deferred income.

COMMITMENTS, RISKS AND GUARANTEES

The commitments relating to the derivative financial contracts in place are illustrated below.

Institute	Type	Notional	Commence	Maturity
Banca Popolare di Milano	IRS	€ 13,334,058.45	15/09/2015	30/09/2020
Cassa Centrale	IRS	€ 10,000,000.00	03/09/2015	03/09/2019
Veneto Banca	IRS	€ 4,000,000.00	24/04/2015	30/04/2019
Mediobanca	IRS	€ 15,000,000.00	31/12/2015	30/09/2019
Friuladria	IRS	€ 4,200,000.00	26/04/2016	26/04/2021
Banca Intesa	IRS	€ 10,000,000.00	27/06/2016	30/06/2021
Regions	IRS	\$ 4,342,856.80	15/12/2013	15/12/2017

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	2016
Polyamide, polypropylene and other polymers	488,429,366	472,284,634
Other revenues	10,697,157	10,325,520
TOTAL	499,126,523	482,610,154

By geographic area:

Geographic Area	2015	2016
Italy	95,864,367	100,933,904
Europe	219,279,018	224,200,827
North America	96,563,874	74,764,582
Asia and Oceania	52,235,350	54,191,085
Rest of the World	35,183,912	28,519,756
TOTAL	499,126,523	482,610,154

Capitalisations of internal constructions

The aggregate, which amounts to Euro 873,670, 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	2016
Personnel grants	14,867	77,326
Other grants	822,304	234,639
Rental income	381,748	27,223
Gains on fixed assets disposal	3,156,069	217,385
Insurance compensation	10,666	144,819
Recovery of expenses	250,081	205,874
Rounding	364	1,456
Prior year income	6,194	3,442
Other income	1,300,814	1,716,336
Utilisation of other provisions	603,280	104,793
Software fees	0	55,121
Technical consultant recoveries	0	13,500
Tax consultant and directors recoveries	0	1,000
Consultancy to group companies	0	137,000
Penalties received on supply contract	128,545	64,497
Other extraordinary income	78,071	337,516
TOTAL	6,753,001	3,341,928

Other revenues include:

- for Euro 880 thousand services invoiced by Borgolon S.p.A. to the associate XLance Fibre Italia S.r.l. within the services contract for the provision of productive know-how;
- for Euro 715 thousand contract work-in-progress of Aquafil S.p.A. relating to the sale of two Superba machines whose purchase during the year was classified under raw materials, ancillary, consumables and goods.

Operating grants for Euro 311,965 comprise:

- for Euro 165 thousand Aquafil S.p.A. and refer to the incentive tariffs on the construction and running costs for the production of energy from the photovoltaic plant for Euro 80 thousand, professional training grants for Euro 72 thousand and the “De minimis” grant on leases for Euro 13 thousand;
- for Euro 90 thousand Julon d.o.o. concerning grants principally provided by the Slovenian Ministry for the Economy for the “ECONYL®” project;
- for Euro 5 thousand Tessilquattro S.p.A. for personnel training courses.

COSTS OF PRODUCTION

Raw Materials, ancillary, consumables and Goods

This account is comprised as follows:

	2015	2016
Raw materials and semi-finished goods	221,593,761	206,153,246
Supplies and consumable stores	26,291,592	27,627,514
Other purchases and products sold	3,098,497	3,067,769
Extraordinary raw materials	0	1,626,288
TOTAL	250,983,849	238,474,817

Non-recurring costs in the year amounting to Euro 1.6 million refer to production inefficiencies on the start-up of the new Smartply production process at Aquafil Usa Inc. and Aquafil S.p.A..

Services

The table below shows the breakdown:

	2015	2016
External processing	965,354	803,779
Transport of purchases	2,092,653	752,655
Electricity, propulsive energy, water and gas	38,439,382	34,718,456
Maintenance	6,615,133	6,698,919
Warehousing, management of external storage	3,080,724	2,953,911
Cleaning and security	1,076,972	1,040,684
Waste disposal	1,612,095	1,339,749
Stationary and printing	336,772	375,866
Post and telephone	392,162	329,422
Insurance	2,138,041	2,759,641
Services for personnel	811,971	1,004,687
Technical consultants	999,140	857,189
Fees for technical assistance	137,533	176,076
Commercial consultancy	23,877	43,639
Legal, tax and administrative consultancy	1,343,565	1,127,479
Company expenses	28,722	24,258
Membership fees	250,152	236,963
Newspapers and magazines	34,673	40,502
Ensarco commissions and contributions	2,585,702	2,884,836
Travel and transfer	1,926,479	1,957,578
Commercial information	67,225	79,926
Fairs and exhibitions	202,197	231,228
Advertising expenses	718,450	639,751
Insurance credits	608,242	495,413
Sales representative expenses	581,534	603,924
Transport of sales	14,216,305	13,514,925
Other sales expenses	1,022,829	647,537
Other services	1,109,200	1,029,516
Emoluments for statutory auditors	153,549	134,865
Emoluments for directors	1,267,660	1,466,792
Temporary work	517,207	265,332
Software licenses	17,076	0
Canteen	642,375	587,792
Non-bank charges and commissions	215,444	142,245
Consulting and rental costs ICT assist.	3,585,167	3,197,900
Supervisory board fees	65,941	60,755
Fiscal & administration consultancy - extraordinary	144,743	8,877
Other services – extraordinary	69,263	149,825
Utilities – extraordinary	(39,411)	85,054
Legal and notary fees – extraordinary	26,320	8,366
Technical consultancy – extraordinary	0	48,019
Extraordinary remuneration	295,000	103,000
Extraordinary maintenance	0	21,867
TOTAL	90,377,420	83,649,198

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, amount to Euro 1,466,792 thousand and Euro 134,865 thousand respectively. Pursuant to paragraph 16-bis of article 2427 of the Italian Civil Code introduced by Legislative Decree 39/2010, all the fees paid to the independent auditors who carry out statutory audit activities for the Italian Group companies are broken down below (in Euro thousands).

Company	Activity	Annual Fee
Aquafil S.p.A.	Statutory Audit	89
Aquafil S.p.A.	Audit of Consolidated Accounts	23
Borgolon S.p.A.	Statutory Audit	16
Tessilquattro S.p.A.	Statutory Audit	17
TOTAL		145

The amounts refer to the proposals approved by the respective shareholders' meetings for the 3-year period 2016-2018, and include quarterly reviews.

Rents, leasing and similar costs

The table below shows the breakdown:

	2015	2016
Rent	464,006	441,727
Industrial rent	4,448,028	5,001,027
Hire	1,785,319	1,130,793
Commercial rent	26,466	26,466
Royalties	0	15,000
TOTAL	6,723,819	6,615,014

In particular:

- rent for Euro 441 thousand concerns lodging expenses;
- industrial rent concerns charges on the production facilities and warehouses of AquafilSLO d.o.o. for Euro 2,440 thousand, Aquafil USA Inc. for Euro 960 thousand, Borgolon S.p.A. for Euro 292 thousand, Tessilquattro S.p.A. for Euro 377 thousand, Aquafil S.p.A. for Euro 405 thousand, Aqualeuna GmbH for Euro 325 thousand and Euro 201 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 470 thousand, AquafilCRO d.o.o for Euro 116 thousand, Aquafil USA Inc for Euro 289 thousand and AquafilSLO for Euro 80 thousand.

Personnel costs

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

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

	Avg. headcount
Executives	33
Managers	40
White-collar	503
Blue-collar	2,146
TOTAL	2,720

	Opening	Increases	Decreases	Reclassifications	Closing
Blue-collar	2,139	276	203	(8)	2,152
White-collar	495	47	21	7	510
Managers	39	5	3	1	40
Executives	33	3	3	0	32
TOTAL	2,706	331	230	0	2,734

The total cost includes also the temporary labour cost. The increases in the year principally concerned the companies AquafilSLO d.o.o. and Aquafil Synthetic Fibres and Polymers (Jiaxing) Co. Ltd., while the most significant decreases relate to Aquafil Usa Inc.. The employees of Aquaspace S.p.A. employed in the dyeing division were transferred to Tessilquattro S.p.A. with the sale of the business unit while the employees in the purification division exited the consolidation scope.

Other personnel costs include non-recurring costs mainly due to the mobility and incentive plans of Aquafil S.p.A. and AquafilSlo d.o.o.

Provisions for risks

The provision amounts to Euro 50,274 and refers to the supplementary indemnity provision for agents.

Other provisions

The account includes provisions for other risks of Aquafil Engineering GmbH.

Other operating costs

This account consists of:

	2015	2016
Non-deductible VAT	49,903	39,772
Property tax	894,767	866,956
Other taxes	132,567	122,893
Losses on disposal of assets	28,081	21,820
Losses on receivables	3,551	4,439
Rounding	1,478	329
Bonuses to customers	2,627	3,478
Other charges	826,222	801,694
Scholarships	31,236	13,046
Penalties and fines	73,270	16,525
Penalties on supply contracts	13,000	66,282
Other extraordinary charges	140,000	80,733
Adjustments to grants - extraordinary	0	106,636
TOTAL	2,196,703	2,144,603

FINANCIAL INCOME AND CHARGES

INVESTMENT INCOME

Investment income from other companies for Euro 36,814 concerns dividends received by Aquafil S.p.A. distributed by Trentina Finanziaria S.p.A..

OTHER FINANCIAL INCOME

Income from non-current receivables amounts to Euro 457,975 thousand and relates to interest on loans to the parent company Aquafin Holding S.p.A. in addition to interest on the loan to the associate Aquaspace S.p.A. for Euro 15,479.

OTHER INCOME

Other income comprises:

	2015	2016
Other interest	141,629	110,648
Interest income current accts.	84,321	22,587
Discounts on purchases	6,267	2
TOTAL	232,217	133,237

INTEREST EXPENSE AND OTHER FINANCIAL CHARGES

This account is comprised as follows:

	Interest expense and other financial charges
Bond loan	2,366,198
Due to banks	4,105,036
Other	3,632,631
TOTAL	10,103,866

These include:

	2015	2016
Third parties:		
Interest and other financial charges	173,528	0
Interest on bonds	1,151,723	2,366,198
Interest exp. on current accounts	940,452	896,001
Interest on mortgage loans	4,935,575	2,583,270
Interest on bank borrowings	471,302	58,534
Interest expense to other lenders	36,100	1,261
Interest expense on export advances	719,017	24,467
Interest expense on import loans	163,521	0
Interest on commercial bills	327,692	2,526
Interest on factoring	219,203	105,853
Interest expense on commercial operations	45,461	4,455
Interest payable to leasing companies	190,154	90,209
Bank expenses and commissions	1,059,814	429,931
Cash discounts	3,769,371	3,512,527
Other charges	92,964	25,396
TOTAL	14,295,877	10,103,866

EXCHANGE GAINS AND LOSSES

Net exchange losses amounted to Euro 1,518,334.

IMPAIRMENTS ON FINANCIAL ASSETS

REVALUATIONS

The item refers to the positive fair value of the derivative financial instruments for Euro 111,804.

WRITE-DOWNS

- a) The account concerns the write-down, deriving from the alignment to its realisable value at the beginning of 2017, for Euro 1,203,815 the investment in the associate Xlance Fibre Italia S.r.l..
- d) The account refers to the losses deriving from the derivative instruments for Euro 87,577.

INCOME TAXES

The breakdown is as follows (Euro thousands):

	2015	2016
Current taxes:		
Current taxes – IRES	6,928	3,356
Current taxes – IRAP	580	357
Other taxes	1,382	1,658
Total	8,890	5,371
Deferred taxes:		
IRES - Deferred tax assets and liabilities	(250)	726
IRAP - Deferred tax assets and liabilities	(11)	269
Other deferred tax assets and liabilities	(820)	235
Total	(1,081)	1,230
TOTAL	7,809	6,602

	December 2016	December 2015
Temporary differences from statutory financial statements		
tax losses	0	(421)
amort. & depreciation-gains	(436)	275
risk provisions	1,004	(714)
doubtful debt provision	(157)	435
Other		117
Consolidation transactions:		
IAS 17	206	(1,146)
amort. & depreciation-gains	467	439
other transactions for compliance of accounting standards	146	(66)
TOTAL	1,230	(1,081)
TOTAL	1,230	(1,081)

Aquafil 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 117 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.

The amount of non-recurring costs and revenues for each account line item is summarised below:

Account items	Amount (Euro)
A1 Revenues from Sales and Services	465.25
A5 Other Revenues and Income	337,516.47
B14 Other Operating Costs	-203,893.49
B6 Raw Materials, Ancillary, Consumable Stores and Goods	-1,626,288.14
B7 Service Costs	-425,007.49
B9 Other Personnel Costs	-439,540.94
Total non-recurring items	-2,356,748.34

OTHER INFORMATION

EMPLOYMENT INFORMATION

Reference should be made to the information in the previous paragraph "Personnel expenses".

REMUNERATION OF DIRECTORS, STATUTORY AUDITORS AND INDEPENDENT AUDIT FIRM

Reference should be made to the information in the previous paragraph "Costs of Production - Services".

We report that the company has not provided advances or loans to directors or statutory auditors.

ACCOUNTING TREATMENT OF DERIVATIVE FINANCIAL INSTRUMENTS

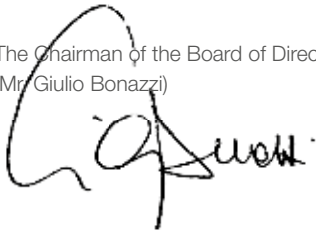
The Group states in the consolidated financial statements derivative financial instrument assets and liabilities relating to IRS contracts on interest rates. These contracts, although subscribed for hedging purposes relating to the financial exposure of the Group, were not treated as hedges for accounting purposes given the technical complexity of the accounting demonstration of the hedging relationship and the relative effectiveness.

TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties were undertaken in line with market conditions. For further information, reference should be made to the paragraph "Intercompany and related party transactions" in the Directors' Report.

Arco, March 29, 2017

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

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





70. Report of the Board
of Statutory Auditors

72. Auditors' report

Board of Statutory Auditors Report on the 2016 Consolidated Financial Statements

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

Dear Shareholders,

We have examined the Group's Consolidated Financial Statements at December 31, 2016, prepared on a voluntary basis and provided to the Board of Statutory Auditors, together with the attachments, in particular the financial statements of the subsidiary, the Directors' Report and the reconciliation between the net result and net equity of the separate financial statements of the parent company and the consolidated financial statements in accordance with law. The consolidated financial statements, as for the statutory accounts, were audited by PricewaterhouseCoopers S.p.A. who issued on April 13, 2017 their report and do not highlight any significant issues.

The financial year end of the companies included in the consolidation scope is the same as the consolidating company.

The Explanatory Notes outlined in detail the consolidation scope and criteria, while the criteria used for the preparation of the consolidated financial statements have not changed on the previous year.

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

The consolidation scope changed compared to the previous year:

during the year the company Aquafil India Private Limited was incorporated, while the company Aquaspace S.p.A. was deconsolidated.

The consolidated Balance Sheet reports a consolidated net profit for the year of Euro 20,692,745 thousand and is summarised below.

BALANCE SHEET

Assets	488,593,396
Liabilities	364,740,863
Shareholders' Equity	123,852,533
- of which minority interest share capital and profit	386,458
- of which Group share capital and profit	123,466,075
Total liabilities and shareholders' equity	488,593,396

The key Consolidated Income Statement figures are as follows:

INCOME STATEMENT

A) Value of production	484,861,294
B) Costs of production	-448,338,651
Difference A) -B)	36,522,643
C) Financial income and charges	-7,942,027
D) Adjustment to financial assets	-1,179,588
Profit before taxes	27,401,028
Current taxes	-5,371,275
Deferred taxes	-1,230,490
Profit for the year	20,799,263
Minority interest profit	106,518
Group profit	20,692,745

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

Arco, April 13, 2017

The Board of Statutory Auditors

Mr. PIETRO MONTI
(Chairman)

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 2016, the income statement and statement of cash flows 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.

PricewaterhouseCoopers SpA

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

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 2016 and of the result of its operations and cash flows 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 commented by the directors in the explanatory notes in chapter "Receivables from holding 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 2016. In our opinion, the report on operations is consistent with the consolidated financial statements of the AQUAFIL Group as of 31 December 2016

Trento, 13 April 2017

PricewaterhouseCoopers SpA

Signed by

Alberto Michelotti
(Partner)

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



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