Montefibre S.p.A.

Report on the Interim Financial statements for the six months ended on June 30, 2007

Montefibre

Contents

Company representatives

Board of directors (1)

Chairman
Roberto De Santis

Managing Director
Emilio Mario Boriolo

Directors
Valter Caporizzi
Giorgio Galeazzi
Alessandro Nova
Sergio Orlandi
Vittorio Orlandi
Aurelio Pellegrini

Board of statutory auditors (2)

Chairman
Massimo Scarafuggi (3)

Acting Auditors
Marco Benvenuti Lovati
Ugo Rock

Substitute Auditors
Marco Armarolli

Representative of the holders of savings shares (4)

Achille Benetti Genolini

Independent auditors (5)

PricewaterhouseCoopers S.p.A.

Directors responsibilities

The Chairman of the Board of Directors is the legal representative of the Company in accordance with Art. No. 21 of the Company's Statute.
The Managing Director has been entrusted with all powers necessary for the management of the Company's business operations.

Note

(1) Appointed by the ordinary shareholders' meeting of May 9, 2007 for a three-year period and therefore due to expire following the approval of the financial statements for the year 2009.
(2) Appointed by the ordinary shareholders' meeting of May 3, 2006 for a three-year period, and therefore due to expire following the approval of the financial statements for the year 2008.
(3) Took over the position of Chairman on August 1, 2007, following the resignation of Massimo Nuti.
(4) Appointed for a three-year period by the special meeting of the savings shareholders held on May 9, 2007.
(5) Mandate conferred for a three-year period by the Shareholders' Meeting of June 30, 2004 and extended for a further six-year period by the ordinary shareholders' meeting of May 9, 2007.

INTRODUCTION

STRUCTURE OF THE MONTEFIBRE GROUP

The Montefibre Group is comprised of the parent company, Montefibre S.p.A., with head offices in Milan and production facilities for acrylic fibres at its Porto Marghera plant and for certain types of polyester fibres at its Acerra plant, and of the following subsidiaries, all of whom are 100% directly controlled:

- Montefibre Hispania S.A., with head offices in Barcelona and production plant for acrylic fibres at Miranda de Ebro;

- Trasformazione Fibre S.r.l., in liquidation as from January 2006.

The Montefibre Group also holds shares in the following associated companies:

- Jilin JiMont Acrylic Fiber Co. Ltd, 50% owned in joint venture with Jilin Qifeng Chemical Fiber Co. Ltd. (a member of the Jilin Chemical Fiber Group Co. Ltd. Group), with acrylic fibre production plant at Jilin City, in North East China;

- Fibras Europeas de Poliéster S.L., 40% owned in joint venture with the companies La Seda de Barcelona S.A. and Evertis de México S.A. de C.V., with polyester fibre production plants held by the subsidiary companies Fidion S.r.l., at Acerra, and Fibracat Europa S.L. at El Prat de Llobregat in Spain;

- Genfibre S.A., 50% owned by Montefibre Hispania S.A. in joint venture with Iberdrola Cogeneración S.R.L.U. (a member of the Iberdrola Group), which produces electricity and steam-powered energy at its combined cycle plant at Miranda de Ebro; the company holds a licence which allows it to operate on the Spanish electricity market, through which it sells more than 80% of the electricity produced;

- West Dock S.r.l., 50% owned in joint venture with West Docks Logistic Venice S.r.l., and constituted for the purpose of the planning and coordination of the re-conversion of the Porto Marghera site destined for logistics activity.

The polyester business

Following the implementation of the agreement between Montefibre and La Seda de Barcelona for the integration of their respective activities in the polyester fibres sector, the company Fidion S.r.l., which received in conferral the polyester staples production plant, currently inactive awaiting the re-launch of polymer production on the part of SIMPE, operates at the Acerra site; Montefibre retains ownership of the relative fixed assets, which have been granted in leasing to Fidion.
Montefibre and Fidion, respectively, have the option for the purchase and sale of the production plant, exercisable in December of the years 2008 (by Montefibre only) and 2009 (by both companies). The existence of such options defers the transfer of specific risks and benefits connected to the plant until the dates set for the exercise of the abovementioned options. As a result of this agreement, the legal effects of the conferral have no accounting effect at the balance sheet date, but rather, in line with the requirements of the IAS/IFRS accounting standards, the plant subject to the abovementioned option agreement continues to be recorded in the consolidated financial statements of the Montefibre Group for the duration of the intermediate period.

Montefibre retained the "polyester fibre from recycled materials" business segment with its short spinning production lines: as from January 1, 2007 this was leased to Fidion for an extendable three-year period.
A total of No. 173 employees have been transferred from Montefibre to Fidion, of these, approximately No. 40 are operative and the remainder are in temporary redundancy (CIGS), granted for a twenty-four month period as from December 1, 2006.

Furthermore, La Seda de Barcelona became the majority shareholder of SIMPE with a 50.1% share of the entire share capital. This operation was concluded on January 30, 2007 with the underwriting by La Seda de Barcelona of a share capital increase (which rose from Euro 36.7 million to Euro 57.4 million) and the acquisition from NGP of a further capital quota equivalent to 1.8% of SIMPE's share capital.
On December 22, 2006 La Seda de Barcelona had purchased the entire capital quota (Euro 7 million) owned by Montefibre and had replaced Montefibre in the pacts in existence between the latter and SIMPE and has assumed all of the resulting undertakings and commitments towards Sviluppo Italia. The two fidejussions issued by Montefibre in order to guarantee, in proportion the share of capital held, the restitution, in the event of default by SIMPE, of both the loan advance and the regional grants received in order to finance the industrial reconversion project, still stand; these amount to Euro 0.9 million and Euro 3.8 million respectively, the latter of which represents the Company's maximum exposure to risk. The necessary bureaucratic process has been set in motion in order to obtain Sviluppo Italia's consent for La Seda de Barcelona to take over the role of guarantor and for the consequent extinction of the two fidejussions.

The realisation of the abovementioned extraordinary operations has radically changed the economic prospects of the polyester staples business at Acerra, also in consideration of the new improved situation regarding the supply of polymer by SIMPE compared to that foreseen in the previous programme. The significant financial resources obtained from SIMPE by means of the share capital increase underwritten by La Seda, and destined towards the more attractive new industrial project, which is already underway, enable us to look forward with greater optimism to the gradual return to production, also by Fidion, as from the second half of the year 2008, following the launch of SIMPE's polymerisation plant, overdue with respect to the previous scheduled date.

At June 30, 2007 Montefibre recorded the following receivables and payables due to/from NGP and SIMPE:

- long-term receivables due from NGP	Euro 9.0 million
- long-term receivables due from SIMPE	Euro 13.2 million
- short-term receivables due from NGP	Euro 0.1 million
- short-term debt due towards NGP	Euro 0.0 million

for a net total of Euro 22.3 million, of which Euro 22.2 million long-term and Euro 0.1 million short-term.

Montefibre has agreed to postpone the collection of the long-term receivables and of the relative interest thereon until after the repayment of SIMPE S.p.A.'s short-term debt towards the banks and after the exit of Sviluppo Italia from SIMPE's capital and, however, not before the year 2011.
The residual value of the debts transferred by Montefibre to NGP as a result of the demerger operation of February 28, 2003 (mortgage loans and employee termination indemnity), for which Montefibre is jointly and severally liable, in accordance with Article No. 2506 quater of the Italian Civil Code, amounts to Euro 15.9 million, representing the residual value of mortgage loans, which have been conferred in full from NGP to SIMPE.

The Ottana factory

The procedure for the placing into mobility of the No. 138 employees still employed by the Company shall be commenced within the end of the year 2007.

The procedure shall follow the guidelines contained in the two Agreements signed on May 29, 2006 with the Autonomous Sardinia Region and with the Ministry for Employment and Social Welfare, with the participation of the relevant trades unions, which established a specific path for the handling of personnel:

- the exceptional granting of CIGS for the years 2006 and 2007;
- the placing into mobility as from January 1, 2008;
- the assumption under fixed term contract by the Region, in 2008;
- mobility indemnity costs to be paid for by the government from the years 2009 to 2012, by the Region for the years 2013 and 2014, and by Montefibre, for the years 2015 and 2016.

The costs to be sustained under this agreement have already been provided for in the financial statements as of December 31, 2006.

Chinese joint venture

On March 21, 2007 the transfer took place from Montefibre to SIMEST (“Società Italiana per le Imprese all’estero” - in which the Italian government holds 76% of the share capital) S.p.A. of a part of the capital quota held by Montefibre in the joint venture Jilin JiMont Acrylic Fibre Co. Ltd. (JiMont) equivalent to 10.6% of the share capital there of; this quota was transferred at the nominal value of Euro 4.9 million and was, in part, acquired by SIMEST on behalf of the Italian government venture capital fund designed to support intervention by Italian companies in China. Montefibre, which has been granted the usufruct of this capital quota, has undertaken to re-purchase it within June 30, 2013 at set conditions; Montefibre and SIMEST have the option for the purchase and sale respectively of the abovementioned quota, exercisable as from June 30, 2010.

The details of SIMEST’s investment in JiMont were set out in the contract dated August 8, 2006; the transfer of the capital quota was finalised by a subsequent agreement stipulated on November 10, 2006 and authorised by the Chinese Ministry for Trade on March 9, 2007.
The technical work on the new plant, with a production capacity of 100,000 tons per annum, was completed at the end of December 2006.

Logistics project

In March 2007, Montefibre signed an agreement with the company West Docks Logistic Venice S.r.l., an important multi-functional logistics operator in Venice, for the development of the executive planning of a logistics centre to be built on available land at the Porto Marghera factory site.
The centre shall have access to a quay on a navigable canal covering an area of approximately 1.2 km, backed by an area of more than 35 hectares; we would point out that the Porto Marghera factory site covers a total area of approximately 68 hectares, of which 15 hectares on government-owned land.

For this purpose, the equal joint venture company West Dock S.r.l. was set up on April 12, 2007; this company is expected to complete the planning phase within 18 months and thereafter it shall prepare and follow through the subsequent complex bureaucratic authorisation process, which is subject to the approval of the competent public authorities.

The subsequent logistics activity shall be managed by West Docks Logistic Venice, which shall purchase the land from Montefibre at an agreed minimum price. Montefibre shall transfer its concession for the exclusive right of use of the quay to West Docks Logistic Venice and has the option to decide whether or not to participate in the capital of this company with a share of between 10% and 50%.

This project integrates with the Logistics Master Plan elaborated by the “Distretto della Logistica” of Venice and Treviso.

The chemical fibres industry in western Europe during the first six months of the year 2007

The period saw a continuation of the factors which negatively affect the situation regarding the European fibre industry and which prevent this sector from taking full advantage of the economic recovery underway: the high cost of raw materials and energy, the pressure from imports of textile products from China, following the expiry of the so-called "Multifibre Agreement" in January 2005 and the further strengthening of the euro, which penalises European manufacturers' competitivity.

As regards acrylic fibre, the situation continued to worsen during these first six months of the year 2007: following the pause of the final quarter of the previous year, the cost of acrylonitrile resumed its rise, reaching levels which render the cost of this fibre non-competitive with other fibres, even in Asian countries, and thus generating a drop in consumption even in those geographic areas which had previously registered increases.
In addition, as a result of the closures, for various reasons, of production plant in various parts of the world, Europe suffered a shortage of acrylonitrile which forced fibre manufacturers to reduce both production and sales levels, even below the levels determined by the market situation.
The negative effects of the above situation are confirmed by the figures for European manufacturers' sales of acrylic fibre (including Turkish manufacturers), which saw not only a drop of 20.9% in Western Europe during the first six months of the year 2007, but also saw decreases of varying degrees in other geographic areas: Eastern Europe and Turkey (-0.8%), China (-28.3%), the rest of the world (-7.8%).

Therefore the total worldwide sales by European manufacturers have fallen by 8.6%, while, due to a parallel decrease in production, stocks have reached very low levels.

On the contrary, the market situation in Europe for polyester fibre shows signs of improvement, even if the second quarter has slowed down with respect to the first quarter: preliminary figures for sales by European manufacturers (including Turkish manufacturers) in Western Europe indicate a rise of approximately 6% with respect to the first six months of the year 2006; imports from outwith Europe during the first four months of the year have risen by approximately 7% with respect to the corresponding period of the previous year, in line with the growth in sales by European manufacturers. Therefore there has been an evident growth in consumption, with a substantial stability in the market share covered by imports, which continue to account for around 50% of total market share.

PERFORMANCE OF THE MONTEFIBRE GROUP

FOREWORD

The Montefibre Group recorded a net loss of Euro 20.7 million for the first six months of the year 2007, against a net loss of Euro 6.4 million for the first six months of the year 2006.

A greater understanding of the results obtained can be gained from the summarised consolidated balance sheet and income statement for the Montefibre Group as of June 30, 2007, together with comparative figures for the period ended on June 30, 2006 for the income statement and statement of cash flows and with the figures as of December 31, 2006 for the balance sheet, all expressed in millions of euro.

These summarised schedules, similar to those shown in the Directors' report on the consolidated financial statements as of December 31, 2006, have not been subject to independent audit and are shown solely for the purposes of providing a greater understanding of the results obtained.

In particular:

- the summarised Income Statement provides a more summarised version of the headings shown in the obligatory income statement and highlights the Gross operating margin, which represents the operating result before amortisation and depreciation and before adjustments to the value of non-current assets;

- the summarised Balance Sheet represents a reclassified schedule which groups the values of the Company's assets and liabilities in function of the three principal aspects of corporate management : investments, operations and finance.
  Fixed assets show the Non-current assets, excluding Other assets and Deferred tax assets;
  Net working capital gives separate disclosure of the three components (Inventories, Trade receivables and Trade payables) of net working capital generated by normal operations and, under the heading Other receivables/payables, the net balance of all of the other Current and Non-current assets and Current and Non-current liabilities, with the exclusion of items of a financial/monetary nature and of Employee Benefits, disclosed separately.
  The second part of the schedule illustrates the means of coverage of the net capital invested, and shows Shareholders' equity (internal finance) and Net financial debt (external finance); this latter is analysed in greater detail in the note to the financial statements relative to net financial position;

- the summarised Statement of Cash Flows gives a more concise picture of the headings shown in the obligatory statement.

In addition, a specific schedule is provided showing the reconciliation between the consolidated results and net equity of the Montefibre Group as of June 30, 2007 with those of Montefibre S.p.A. at the same date.

For the purposes of clarity it should be noted that no changes have taken place in the consolidation area with respect to the previous year; however, we would remind you that, as already mentioned above, as from the year 2007 the short spinning lines polyester activity is no longer operated by Montefibre.

Consolidated income statement (summary)

(in millions of Euro)	30.06.2007	30.06.2006
Net sales revenue	170.0	217.3
Other income and revenues	2.8	1.9
Purchases, services and other operating expenses	(159.9)	(197.4)
Payroll and related charges	(19.5)	(22.8)
Income (expenses) from non-recurring operations	(0.3)	2.1
Gross operating margin	**(6.9)**	**1.1**
Depreciation and amortisation	(6.0)	(6.1)
Value adjustments	0.2	0.0
Operating result	**(12.7)**	**(5.0)**
Net financial income (charges)	(1.4)	(1.9)
Net income (losses) from equity investments	(5.4)	1.1
Result before tax	**(19.5)**	**(5.8)**
Income tax	(1.2)	(0.6)
Net income (loss) for the period	**(20.7)**	**(6.4)**

Consolidated balance sheet (summary)

(in millions of Euro)	30.06.2007	31.12.2006
Property, plant and equipment	91.5	96.2
Investment property	33.9	33.5
Intangible assets	0.0	0.0
Equity investments	23.9	26.2
Other non-current assets	28.6	21.6
Fixed assets	**177.9**	**177.5**
Inventories	42.5	67.7
Trade receivables	62.2	80.8
Trade payables	(74.0)	(86.1)
Other receivables/payables	(8.5)	(14.1)
Provisions for risks and charges	(19.7)	(16.6)
Net working capital	**2.5**	**31.7**
Provision for employee benefits	**(8.7)**	**(9.6)**
Net capital invested	**171.7**	**199.6**

Shareholders' equity	**123.8**	**144.5**
Medium/long term financial debt	11.0	7.8
- Short term financial debt	57.3	67.9
- Financial assets	0.0	0.0
- Liquid funds	(20.4)	(20.6)
Net short-term financial debt	36.9	47.3
Net financial debt	**47.9**	**55.1**
Coverage	**171.7**	**199.6**

CONSOLIDATED CASH FLOW STATEMENT (SUMMARY)

(in millions of Euro)	30.06.2007	30.06.2006
Net income (loss) for the period	(20.7)	(6.4)
Amortisation, depreciation and other non-monetary adjustments	13.6	6.9
CASH FLOWS FROM CURRENT OPERATIONS (SELF-FINANCING)	**(7.1)**	**0.5**
Variation in net working capital	19.6	20.8
Payments of employee benefit provision	(1.1)	(1.4)
Dividends, taxation and interest received / (paid)	(2.8)	(1.9)
NET CASH PROVIDED BY OPERATING ACTIVITIES (A)	**8.6**	**18.0**
Investments:		
- Plant and machinery	(1.3)	(2.0)
- Equity investments	(0.1)	(22.3)
CASH USED IN INVESTMENTS	**(1.4)**	**(24.3)**
Disposals:		
- Plant and equipment	0.0	0.1
- Equity investments	0.0	0.0
CASH FLOW FROM DISPOSALS	**0.0**	**0.1**
NET CASH USED IN INVESTING ACTIVITIES (B)	**(1.4)**	**(24.2)**
Payment received from sale of current financial assets	0.0	19.7
Variation in current financial debt	(10.6)	(14.1)
Variation in non-current financial debt	3.2	(1.9)
NET CASH FLOW FROM FINANCING ACTIVITIES (C)	**(7.4)**	**3.7**
NET CASH FLOW FOR THE PERIOD (D = A + B + C)	**(0.2)**	**(2.5)**

OPENING LIQUIDITY	**20.6**	**19.0**
CLOSING LIQUIDITY	**20.4**	**16.5**

RECONCILIATION WITH THE PARENT COMPANY FINANCIAL STATEMENTS

(in millions of Euro)	Result for the six-month period ended on 30.06.2007	Net equity as of 30.06.2007
BALANCE AS PER MONTEFIBRE S.P.A. FINANCIAL STATEMENTS	**(8.1)**	**154.0**
Difference between net equity of consolidated companies and the net book value of the investments therein recorded in Montefibre S.p.A's financial statements	(12.8)	(26.0)
Gains on infragroup lease-back operations	0.4	(1.8)
Elimination of profits from infragroup operations	0	(0.8)
Elimination of share of profits from operations with companies valued at net equity	0.1	(2.0)
Fiscal effects of adjustments	(0.3)	0.4
BALANCE AS PER CONSOLIDATED FINANCIAL STATEMENTS	**(20.7)**	**123.8**

Analysis of the income statement

During the first six months of the year 2007 net sales revenues amounted to Euro 170.0 million, showing a decrease of 21.7% with respect to the first six months of the year 2006, due to a 6.7% increase in sales prices and a 28.4% drop in sales volumes. This latter, in particular, is due both to the absence of sales of polyester fibre, for the reasons mentioned earlier in this report, and to a 21.6% decrease in sales of acrylic fibres. The increase in prices is due not only to increases in the unit prices for acrylic fibres, but also to an improved product sales mix, given that acrylic fibre prices are generally higher than those for polyester fibre, and due to the cutbacks in the sales of the cheaper acrylic fibres in the less profitable geographic areas.
The increase in acrylic fibre prices more or less followed the trend in the costs of the raw material acrylonitrile, which rose by 5.7% with respect to the corresponding period of the previous year.
Despite a further increase in energy costs, unit margins improved with respect to the extremely low margins recorded in the first six months of the year 2006, even if they are still not sufficient to compensate for the dramatic drop in sales volumes.

Purchases, services and other operating expenses fell by 19.0% with respect to the corresponding period of the year 2006, due to the combined effect of the drop in sales volumes and the rise in raw materials and energy costs.

Total personnel costs, including the provision for employee benefits (employee termination indemnities) and excluding the costs relative to mutually-agreed early retirements and redundancies, fell by 14.5% with respect to the first six months of the year 2006, due partly to the transfer of employees to the company Fidion and partly to the reduction in staff levels at both head offices and at the Group's production plants. In addition, this has benefited during the period from a drop of Euro 0.6 million in the accrual to the provision for employee benefits following the changes in calculation to bring this into line with the new legislation regarding staff leaving indemnity (TFR). The average workforce has fallen from No. 1,105 employees (of whom 819 operative) during the first six months of 2006 to No. 887 employees during the first half of 2007 (of whom 742 operative).

Practically all of the non-operative personnel are in government-subsidised temporary redundancies (CIGS).

Net charges for non-recurring operations amounted to Euro 0.3 million and consist mainly of early retirement incentives given to head office staff.

Therefore, the gross operating margin showed a loss of Euro 6.9 million, against a profit of Euro 1.1 million for the corresponding period of the previous year.

Amortisation and depreciation charges amounted to Euro 6.0 million, lower than those recorded in the first half of year 2006; in particular these include the depreciation, for Euro 1.0 million, of the plant conferred to Fidion. Therefore, after valuation adjustments for a total of Euro 0.2 million, the operating result for the period amounted to a loss of Euro 12.7 million (compared to a loss of Euro 5.0 million in the corresponding period of the previous year).

The net balance between financial income and expenses, which includes exchange differences, shows net financial expenses of Euro 1.4 million, against net financial expenses of Euro 1.9 million for the corresponding period of the previous year; the improvement is due mainly to the net gains on exchange of Euro 0.2 million, compared to net exchange losses of Euro 0.4 million for the first six months of the year 2006.

Net losses from equity investments, amounting to Euro 5.4 million, are comprised of the Group share of the 2006 results of the companies Genfibre S.A. (Euro 0.2 million) and JiMont (Euro -2.4 million), both 50% owned , and of Fibras Europeas de Poliéster (Euro -3.2 million), 40% owned, all of which valued under the net equity method.

We would point out the following in particular:

- as regards Genfibre, the functioning at below full capacity of the Miranda de Ebro factory, as a result of the abovementioned difficulties in both the market and in the sourcing of raw materials, has reduced profitability, given the combined cycle production process which links the electricity produced to the steam consumed by fibre production; during the period the company also carried out its periodic ten-yearly maintenance programme which forced Genfibre to shut-down production during the month of June; in addition, the particularly mild and wet Spanish winter led to lower consumption levels and thus falling prices on the Spanish electricity market as a result of the greater availability of hydro-electric energy, against the growing cost of methane gas due to high crude oil prices. With the return of higher production levels and with the improvement in unit margins on electricity sales, we expect to see a net improvement in Genfibre's results for the second six months of the year, in line with that of prior years;

- as regards JiMont, the commencement of production in November 2006, was more gradual than previously forseen due to current market conditions, which are still particularly difficult even in China;

- the losses recorded by the company Fibras Europeas de Poliéster were due largely to the losses of the Spanish industrial activity of the associated company Fibracat: these losses are expected to be recovered at a later date with the further realisation of the programme for the industrial integration between the production activity at the Italian and Spanish plants; the slightly negative result recorded by the company Fidion was due principally to the fixed structural costs which continue despite the temporary closure of the polyester fibre activity, while the recycled polyester fibre activity rented out by Montefibre to Fidion generated positive operating results.

Therefore the result before taxes showed a loss of Euro 19.5 million, against a loss of Euro 5.8 million for the first six months of the year 2006.

The provision for tax of Euro -1.2 million relates mainly to the current and deferred taxation of the parent company.

Therefore the period closed with a loss of Euro 20.7 million, compared to a loss of Euro 6.4 million for the first six months of the year 2006.

Analysis of the consolidated balance sheet

Total fixed assets amounted to Euro 177.9 million at June 30, 2007, substantially in line with those at December 31, 2006.
Property, plant and machinery fell by Euro 4.7 million due to the fact that the depreciation charges exceeded the additions during the period. They also include the value of the plant conferred to Fidion for the reasons explained earlier in this report.
Equity investments have fallen by Euro 2.3 million due to the Group share of losses of its associated and joint venture companies (with the exception of that of Fibras Europeas de Poliéster, equivalent to Euro 3.2 million, allocated to the provision for risk on equity investments) and for the reversal of the dividend paid by Genfibre on prior year profits. The other non-current assets are comprised of long term receivables due from NGP and SIMPE, which have increased with respect to December 31, 2006 due to the interest matured thereon, and of the receivable of Euro 6.4 million due from the company Fidion for the value of inventories relative to the business segment leased thereto.

As regards net working capital, the decrease therein (of Euro 29.2 million) is due largely to the reduction in net trading capital, due in turn to the abovementioned drop in turnover and also to a large extent to the sale of the polyester business to the company Fidion. The variation in the net negative balance between other payables and other receivables is due principally to the increase in the current account receivable due from Fidion and to a decrease in payables towards employees, consultants and social welfare institutions.

The variation in the provisions for risks and charges is due largely to the increase, as mentioned above, of the provision for risk on equity investments.

The provision for employee benefits has decreased significantly, due both to the change in calculation method in line with the new legislation and to the payments made to employees leaving the Group during the period.

Overall, the net capital invested, amounting to Euro 171.7 million, has decreased by 14.0% with respect to December 31, 2006.

Net equity has decreased by Euro 20.7 million, as a result of the net loss for the period, while, as a result of the abovementioned reduction in net capital invested, net financial debt has also fallen by Euro 7.2 million, to reach a total of Euro 47.9 million, representing less than 40% of net equity.

From a financial point of view, the first six months of the year saw a negative self-funding as a result of the abovementioned difficulties in the acrylic fibre business; however, the further reduction in working capital during the period resulted in a positive net cash flow generated by operations, enabling the Group to cover both the modest outgoings for investments, mortgage repayments and leasing instalments for Euro 1.7 million; with the receipt of payment from SIMEST of its capital quota in JiMont, recorded under long term payables given the repurchase commitment, Montefibre managed to reduce current financial debt by shifting a part thereof to the medium/long term.

Acrylic fibres

As mentioned above, the first six months of the year 2007 were once again characterised by a significant worsening in the acrylic fibre situation: the period saw a reduction in fibre consumption not only at a European level, as was the case in previous years, but also in those other parts of the world which had up until then registered growth, due largely to the exceptional increases in the cost of acrylonitrile, and the consequent unsatisfactory spread between fibre prices and raw material costs, as a result of the impossibility in this difficult market situation to pass all of the increases in costs onto sales prices.

Given the above situation, total Group acrylic fibre sales volumes during the first six months of the year fell by a total of 21.6%, with a change in geographic mix, as the reduction in Western Europe was partly compensated for by the higher sales volumes in Eastern Europe and in Turkey, while sales in China and in other countries in the Far East, insufficiently profitable in the current market situation, fell dramatically. The recovery through higher sales prices of the increases in raw materials costs which took place during the previous quarters has given rise, in this first half of the year 2007, to an improvement in unit margins with respect to the corresponding period of the previous year, although they still remain unsatisfactory. Furthermore, the significant drop in sales volumes has meant that the acrylic business continued to record gross operating losses.

Polyester fibres

Contrary to that of acrylic fibres, the market situation for polyester fibres in Europe during the first six months of the year showed signs of an improvement, even though the increase in consumption continues to be accompanied by a strong presence of imports from outwith Europe.

The recycled polyester fibre produced on the short spinning lines by Fidion showed an improvement both in terms of volumes and of unit margins with respect to the previous year (when it was still managed by Montefibre). Therefore this activity registered a positive operating margin.

Significant post balance sheet events

At the end of July 2007 a preliminary agreement was reached with the Iberdrola Group for the acquisition by the subsidiary Montefibre Hispania of the remaining 50% of the shares of the company Genfibre held by the Spanish energy Group.
In its meeting of September 10, 2007 the Board of Directors approved the contents of the operation, authorising the subsidiary to conclude the agreement and to see it through in the short term.

This acquisition forms part of a project which includes the subsequent merger by incorporation of Genfibre into Montefibre Hispania within the end of the year 2007, in order to enable it to benefit straight away from significant reductions in utilities costs (electricity and steam power) for the production of acrylic fibre at the Miranda de Ebro plant.

The above operation shall also serve to diversify the Group's sources of income, increasing its presence in the energy sector, which is less susceptible to significant fluctuations in profitability.

Forecast for the remainder of the year

The market situation for the third quarter of the year does not show any signs of improvement with respect to the six months just ended.

The ongoing difficulty in obtaining supplies of acrylonitrile have resulted in acrylic fibre production and sales volumes well below those possible at full production capacity of the Group's plants. The overall drop in production is mainly concentrated in the Porto Marghera factory, where however, speciality production continued at full capacity. At the same time the Miranda de Ebro factory is operating at more or less full capacity, which should enable Genfibre to improve its results also. As regards sales prices, the recent increases applied shall not be sufficient to compensate the further upwards trend of acrylonitrile prices during this period. Therefore no improvements in unit margins are expected to take place, and this, together with the reduced production and sales volumes, shall give rise to a negative Group gross operating margin for the second half of the year also.

Despite the difficult market situation described above, no significant variations in Group net financial indebtedness are expected during the coming months other than those deriving from the acquisition mentioned in the previous paragraph above.

Other general information

Share capital of Montefibre S.p.A.

The share capital of Montefibre S.p.A. amounts to Euro 156 million divided into No. 130,000,000 ordinary shares and No. 26,000,000 non-convertible savings shares, all issued and fully paid with a par value of Euro 1.00 each.

Each ordinary share carries the right to one vote at the Company's ordinary and extraordinary shareholders' meetings.
The savings shares carry no voting rights at the abovementioned meetings; they are bearer shares, unless the shareholder specifically requests that they be registered in his name.

The last changes in share capital regard the bonus issue of shares which took place as part of the conversion of the share capital into Euro and the subsequent regrouping thereof during the year 2001, and the increase in share capital by means of the issue of ordinary and savings shares, which took place in 1986.
At the moment the Company has no commitments to increase share capital, nor do the Directors have the delegation of authority to do so.
Likewise, no stock option plans have been adopted.

Montefibre S.p.A. does not hold, and did not, at any time during the period, hold own shares or shares in parent companies (either directly or through trust companies or nominees).
Neither do the subsidiaries of Montefibre hold, nor did they hold at any time during the period, shares in parent companies.

Montefibre S.p.A. is controlled by the company Orlandi S.p.A., which holds No. 70,850,000 ordinary shares, equivalent to 54.5% of the share capital with voting rights of Montefibre S.p.A.
With reference to Article No. 2497 sexies of the Italian Civil Code, the Board of Directors believes that, in effect, the majority shareholder does not carry out a management and co-ordination role in Montefibre S.p.A.

The Company is unaware of the existence of voting or other syndicates amongst the shareholders relative to the exercise of the rights inherent in the shares and the transfer thereof.

Finally, we would remind you that the Ordinary Shareholders' Meeting of May 9, 2007 resolved to carry forward the net income for the year 2006 as partial offset against losses brought forward from prior years. In addition, given that the Ordinary Shareholders' Meetings of May 3, 2006 and May 9, 2007 did not assign the minimum dividend of Euro 0.05 per share to the holders of savings shares, these shares are entitled to an additional dividend in the distribution of the eventual net income resulting from the financial statements for the years up until 2007 and 2008 respectively, after the full coverage of losses brought forward and the allocation to the legal reserve of 5% of the net income for the year.

Related party transactions

The services provided by Montefibre S.p.A. to its subsidiary and associated companies regarded mainly sales activities on certain markets carried out as distributor for Montefibre Hispania S.A., the administrative services provided to the company Trasformazione Fibre S.r.l. in liquidation.

The services provided to parent companies and other companies controlled thereby regarded the sale of acrylic fibres to Orlandi S.p.A. and Detelina International Ltd. and the rental to Orlandi S.p.A. of a portion of the Vercelli building for use as a warehouse.

The services provided to Montefibre S.p.A. by subsidiary and associated companies regarded mainly the sale of Montefibre S.p.A.'s fibres on the Spanish market by Montefibre Hispania S.A. on the basis of distribution and agency contracts.

Montefibre S.p.A. also has financial transactions in the form of current accounts with Trasformazione Fibre S.r.l. in liquidation.

Related party transactions relative to industrial activities at the Acerra factory are described below.

Transactions with Directors and Statutory Auditors are limited to the payment of the emoluments thereof.

The above transactions were carried out on an arm's-length basis, on terms similar to those practised in normal transactions with third parties, and with prices reflecting market rates and margins and commission (in the case of distribution and agency services)based on the sales price method.
The current accounts are subject to interest in line with current market rates.

All of the Company's transactions with related parties not of an abnormal or unusual nature, as regulated and defined by the CONSOB Directives, fall within Montefibre S.p.A.'s normal range of activities and are ruled by the same criteria as are transactions with third parties.

Detail of the values of the abovementioned transactions during the year and of the relative balances at the year-end are shown in the explanatory notes to the consolidated financial statements.

The above also applies to all related party transactions carried out by other Montefibre Group companies.

The only other transactions which took place between Group companies and related parties regarded the following transactions between Montefibre Hispania S.A. and the associated company Genfibre S.A.:

- Montefibre Hispania S.A. purchases electricity and steam energy from Genfibre S.A. at the same cost which it would incur to produce this energy itself or purchase it elsewhere;

- Montefibre Hispania S.A. provides technical and administrative services to Genfibre S.A., charged at cost.

Related party transactions relative to the Acerra factory

Montefibre S.p.A. supplies NGP S.p.A. with EDP services and with specialist technical-administrative services; NGP S.p.A. supplies Montefibre S.p.A. with general factory services.

Transactions between Montefibre S.p.A. and Fidion S.r.l. mainly regard the lease of the recycled polyester fibre production business segment, the rental of all of the industrial land and buildings in which the company operates, the temporary granting of free use of an area used as a goods depot, the use, free of charge, of trademarks and patents and the supply of specialist head office services for administrative, IT, commercial and operative activities; Fidion S.r.l. supplies Montefibre S.p.A. with property management services and other operative services regarding the Acerra factory.
Montefibre S.p.A. and Fidion S.r.l. also operate a current account through which all payments and receipts between the two companies are handled.

The economic terms and conditions of the above contracts are in line with market standards; the lease charge for the business segment however, is linked to the gross operating margin registered by the business in the previous year.

Given that La Seda de Barcelona acquired control of the company SIMPE S.p.A. on January 30, 2007, transactions between Montefibre S.p.A. and this latter company are no longer classed as related party transactions; nevertheless, it should be noted that certain contracts remain in existence between the two companies for the rental, at market terms and free loan of certain parts of the factory buildings for industrial use.

Detail of the values of the abovementioned transactions during the period and of the relative balances at the period-end are shown in the explanatory notes to the consolidated financial statements.

Consolidated balance sheet

(in thousands of Euro)	notes	30.06.2007	31.12.2006
Non-current assets		**180,446**	**180,339**
Property, plant and equipment	*13*	91,521	96,176
Investment property	*14*	33,928	33,528
Intangible fixed assets	*15*	26	30
Equity investments	*16*	23,868	26,212
Other assets	*17*	13,552	409
Other assets from related parties	*17,45*	15,396	21,573
Deferred tax assets	*18*	2,155	2,411
Current assets		**143,399**	**185,027**
Trade receivables	*19*	59,654	78,421
Trade receivables from related parties	*19,45*	2,593	2,366
Current financial assets	*20*	14	13
Inventories	*21*	42,450	67,664
Cash and cash equivalents	*22*	20,352	20,522
Other current assets	*23*	18,312	15,109
Other current assets from related parties	23,45	24	932
Total assets		**323,845**	**365,366**
Shareholders' equity		**123,831**	**144,504**
Share capital	*24*	156,000	156,000
Revaluation reserves	*25*	10,454	10,454
Other reserves	*25*	1,350	1,350
Cumulative translation adjustments	*25*	(1,014)	(1,010)
Retained earnings/(Losses brought forward)	*25*	(22,290)	(17,992)
Net income / (loss) for the period		(20,669)	(4,298)
Non-current liabilities		**45,036**	**40,111**
Payables towards banks	*27*	2,000	3,000
Other financial debt	*29*	8,957	4,776
Provisions	*30*	13,429	11,151
Employee benefits	*32*	8,667	9,563
Deferred tax liabilities	*33*	11,983	11,621
Current liabilities		**154,978**	**180,751**
Payables towards banks	*26*	52,575	55,568
Other financial debt	*28*	4,728	12,281
Provisions	*30*	6,315	5,436
Trade payables	*34*	69,901	82,058
Trade payables due to related parties	*34,45*	4,088	4,036
Current tax liabilities		1,690	2,219
Other current liabilities	*35*	15,681	18,334
Other current liabilities towards related parties	*35,45*	0	819
Total liabilities and shareholders' equity		**323,845**	**365,366**

Consolidated income statement

(in thousands of Euro)	notes	30.06.2007	30.06.2006
Net sales revenues	*12*	166,911	212,107
Net sales revenues from related parties	*12,45*	3,133	5,159
Other income and revenues		1,234	1,804
Other income and revenues from related parties	*45*	1,603	144
Variation in inventories		(19,648)	(9,114)
Purchases, services and other operating expenses	*36*	(134,831)	(180,580)
Purchases, services and other operating expenses towards related parties	*36,45*	(5,549)	(7,314)
Payroll and related charges	*37*	(19,501)	(22,827)
Amortisation and depreciation		(5,994)	(6,110)
Valuation adjustments	*38*	250	(388)
Income (expenses) from non-recurring operations	*44*	(277)	(627)
Income (expenses) from non-recurring operations with related parties		0	2,727
Operating result		**(12,669)**	**(5,019)**
Financial income	*39*	2,590	4,785
Financial income from related parties	*39,45*	901	569
Financial charges	*40*	(4,908)	(7,287)
Net financial income (charges)		**(1,417)**	**(1,933)**
Effect of valuation at net equity	*41*	(5,392)	1,141
Net income (expenses) from equity investments		**(5,392)**	**1,141**
Result before tax		**(19,478)**	**(5,811)**
Taxation	*42*	(1,191)	(629)
Net income (loss) for the period		**(20,669)**	**(6,440)**
Net income / (loss) per share (in Euro)	*43*	(0.16)	(0.05)

Movements in consolidated net equity

(in thousands of Euro)	Share Capital	Revaluation reserve	Other reserves	Cumulative translation adjustments	Retained earnings /(losses brought forward)	Net income (loss) for the period	Total
Net equity at 1.1.2007	156,000	10,454	1,350	(1,010)	(17,992)	(4,298)	144,504
Retained earnings/ (losses carried forward)					(4,298)	4,298	0
Revaluation of property net of fiscal effect thereon							0
Translation adjustments				(4)			(4)
Net income/(loss) for the period						(20,669)	(20,669)
Net equity at 30.06.2007	**156,000**	**10,454**	**1,350**	**(1,014)**	**(22,290)**	**(20,669)**	**123,831**

(in thousands of Euro)	Share Capital	Revaluation reserve	Other reserves	Cumulative translation adjustments	Retained earnings /(losses brought forward)	Net income (loss) for the period	Total
Net equity at 1.1.2006	156,000	3,839	1,350	0	7,494	(25,486)	143,197
Retained earnings/ (losses carried forward)					(25,486)	25,486	0
Revaluation of property net of fiscal effect thereon		449					449
Net income/(loss) for the period						(6,440)	(6,440)
Net equity at 30.06.2006	**156,000**	**4,288**	**1,350**	**0**	**(17,992)**	**(6,440)**	**137,206**

Consolidated cash flow statement

(in thousands of Euro)	30.06.2007	30.06.2006
CASH FLOWS FROM OPERATIONS		
Net income (loss) for the period	(20,669)	(6,440)
Depreciation and amortisation	5,994	6,110
Net write-downs (revaluation)	5,142	(753)
Net losses (gains) on disposal of fixed assets	(364)	(127)
Net change in Provisions for risks and charges	(69)	(1,450)
Accrual to provision for employee benefits	658	876
(Interest income)	(1,614)	(1,090)
Interest charges	3,227	2,671
(Gains) and losses on exchange not yet realised	49	70
Income tax	1,191	629
Other adjustments	(626)	0
Operating result before movements in working capital	**(7,081)**	**496**
(Increase) / Decrease in Inventories	18,789	9,674
(Increase) / Decrease in Trade receivables	18,540	15,961
Net movements in Trade payables and other (assets)/liabilities	(17,668)	(4,858)
Payments made from Provision for employee benefits	(1,155)	(1,387)
Movements in working capital	**18,506**	**19,390**
Liquidity generated by operations	**11,425**	**19,886**
- Interest paid	(2,785)	(2,348)
- Tax paid	(324)	(495)
+ Dividends received	256	963
	(2,853)	**(1,880)**
NET LIQUIDITY GENERATED BY OPERATIONS (A)	**8,572**	**18,006**
CASH FLOWS FROM INVESTMENTS		
Investment in		
- Plant and equipment	(1,328)	(1,969)
- Equity investments	(50)	(22,302)
CASH USED FOR INVESTMENTS	**(1,378)**	**(24,271)**
Disposals		
- Plant and equipment	0	127
- Equity investments	0	0
CASH FLOW FROM DISPOSALS	0	127
NET LIQUIDITY DERIVING FROM/(USED IN) INVESTING ACTIVITIES (B)	**(1,378)**	**(24,144)**
CASH FLOWS FROM FINANCIAL ACTIVITIES		
Cash received from the disposal of current financial assets	0	19,729
Net movements in current financial debt	(10,546)	(14,126)
Net movements in non-current financial debt	3,181	(1,950)
NET LIQUIDITY DERIVING FROM/(USED IN) IN FINANCIAL ACTIVITIES (C)	**(7,365)**	**3,653**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (D = A + B + C)	**(171)**	**(2,485)**

OPENING CASH AND CASH EQUIVALENTS	**20,523**	**18,951**
CLOSING CASH AND CASH EQUIVALENTS	**20,352**	**16,466**

Consolidated interim report for the six months ended on june 30, 2007

Explanatory notes

1. Group profile

Montefibre S.p.A. is the parent company of the Montefibre Group, which, both directly and indirectly, via its subsidiary and associated companies, produces and markets chemical, acrylic and certain types of polyester fibres, in Italy and abroad.
Montefibre S.p.A. is controlled by the company Orlandi S.p.A., which owns 54.5% of the ordinary share capital of Montefibre S.p.A.

With reference to Article No. 2497 sexies of the Italian Civil Code, the Board of Directors believes that, in effect, the majority shareholder does not carry out a management and coordination role in Montefibre S.p.A.
Montefibre S.p.A. is quoted on the Italian telematic stock market (MTA), organised and managed by the company Borsa Italiana S.p.A.
The Board of Directors approved the Interim Report of Montefibre S.p.A. in its Meeting of September 10, 2007.

2. Form and content of the consolidated interim report

This Interim report has been prepared in accordance with the international accounting principle IAS 34, regarding interim financial reporting, adopted in accordance with Article No. 6 of the EU Regulation No. 1606/2002.
The interim consolidated financial statements as of June 30, 2007 are presented in Euros and, considering the significance of the amounts, unless otherwise specified, all of the figures shown in the consolidated financial statement schedules are stated in thousands of Euro, as is the information contained in the explanatory notes to the financial statements.
The consolidated interim report has been subject to audit by the independent audit company PricewaterhouseCoopers S.p.A., on the basis of the mandate conferred thereon by the Shareholders' Meeting of June 30, 2004, for the three-year period from 2004/2006 and extended by the Shareholders' meeting of May 9, 2007 for a further six year period from 2007/2012.

3. Format adopted

The format adopted for the Balance Sheet distinguishes between the current and non-current portions of assets and liabilities. Items are classified as current where the realisation thereof is expected within twelve months from the balance sheet

date.
The Income Statement format classifies costs by nature with disclosure, if significant, of the negative and positive components deriving from non-recurring or exceptional or unusual operations. The classification adopted provides more reliable and pertinent information than that provided by the classification by destination.
The presentation of the cash flows deriving from operations has been prepared using the indirect method whereby the result of the period is adjusted for the effects of the operations of a non-monetary nature and by all of the other elements the monetary effects of which are cash flows deriving from investment or financial activities.
Related party transactions are disclosed where significant in the balance sheet, income statement and statement of cash flows and are detailed in a specific schedule in the explanatory notes to the financial statements.

4. Consolidation area

The consolidated financial statements as of June 30, 2007 include the financial statements at that date of Montefibre S.p.A. (the consolidating company) and those of the Italian and foreign companies in which it holds, either directly or indirectly, control through a majority of the voting rights, or sufficient voting rights to exercise a dominating influence at ordinary shareholders' meetings.

The following companies were consolidated on a line-by-line basis:

Name of company	Head office	Currency	Share capital	Percentage owned by the Group
Parent company				
1. Montefibre S.p.A.	Milan	Euro	156,000,000	-
Subsidiary companies				
2. Trasformazione Fibre S.r.l. in liquidation	Milan	Euro	929,622	100.0%
3. Montefibre Hispania S.A.	Barcelona	Euro	18,670,086	100.0%

No changes have taken place in the consolidation area with respect to June 30, 2006 and December 31, 2006.

The list of non-consolidated investments is given in note 16 below.

None of the companies included in the consolidation area use currency other than the Euro.

The subsidiary Trasformazione Fibre S.r.l. has been in liquidation as from January 2006.

5. Consolidation principles

The consolidation principles adopted in the preparation of the consolidated interim report on the six months ended on June 30, 2007 are unchanged with respect to those adopted in the preparation of the consolidated financial statements for the year ended on December 31, 2006, to which reference should be made.

6. Accounting principles

The accounting principles adopted in the preparation of the consolidated interim report on the six months ended on June 30, 2007 are unchanged with respect to those adopted in the preparation of the consolidated financial statements for the year ended on December 31, 2006, to which reference should be made.

7. Estimates and assumptions

The preparation of the consolidated financial statements requires management to make estimates and assumptions which could influence the accounting value of certain assets and liabilities and costs and revenues and also the information disclosed relative to potential assets/liabilities in existence at the balance sheet date.
The estimates and assumptions refer mainly to the evaluation of the recoverability of assets such as, for example, the definition of the useful lives of plant and machinery, the collection of receivables and the quantification of provisions against the Group's current commitments.

The estimates and assumptions are based upon data that reflect the information currently available. Variations in these estimates and assumptions could give rise to different results.

The estimates and assumptions that determine a significant risk of causing variations in the accounting value of assets and liabilities are subject to periodic review (on at least an annual basis) in order to guarantee the ongoing validity of the value expressed.

8. Determination of *fair value*

The *fair value* of the financial instruments negotiated on active markets is based upon quoted market prices at the balance sheet date. The quoted market price utilised for the Group's financial assets is that of the current cost of money.

The fair value of forward exchange contracts is determined using the forward market exchange rates at the balance sheet date.

The nominal value of trade receivables net of write-downs is considered to be approximately equivalent to their fair value.

The fair value of the investment property was determined on the basis of valuations carried out by independent surveyors who estimate the prices on the basis of market conditions at the balance sheet date.

9. Financial risk management

As regards the management of the financial risks connected with the normal operations carried out by the Group during the course of its business, the more significant categories of risk are examined below.

Credit risk

The customer credit risk is managed in such a way as to reconcile the need to grant customers credit in order to encourage the expansion of sales and the need to maintain the short-term financial debt in line with the targets set for working capital.
On the basis of a specific organisational procedure, generally speaking, the risk is only assumed directly for the Italian market, where the Company is able to evaluate customer reliabilty in an adequate, continuous and timely manner and to effectively carry out debt collection. In the other European markets this risk is covered by means of the stipulation of insurance policies with leading insurance companies specialised in credit risk; the risk assumed by Montefibre is limited to that part of the receivable not insured, which varies from 15% to 30% for the various countries. In the non-European markets the risks are covered principally through the use of credit letters, which are confirmed in all cases by leading banks, with the exception of those issued in countries where the normal business practice does not require such confirmation, and in part through the use of documentary credit; insurance policies are stipulated for certain countries only, within limits similar to those described above, as coverage for receivables backed by promissory notes signed by customers.

Exchange rate risk

The Group is exposed mainly to financial risk deriving from exchange rate fluctuations which are

managed for the sole purpose of hedging and not for speculation.
Sales contracts in non-European markets are generally stipulated in US dollars, as also are the purchase contracts for the principal raw material in the acrylic sector, acrylonitrile. The overall cash flows generated in US dollars, equivalent to approximately half of all of the flows related to trade working capital, show a slight prevalence of receipts over payments.
Taking account of the results of the net currency balance, the exchange risk on trade receivables is covered mainly by advances against exports in relation to the amount and maturity date of the receivables, and partly through forward exchange contracts for specific receivables. For the trade payables, in addition to utilising any foreign currency funds available, Montefibre stipulates forward exchange contracts for specific payables, again in relation to their amount and maturity date.

Interest rate risk

Fluctuations in market interest rates do not expose the results and the cash flows from operations to any significant *cash flow* risk, as the Group's indebtedness is of mainly short-term nature.

Price risk

The Group's business operations are exposed to price risk on the raw materials market and in part also for its sales of finished products.
In particular, we would point out that no derivates contracts linked to the raw materials purchased by the Montefibre Group are negotiated on the international futures markets.

10. Net financial position

(in thousands of Euro)	30.06.2007	31.12.2006
Cash	(41)	(52)
Other cash equivalents	(20,311)	(20,470)
Marketable securities	(10)	(10)
Liquidity	**(20,362)**	**(20,532)**
Current financial debt	50,575	53,568
Other current financial liabilities	3,360	10,642
Current portion of medium and long-term debt	3,368	3,638
Current financial debt	**57,303**	**67,848**
Net current financial debt	**36,941**	**47,316**
Non-current payables towards banks	2,000	3,000
Other non-current liabilities	8,957	4,776
Non-current financial debt	**10,957**	**7,776**
NET FINANCIAL DEBT	**47,898**	**55,092**

Cash and Other cash equivalents are detailed in Note 22 below, to which reference should be made.

Other current financial liabilities comprises payables towards factoring companies following the sale with recourse (pro solvendo) of trade receivables.
Non-current payables towards banks consist of a mortgage loan guaranteed by mortgages and liens on buildings and plant at the Acerra factory.
Other non-current liabilities consist of liabilities for leasing contracts, detail of which is given in notes 28 and 29 below, and of the debt deriving from the commitment to re-purchase a capital quota in an invested company, as described in notes 16 and 29. A term deposit of Euro 2,015 thousand given as partial guarantee of this re-purchase commitment has been included under Other cash equivalents.

11. Corporate operations regarding the polyester business sector

On November 30, 2006 Montefibre S.p.A. stipulated an agreement with La Seda de Barcelona S.A. aimed at integrating both companies' respective activities in the polyester fibres sector. This agreement forsees the following, amongst other things:

- the constitution of a holding company called Fibras Europeas de Poliéster S.L., with a share capital of Euro 12.0 million, of which 40% underwritten by Montefibre S.p.A.;

- the conferral to Fibras Europeas de Poliéster, as payment for the share capital underwritten therein, of the equity investment in the newly-constituted company Fidion S.r.l.;

- the conferral to Fidion of Montefibre's business segment, situated at Acerra, including the plant for the production of polyester staples, currently inactive awaiting the recommencement of polymer production by SIMPE S.p.A.;

- the lease as from January 1, 2007 for an extendable three-year period of Montefibre's "recycled polyester fibre" business segment with its *short spinning* production lines situated at Acerra.

As part of the agreement with La Seda de Barcelona, Montefibre obtained the right to be able to eventually compensate its receivable due from Fidion, generated by the corporate operations and equivalent to Euro 23,288 thousand, in addition to the future interest matured, through the exercise, during the month of December of the years 2008 and 2009, of an option for the purchase of the plant comprised within the business segment conferred, at the price of Euro 31.8 million and Euro 29.2 million respectively; should Montefibre exercise such option, Fidion has the right to continue to manage the polyester staples production activity on the basis of a contract for the rental of the plant to be stipulated at market terms and conditions.
In return, La Seda de Barcelona obtained that Fidion may compensate its debts towards Montefibre through the exercise, in the month of December 2009, of an option to sell the plant to Montefibre at a price of Euro 29.2 million.
Should the above option not be exercised, all of Montefibre's commitments and obligations shall cease after December 31, 2009.

As regards the accounting treatment of these corporate operations in the consolidated financial statements of the Montefibre Group, we would point out the following:

- the existence of such options defers the transfer of specific risks and benefits connected to the plant until the dates set for the exercise of the abovementioned options. As a result of this agreement, the legal effects of the conferral have no accounting effect at the balance sheet date; for this reason, in line with the requirements of the IAS/IFRS accounting standards, during the intermediate period the plant subject to the abovementioned option agreement shall continue to be recorded in the consolidated financial statements of the Montefibre Group (note 13);

- therefore the financial debts transferred continue to be recorded in the consolidated financial statements of the Montefibre Group; thus the receivable due from Fidion mentioned above and originating from the subsequent assumption of the financial debt by Montefibre does not appear in the consolidated financial statements;

- therefore the values effectively transferred consisted of inventories, provisions for risks and charges and receivables, payables and staff leaving indemnity; the total value thereof, amounting to a net liability of Euro 1,876 thousand, was classified under the heading "provisions for risks" on the liabilities side of the balance sheet, while the value of the equity investment in the company Fibras Europeas de Poliéster was set at the symbolic value of one Euro (notes 16 and 30);

- in line with the retention in the consolidated financial statements of the Montefibre Group of the fixed assets conferred, the fixed assets tied to and instrumental to to the business segment conferred, and for this reason leased to Fidion at market terms, continue to be recorded in the consolidated financial statements under the heading "Property, plant and equipment", as opposed to under the heading "Investment property" (note 13).

12. Information by business sector and geographic area

The disclosure by primary operating sector refers to the manufacture and sale of acrylic and polyester fibres.
The two business segments are identified on the basis of the international classification of chemical fibres and reflect the structure of the management reporting.
As regards the analysis by geographic area, considered to be of secondary importance, the following critical areas have been identified: Italy, Europe (excluding Italy) and the rest of the world.

Information by business sector

(in thousands of Euro)	Acrylic fibre	Polyester fibre	Other	Total
30.06.2007				
Total sales revenue	169,889	0	155	170,044
Sector results	(7,563)	0	(918)	(8,481)
General expenses not attributable to any one sector			(4,188)	(4,188)
Operating result	(7,563)	0	(5,106)	(12,669)
Net income/(loss)	**(7,563)**	**0**	**(13,106)**	**(20,669)**
30.06.2006				
Total sales revenue	200,312	14,093	2,861	217,266
Sector results	(1,348)	(1,268)	2,094	(522)
General expenses not attributable to any one sector			(4,497)	(4,497)
Operating result	(1,348)	(1,268)	(2,403)	(5,019)
Net income/(loss)	**(1,348)**	**(1,268)**	**(3,824)**	**(6,440)**

Information by geographic area

(in thousands of Euro)	Italy	%	Europe (excluding Italy)	%	Rest of the world	%	Total	%
30.06.2007								
Total sales revenue	28,626	*16.9*	30,505	*17.9*	110,913	*65.2*	**170,044**	*100.0*
30.06.2006								
Total sales revenue	41,707	*19.2*	36,626	*16.8*	138,932	*64.0*	**217,266**	*100.0*

COMMENTS ON THE CONSOLIDATED INTERIM BALANCE SHEET

NON-CURRENT ASSETS

13. PROPERTY, PLANT AND EQUIPMENT

The gross book value of these assets and the related accumulated depreciation is analysed as follows:

(in thousands of Euro)	30.06.2007 Gross book value	30.06.2007 Accumulated depreciation and write-downs	30.06.2007 Net book value	31.12.2006 Gross book value	31.12.2006 Accumulated depreciation and write-downs	31.12.2006 Net book value
Land and buildings	83,879	(55,102)	28,777	83,879	(54,365)	29,514
Plant and equipment	435,319	(376,444)	58,875	435,317	(371,269)	64,048
Industrial and commercial equipment	1,773	(1,755)	18	1,773	(1,737)	36
Other assets	5,018	(4,835)	183	5,005	(4,782)	223
Assets under construction and advance payments to suppliers	3,668	0	3,668	2,355	0	2,355
TOTAL	**529,657**	**(438,136)**	**91,521**	**528,329**	**(432,153)**	**96,176**

The following movements took place during the period:

(in thousands of Euro)	Balance as of 31.12.2006	Additions and reclassification	Net disposals / Change of destination	Depreciation charge for the period/ valuation adjustments	Balance as of 30.06.2007
Land and buildings	29,514	0	0	(737)	28,777
Plant and equipment	64,048	2	0	(5,175)	58,875
Industrial and commercial equipment	36	0	0	(18)	18
Other assets	223	13	0	(53)	183
Assets under construction and advance payments to suppliers	2,355	1,313	0	0	3,668
TOTAL	**96,176**	**1,328**	**(1,534)**	**(5,983)**	**91,521**

The above table includes the value of the instrumental property held in financial leasing as detailed below; as regards the Milan head offices, we would point out that the leasing contract expired on May 31, 2007 and the building was redeemed.

(in thousands of Euro)	Balance as of 31.12.2006	Reclassified to investment property	Additions	Depreciation charge for the period	Balance as of 30.06.2006
Milan head offices	5,942	0	0	(97)	5,845
Barcelona head offices	3,888	0	0	(3)	3,885
TOTAL	**9,830**	**0**	**0**	**(100)**	**9,730**

This heading also comprises the values of the plant included in the business segment conferred to Fidion and of the relative instrumental property, for the reasons stated in note 11.

Furthermore, the estimated useful life of this plant has been redetermined, with a consequent reduction of approximately Euro 300 thousand in the depreciation charged to the income statement.
Appropriate analysis has been carried out on the cash flows forecast for the acrylic fibre business, given the negative results recorded for the period of this business sector; we believe that the value of property, plant and machinery recorded in the financial statements does not exceed the recoverable value thereof.

14. Investment property

The composition thereof, together with the movements therein during the period, are shown in the table below:

(in thousands of Euro)	Balance at 31.12.2006	Adjustments to *fair value*	Balance at 30.06.2007
Part of the Milan property	6,750	400	7,150
Industrial buildings at the Vercelli site	8,200	0	8,200
Industrial buildings at the Ottana site	6,800	0	6,800
Industrial buildings at the Acerra site	10,530	0	10,530
Other land	1,248	0	1,248
Total	**33,528**	**400**	**33,928**

The fair values of the investment property for industrial buildings and land, previously determined during the preparation of the financial statements as of December 31, 2006 on the basis of evaluations carried out at that date by independent surveyors, are still considered congruous.
The valuation, carried out using the comparative method, is based on market prices relative to recent transactions involving similar properties.

With regard to the principal investment properties, we would point out the following:

- The Milan property refers to a portion of the head office building in Milan, representing approximately a third of the total value thereof, rented out to third parties, the rest of the building is occupied by Montefibre S.p.A.'s head offices mentioned above in note 13.

- The industrial buildings at Vercelli were the object of a sale and leaseback operation during 2001 which generated a gain of Euro 5,831 thousand; this was deferred and credited to the income statement over the duration of the leasing contract, due to expire at the end of the year 2009. The redemption value of the asset amounts to Euro 820 thousand.
  Part of the Vercelli property is leased to third parties.

- The industrial buildings at Ottana are available for the real estate market, either for sale or for rental.

- The industrial buildings at Acerra includes buildings no longer used by the Company and therefore available for sale or for rental. The Company is considering the possibility of leasing the buildings, without however, excluding the alternative of selling them and realising a capital gain.

Those portions of land and buildings leased and/or rented to third parties have generated income for a total of Euro 282 thousand.

Further information regarding financial leasing operations is provided in notes number 28 and 29 below.

15. INTANGIBLE ASSETS

The following movements took place during the period:

(in thousands of Euro)	Balance at 31.12.2006	Additions	Amortisation charge for the period	Balance at 30.06.2007
Licenses for the use of software	30	4	(8)	26
TOTAL	**30**	**4**	**(8)**	**26**

16. EQUITY INVESTMENTS

INTEREST IN JOINT-VENTURES

These comprise the following:

				Percentage owned		Book value (in thousands of Euro)	
Company Name	Head office location	Currency	Share capital	30.06.2007	31.12.2006	30.06.2007	31.12.2006
Fibras Europeas de Poliéster S.L.	Barcelona	Euro	12,000,000	40.0	40.0	0	0
Genfibre S.A.	Miranda de Ebro	Euro	1,803,000	50.0	50.0	4,198	4,273
Jilin JiMont Acrylic Fiber Co. Ltd.	Jilin City	CNY	450,000,000	50.0	50.0	17,274	19,593
West Dock S.r.l.	Mogliano Veneto	Euro	100,000	50.0	-	50	0
TOTAL						**21,522**	**23,866**

FIBRAS EUROPEAS DE POLIESTER S.L.

Fibras Europeas de Poliéster S.L., 40% owned in joint venture with La Seda de Barcelona S.A. and Evertis de México S.A. de C.V., with production plant for polyester fibre at Acerra occupied by the subsidiary company Fidion S.r.l., and at El Prat de Llobregat in Spain occupied by Fibracat Europa S.L., is the holding company set up in order to realise the project for production and sales integration in the polyester fibres sector.

Further detail relative to the book value of this investment in the financial statements is given in note 11.

Genfibre S.A.

The Montefibre Group holds a share in the company Genfibre S.A., owned 50% by Montefibre Hispania S.A. and 50% by Iberdrola Cogeneración S.R.L.U. (a member of the Iberdrola Group), which produces electricity and steam-powered energy at its combined cycle plant at Miranda de Ebro.
During the period an amount of Euro 256 thousand was received, representing the balance of the dividend declared on the net income for the year 2006.

Jilin Jimont acrylic fiber co. Ltd.

On March 21, 2007 Montefibre transferred at nominal value a part of its investment in this company, equivalent to a 10.64% quota of the share capital thereof, to SIMEST S.p.A., for Euro 4,872 thousand. Montefibre, which was granted the usufruct of this quota, has undertaken to re-purchase the said quota within June 30, 2013 at specifically agreed conditions; Montefibre and SIMEST have the option, for the purchase and sale respectively, of the investment quota, exercisable as from June 30, 2010.
For this reason, in line with IAS/IFRS accounting standards, the entire equity investment, corresponding to 50% of share capital, continues to be recorded in Montefibre's consolidated financial statements while the debt towards SIMEST for the repurchase of the abovementioned investment quota sold is recorded under the heading "Other non-current financial liabilities" (note 29).

The book value of the investment in Jimont at June 30, 2007 takes account of the adjustment for the intra-Group share of the profits deriving from the sales made thereto by Montefibre during the year 2006, net of fiscal effects.

West Dock S.r.L.

This company was set up jointly on April 12, 2007 with the partner West Docks Logistic Venice S.r.l., with a view to developing the executive planning of a logistics centre to be set up on land at the Porto Marghera site not utilised by Montefibre for production activities and to handling the bureaucratic process necessary to obtain authorisation from the competent public authorities. The subsequent logistics business shall not be carried out by this company.

The book value of this investment at June 30, 2007 represents the share capital underwritten and paid up.

OTHER EQUITY INVESTMENTS

These comprise the following:

Company Name	Head office location	Currency	Share capital	Percentage owned 30.06.2007	Percentage owned 31.12.2006	Book value (in thousands of Euro) 30.06.2007	Book value (in thousands of Euro) 31.12.2006
Servizi Porto Marghera S.c.a r.l.	Porto Marghera	Euro	8,751,500	14.2	14.2	2,346	2,346
TOTAL						**2,346**	**2,346**

The investment in Servizi Porto Marghera S.c.a r.l. amounts to Euro 2,346 thousand, a value in line with the share of net equity owned.
At the Porto Marghera site the consortium company supplies effluent treatment and certain other industrial services to shareholders at cost, although eventually it intends to extend these services to third parties on a profit-making basis.
Taking account of the above, the investment is stated at cost.

17. OTHER ASSETS

(in thousands of Euro)	30.06.2007	31.12.2006
Long-term receivables due from NGP	8,971	8,729
Long-term receivables due from SIMPE	13,200	12,844
Receivables due from Fidion	6,425	0
Other receivables	352	409
TOTAL	**28,948**	**21,982**

The long-term receivables are subject to interest at market rates.
Montefibre has agreed to postpone the collection of the long-term receivables and of the relative interest thereon until after the repayment of SIMPE S.p.A.'s short-term debt towards the banks and after the exit of Sviluppo Italia from SIMPE's capital and, however, not before the year 2011.

The receivables due from Fidion represent the initial value of the inventories transferred to Fidion following the rental of the "recycled polyester fibre" business segment.

18. DEFERRED TAX ASSETS

(in thousands of Euro)	30.06.2007	31.12.2006
Advance taxation on gains relative to leaseback	457	549
Subsidiary company tax losses	853	853
Other tax deductions of subsidiary companies	845	1,009
TOTAL	**2,155**	**2,411**

No further deferred tax assets have been included in the financial statements as of June 30, 2007 relative to the timing differences for which it is not yet possible to foresee the amount and the timing of future taxable income for the periods in which such differences shall be reversed.
For the same reason, no deferred tax assets have been recorded against the potential future benefits deriving from fiscal losses carried forward.

The potential advance taxation for all of the companies within the Montefibre Group amount to a total of Euro 34,267 thousand.

However, the table below shows the principal timing differences, fiscal losses brought forward and the potential deferred tax assets relative thereto.

(in thousands of Euro)	Timing differences	Tax rates	Potential deferred tax asset
Write-down of fixed assets	663	33.00%	219
Write-down of inventories	4,286	37.25%	1,597
Write-down of trade receivables	617	33.00%	204
Provisions for risks and charges	15,531	36.46%	5,663
Fiscal losses brought forward	81,074	32.57%	26,584
Total			**34,267**

Current assets

19. Trade receivables

(in thousands of Euro)	30.06.2007	31.12.2006
Italian customers		
Original value	20,564	23,612
Write-downs	(2,809)	(2,961)
Net value	**17,755**	**20,651**
Other European customers		
Original value	14,387	16,968
Write-downs	(2,872)	(2,324)
Net value	**11,515**	**14,644**
Other foreign customers		
Original value	33,252	46,210
Write-downs	(275)	(718)
Net value	**32,977**	**45,492**
Total	**62,247**	**80,787**

Trade receivables are stated net of write-downs and provisions for doubtful debts, and consist entirely of amounts due within the current year relative to normal sales operations.
The net value shown above is considered congruous in relation to the potential risk of bad debts.
No adjustments have been made to the amounts due from related parties since they are considered to be fully recoverable.

20. Current financial assets

(in thousands of Euro)	30.06.2007	31.12.2006
Equity investment in Fidion S.r.l.	10	10
Securities	4	3
Total	**14**	**13**

The value of the investment in the company Fidion is equivalent to the amount of share capital paid in at the moment of constitution.

21. Inventories

These comprise the following:

(in thousands of Euro)	30.06.2007	31.12.2006
Raw, ancillary and consumable materials		
Gross value	27,734	31,909
Write-downs	(3,901)	(3,652)
Net value	**23,833**	**28,257**
Work in progress and semi-finished products		
Gross value	4,085	5,331
Write-downs	0	0
Net value	**4,085**	**5,331**
Finished products and goods for resale		
Gross value	14,917	34,504
Write-downs	(385)	(433)
Net value	**14,532**	**34,071**
Advances to suppliers	0	5
Total gross value	46,736	71,749
Total write-downs	(4,286)	(4,085)
Total net value	**42,450**	**67,664**

The variation due to the rental of the business sector to Fidion, amounting to Euro 6,425 thousand, was not recorded in the income statement for the year.

No restrictions or other ties exist relative to inventories.

22. Cash and cash equivalents

(in thousands of Euro)	30.06.2007	31.12.2006
Current bank accounts	4,923	6,092
Foreign currency bank accounts	7,874	7,778
Deposit accounts	7,515	6,600
Cash on hand	40	52
Total	**20,352**	**20,522**
Average interest rate	*2.4%*	*2.5%*

These include a term deposit of Euro 2,015 thousand as partial guarantee against the payable due towards SIMEST, shown under the heading “Other non-current financial payables” (see note 29).

23. Other current assets

(in thousands of Euro)	30.06.2007	31.12.2006
Due from fiscal authorities	8,737	5,304
Due from social welfare institutions and from employees	2,013	1,840
Reimbursement due	1,575	1,922
Other sundry receivables	6,011	6,975
Total	**18,336**	**16,041**

The reimbursement due is receivable for Euro 133 thousand from NGP S.p.A., and for Euro 1,442 thousand from FRI-EL Acerra S.r.l., the company which received in conferral the business segment which includes NGP’s thermo-electric power station, and represents the residual reimbursement due to Montefibre S.p.A. following the enforcement of a guarantee granted by Montefibre in 2003 behalf of NGP for the supply of natural gas to the Acerra factory.

Other sundry receivables principally comprise the residual receivable due from La Seda de Barcelona deriving from the sale of Montefibre’s equity investment in SIMPE S.p.A., for an amount of Euro 2,000 thousand, and the receivable due from Fidion S.r.l. for Euro 2,518 thousand, representing the balance of the current account operated between Montefibre and Fidion.

Group net equity

The consolidated Group net equity is comprised of the following:

24. Share capital

The share capital of Montefibre S.p.A. amounts to Euro 156,000,000, all issued and fully paid up; no changes have taken place in the share capital during the current period nor during the previous year.
Share capital is comprised of No. 130,000,000 ordinary shares and No. 26,000,000 savings shares, all with par value of Euro 1.00 each.

At the moment the Company has no commitments to increase share capital, nor do the Directors have the delegation of authority to do so. Likewise, no stock option plans have been adopted.

Montefibre S.p.A. does not hold, and did not, at any time during the period, hold own shares or shares in parent companies (either directly or indirectly, through subsidiary or associated companies, trust companies or nominees).

The savings shares are not convertible into ordinary shares and carry minimum dividend rights equal to 5 per cent of their par value; such rights are cumulative over the two subsequent accounting periods. The dividend on savings shares must always be greater than the dividend on ordinary shares by 2 per cent of their par value.
In the event of distribution the savings shares enjoy the same rights as those of the other shares.

The Ordinary Shareholders' Meeting of May 9, 2007 resolved to carry forward the net income for the year 2006 in order to partially offset the the prior year losses brought forward. In addition, given that the Ordinary Shareholders' Meetings of May 3, 2006 and May 9, 2007 did not assign the minimum dividend of Euro 0.05 per share to the holders of savings shares, these shares are entitled to an additional dividend in the distribution of the eventual net income resulting from the financial statements for the years up until 2007 and 2008 respectively, after the full coverage of losses brought forward and the allocation to the legal reserve of 5% of the net income for the year.

25. Reserves

The Revaluation reserve contains the variations in the fair value of investment property net of the relative deferred taxation thereon.
This reserve is unavailable for distribution of dividends, for share capital increases and for the purchase of own shares or of shares in parent companies.
It may be used for the coverage of losses for the period only after all other available reserves including the legal reserve have been utilised for this purpose; in such case, no dividends may be distributed in subsequent years until this reserve has not been fully re-integrated.

The Other reserves include the parent company’s legal reserve, which is subject to limitation regarding the distribution and utilisation thereof (this reserve must be re-integrated in the event that it be utilised for any reason).
No deferred taxation has been accrued against these reserves, since no transactions which would determine such taxation are expected to take place.

The cumulative translation adjustments derive from the valuation of the investment in the company Jilin JiMont, which adopts a currency other than Euro.

Retained earnings/losses brought forward include the effects deriving from changes in accounting principles following the adoption of international accounting standards.

PAYABLES TOWARDS BANKS

These reflect the entire exposure to banks, divided into current and non-current portions.

26. CURRENT PAYABLES

(in thousands of Euro)	30.06.2007	31.12.2006
Foreign currency advances on import and export	27,990	28,487
Current account overdrafts	845	18
Other short-term loans	21,462	24,782
Current portion of mortgage loans	2,000	2,000
Accrual for interest charges	278	281
TOTAL	**52,575**	**55,568**
Average interest rate	*5.2%*	*4.1%*

27. NON-CURRENT PAYABLES

(in thousands of Euro)	30.06.2007	31.12.2006
Medium/long-term loans at variable interest rates	2,000	3,000
Average interest rate	*4.7%*	*4.2%*

The repayment schedule for the non-current portion of the above loans is as follows:

(in thousands of Euro)	
30.06.2009	2,000
TOTAL	**2,000**

OTHER FINANCIAL LIABILITIES

These include payables towards leasing companies for real estate operations carried out during the years 2001 and 2003.

28. CURRENT PAYABLES

(in thousands of Euro)	30.06.2007	31.12.2006
Leasing – Montefibre S.p.A. head office	0	299
Lease-back of industrial buildings	1,021	998
Leasing - Montefibre Hispania head office	347	342
Debt towards factoring companies	3,360	5,466
Payables due towards other providers of finance	0	5,176
TOTAL	**4,728**	**12,281**
Average interest rate	*5.0%*	*4.0%*

29. Non-current payables

(in thousands of Euro)	30.06.2007	31.12.2006
Lease-back of industrial buildings	2,252	2,768
Leasing - Montefibre Hispania head office	1,833	2,008
Payables due towards other providers of finance	4,872	0
Total	**8,957**	**4,776**
Average interest rate	*5.0%*	*4.0%*

The leasing contracts are regulated at implicit variable interest rates.
The Payables due towards other providers of finance refer to the debt towards SIMEST for the repurchase of a shareholding in the company JiMont, sold during the period, which Montefibre has undertaken to repurchase within June 30, 2013 at specific agreed conditions.

30. Provisions

The balances of the various provisions and the movements therein during the period are shown in the table below:

(in thousands of Euro)	For taxation	For sundry risks	For sundry charges	Total
Balance as of 31.12.2006	**702**	**4,010**	**11,875**	**16,587**
Provision accrued	22	3,513	142	**3,677**
Utilisation	0	(346)	(41)	**(387)**
Effects of discounting to present value	0	(20)	(113)	**(133)**
Balance as of 30.06.2007	**724**	**7,157**	**11,863**	**19,744**

The above provisions are divided between current and non-current liabilities as follows:

(in thousands of Euro)	For taxation	For sundry risks	For sundry charges	Total
Current	0	1,377	4,938	**6,315**
Non-current	724	5,780	6,925	**13,429**
Total	**724**	**7,157**	**11,863**	**19,744**

The provision for taxation represents the best estimate of tax disputes in course, and is considered adequate to cover the eventual liabilities arising therefrom.
The balance shown above has not been discounted to present value given that the settlement of the tax dispute includes the recognition of interest charges.

The provision for sundry risks represent a provision to cover the eventual cost of both civil and labour related claims and litigation, and disputes of a commercial nature. The portion of the provision expected to be utilised within the coming year amounts to Euro 1,377 thousand. The amounts expected to be utilised in subsequent years have been discounted to present value at a rate of 4%.
Furthermore, a correct application of the IAS/IFRS

accounting standards requires that the representation in the financial statements of the conferral to Fidion includes appropriate adjustment to the values of the business segment conferred; this gives rise to the accrual, among other non-current risks, of a provision for risks on equity investments of Euro 1,876 thousand, equivalent to the difference between the value of the plant transferred and the total of financial debt and of shareholders' equity; the provision was increased by Euro 3,686 thousand following the valuation at net equity of the investment in the company Fibras Europeas de Poliéster.
Further information is given in note 11 above.

The provision for sundry charges represent the estimated expenses and losses expected to be incurred relative to:

- the completion of the operations relative to the closure of the Ottana plant, for Euro 2,775 thousand; almost all of this provision is expected to be utilised within the next twelve months;

- plan for the reorganisation and rationalisation of the Porto Marghera factory, estimated at a total of Euro 60 thousand; this provision is expected to be utilised during the next twelve months;

- work regarding environmental protection foreseen as part of the plan for the recovery of the industrial area at Porto Marghera, for Euro 8,765 thousand; of which Euro 4,723 thousand is expected to be utilised during the next twelve months;

- agents' leaving indemnity for Euro 293 thousand; this amount has been discounted on the basis of the future turnover forecasts and on the overall duration of the agency contract.

31. Commitments and contingent liabilities

Acerra Factory

Montefibre has given two fidejussions in favour of Sviluppo Italia S.p.A., of Euro 930,000 and Euro 3,839,000 (this latter representing the Group's maximum exposure to risk), respectively, as guarantee for the eventual repayment of the loan advance and of the portion of investment grants to be paid. The necessary bureaucratic process has been set in motion in order to obtain Sviluppo Italia's consent for La Seda de Barcelona to take over the role of guarantor and for the consequent extinction of the two fidejussions.

We would also point out that, in accordance with Article No. 2506 quater of the Italian Civil Code, Montefibre is jointly and severally liable for the debts transferred to NGP as a result of the demerger operation of February 28, 2003, in the event that the latter company should fail to honour these debts.

As of June 30, 2007 the relative risk relates essentially to the following:

- the mortgage loan instalments outstanding for an amount of Euro 15,939 thousand; the repayments are guaranteed by mortgages and liens also covering part of the buildings and plant at the Acerra factory still owned by Montefibre; all of the abovementioned mortgage loans were later conferred by NGP to SIMPE.

- the residual employee termination indemnity transferred, for a total of Euro 3,513 thousand.

We would also point out that, in accordance with Article No. 2560 of the Italian Civil Code, Montefibre is jointly liable for the debts transferred to Fidion in the conferral which took place with effect as from December 1, 2006. Further information thereon is given in note 11.

Chinese joint venture

Montefibre has undertaken to repurchase from SIMEST S.p.A. the 10.64% share in the company in Jilin JiMont Acrylic Fiber Co. Ltd., transferred to SIMEST on March 21, 2007 at the nominal value of Euro 4,872 thousand; the repurchase must take place, at specific conditions, prior to June 30, 2013, however, both Montefibre and SIMEST also have an option for the purchase and sale respectively of the above investment quota, exercisable as from June 30, 2010. The effects thereof on the consolidated financial statements are disclosed in notes 16 and 29.

Disputes and litigation

The Montefibre Group is involved in civil and administrative proceedings and in legal action linked to the normal exercise of its activities. The provisions for risks existing at the balance sheet date have been accrued on the basis of reliable estimates of the negative effects on the consolidated financial statements which could arise as a result of these proceedings and legal action, taking account of the information currently available.
The more significant legal proceedings are briefly described below, for which the information currently available is insufficient to permit any reliable estimate of probability or quantification of the eventual costs to be incurred.

Porto marghera factory

With an act of summons issued by the Ministry for the Environment on June 24, 2006, Montefibre was called in judgement before the Court of Venice to be condemned, upon the determination of responsibility, to reimburse the entire costs incurred by the government for work carried out on the canals bordering the site and to pay for the environmental damage, non quantifiable, caused to the Venice lagoon by the area owned by the Company and by those held in concession by the Company.
At the end of the hearing held in May 2007, after having tried in vain to reach a settlement and after the State lawyer had deposited a petition in accordance with article No. 186 bis/ter of the Civil Procedures Code (CPC) and an appeal for a preservation sequestration, the examining magistrate has granted Montefibre time up until July 31, 2007 in order to deposit the arguments against both petitions and has set the date for the next hearing on October 26, 2007.
The Company has appealed to the TAR (Regional Administrative Court) against several directives issued by the Ministry for the Environment which, on the whole, prescribe work to be carried out towards emergemcy safety measures to halt the flow of waste into the lagoon. The Company has pointed out the illegitimacy of such directives, as they propose measures which have, in part, already been executed by the Magistrate for the Venice waters who, as established in the agreements previously underwritten, performs this function. The Venice Regional Administrative Court (TAR), rejected the Company's appeal with a sentence issued on February 9, 2007. The Company has contested this sentence before the National Court of Administrative/Civil Appeal (Consiglio di Stato).
In addition, the Company has contested before the Regional Administrative Court (TAR) both the Directive Decree with which the Ministry for the Environment has confirmed both the Italian government directives currently under dispute before the National Court of Administrative/Civil Appeal (Consiglio di Stato), and the other directives with which the Ministry for the Environment has ruled (1) the sending of the polluted waters to suitable effluent treatment plants, (2) the protection of the lagoon by means of the creation of a physical barrier between the lagoon and the aquifer contained in the land, (3) the delimitation of the area owned by Montefibre. These represent onerous steps which have no real basis either in current legislation (in the case of the former ruling) nor in the contractual agreements stipulated at the time of the signing of the "Porto Marghera Chemical Programme Agreement" - an agreement between the Italian government and the chemical companies operating at the Porto Marghera petro-chemical site - (in the case of the remaining rulings).

Acerra factory

As a result of the preliminary hearing held during the first six months of the year 2006, the Judge of the Preliminary Hearing of the Court of Nola ordered the indictment of 8 ex-managers of the Company in service at the Acerra factory, for offences involving the presumed violation of the employee health and safety regulations and of the legislation for the protection of workers exposed to asbestos, following an investigation set up by the Nola Public Prosecutor's office.
Certain former employees and the relatives of certain former employees now-deceased have taken civil action against the Company.
The legitimacy of their civil action shall be evaluated individually during the preliminary stages of the hearing which shall be held on November 7, 2007 before by a single magistrate at the Court of Nola.

32. Employee benefits

Employee termination indemnity

The following movements took place during the period:

(in thousands of Euro)

Balance as of 31.12.2006	**8,739**
Indemnities paid during the period	(650)
Payments to supplementary pension fund	(492)
Substitutive tax on revaluation	(12)
Provision for the period	680
Variation due to legislative changes	(626)
Financial charges - discounting to present value	185
Balance as of 30.06.2007	**7,824**

The actuarial assumptions utilised are the same as those utilised in the preparation of the financial statements as of December 31, 2006.
In order to take account of the legislative changes which have taken place regarding employee termination indemnity, at January 1, 2007 only those liabilities relative to the indemnity matured up until December 31, 2006 were valued, given that the indemnity matured after that date are required by law to be transferred to third parties (pension funds and treasury accounts set up with INPS).
The effect on the income statement of the new legislative requirements led to a reduction in this liability of Euro 626 thousand.

The total number of employees at the period-end is shown below:

	30.06.2007	31.12.2006
Number of employees on the payroll	877	896
Of whom operative	743	755

MANAGERS' PRIVATE HEALTHCARE FUND

This fund is accrued against future payments of premiums relative to a private healthcare policy in favour of managers in pension. The following movements took place during the period:

(in thousands of Euro)	
BALANCE AS OF 31.12.2006	**824**
Provision for the period	3
Transfer to Fidion	(3)
Financial charges - discounting to present value	19
BALANCE AS OF 30.06.2007	**843**

The actuarial assumptions utilised are the same as those utilised in the preparation of the financial statements as of December 31, 2006.

33. DEFERRED TAX LIABILITY

The following movements took place during the period:

(in thousands of Euro)	
BALANCE AS OF 31.12.2006	11,621
Charged to income statement	362
Charged to revaluation reserves	0
BALANCE AS OF 30.06.2007	**11,983**

The above balance includes the deferred fiscal effects deriving from the adjustments made to the parent company's financial statements relative to financial leasing contracts and to the investment property.

34. TRADE PAYABLES

(in thousands of Euro)	30.06.2007	31.12.2006
Italy	38,666	39,482
Europe (excluding Italy)	19,879	26,497
Other countries	15,444	20,115
TOTAL	**73,989**	**86,094**

35. OTHER CURRENT LIABILITIES

(in thousands of Euro)	30.06.2007	31.12.2006
Due towards social welfare institutions	2,672	2,327
Due towards employees	5,157	5,192
Due towards agents and professional consultants	413	2,867
Other liabilities	5,616	6,580
Gain on lease-back of industrial buildings	1,823	2,187
TOTAL	**15,681**	**19,153**

The other liabilities relate, for Euro 3,133 thousand, to marketing activities carried out during the normal course of business.

COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

36. PURCHASES OF GOODS AND SERVICES AND OTHER SUNDRY COSTS

(in thousands of Euro)	30.06.2007	30.06.2006
PURCHASES	**116,863**	**160,119**
Raw materials	93,212	128,152
Utilities	16,548	20,537
Other	7,103	11,430
SERVICES	**22,047**	**26,796**
Transport and storage	7,415	10,530
Maintenance and repairs	3,708	5,691
Other services	10,924	10,575
OTHER COSTS AND INDIRECT TAXES	**1,470**	**979**
TOTAL	**140,380**	**187,894**

37. PAYROLL AND RELATED CHARGES

(in thousands of Euro)	30,06.2007	30.06.2006
Wages and salaries	15,451	17,061
Social welfare contributions	3,781	4,618
Employee termination indemnity accrued	680	876
Variation in employee termination indemnity due to changes in relevant legislation	(626)	0
Other costs	215	272
TOTAL	**19,501**	**22,827**

The analysis by category of the average number of employees during the period is shown below:

	30,06.2007	30.06.2006
Managers	10	18
Supervisory staff	56	82
Clerical staff	208	271
Special grades	2	2
Manual workers	601	732
TOTAL	**877**	**1.105**
Of whom: operative	*743*	*819*

38. VALUE ADJUSTMENTS

(in thousands of Euro)	30.06.2007	30.06.2006
Revaluation to fair value of investment property	400	0
Writedown of trade receivables	(150)	(388)
TOTAL	**250**	**(388)**

39. Financial income

(in thousands of Euro)	30.06.2007	30.06.2006
Interest and other income from banks	255	220
Interest income from non-current receivables	1,257	497
Other interest income and financial income	102	373
Gains realised on exchange	1,639	3,463
Gains on exchange not yet realised	238	801
Total	**3,491**	**5,354**

40. Financial charges

(in thousands of Euro)	30.06.2007	30.06.2006
Interest charges on medium and long term loans	187	200
Interest and other charges on current bank accounts	2,473	1,673
Other interest and financial charges	567	798
Losses realised on exchange	1,394	4,127
Losses on exchange not yet realised	287	489
Total	**4,908**	**7,287**

41. Effects of the valuation utilising the net equity method

This relates to the results for the period of those companies held under joint venture.

(in thousands of Euro)	30.06.2007	30.06.2006
Fibras Europeas de Poliéster S.L.	(3,226)	
Genfibre S.A.	163	1,141
Jilin JiMont Acrylic Fiber Co. Ltd.	(2,329)	
West Dock S.r.l.	0	
Total	**(5,392)**	**1,141**

Further information regarding the investment in the company Fibras Europeas de Poliéster is given in note 16.

42. Taxation

(in thousands of Euro)	30.06.2007	30.06.2006
Current taxation	255	953
Deferred tax assets	0	(764)
Decrease in deferred tax assets	256	33
Provision for deferred tax charges	430	451
Utilisation of provision for deferred taxation	(68)	0
Taxation relative to prior years	318	(44)
Total	**1,191**	**629**

43. Base profit (loss) per share

The base profit (loss) per share is calculated dividing the result for the period attributable to the ordinary shareholders of Montefibre S.p.A. for the ordinary shares in circulation during the period.

(in thousands of Euro)	30.06.2007	30.06.2006
Numerator		
Result for the year/period	(20,669)	(6,440)

(in thousands)	30.06.2007	30.06.2006
Denominator		
Ordinary shares	130,000	130,000

44. Significant non-recurring events and operations

The non-recurring events and operations which had a significant impact on the Group's equity, financial and economic situation during the first six months of the year 2007 are summarised below:

(in thousands of Euro)	Economic effect	Financial effect
Re-structuring costs	(224)	(265)
Environmental protection costs	(53)	0
Total	**(277)**	**(265)**

The restructuring costs amount to Euro 224 thousand; payments made during the period amounted to Euro 265 thousand, of which Euro 41 thousand charged to the provision previously accrued at December 31, 2006.
The environmental protection costs refer to the Porto Marghera factory.

45. Related party transactions

All of the transactions between Montefibre S.p.A. and its subsidiary companies have been eliminated in the consolidated financial statements and are not shown in these notes.

Details of the transactions between the Montefibre Group and other related parties are disclosed below:

Income statement

(in thousands of Euro)	Sales revenue	Other income	Purchases of goods and services and other sundry costs	Income from non-recurring operations	Financial income	Financial charges
30.06.2007						
Fidion S.r.l.		1.549	(78)		659	
Genfibre S.A.	181		(5,425)			
Jilin JiMont Acrylic Fiber Co. Ltd						
Orlandi S.p.A.	1,811	52				
Detelina International Ltd	1,141					
HF Filati S.p.A.						
NGP S.p.A.		2	(46)		242	
Total	**3,133**	**1,603**	**(5,549)**	**0**	**901**	**0**
% of total	*1.8*	*56.5*	*4.0*		*25.8*	
30.06.2006						
Genfibre S.A.	181	8	(6,552)			
Jilin JiMont Acrylic Fiber Co. Ltd				2,727		
Orlandi S.p.A.	4,133	52				
Detelina International Ltd	845					
HF Filati S.p.A.						
NGP S.p.A.		84	(762)		222	
SIMPE S.p.A.					347	
Total	**5,159**	**144**	**(7,314)**	**2,727**	**569**	**0**
% of total	*2.4*	*7.4*	*3.9*	*94.1*	*10.6*	

Balance sheet

(in thousands of Euro)	Non-current receivables	Current receivables	Current payables
30.06.2007			
Fidion S.r.l.	6,425		
Genfibre S.A.		71	4,082
Jilin JiMont Acrylic Fiber Co. Ltd		24	
Orlandi S.p.A.		1,658	
Detelina International Ltd		861	
HF Filati S.p.A.		3	
NGP S.p.A.	8,971		6
Total	**15,396**	**2,617**	**4,088**
31.12.2006			
Fidion S.r.l.		231	942
Genfibre S.A.		61	3,895
Jilin JiMont Acrylic Fiber Co. Ltd		24	
Orlandi S.p.A.		2,135	
Detelina International Ltd		151	
HF Filati S.p.A.			
NGP S.p.A.	8,729	666	14
SIMPE S.p.A.	12,844	30	3
Total	**21,573**	**3,298**	**4,854**

Further detail regarding the nature of related party transactions is provided in the relative sections of this report.

The emoluments due to the members of the Boards of Directors and of Statutory Auditors as of June 30, 2007 are disclosed below:

(in thousands of Euro)

Name	Position held	Duration of appointment	Expiry of appointment	Emoluments for the position held	Benefits in kind	Bonuses and other incentives	Other fees and emolum.
BOARD OF DIRECTORS							
De Santis Roberto	Chairman	181 days	App. of 2009 Fin.Stat.	86		40	
Boriolo Emilio Mario	Managing Dir.	181 days	App. of 2009 Fin.Stat.	148		120	
Caporizzi Valter	Director	53 days	App. of 2009 Fin.Stat.	2			
Galeazzi Giorgio	Director	181 days	App. of 2009 Fin.Stat.	7			
Nova Alessandro	Director	181 days	App. of 2009 Fin.Stat.	7			
Orlandi Massimiliano	Director	128 days	App. of 2006 Fin.Stat.	5			
Orlandi Sergio	Director	181 days	App. of 2009 Fin.Stat.	7			
Orlandi Vittorio	Director	181 days	App. of 2009 Fin.Stat.	7			
Pellegrini Aurelio	Director	181 days	App. of 2009 Fin.Stat.	7			
BOARD OF STATUTORY AUDITORS							
Nuti Massimo	Chairman	181 days	App. of 2008 Fin.Stat.	15			
Rock Ugo	Statutory Auditor	181 days	App. of 2008 Fin.Stat.	10			
Lovati Marco Benvenuto	Statutory Auditor	181 days	App. of 2008 Fin.Stat.	10			1*

* Emoluments as Statutory Auditor of the subsidiary Trasformazione Fibre S.r.l. in liquidation

None of the managers within the Montefibre organisation have responsibility for defining strategy.

Financial statements of Montefibre S.p.A.

As foreseen by Article No. 81-bis of the CONSOB Decree No. 11971 of May 14, 1999 and subsequent ammendments and integration, only the financial statements comprised of the Balance Sheet, Income Statement, Statement of Movements in Net Equity and Statement of Cash Flows are provided for the parent company.

Unless stated otherwise, all figures are expressed in thousands of Euro.

Balance sheet

(in thousands of Euro)	30.06.2007	31.12.2006
Non-current assets	**207,168**	**202,445**
Property, plant and equipment	70,587	73,279
Investment property	33,928	33,528
Intangible fixed assets	17	18
Equity investments	73,688	73,638
Other assets	13,552	409
Other assets from related parties	15,396	21,573
Current assets	**97,752**	**132,292**
Trade receivables	29,755	45,838
Trade receivables from related parties	7,480	5,722
Current financial assets	10	10
Inventories	29,704	49,455
Cash and cash equivalents	17,153	17,980
Other current assets	13,512	12,198
Other current assets from related parties	138	1,089
Total assets	**304,920**	**334,737**
Shareholders' equity	**154,036**	**162,141**
Share capital	156,000	156,000
Revaluation reserves	10,454	10,454
Other reserves	1,350	1,350
Retained earnings/(Losses brought forward)	(5,663)	(10,641)
Net income / (loss) for the period	(8,105)	4,978
Non-current liabilities	**39,493**	**37,619**
Payables towards banks	2,000	3,000
Other financial debt	7,124	2,768
Provisions	9,719	10,667
Employee benefits	8,667	9,563
Deferred tax liabilities	11,983	11,621
Current liabilities	**111,391**	**134,977**
Payables towards banks	35,714	35,194
Other financial debt	4,381	11,939
Provisions	6,315	5,436
Trade payables	51,458	64,323
Trade payables due towards related parties	149	288
Current tax liabilities	588	945
Other current liabilities	11,518	14,759
Other current liabilities towards related parties	1,268	2,093
Total liabilities and shareholders' equity	**304,920**	**334,737**

Income statement

(in thousands of Euro)	30.06.2007	31.06.2006
Net sales revenues	92,002	128,603
Net sales revenues from related parties	8,239	8,846
Other income and revenues	869	1,474
Other income and revenues from related parties	1,690	177
Variation in inventories	(13,326)	(671)
Purchases, services and other operating expenses	(82,008)	(122,088)
Purchases, services and other operating expenses from related parties	(144)	(3,390)
Payroll and related charges	(9,901)	(12,901)
Amortisation and depreciation	(4,010)	(3,965)
Valuation adjustments	400	0
Income (expenses) from non-recurring operations	(277)	(628)
Income (expenses) from non-recurring operations with related parties		5,455
Operating result	**(6,466)**	**912**
Financial income	1,948	3,599
Financial income from related parties	901	569
Financial charges	(3,578)	(4,592)
Financial charges from related parties	(24)	(16)
Net financial income (charges)	**(753)**	**(440)**
Adjustments to value of equity investments	0	0
Other income (expenses) from equity investments	0	0
Net income (expenses) from equity investments	**0**	**0**
Result before tax	**(7,219)**	**472**
Taxation	(886)	(1,301)
Net income (loss) for the period	**(8,105)**	**(829)**

MOVEMENTS IN SHAREHOLDERS' EQUITY

(in thousands of Euro)	Share Capital	Revaluation reserve	Other reserves	Retained earnings/(losses brought forward)	Net income (loss) for the period	Total
NET EQUITY AT 1.1.2007	156,000	10,454	1,350	(10,641)	4,978	162,141
Retained earnings/ (losses carried forward)				4,978	(4,978)	0
Revaluation of property net of fiscal effect thereon						0
Net income/(loss) for the period					(8,105)	(8,105)
NET EQUITY AT 30.06.2007	**156,000**	**10,454**	**1,350**	**(5,663)**	**(8,105)**	**154,036**

(in thousands of Euro)	Share Capital	Revaluation reserve	Other reserves	Retained earnings/(losses brought forward)	Net income (loss) for the period	Total
NET EQUITY AT 1.1.2006	156,000	3,839	1,350	6,678	(17,319)	150,548
Retained earnings/ (losses carried forward)				(17,319)	17,319	0
Revaluation of property net of fiscal effect thereon		449				449
Net income/(loss) for the period					(829)	(829)
NET EQUITY AT 30.06.2006	**156,000**	**4,288**	**1,350**	**(10,641)**	**(829)**	**150,168**

Cash flow statement

(in thousands of Euro)	30.06.2007	30.06.2006
CASH FLOW FROM OPERATIONS		
Net income (loss) for the period	(8,105)	(829)
Depreciation and amortisation	4,010	3,965
Net write-downs (revaluation)	(151)	238
Net losses (gains) on disposal of fixed assets	0	(127)
Net change in Provisions for risks and charges	(69)	135
Accrual to Provision for employee benefits	658	876
(Interest income)	(1,610)	(1,047)
Interest charges	2,499	1,804
(Gains) and losses on exchange not yet realised	49	(312)
Income tax	886	1,360
Other adjustments	(626)	0
Operating result before movements in working capital	**(2,459)**	**6,063**
(Increase)/Decrease in Inventories	13,326	1,231
(Increase)/Decrease in Trade receivables	14,325	12,634
Net movements in Trade payables and other (assets)/liabilities	(17,438)	1,504
Payments made from Provision for employee benefits	(1,155)	(1,387)
Movements in working capital	**9,058**	**13,982**
Liquidity generated by operations	**6,599**	**20,045**
- Interest paid	(2,057)	(1,353)
- Tax paid	(324)	(380)
+ Dividends received	0	0
	(2,381)	**(1,733)**
NET LIQUIDITY GENERATED BY OPERATIONS (A)	**4,218**	**18,312**
CASH FLOWS FROM INVESTMENTS		
Investment		
- Plant and equipment	(1,313)	(1,818)
- Equity investments	(50)	(22,302)
CASH USED FOR INVESTMENTS	**(1,363)**	**(24,120)**
Disposals		
- Plant and equipment	0	127
- Equity investments	0	0
CASH FLOW FROM DISPOSALS	**0**	**127**
NET LIQUIDITY DERIVING FROM/(USED IN) IN INVESTMENT ACTIVITIES (B)	**(1,363)**	**(23,993)**
CASH FLOWS FROM FINANCIAL ACTIVITIES		
Cash received from the disposal of current financial assets	0	19,729
Net movements in current financial debt	(7,038)	(12,962)
Net movements in non-current financial debt	3,356	(1,792)
NET LIQUIDITY DERIVING FROM/(USED IN) IN FINANCIAL ACTIVITIES (C)	**(3,682)**	**4,975**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (D = A + B + C)	**(827)**	**(706)**

OPENING CASH AND CASH EQUIVALENTS	**17,980**	**14,642**
CLOSING CASH AND CASH EQUIVALENTS	**17,153**	**13,936**

Appendices

Significant investments in non-listed companies

SIGNIFICANT INVESTMENTS IN NON-LISTED COMPANIES

Periodic communication in accordance with Articles Nos. 125 and 126 of the practice guidelines for Law No. 58/98 in accordance with the CONSOB resolution No. 11971 of May 14, 1999 and subsequent amendments and additions.

Wuth respect to the previous communication we would point out the addition of West Dock S.r.l., a company constituted on 12.4.2007, in joint venture with West Docks Logistic Venice S.r.l., in order to develop the executive project for a logistics centre to be realised on the land at the Porto Marghera site.
In addition, Montefibre has sold - on a temporary basis - a part of its holding (equivalent to 10.64%) in the company Jilin JiMont Acrylic Fiber Co. Ltd. to the company Simest S.p.A. following the approval of the Chinese authorities in March 2007, retaining its 50% voting rights as foreseen in the Agreement with its Chinese partner.

COMPANIES SUBJECT TO THE ABOVEMENTIONED DISCLOSURE REQUIREMENTS

	Montefibre Hispania S.A.*	**Trasformazione Fibre S.r.l.* in liquidation [2]**	**Servizi Porto Marghera S.c. a r.l.***
Registered office	Aribau 185-187 08021 Barcelona (Spain)	Via Marco d'Aviano, 2 20131 Milan (Italy)	Via della Chimica, 5 30175 Porto Marghera (VE) (Italy)
Share capital	Euro 18,670,086	Euro 929,622	Euro 8,751,500
% owned	100.0%	100.0%	14.2%
No. of shares or quotas owned	3,111,681	1	1
No. of shares or quotas with voting rights owned	3,111,681	1	1
- % of share capital	100.0%	100.0%	14.2%
Date of constitution	October 16, 1973	July 27, 1973	December 15, 2004
Fiscal code	-	01694710151	03576040277
CCIAA registration			
- number	-	864097	320451
- Province	-	MI	VE
Nature of control	Control of voting rights	Control of voting rights	No control

* Company owned directly by Montefibre S.p.A.
° Company owned indirectly by Montefibre S.p.A. through Montefibre Hispania S.A.
[1] Montefibre has undertaken a commitment to repurchase, prior to 30.6.2013, the share sold to Simest S.p.A.
[2] With sole shareholder- subject to management and control by Montefibre.

Declaring company

Montefibre S.p.A. - constituted on August 9, 1918 with registered offices at No. 2, Via Marco d'Aviano in Milan, 20131, Italy - the Company has a share capital of Euro 156,000,000 consisting of No. 130,000,000 ordinary shares, all of which carry voting rights at the Company's extraordinary and ordinary shareholders' meetings, and No. 26,000,000 non-convertible savings shares; both the ordinary shares and the savings shares have a par value of Euro 1 per share.

The Company is registered at the Milan C.C.I.A.A. No. 66408.
The Company's Register number, tax and VAT code is No. 00856060157.

Genfibre S.A.°	Jilin JiMont Acrylic Fiber Co. Ltd.*	Fibras Europeas de Poliester S.L. *	West Dock S.r.l. *
09200	516-1 Jiuzhan Street	Paseo de Gracia, 85	Via Vanzo, 71/A
Miranda de Ebro	Jilin City	08008	31021
Carretera de Logrono snc	Jilin Province	Barcelona (Spain)	Mogliano Veneto
(Burgos-Spain)	(China)		(TV) (Italy)
Euro	RMB	Euro	Euro
1,803,000	450,000,000	12,003,010	100,000
50.0%	39.36%[1]	39.99%	50.00%
15,000	1	800,000	1
15,000	1	800,000	1
50.0%	50.0%	39.99%	50.0%
December 23, 1992	December 21, 2005	November 30, 2006	April 12, 2007
-	-	-	04145940260
-	-	-	326454
-	-	-	TV
No control	No control	No control	No control

Montefibre
Limited liability company

Registered office
Via Marco d'Aviano, 2
20131 Milano

Share capital
Euro 156,000,000 fully paid up

Registered in the Milan Company Register and Tax Code
00856060157

Interim Report approved
by the Board of Directors
on September 10, 2007.

Note
This Interim Report has been translated into English from the original Italian version.