Montefibre

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# 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
*Ugo Rock* (3)

ACTING AUDITORS
*Marco Armarolli* (4)
*Marco Benvenuto Lovati*

SUBSTITUTE AUDITORS
*Marcello Costadoni* (4)
*Giuliano Lanzi* (4)

## Representative of the holders of savings shares (5)

*Achille Benetti Genolini*

## Independent auditors (6)

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) *Nominated as Chairman by the ordinary shareholders' meeting of May 7, 2008.*
(4) *Appointed by the ordinary shareholders' meeting of May 7, 2008 in order to integrate the Board of Statutory Auditors.*
(5) *Appointed for a three-year period by the special meeting of the savings shareholders held on May 9, 2007.*
(6) *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.*

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## 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, (this latter rented out to Fidion S.r.l.) and also of the following subsidiaries, all of whom are 100% directly controlled:

- Montefibre Hispania S.A., with head offices in Barcelona and with a site at Miranda de Ebro in which production plant for acrylic fibres and a combined-cycle steam and electricity co-generating power station are located; the ownership of the power station derives from the incorporation by merger on December 20, 2007 of the previously 50% owned Genfibre S.A., in which the remaining share capital was acquired on October 18, 2007;

- Trasformazione Fibre S.r.l., in liquidation.

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 Rodsacc S. de R.L. 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;

- 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 intended for logistics activity;

- Astris Carbon S.r.l., 50% owned in joint venture with Ribeauvillé Investments S.A., constituted with the aim of promoting investment in the production of precursors for carbon fibre.

## Real estate operations

Given the negative results of its operating activities, Montefibre S.p.A. has brought forward the realisation of its project for the sale of land and buildings, in line with the decision to reduce financial debt.

On February 4, 2008 Montefibre S.p.A. stipulated the deed of sale for a building, together with the relative land, situated within the Porto Marghera site, for a total price of Euro 6.1 million.
This building, which was utilised as a warehouse, continues to be partially used by Montefibre under a transitional three-yearly leasing contract. The building sold had been recorded at a cost of Euro 0.3 million in the financial statements for the year ended on December 31, 2007 and therefore the operation generated a gain of Euro 5.8 million.
The preliminary agreement also foresees the sale of a further small area at the quayside which shall be sold for a price of Euro 0.4 million, subsequent to the obtaining of authorisation to manage the quay which faces onto the industrial canal.

On April 8, 2008 Montefibre S.p.A. stipulated, for a total price of Euro 20 million, the deed of sale of the building, situated in Milan, utilised in part by the Company for its head offices and in part rented out to third parties.
Montefibre continues to use part of this building under a leasing contract.
This building had been recorded in the financial statements as of December 31, 2007 at a total value of Euro 12.5 million and therefore the gain on sale amounted to Euro 7.5 million.

In addition to a capital gain of more than Euro 13 million, these two real estate operations have generated an extraordinary cash flow of approximately Euro 26 million, which has significantly improved the Company's financial equilibrium.

## Logistics project

This project is aimed towards the development of a logistics centre to be realised on land at the Porto Marghera factory site not utilised in production activities.
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 66 hectares, of which 15 hectares in government concession.
This project forms part of the Logistics Master Plan prepared by the Distretto della Logistica of Venice and Treviso.

The equal joint venture West Dock S.r.l. shall complete the planning phase within the end of the year 2008 and has begun to prepare and follow up the complex bureaucratic 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 shall have the option to decide whether or not to partecipate in the share capital of this company with a share of between 10% and 50%.

## Carbon fibres project

Carbon fibres are being produced in ever-increasing quantities throughout the world, although European production thereof remains limited; European demand is growing at an estimated rate of more than 10% per annum, for use in the aerospace and industrial sectors (energy, construction, automobile).

The industrial process involves the carbonisation of a particular type of acrylic fibre, called precursor.

In consideration of its long and tried experience in the various phases of acrylic fibre production, and with a view to diversifying production activity at the Porto Marghera plant, given the negative trend of the European acrylic fibres market, Montefibre has already commenced technical tests for the perfecting of the new process for the production of the abovementioned precursor and for the necessary adjustments to its plant.

On December 4, 2007 Montefibre S.p.A. and the Luxembourg company Ribeauvillé Investments S.A., which also controls the fibre company Balakovo Chemical Plant in Russia, set up the equal joint venture Astris Carbon S.r.l. for the development of a project for the production, within the year 2010, of approximately 3,000 tons of precursor per annum.

Montefibre has already commenced production of the precursor on a reduced scale, utilising an available plant within the Porto Marghera factory, and it is currently carrying out modifications to its polymerisation and spinning plant with a view to commencing production on an industrial scale around the middle of the year 2009.
As regards the subsequent phase for the manufacture of carbon fibres, various technological alternatives are being considered for the oxidation/carbonization plants which shall be located at a yet to be decided European site.

## The chemical fibres industry in western Europe during the first six months of the year 2008

The apparently unstoppable rise in crude oil prices, which have more than doubled with respect to the first six months of the year 2007, and the consequent increases in energy and raw material costs, together with the effects of the financial crisis created by the US sub-prime mortgage problems, have given rise to an economic and financial situation which led to a worsening in the already difficult situation in the European chemical fibres sector, which had previously been penalised by the expiry of the so-called "Multifibre Agreement" in 2005 and by the ongoing weakness of the US dollar, which threatens the competitiveness of European manufacturers.

As regards acrylic fibre, the trend during these first six months of the year 2008 confirmed that already announced in prior quarters: the cost of acrylonitrile has reached levels which render the cost of this fibre non-competitive with other fibres, even in Asian countries, thus generating a drop in consumption even in those geographic areas which had previously registered increases.
Therefore, the European fibre manufacturers, who, up until a few years previously, had been able to compensate lower European sales with increases in exports, were forced to make drastic cuts in production and sales.
The negative effects of the above situation are confirmed by the figures for European manufacturers' sales of acrylic fibre (including Turkish manufacturers), which not only saw a drop of 22.8% in Western Europe during the first six months of the year 2008, only partially compensated for by an increase of 3.6% in Eastern Europe and Turkey, but also a drop of 21.5% in sales to the rest of the world (in particular with a drop of 50.4% in China): therefore the total worldwide sales by European manufacturers have fallen by 10.8%, while, due to a parallel decrease in production, their stocks have remained at extremely low levels.

The market situation in Europe for polyester fibre has also deteriorated, although to a much lesser extent than that for acrylic fibres: preliminary figures for sales by European manufacturers (including Turkish manufacturers) in Western Europe indicate a drop of approximately 3% with respect to the first six months of the year 2007. However, imports from outwith Europe during the first three months of the year have risen by 5.7% with respect to the corresponding period of the previous year, which would appear to indicate that total European consumption has remained relatively stable, but with European or Turkish manufactured fibres being replaced by fibres from outwith Europe. Therefore there would seem to be a further increase in the market share covered by imports (which already accounted for around 50% of total market share) in line with the loss in competitiveness by the European industry due to the current US dollar exchange rate.

## Analysis of the economic-financial results of the Montefibre Group

### Foreword

The Montefibre Group recorded a net loss of Euro 11.8 million for the first six months of the year 2008, against a net loss of Euro 20.7 million for the first six months of the year 2007.

The summarised Income Statement, Balance Sheet and Statement of cash flows of the Montefibre Group for the six-month period ended on June 30, 2008, expressed in millions of euros, together with comparative figures for the period ended on June 30, 2007 for the income statement and statement of cash flows and with the figures as of December 31, 2007 for the balance sheet, are provided below.
These summarised schedules, similar to those shown in the Directors' Report on the consolidated financial statements as of December 31, 2007, 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: investment, 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", gives 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 consolidated 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.

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, the Income Statement and the Statement of Cash Flows as of June 30, 2008 include the income and expenses and the cash flows generated by the activities of the ex-Genfibre S.A. acquired during the second half of the year 2007.

## Consolidated income statement (summary)

| (in millions of Euro) | 30.06.2008 | 30.06.2007 |
|---|---|---|
| Net sales revenue | 147.6 | 170.0 |
| Other income and revenues | 3.5 | 2.8 |
| Purchases, services and other operating expenses | (134.1) | (159.9) |
| Payroll and related charges | (17.5) | (19.5) |
| Income (expenses) from non-recurring operations | 12.4 | (0.3) |
| **Gross operating margin** | **11.9** | **(6.9)** |
| Depreciation and amortisation | (8.1) | (6.0) |
| Value adjustments | (13.0) | 0.2 |
| **Operating result** | **(9.2)** | **(12.7)** |
| Net financial income (charges) | 1.3 | (1.4) |
| Net income (losses) from equity investments | (3.0) | (5.4) |
| **Result before tax** | **(10.9)** | **(19.5)** |
| Income tax | (0.9) | (1.2) |
| **Net income (loss) for the period** | **(11.8)** | **(20.7)** |

## Consolidated balance sheet (summary)

| (in millions of Euro) | 30.06.2008 | 31.12.2007 |
|---|---|---|
| Property, plant and equipment | 87.3 | 106.8 |
| Investment property | 26.8 | 33.5 |
| Intangible assets | 2.5 | 1.6 |
| Equity investments | 14.3 | 16.1 |
| Other non-current assets | 29.7 | 29.9 |
| **Fixed assets** | **160.6** | **187.9** |
| Fixed assets held for sale | 0.0 | 6.1 |
| Inventories | 35.3 | 43.2 |
| Trade receivables | 64.7 | 71.1 |
| Trade payables | (62.6) | (75.6) |
| Other receivables/payables | (8.4) | (13.0) |
| Provisions for risks and charges | (16.3) | (19.4) |
| **Net working capital** | **12.7** | **12.4** |
| **Provision for employee benefits** | **(5.6)** | **(5.9)** |
| **Net capital invested** | **167.7** | **194.4** |

| | | |
|---|---|---|
| **Shareholders' equity** | **109.4** | **121.6** |
| Medium/long term financial debt | 10.1 | 13.2 |
| - Financial debt | 55.5 | 74.0 |
| - Financial assets | 0.0 | 0.0 |
| - Liquid funds | (7.3) | (14.4) |
| Net short-term financial debt | 48.2 | 59.6 |
| **Net financial debt** | **58.3** | **72.8** |
| **Coverage** | **167.7** | **194.4** |

## Consolidated cash flow statement (summary)

| (in millions of Euro) | 30.06.2008 | 30.06.2007 |
|---|---|---|
| Net income (loss) for the period | (11.8) | (20.7) |
| Amortisation, depreciation and other non-monetary adjustments | 12.4 | 13.6 |
| **Cash flows from current operations (self-financing)** | **0.6** | **(7.1)** |
| Variation in net working capital | (5.1) | 19.6 |
| Payments of employee benefit provision | (0.4) | (1.1) |
| Dividends, taxation and interest received / (paid) | (2.0) | (2.8) |
| **Net cash provided by operating activities (a)** | **(6.9)** | **8.6** |
| Investments | | |
| - Plant and equipment | (0.7) | (1.3) |
| - Equity investments | (4.0) | (0.1) |
| **Cash used in investments** | **(4.7)** | **(1.4)** |
| Disposals | | |
| - Land and buildings | 26.1 | 0.0 |
| - Equity investments | 0.0 | 0.0 |
| **Cash flow from disposals** | **26.1** | **0.0** |
| **Net cash used in investing activities (b)** | **21.4** | **(1.4)** |
| Variation in current financial debt | (18.5) | (10.6) |
| Variation in non-current financial debt | (3.1) | 3.2 |
| **Net cash flow from financing activities (c)** | **(21.6)** | **(7.4)** |
| **Net cash flow for the period (d=a+b+c)** | **(7.1)** | **(0.2)** |

| | | |
|---|---|---|
| **Opening liquidity** | **14.4** | **20.6** |
| **Closing liquidity** | **7.3** | **20.4** |

## Analysis of the income statement

During the first six months of the year 2008 net sales revenues amounted to Euro 147.6 million, showing a decrease of Euro 22.4 million (-13.2%) with respect to the first six months of the year 2007. This decrease was due to an increase of Euro 16.4 million for sales of electricity following the consolidation of Genfibre during the last quarter of the year 2007 and to a drop of Euro 38.8 million (-22.8%) in sales of acrylic fibres. This latter in particular, is due to a 3.3% rise in sales prices and a 26.1% decrease in sales volumes.
Given the difficult market situation, the increases in acrylic fibre prices were insufficient to compensate for the trend in the costs of the raw material acrylonitrile, which rose by 7.8% with respect to the corresponding period of the previous year, thus determining a drop in unit margins, which had begun to show signs of recovery during the first six months of the year 2007.

Purchases, services and other operating expenses fell by 16.1% with respect to the corresponding period of the year 2007, due to the combined effect of the drop in fibre production and sales volumes, of the inclusion of the costs of producing the electricity sold and of the rise in raw materials 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 10.3% with respect to the first six months of the year 2007, due both to the reduction in staff levels at both head offices and at the Group's production plants, and to the recourse to staff redundancies at the Porto Marghera factory as a result of the drop in production levels due to market problems. The average workforce has fallen from No. 887 employees (of whom 742 operative) during the first six months of 2007 to No. 698 employees during the first half of 2008 (of whom 688 operative). Following the exit of the Ottana employees who had been placed in extraordinary redundancy (CIGS), the difference between the number of employees on the payroll and the number of operative employees is extremely slight.

Net income from non-recurring operations amounted to Euro 12.4 million and includes the gain realised on the sale of land and buildings mentioned above (Euro 13.1 million), net of early retirement incentives of Euro 0.7 million.

Therefore, the Group recorded a gross operating profit of Euro 11.9 million, against a loss of Euro 6.9 million for the corresponding period of the previous year; showing a significant improvement even net of the income from non-recurring operations: this improvement is due mainly to the integration of Genfibre's electricity plant, which has increased the profitability of the Miranda de Ebro factory.

Amortisation and depreciation charges amounted to Euro 8.1 million, showing an increase of Euro 2.1 million with respect to the first half of year 2007, following the inclusion of the electricity plant.
The valuation adjustments showed a net write-down of Euro 13.0 million, relating principally to the plant at the Porto Marghera factory utilised in acrylic fibre production. On the basis of the losses recorded both in recent years and during the last six months, and also of the cash flows expected in the near future, all of the fixed assets have been significantly written down, with the exception of those expected to be reconverted for use in the production of “precursors”.

The operating result for the period year amounted to a loss of Euro 9.2 million, compared to a loss of Euro 12.7 million in the corresponding period of the previous year.

The net balance between financial income and expenses, which includes exchange differences, shows net financial income of Euro 1.3 million, against net financial expenses of Euro 1.4 million for the corresponding period of the previous year; the improvement is due mainly to the net gains on exchange, which rose from Euro 0.2 million for the first six months of the year 2007 to Euro 1.5 million for the first six months of the year 2008, and also to the drop in financial charges towards banks following the reduction in financial debt.

Net losses from equity investments, amounting to Euro 3.0 million, is comprised of the Group share of the losses of the companies JiMont (Euro –1.7 million), 50% owned, and of Fibras Europeas de Poliéster (Euro –1.3 million), 40% owned, all of whom valued under the net equity method.

In particular:

- JiMont's losses are due to ongoing difficult market conditions in China, which have led to decreases in production levels and to unsatisfactory unit margins;

- as regards Fibras Europeas de Poliéster: the results of the subsidiary Fidion were not only penalised by the ongoing fixed costs sustained for the polyester fibre activities which are still closed down, but they also suffered the effects of a significant slump in the market for the “recycled polyester fibre” activity leased from Montefibre.

Therefore the result before taxes showed a loss of Euro 10.9 million, against a loss of Euro 19.5 million for the first six months of the year 2007.

The tax credit of Euro 0.9 million relates mainly to the current and deferred tax of Montefibre S.p.A. and of Montefibre Hispania.

Therefore the period closed with a loss of Euro 11.8 million, compared to a loss of Euro 20.7 million for the first six months of the year 2007.

## Analysis of the consolidated balance sheet

Total fixed assets amounted to Euro 160.6 million at June 30, 2008, showing a decrease of 14.5% with respect to December 31, 2007.
Property, plant and equipment fell by Euro 19.5 million due to the fact that the depreciation charges exceeded the additions during the period, but mainly as a result of the write-down in the value of fixed assets at the Porto Marghera factory as mentioned above. The sale of the Milan property, which was utilised in part as Montefibre S.p.A.'s head offices and in part rented out to third parties, has given rise (for the portion rented out to third parties) to a decrease of Euro 6.7 million in the total value of Investment property. The increase in intangible assets is linked to the "emission rights" of the Miranda de Ebro electricity power plant. Equity investments have fallen by Euro 1.8 million due to the Group share of losses of its associated companies (with the exception of that of Fibras Europeas de Poliéster, equivalent to Euro 1.3 million, allocated to the provision for risk on equity investments). The other non-current assets are comprised mainly of long term receivables due from NGP and SIMPE, 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.
The elimination of the category Fixed assets held for sale relates for Euro 5,7 million to the Milan property sold during the period and the remainder relates to the sale of a building at the Porto Marghera site.

As regards the other components of net working capital, the overall increase therein (of Euro 6.4 million) is due largely to the reduction in the negative balance of other receivables and payables and of the provision for risks and charges, which has more than compensated for the slight reduction in net trading capital. The variation in the net negative balance between other payables and other receivables is due principally to the decrease in payables due towards employees (largely as a result of the exit of the Ottana employees, who had been in redundancy up until 31/12/2007). The variation in the provision for risks and charges relates mainly to the provision for risks on equity investments relative to FEP, for the balance between the increase due to the result for the period and the decrease due to the Group share of the share capital increase.

The provision for employee benefits has decreased significantly, due to the payments made to employees leaving the Group during the period, which have more than compensated for the revaluations thereof.

Overall, the net capital invested, amounting to Euro 167.7 million, has decreased by 13.7% with respect to December 31, 2007.

Net equity has fallen, mainly 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 14.5 million, to reach a total of Euro 58.3 million, representing only slightly more than 50% of net equity.

From a financial point of view, the first six months of the year saw a return to positive self-funding, even if only slight; however, the increase in the working capital during the period has led to negative operating cash flows. The significant financial contribution of the property sales has nevertheless enabled the Group to cover this deficit, as well as its outgoings for investments in plant and in equity investments; and, with a decrease in liquidity of Euro 7.1 million, has permitted it to significantly reduce its current financial debt and to repay mortgage and leasing instalments for Euro 3.1 million.

## ACRYLIC FIBRES

As previously mentioned, the first six months of the year 2008 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 previously registered growth; this was due largely to the exceptional increases in the cost of acrylonitrile, and the consequent unsatisfactory spread between fibre prices and raw material costs, due to 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 during the first six months of the year have fallen by a total of 26.1%, with a variation in the geographic mix, as the reduction in Western Europe was partly compensated for by higher sales volumes in Eastern Europe and Turkey, while sales in China and in other Far Eastern countries, insufficiently profitable in the current market situation, fell dramatically. These difficulties have led to a worsening of the spread on raw materials during the first half of the year 2008 with respect to the corresponding period of the previous year, although this has however improved with respect to the last quarter of the year 2007. Furthermore, the significant drop in sales volumes has meant that the acrylic business continued to record gross operating losses, even if slightly lower than those of the first six months of the previous year, thanks to the rationalisation of the production structure which took place at the end of the year 2007.

## OTHER ACTIVITIES AND PRODUCTS

Although to a lesser extent than that of acrylic fibres, the market situation in Europe for polyester fibres has weakened, not so much in terms of demand, which appears more or less stable, as in terms of prices, due to the ever-increasing incidence of imports from outwith Europe, which are rendered even more competitive by the weak US dollar.

The production of recycled polyester fibre on the short-spinning lines by Fidion has suffered as a result of the weak market in the automobile sector, to which its production is mainly directed, with a reduction in both production and sales volumes and in unit margins realised. Therefore this business sector recorded a slight operating loss.

On the other hand, the sales of the electricity produced at Miranda de Ebro have generated very positive results, thus improving the profitability of Montefibre Hispania, which recorded a gross operating profit of Euro 4.4 million during the first six months of the year (against a loss of Euro 4.3 million during the corresponding period of 2007).

## SIGNIFICANT POST BALANCE SHEET EVENTS

In order to strengthen the equity structure of Montefibre S.p.A., in view of the realisation of the carbon fibres project described above, the Board of Directors, as amply reported in the press release issued following the Board meeting held on July 30, 2008, has decided to put forward a proposal to the shareholders' meeting for a share capital increase for a total of Euro 18 million, two thirds of which to be underwritten by Ribeauvillé Investments S.A., shareholder of the associated company Astris Carbon S.r.l., with the remaining third to be offered on the market.

To this end, an agreement has been signed with the company Ribeauvillé Investments S.A. for the latter's participation in the share capital of Montefibre S.p.A., and which involves the commitment by Ribeauvillé Investments S.A. to underwrite the new Montefibre shares for a total of Euro 12 million, this commitment is backed up by a fidejussion issued by a leading European bank.

In relation to the abovementioned agreement, the Board of Directors has also resolved to propose the following resolutions to the coming Shareholders' meeting:

- the elimination of the specification of the nominal value of the Company's shares;

- the proposal to increase the Company's ordinary share capital by Euro 12,000,000.00 in money, inseparable, reserved for third parties, without option rights, in accordance with and for effect of paragraphs 5 and 6 of Article No. 2441 of the Italian Civil Code;

- the proposal to further increase the Company's ordinary share capital in money, separable, available in option to all existing shareholders, both of ordinary and of savings shares, for a total value of up to Euro 6,000,000.00;

- the amendments to Articles Nos. 6 and 26 of the Company Statute, inherent in and consequent to the above resolutions.

The Board of Directors, having taken note of the valuation made by the financial advisor Tamburi Investment Partners, which, using a "mixed equity" method and taking account of the average share price

during the last six months, has set a price range of Euro 0.46 – Euro 0.49 per share for the reserved share capital increase, considers such valuation adequate, even if it gives an economic value for Montefibre which is lower than value resulting from its consolidated book net equity.
The above price range is considered congruous also in view of the losses which are expected to be incurred by the acrylic fibres business during the next few years of transition. The resulting valuation of Montefibre's economic value is in no way connected to the valuation of the assets recorded in the financial statements, but is linked solely to the abovementioned forecast negative economic results. The valuation corresponds to a premium of 13 - 21% with respect to the value attributed to the Company's ordinary shares by the financial markets during that period; Ribeauvillé Investments S.A. shall reserve the right not to subscribe to the share capital increase reserved thereto should the issue price of the new shares exceed Euro 0.47 euro per share.
For the capital increase offered on the open market, a price range of Euro 0.33 – Euro 0.35 per share has been set; Orlandi S.p.A. has undertaken to subscribe to all of the new shares for which it has an option on the basis of its existing shareholding.
Orlandi S.p.A and Ribeauvillé Investments S.A. have also signed a three years agreement, in which they have undertaken not to sell a number of shares equivalent to those which shall be held by Ribeauvillé Investments S.A. following the share capital increase, approximately 15% of the total.

An extraordinary shareholders' meeting has been called for September 29, 2008.
We would point out that the relative resolutions must be made with a majority comprising of at least two thirds of the share capital represented in the meeting, with the exception of that regarding the reserved share capital increase, which must be approved by shareholders representing more than 50% of the Company's share capital.

## Forecast for the remainder of the year

The market situation during the third quarter of the year 2008 has not shown any signs of improvement with respect to the first six months of the year.
Acrylonitrile prices have risen even further during the months of July and August, while demand for fibres remains unchanged throughout the world.

The Porto Marghera factory was completely shut-down for approximately one and a half months during July and August 2008.

Thereafter, the Group intends to maintain the production structure already in place during the first half of the year, following the decision taken at the end of the previous year to operate at full production capacity at the Spanish factory of Miranda de Ebro, which is able to benefit from the integration with the combined-cycle co-generation power station, and to limit production at the Porto Marghera factory to speciality products with higher margins and to those quantities of commodities which don't involve significant increases in fixed costs.
As regards sales prices, the recently applied increases should be sufficient to compensate for the latest rises in acrylonitrile prices, without however giving any improvement in unit margins. However, during the second half of the year the Group's gross operating margin, net of the effects of non-recurring operations, is not expected to undergo any significant improvement; in fact a return to profitability for the acrylic fibre business is not expected to occur prior to the year 2009.

The abovementioned share capital increase, which is expected to take place prior to the end of the current year, together with the realisation of the programme for the sale of certain land and buildings not utilised in industrial activities, shall make a significant contribution towards strengthening the Group's equity and financial situation for the development of new initiatives, one of the most important of which being that relative to carbon fibres.

## RELATED PARTY TRANSACTIONS

### OPERATIONS BETWEEN MONTEFIBRE S.P.A. AND RELATED PARTIES

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., and 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 fibre to Orlandi S.p.A., Detelina International Ltd. and H.F. Filati S.p.A. 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 and services relative to the development of the logistics project carried out by West Dock S.r.l..

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 in a separate chapter below.

Transactions with Directors and Statutory Auditors are limited to the emoluments paid thereto.

The related party 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 sale 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 period and of the relative balances at the period-end are shown in the explanatory notes to the condensed half-yearly financial statements.

No other transactions took place between Group companies and related parties.
During the first six months of the year 2007 however, the following transactions had taken place between Montefibre Hispania S.A. and the associated company Genfibre S.A., given that the latter was only incorporated into Montefibre Hispania S.A. on December 20, 2007:

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

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

### RELATED PARTY TRANSACTIONS RELATIVE TO THE ACERRA FACTORY

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

Transactions between Montefibre S.p.A. and Fidion S.r.l. mainly regarded 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.

We would also point out that the joint venture company Fibras Europeas de Poliéster S.L. has resolved a share capital increase in order to cover the losses registered by the two subsidiary companies Fidion S.r.l. and Fibracat Europa S.L.; Montefibre has underwritten and paid up its share of this increase.

Detail of the values of the abovementioned transactions during the first six months of the year 2008 and of the relative balances at the period-end are shown in the explanatory notes to the condensed half-yearly financial statements.

## 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 re-grouping 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.
However, we would point out that an extraordinary shareholders’ meeting has already been called for the elimination of the specification of the nominal value of the Company’s shares and to propose a share capital increase for a total of Euro 12 million, to be reserved for third parties without option rights, and a further increase destined in option to all of the holders of both ordinary and savings shares, for a maximum value of Euro 6 million.
In addition, neither the Board of Directors, nor the shareholders’ meeting have resolved agreements between the Company and the Directors which foresee an indemnity in the event of resignation or the termination of their appointment following a takeover bid.
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 year, 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.
With regard to the motivation for the above declaration (as required by Article No. 37 of the Consob Market Regulation), the iuris tantum presumptions of Article No. 2497 sexies have been overcome, given that no circumstances have been noted, leading us to declare that Montefibre S.p.A. is responsible for its own management and co-ordination activities. In fact, also on the basis of the information provided by the Company’s management, there are no financial coordination activities and in particular no centralised treasury, administrative, commercial and/or logistic structures which would lead to the presumption of management and coordination activity on the part of the parent company Orlandi S.p.A.. Finally, we would point out that the Company’s Board of Directors (comprised of No. 8 members) is comprised mainly (No. 6 members) of directors who are neither part of the Board of Directors nor of the management of Orlandi S.p.A.; furthermore, the presence in Montefibre’s Board of Directors of No. 4 so-called “independent” directors (as defined by current Italian legislation) of undisputed professionalism, guarantees the impartiality of the Board’s actions and judgements.
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, nor of any agreements in which Montefibre S.p.A. or its subsidiaries take part, that become effective, are modified, or expire in the event of a change in control of the Company.
As regards the dividends, the entire profit for the year, net of the allocation of 5% to the legal reserve until this latter reaches one fifth of the value of share capital, may be distributed in dividends to the shareholders if the shareholders so resolve in their Annual General Meeting; nevertheless, the savings shares have the right to a minimum dividend equivalent to 5% of their nominal value (such rights are cumulative over the two subsequent accounting periods), and in any case greater by 2% of their nominal value than the dividend on ordinary shares. The dividends made utilising the available reserves are due, on the other hand, in equal measure to both share categories.

Finally, we would remind you that the Ordinary Shareholders' Meeting of May 7, 2008 resolved to carry forward the net loss for the year 2007. In addition, given that the Ordinary Shareholders' Meetings of May 9, 2007 and May 7, 2008 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 2008 and 2009, after the full coverage of losses brought forward and the allocation to the legal reserve of 5% of the net income for the year.

Milan, August 27, 2008

On behalf of the Board of Directors,
The Chairman,
*Roberto De Santis*

# Condensed half-yearly financial statements for the six months ended on June 30, 2008

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# CONSOLIDATED BALANCE SHEET

| (in thousands of Euro) | note | 30.06.2008 | 31.12.2007 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | **166,693** | **194,655** |
| Property, plant and equipment | 13 | 87,306 | 106,808 |
| Investment property | 14 | 26,778 | 33,528 |
| Intangible fixed assets | 15 | 2,529 | 1,619 |
| Equity investments | 16 | 14,299 | 16,036 |
| Other assets | 17 | 16,054 | 16,575 |
| Other assets from related parties | 17,45 | 15,967 | 15,642 |
| Deferred tax assets | 18 | 3,760 | 4,447 |
| **NON-CURRENT ASSETS DESTINED FOR SALE** | 13 | **31** | **6,092** |
| **CURRENT ASSETS** | | **120,969** | **145,954** |
| Trade receivables | 19 | 62,490 | 69,530 |
| Trade receivables from related parties | 19,45 | 2,183 | 1,597 |
| Current financial assets | 20 | 10 | 14 |
| Inventories | 21 | 35,367 | 43,196 |
| Cash and cash equivalents | 22 | 7,272 | 14,431 |
| Other current assets | 23 | 10,963 | 12,623 |
| Other current assets from related parties | 23,45 | 2,684 | 4,563 |
| **TOTAL ASSETS** | | **287,693** | **346,701** |
| **SHAREHOLDERS' EQUITY** | | **109,437** | **121,637** |
| Share capital | 24 | 156,000 | 156,000 |
| Revaluation reserves | 25 | 10,022 | 10,454 |
| Other reserves | 25 | 5,517 | 5,578 |
| Retained earnings/(Losses brought forward) | 25 | (50,348) | (22,290) |
| Net income / (loss) for the period | | (11,754) | (28,105) |
| **NON-CURRENT LIABILITIES** | | **42,779** | **50,313** |
| Payables towards banks | 27 | 4,657 | 6,967 |
| Other financial debt | 29 | 7,432 | 8,230 |
| Provisions | 30 | 12,832 | 16,528 |
| Employee benefits | 32 | 5,585 | 5,850 |
| Deferred tax liabilities | 33 | 12,273 | 12,738 |
| **CURRENT LIABILITIES** | | **135,477** | **174,751** |
| Payables towards banks | 26 | 40,201 | 54,110 |
| Other financial debt | 28 | 15,308 | 19,916 |
| Provisions | 30 | 3,485 | 2,898 |
| Trade payables | 34 | 62,429 | 75,459 |
| Trade payables due to related parties | 34,45 | 209 | 198 |
| Current tax liabilities | | 1,339 | 1,374 |
| Other current liabilities | 35 | 12,506 | 20,796 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **287,693** | **346,701** |

# Consolidated income statement

| (in thousands of Euro) | note | 30.06.2008 | 30.06.2007 |
|---|---|---|---|
| Net sales revenues | *12* | 145,089 | 166,911 |
| Net sales revenues from related parties | *12,45* | 2,443 | 3,133 |
| Other income and revenues | | 4,896 | 1,234 |
| Other income and revenues from related parties | *45* | 1,581 | 1,603 |
| Variation in inventories | *21* | (6,829) | (19,648) |
| Purchases, services and other operating expenses | *36* | (129,904) | (134,831) |
| Purchases, services and other operating expenses towards related parties | *36,45* | (334) | (5,549) |
| Payroll and related charges | *37* | (17,388) | (19,501) |
| Amortisation and depreciation | *13,15* | (8,111) | (5,994) |
| Valuation adjustments | *38* | (13,000) | 250 |
| Income (expenses) from non-recurring operations | *44* | 12,414 | (277) |
| **Operating result** | | **(9,143)** | **(12,669)** |
| Financial income | *39* | 2,822 | 2,590 |
| Financial income from related parties | *39,45* | 1,158 | 901 |
| Financial charges | *40* | (2,722) | (4,908) |
| **Net financial income (charges)** | | **1,258** | **(1,417)** |
| Effect of valuation at net equity | *41* | (2,995) | (5,392) |
| **Net income (expenses) from equity investments** | | **(2,995)** | **(5,392)** |
| **Result before tax** | | **(10,880)** | **(19,478)** |
| Taxation | *42* | (874) | (1,191) |
| **Net income (loss) for the period** | | **(11,754)** | **(20,669)** |
| Net income / (loss) per share | *43* | (0.09) | (0.16) |

# SCHEDULE OF 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 31.12.2007 | 156,000 | 10,454 | 7,381 | (1,803) | (22,290) | (28,105) | 121,637 |
| Retained earnings/ (losses carried forward) | | | | | (28,105) | 28,105 | - |
| Translation adjustments | | | | (61) | | | (61) |
| Other movements | | (432) | | | 47 | | (385) |
| Net income/(loss) for the period | | | | | | (11,754) | (11,754) |
| **NET EQUITY AT 30.06.2008** | **156,000** | **10,022** | **7,381** | **(1,864)** | **(50,348)** | **(11,754)** | **109,437** |

| (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 31.12.2006 | 156,000 | 10,454 | 1,350 | (1,010) | (17,992) | (4,298) | 144,504 |
| Retained earnings/ (losses carried forward) | | | | | (4,298) | 4,298 | - |
| 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** |

# Consolidated cash flow statement

| (in thousands of Euro) | 30.06.2008 | 30.06.2007 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income (loss) for the period | (11,754) | (20,669) |
| Depreciation and amortisation | 8,111 | 5,994 |
| Write-downs (revaluation), net | 13,000 | 5,142 |
| Net losses (gains) on disposal of fixed assets | (12,414) | (364) |
| Net change in Provisions for risks and charges | (437) | (69) |
| Accrual to provision for employee benefits | - | 658 |
| (Interest income) | (1,874) | (1,614) |
| Interest charges | 2,168 | 3,227 |
| (Gains) and losses on exchange not yet realised | (105) | 49 |
| Income tax | 874 | 1,191 |
| Other adjustments | 2,995 | (626) |
| **Operating result before movements in working capital** | **564** | **(7,081)** |
| (Increase) / Decrease in Inventories | 6,830 | 18,789 |
| (Increase) / Decrease in Trade receivables | 6,458 | 18,540 |
| Variation in Trade payables and other (assets)/liabilities | (18,397) | (17,668) |
| Payments made from Provision for employee benefits | (367) | (1,155) |
| **Movements in working capital** | **(5,476)** | **18,506** |
| **Liquidity generated by operations** | **(4,912)** | **11,425** |
| - Interest paid | (1,812) | (2,785) |
| - Tax paid | (195) | (324) |
| + Dividends received | - | 256 |
| | **(2,007)** | **(2,853)** |
| **Net liquidity generated by operations (A)** | **(6,919)** | **8,572** |
| **Cash flows from investments** | | |
| Investment in | | |
| - Plant and machinery | (710) | (1,328) |
| - Equity investments | (4,005) | (50) |
| **Cash used in investments** | **(4,715)** | **(1,378)** |
| Disposals | | |
| - Land and buildings | 26,100 | - |
| **Cash flow from disposals** | **26,100** | **-** |
| **Net cash deriving from/(used in) investing activities (B)** | **21,385** | **(1,378)** |
| **Cash flows from financial activities** | | |
| Net movements in current financial debt | (18,517) | (10,546) |
| Net movements in non-current financial debt | (3,108) | 3,181 |
| **Net liquidity deriving from / utilised in financial activities (C)** | **(21,625)** | **(7,365)** |
| **Increase (decrease) in cash and cash equivalents (D = A + B + C)** | **(7,159)** | **(171)** |

| | | |
|---|---|---|
| **Opening cash and cash equivalents** | **14,431** | **20,523** |
| **Closing cash and cash equivalents** | **7,272** | **20,352** |

# EXPLANATORY NOTES

## 1. FOREWORD

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 acrylic and 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' Meeting of August 27, 2008 approved the condensed half-yearly financial statements.

The first six months of the year 2008 saw the continuation of the difficult economic conditions in the acrylic fibres sector. The principal reasons can be attributed both to the increases in the cost of utilities and to the very high price of acrylonitrile, together with the increased difficulty in passing on these increases to fibre sales prices, given the extremely competitive prices of other fibres; in addition, the continuing weakening of the US dollar rendered European products even less competitive on non-European markets, where the Company needs to operate in order to compensate for the drop in European consumption; on the other hand, these non-European markets have also seen a drop in demand for acrylic fibre.

With the aim of recovering profitability in the acrylic fibre business and consequently achieving a more balanced cash flow from operations, it was decided during the last quarter of the year 2007 to further rationalise the production structure at the Group's factories, while at the same time concentrating on a more specialised production. The Spanish factory at Miranda de Ebro has already assumed a more efficient structure for the production of acrylic fibre in order to obtain the maximum yield from the neighbouring electricity/steam generating plant.
As regards the Porto Marghera factory, a new structure has been defined limited to the production of speciality products with higher margins and of those quantities of commodities which don't involve significant increases in fixed costs. As a result of this decision, the Company is carrying

out a drastic reduction in the costs of this factory; in particular, approximately one hundred employees were placed firstly in ordinary redundancy and subsequently in extraordinary redundancy on the basis of an agreement reached with unions in June, and, at the same time, the contracts for the supply of services to the factory have been renegotiated.

Simultaneously to the revision of its production structure, the Group has continued to pursue the strategy of diversifying its sources of income with respect to the fibre business and of enhancing the value of its non-instrumental assets.

During the last quarter of the year 2007 the subsidiary Montefibre Hispania acquired, with an operation financed mainly by means of a medium-term mortgage loan, the residual part of the share capital of the company Genfibre, which produces electricity through its combined cycle plant, a minor part of which is utilised by Montefibre Hispania and the larger part of which is sold on the open market.

As a result of this acquisition, followed by the merger by incorporation of Genfibre into Montefibre Hispania, during the year 2008 the subsidiary has already seen a return to relatively constant positive margins, due in particular to the sale of electricity to third parties.

On February 4, 2008 Montefibre S.p.A. stipulated the deed of sale for a building situated within the Porto Marghera site, together with the relative land, for a total price of Euro 6.1 million. The preliminary agreement also forsees the sale of a further small area at the quayside which shall be sold for a price of Euro 0.4 million, subsequent to the obtaining of authorisation to manage the quay which faces onto the industrial canal.
On April 8, 2008 Montefibre S.p.A. stipulated, for a total price of Euro 20 million, the deed of sale of the building, situated in Milan, utilised in part by the Company for its head offices and in part rented out to third parties.
In addition to a capital gain of more than Euro 13 million, these two real estate operations have generated an extraordinary cash flow of approximately Euro 26 million.

The negative performance of the operating activities created financial liquidity problems during the latter part of the year 2007, especially in consideration of the fact that the Group's debt is mainly comprised of short-term credit lines, subject to periodic review by the banks and therefore revocable. Therefore, in order to remain within the limits of its existing credit lines, the Group was able to rely upon the willingness of Montefibre S.p.A.'s established suppliers to allow a temporary extension of the terms of payment.

As a result of the industrial rationalisation operations undertaken, the overall forecasts for the Montefibre Group for the year 2008 indicate a certain improvement in cash flows generated by current operations with respect to the year 2007, even though they remain negative. In this situation, the extraordinary cash flows generated by the two real estate operations shall enable the Group to cover the cash requirements generated by operations during the year 2008, to maintain its indebtedness towards banks within the existing credit limits and to return to a more regular relationship with suppliers.

Until we see a possible recovery in profitability in the acrylic fibres business during the year 2009, the negative performance of operating activity is likely to create financial liquidity problems during the first six months of the year. Therefore Montefibre is continuing to seek opportunities for the sale of its non-instrumental assets, and aims to carry out significant property sales within the first half of the year 2009, thus guaranteeing new extraordinary cash flows.

In addition, as part of the Group's strategy of diversification over the medium term, further progress has been achieved in two important initiatives.

The first is aimed towards the realisation of an important logistics centre in that part of the Porto Marghera factory not involved in production activity: on completion of the planning and authorisation phases, Montefibre has the right to sell the land to West Docks Logistic Venice at an agreed minimum price and also has the right to partecipate in the share capital of the company which shall realise the logistics centre.

The second is aimed towards the production of the "precursor" of carbon fibres.
An extraordinary shareholders' meeting has been called for the end of September 2008 in order to resolve an operation to increase Montefibre's share capital by a total of Euro 18 million: Euro 12 million of which shall be reserved to the partner Ribeauvillé Investments and the remaining Euro 6 million shall be offered in option to the existing shareholders; the resulting new financial resources, which are expected to arrive within the end of the current year, shall not only strengthen the

Group's financial position, but they shall also enable it to carry out the capital investment necessary for plant modifications on the production lines dedicated to the manufacture of the precursor.

Further information regarding the abovementioned operation is provided in the specific sections of the Directors' interim report.

The continuation of the difficult economic conditions in which the acrylic fibres sector operates, which result in an operating loss for the Group and a consequent absorption of financial resources, could lead to the presumption of a significant degree of uncertainty regarding the continuation of the Group's activity.
Given the positive progress of the abovementioned initiatives (in particular the coming share capital increase), the Board of Directors of Montefibre S.p.A., believes it has solid justification for preparing the condensed half-yearly financial statements as June 30, 2008 under the presumption of a continuation of the Group's activity (the going concern concept).

## 2. Form and content of the condensed half-yearly financial statements

In accordance with Article No. 154-ter of the Italian Legislative Decree No. 58 of February 24, 1998, as amended by Italian Legislative Decree No. 195 of November 6, 2007, the condensed half-yearly financial statements are shown in consolidated form and have been prepared in conformity with the international accounting standard regarding interim financial information (IAS 34), with the adoption procedure prescribed by Article No. 6 of EC Regulation No. 1606/2002 of the European Parliament and the Council of July 19, 2002.
The condensed half-yearly financial statements are presented in Euros and, considering the significance of the amounts involved, the consolidated accounting schedules, together with the information contained in these explanatory notes, are reported in thousands of euro, unless otherwise specified.
The condensed half-yearly financial statements have been subject to a limited review by the independent auditors PricewaterhouseCoopers S.p.A., in accordance with their appointment by the Shareholders' Meeting of June 30, 2004 for the three year period from 2004 to 2006 and extended by the Shareholders' Meeting of May 9, 2007 for the six years from 2007 to 2012.

## 3. Reporting 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 they are considered to be realisable within twelve months from the balance sheet date.
The format adopted for the Income Statement classifies costs by nature with separate disclosure, if significant, of the negative and positive components deriving from non-recurring or unusual or exceptional 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 for the year 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 summarised form in a specific schedule contained in the explanatory notes to the financial statements.

### 4. Consolidation area

The consolidated financial statements as of June 30, 2008 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 |
|---|---|---|---|---|
| Consolidating 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% |

The consolidation area has remained unchanged with respect to December 31, 2007. It has varied with respect to June 30, 2007 however, given that, as from October 1, 2007 the Group acquired full control of the company Genfibre S.A., which was subsequently incorporated by Montefibre Hispania S.A.; up until June 30, 2007 Genfibre S.A. had been 50% owned and was recorded in the consolidated financial statements under the heading "Equity investments" and valued at net equity.

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

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

## 5. CONSOLIDATION PRINCIPLES

The consolidation principles adopted in the preparation of the condensed half-yearly financial statements as of June 30, 2008, have remained unchanged with respect to those adopted in the preparation of the consolidated financial statements as of December 31, 2007, to which reference should be made.

## 6. ACCOUNTING PRINCIPLES

The accounting principles adopted in the preparation of the condensed half-yearly financial statements as of June 30, 2008 are unchanged with respect to those adopted in the preparation of the consolidated financial statements for the year ended on December 31, 2007, to which reference should be made.

## 7. ESTIMATES AND ASSUMPTIONS

The preparation of 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 actual results may differ from such estimates.

The estimates and assumptions are used mainly for evaluation purposes in the impairment test of tangible fixed assets and of equity investments, for the purpose of defining the useful lives of plant and machinery, the collection of receivables, the determination of employee benefits and the quantification of provisions to be accrued against the Group's current risks and 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 in order to guarantee the ongoing validity of the value expressed.

Eventual write-downs (reinstatement of value) of tangible fixed assets are determined by comparing the book value of the asset with the relative recoverable value, represented by the higher of fair value net of disposal costs and the value in use, determined by discounting the future cash flows expected from the use of the asset. These cash flows are estimated on the basis of the information available at the time of the estimate based on subjective judgements regarding future trends in certain variables, such as sales prices, production purchase costs and forecasts of trends in market demand. The subjectivity of such estimates is rendered even greater by the current situation of increased volatility in purchase costs for raw materials and of the effective realisation of savings in fixed production costs connected to the plan for the rationalisation of production adopted by the Group.

With specific regard to the determination of the provisions for risks and charges, and in particular the determination of environmental protection costs, considering the complexity of the subject in general and the disputes and litigation in course, the estimates of the provision derive from a complex process of evaluation which involves subjective judgements on the part of the Board of Directors.

## 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

The risk management activities carried out by the Group during the period have fulfilled the need to monitor the various risks to which the Group is exposed and to adopt suitable measures in order to limit the extent of its exposure to such risks.

In preparing its report on the condensed half-yearly financial statements, the Montefibre Group has not considered it necessary to provide detailed updated figures for the financial risks described below, given that such risks have not changed significantly with respect to the values disclosed in the explanatory notes to the financial statements as of December 31, 2007. However, in the case of the liquidity risk, detail has been provided of the values thereof as of June 30, 2008, given the significant variation in financial debt, as described in greater detail below.

Information is provided below regarding the principal categories of risk to which the Group is exposed and the methods adopted by the Group to reduce these.

### Market risk

The market risk consists of the possibility that variations in foreign currency exchange rates, interest rates or raw material prices may have a negative effect on the value of the Company's assets, liabilities or expected cash flows.
Further information is provided below in the comments on each type of risk which show in detail how these are managed by the Montefibre Group.

### Credit risk

Montefibre Group's credit risk represents the Group's exposure to potential losses deriving from the failure by its counterparts to fulfil their obligations.
The maximum exposure to credit risk for the Montefibre Group at June 30, 2008 is represented by the book value of the financial assets recorded in the financial statements at that date.

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 assumed directly only for the Italian market, where the Company is able to evaluate customer reliability in an adequate, continuous and timely manner and to carry out efficient 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% depending on the country in question. In the non-European markets the risks are covered principally through the use of credit letters, which are always confirmed 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.
During the first six months of the year 2008 the Montefibre Group did not have any significant cases of non-payment by debtors.

### 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 just under 50% of all of the cash flows related to trade working capital, show a slight prevalence of payments over receipts. However, this difference has no significant effect on the evaluation of the risk in question.

The exchange rate risk on trade receivables is covered in part by means of advances against exports, and in part 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 have an effect on both the market value of the Group's financial assets and liabilities and on the level of net financial charges.

### 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 derivative contracts linked to the raw materials purchased by Montefibre are negotiated on the international futures markets.

### Liquidity risk

The liquidity risk represents the risk that, as a result of its incapacity to obtain new funds or to liquidate assets on the market, a company is unable to fulfil its payment commitments, and more generally its short-term financial requirements.

As mentioned above, the following table summarises the due dates of financial liabilities as of June 30, 2008 and December 31, 2007 on the basis of the non-discounted payments due:

(in thousands of Euro)

| Description | Value at 30.06.2008 | Note | Due within 3 months | Due from 3 to 12 months | Due after 12 months |
|---|---|---|---|---|---|
| **30.06.2008** | | | | | |
| INTEREST BEARING LIABILITIES | | | | | |
| *Variable interest rates* | | | | | |
| Payables towards banks | 44,858 | *26,27* | 38,342 | 2,252 | 5,124 |
| Other financial liabilities | 10,413 | *28,29* | 1,887 | 1,253 | 7,595 |
| NON-INTEREST BEARING LIABILITIES | | | | | |
| Trade payables | 62,638 | *34* | 62,180 | 458 | 0 |
| DERIVATIVE FINANCIAL LIABILITIES | | | | | |
| *Forward currency purchases* | *24* | | *9* | | |
| Cash in | | | 1,927 | | |
| Cash out | | | (1,936) | | |
| **31.12.2007** | | | | | |
| INTEREST BEARING LIABILITIES | | | | | |
| *Variable interest rates* | | | | | |
| Payables towards banks | 61,024 | *26,27* | 49,630 | 6,297 | 7,611 |
| Other financial liabilities | 15,376 | *28,29* | 6,994 | 1,202 | 8,666 |
| NON-INTEREST BEARING LIABILITIES | | | | | |
| Trade payables | 75,656 | *34* | 71,690 | 3,966 | 0 |
| DERIVATIVE FINANCIAL LIABILITIES | | | | | |
| *Forward currency purchases* | *53* | | *5* | | |
| Cash in | | | 4,806 | | |
| Cash out | | | (4,811) | | |

The balance of Other financial liabilities as of June 30, 2008 is shown net of the payables relative to the sale in factoring of receivables pro soluto (see Note 19), given that in such factoring operations only the interest risk remains.

In order to remain within the limits of its bank credit facilities, Montefibre was still able, as of June 30, 2008, to rely on the willingness of Montefibre S.p.A.'s established suppliers to grant a temporary extension of terms of payment.

In order to face up to the abovementioned debts the Group relies on the following:

1. utilisation of existing bank credit facilities, reduced however compared to that as of December 31, 2007 following the drop in turnover;

2. recourse to factoring operations (see Note 19);

3. extraordinary cash flows for a total of Euro 26 million, deriving from the sale of land and buildings described in Notes 1 and 13.

These extraordinary cash flows have also enabled the Group to significantly reduce the amount of Montefibre S.p.A.'s trade payables overdue from approximately Euro 14 million as of December 31, 2007 to approximately Euro 5 million as of June 30, 2008.

In addition, as described in greater detail in Note 1, the Company has launched a share capital increase operation for a total of Euro 18 million, expected to take place within the end of the year 2008. This operation shall, amongst other things, enable the Group to reduce the exposure to liquidity risk shown above.

### Operating/business risk

The Montefibre Group is subject to numerous Italian and EC laws and regulations regarding environmental protection, and health and safety. In particular, these laws place limits upon the type, the concentration and the quantity of emissions into the atmosphere and of the surface and underground dumping of waste and foresee sanctions of both a penal and civil nature for those responsible for environmental pollution. The Group's activities are subject to specific legislative requirements relative to the manufacture, transport, storage, the disposal and treatment of refuse.
The codification and the proceduralisation of the various operating phases is enabling the Group to reduce, with ever-increasing efficiency, the human error component in the management of its production.

## 10. Net financial position

| (in thousands of Euro) | 30.06.2008 | 31.12.2007 |
|---|---|---|
| Cash | (33) | (45) |
| Other cash equivalents | (7,239) | (14,386) |
| **Cash and cash equivalents** | **(7,272)** | **(14,431)** |
| Current financial debt | 36,888 | 52,110 |
| Other current financial liabilities | 13,794 | 18,498 |
| Current portion of medium and long-term debt | 4,827 | 3,418 |
| **Current financial debt** | **55,509** | **74,026** |
| **Net Current Financial Debt** | **48,237** | **59,595** |
| Non-current payables towards banks | 4,657 | 6,967 |
| Other non-current debt | 5,417 | 6,215 |
| **Non-Current Financial Debt** | **10,074** | **13,182** |
| **Net financial debt** | **58,311** | **72,777** |

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

The current financial debt includes foreign currency advances against imports and exports, current bank overdrafts and other short-term loans (see Note 26).

Other current financial liabilities comprises payables towards factoring companies following the sale with recourse (pro solvendo) and part of the sale without recourse (pro soluto) of trade receivables, which do not possess the characteristics necessary for the elimination of the relative receivable from the financial statements (see Note 28).
The current portion of medium and long-term debt comprises both mortgage instalments due within the coming year and the current portion of real estate leasing instalments (see Notes 26 and 28).
Non-current payables towards banks consist of a mortgage loan guaranteed by mortgages and liens on buildings and plant at the Acerra and Miranda de Ebro factories (see Note 27).

Other non-current liabilities consist of liabilities for leasing contracts (see Note 29) and of the debt deriving from the commitment undertaken with SIMEST to repurchase the investment quota in the joint venture JiMont, net of the value of the guarantee deposit given as security against fauilure to honour the repurchase commitment (see Notes 16, 17 and 29).

## 11. Corporate operations in the polyester sector

For the purposes of clarity, we would remind you that 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 foresaw, amongst other things, the following:
- 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 concession in leasing to Fidion 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;
- the leasing of the buildings belonging to and instrumental to the abovementioned business segments.

Following the conferral of the business segment, Montefibre stipulated an agreement with the company Fidion in which it took over the financial debts transferred with the conferral, equivalent to Euro 23,288 thousand; this gave rise to a receivable due to Montefibre from Fidion.
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, in addition to the future interest matured thereon, 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 options 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 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. Consequently, in line with the requirements of the IAS/IFRS accounting standards, the legal effects of the conferral were not reflected in the financial statements for the year ended on December 31, 2006 and therefore, the plant subject to the abovementioned option agreement shall continue to be recorded in the Montefibre Group's consolidated financial statements up until the dates set for the exercise of the abovementioned options (Note 13);
- for the same reason, the financial debts transferred continue to be recorded in Montefibre's financial statements; thus the receivable due from Fidion mentioned above, originating from the subsequent assumption of the financial debt by Montefibre, does not appear in the financial statements;
- therefore the values effectively transferred consi-

sted 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 Montefibre's financial statements of the fixed assets conferred, the fixed assets tied to and instrumental to the business segment conferred, and for this reason leased to Fidion at market terms, continue to be recorded in the 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 |
|---|---|---|---|---|
| 30.06.2008 | | | | |
| Total sales revenue | 131,137 | 0 | 16,395 | 147,532 |
| Sector results | (5,877) | 0 | 12,531 | 6,654 |
| General expenses not attributable to any one sector | | | (3,797) | (3,797) |
| Operating result | (5,877) | 0 | (3,266) | (9,143) |
| **Net income/(loss)** | **(5,877)** | **0** | **(5,877)** | **(11,754)** |
| 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)** |

### Information by geographic area

| (in thousands of Euro) | Italy | % | Rest of Europe | % | Rest of the world | % | Total | % |
|---|---|---|---|---|---|---|---|---|
| 30.06.2008 | | | | | | | | |
| **Total sales revenue** | 27,573 | *18.7* | 35,194 | *23.8* | 84,765 | *57.5* | **147,532** | *100.0* |
| 30.06.2007 | | | | | | | | |
| **Total sales revenue** | 28,626 | *16.9* | 30,505 | *17.9* | 110,913 | *65.2* | **170,044** | *100.0* |

# Comments on the consolidated balance sheet

## Non-current assets

### 13. Property, plant and equipment and non-current assets held for sale

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

| (in thousands of Euro) | 30.06.2008 Gross book value | 30.06.2008 Accumulated depreciation and write-downs | 30.06.2008 Net book value | 31.12.2007 Gross book value | 31.12.2007 Accumulated depreciation and write-downs | 31.12.2007 Net book value |
|---|---|---|---|---|---|---|
| Land and buildings | 72,864 | (51,531) | 21,333 | 74,467 | (52,397) | 22,070 |
| Plant and machinery | 496,217 | (431,207) | 65,010 | 496,134 | (413,981) | 82,153 |
| Industrial and commercial equipment | 1,777 | (1,777) | 0 | 1,777 | (1,776) | 1 |
| Other assets | 5,080 | (4,912) | 168 | 5,094 | (4,941) | 153 |
| Assets under construction and advance payments to suppliers | 2,995 | (2,200) | 795 | 2,431 | 0 | 2,431 |
| **Total property, plant and equipment** | **578,933** | **(491,627)** | **87,306** | **579,903** | **(473,095)** | **106,808** |

The following movements took place during the period:

| (in thousands of Euro) | Balance at 31.12.2007 | Additions and reclassification | Net disposals | Depreciation and write-downs | Balance at 30.06.2008 |
|---|---|---|---|---|---|
| Land and buildings | 22,070 | (108) | 0 | (629) | 21,333 |
| Plant and machinery | 82,153 | 95 | 0 | (17,238) | 65,010 |
| Industrial and commercial equipment | 1 | 0 | 0 | (1) | 0 |
| Other assets | 153 | 51 | 0 | (36) | 168 |
| Assets under construction and advance payments to suppliers | 2,431 | 564 | 0 | (2,200) | 795 |
| **Total** | **106,808** | **602** | **0** | **(20,104)** | **87,306** |
| **Non-current assets held for sale** | **6,092** | **0** | **(6,061)** | **0** | **31** |

The principal disposals during the period relate to the category Non-current assets held for sale and are summarised below:

- a building situated within the Porto Marghera site, together with the relative land, recorded in the financial statements at a cost of Euro 313 thousand; this building was sold on February 4, 2008 with a capital gain, net of selling costs, of Euro 5,737 thousand. It should be noted that a further small area on the quayside, which is subject to the same preliminary sale agreement as that of the abovementioned building, remains recorded in the financial statements at a cost of Euro 31 thousand;
- the portion of the building, situated in Milan, used by Montefibre S.p.A. for its head offices, recorded in part under the category Non-current assets held for sale destined for sale and in part under the heading Investment Property; the entire building was sold on April 8, 2008 giving rise to a net gain, after selling costs, of Euro 7,416 thousand.

The heading Property, plant and equipment also include the values of the instrumental property held under financial leasing contract, as shown below:

| (in thousands of Euro) | Balance at 31.12.2007 | Additions/ (Disposals) | Depreciation charge | Balance at 30.06.2008 |
|---|---|---|---|---|
| Montefibre Hispania head office | 3,851 | 0 | (34) | 3,817 |
| **Total** | **3,851** | **0** | **(34)** | **3,817** |

The heading Property, plant and equipment 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.
In particular, the value of the plant conferred but which continues to be recorded by the Company amounts to Euro 26,720 thousand as of June 30, 2008. The plant and machinery destined for the production of polyester staples and situated within the Acerra plant, are temporarily inactive. They are expected to resume production at the end of the year 2008, when SIMPE S.p.A. shall recommence the supply of the polymer utilised for the manufacture of polyester staples once it has completed its investment. Appropriate analysis has been carried out in order to ensure that the book value does not exceed the expected future benefits, determined on the basis of useful value.

Taking account of the cash flows expected from the acrylic fibre business, given the negative economic results of this sector both in recent years and during the last six months, it has been decided to write-down, by Euro 12,000 thousand (Note 38), the book value of the plant utilised for acrylic production at the Porto Marghera factory, with the exception of that expected to be reconverted to the production of "precursors", thus bringing the book value of the plant to a level not exceeding the value recoverable at the end of its useful life.

Mortgages and liens exist on part of the buildings and plant at the Acerra and Miranda de Ebro factories, as disclosed in Notes 27 and 31.

## 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 31.12.2007 | Adjustments to *fair value* | Net disposals | Balance at 30.06.2008 |
|---|---|---|---|---|
| Part of the Milan property | 6,750 | 0 | (6,750) | 0 |
| Industrial buildings at the Vercelli site | 8,200 | 0 | 0 | 8,200 |
| Industrial buildings at the Ottana site | 6,800 | 0 | 0 | 6,800 |
| Industrial buildings at the Acerra site | 10,530 | 0 | 0 | 10,530 |
| Other land | 1,248 | 0 | 0 | 1,248 |
| **Total** | **33,528** | **0** | **(6,750)** | **26,778** |

On the basis of internal valuation, the fair values of the investment property are considered to be in line with those determined for the purposes of the financial statements as of December 31, 2007 on the basis of evaluations carried out at that date by independent surveyors.

In particular:

- The Milan property refers to that portion of Montefibre S.p.A.'s head office building rented out to third parties; the entire building has now been sold as detailed in Note 13.

- The industrial buildings at Vercelli were subject to a sale and leaseback operation during the year 2001 which generated a capital gain of Euro 5,831 thousand, this gain was deferred and is being credited to the income statement over the duration of the relative leasing contract, which expires at the end of the year 2009; the value of the deferral now amounts to Euro 1,068 thousand; the redemption value of the asset amounts to Euro 820 thousand. A portion of the Vercelli property has been leased to third parties and another portion granted in use to the parent company.

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

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

Those portions of land and buildings leased/rented to third parties have generated income for a total of Euro 168 thousand during the period (Euro 282 thousand for the period ended on June 30, 2007).

Further information regarding financial leasing is provided in Notes 28 and 29.

## 15. INTANGIBLE ASSETS

The following movements took place during the period:

| (in thousands of Euro) | Balance at 31.12.2007 | Additions | Disposals | Amortisation | Balance at 30.06.2008 |
|---|---|---|---|---|---|
| Licenses for the use of software | 23 | 0 | 0 | (7) | 16 |
| Emission rights | 1,596 | 2,513 | (1,596) | 0 | 2,513 |
| **TOTAL** | **1,619** | **2,513** | **(1,596)** | **(7)** | **2,529** |

The emission rights for greenhouse gas relate to Montefibre Hispania's thermo-electric power station.

## 16. Equity investments

### Interest In Joint-Ventures

These comprise the following:

| Company Name | Head office location | Currency | Share capital | Percentage owned 30.06.2008 | Percentage owned 31.12.2007 | Book value (in thousands of Euro) 30.06.2008 | Book value (in thousands of Euro) 31.12.2007 |
|---|---|---|---|---|---|---|---|
| Astris Carbon S.r.l. | Milan | Euro | 10,000 | *50.0* | *50.0* | 10 | 5 |
| Fibras Europeas de Poliéster S.L. | Barcelona | Euro | 12,003,012 | *40.0* | *40.0* | 0 | 0 |
| Jilin JiMont Acrylic Fiber Co. Ltd. | Jilin City | CNY | 450,000,000 | *50.0* | *50.0* | 11,893 | 13,635 |
| West Dock S.r.l. | Mogliano Veneto | Euro | 100,000 | *50.0* | *50.0* | 50 | 50 |
| **Total** | | | | | | **11,953** | **13,690** |

### Astris carbon s.r.l.

Astris Carbon S.r.l. is a company in which Montefibre S.p.A owns 50% in joint venture with the company Ribeauvillé Investments S.A., set up with the intention of promoting investment in the production of the precursor of carbon fibre. The book value of this investment has risen following the payment of a share premium.

### 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 Rodsacc S. de R.L 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 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 information regarding the book value of this investment is provided in Notes 11 and 30.

### Jilin Jimont acrylic fiber co. Ltd.

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; this company uses Montefibre's technology and sells its products on both the Chinese and other Far Eastern markets.
During the year 2007 Montefibre transferred a part of its investment in this company, equivalent to 10.64% 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, respectively, for the purchase and sale 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 Jilin JiMont as of June 30, 2008 has been adjusted to take account of the losses incurred during the first six months of the year 2008, as well as the intra-Group share of the profits deriving from the sales of machinery and technology made thereto by Montefibre during the year 2006.
The loss making situation, which was already in evidence in 2007, the year of commencement of operations, shall continue into the second half of the year 2008; the company is expected to reach a break-even situation in the year 2009 and to achieve economic profits by the end of the year 2010, following an expected increase in sales volumes due also to exports to other Asian countries.
The persistence of negative economic results has created financial liquidity problems, especially considering the significant amount of short-term debt. Negotiations are currently well underway with banks to re-schedule these debts.
Despite the uncertain outcome of such negotiations, the financial statements of Jilin JiMont have been prepared on a going concern basis with the presumption of the continuity of the business and the valuation of this investment at net equity reflects this assumption.

### West Dock S.r.l.

West Dock S.r.l., 50% owned by Montefibre S.p.A Venice S.r.l., was set up in joint venture with West Docks Logistic for the planning and co-ordination of the reconversion of that part area of the Porto Marghera factory to be destined for logistics activities.

## Other investments

| Company Name | Head office location | Currency | Share capital | Percentage owned 30.06.2008 | Percentage owned 31.12.2007 | Book value (in thousands of Euro) 30.06.2008 | Book value (in thousands of Euro) 31.12.2007 |
|---|---|---|---|---|---|---|---|
| Servizi Porto Marghera S.c.a r.l. | Porto Marghera | Euro | 8,751,500 | *15.3* | *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; the percentage owned has risen during the period due to the fasct that, following the withdrawal of one of the shareholders who was reimbursed during the first six months of the year 2008 through the utilisation of available reserves, the share capital, which has remained unchanged, was re-allocated to the remaining the shareholders on a proportional basis.
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

These comprise the following:

| (in thousands of Euro) | 30.06.2008 | 31.12.2007 |
|---|---|---|
| Long-term receivables from NGP | 9,515 | 9,217 |
| Long-term receivables from SIMPE | 13,999 | 13,562 |
| Receivables from Fidion | 6,452 | 6,425 |
| Other receivables | 2,055 | 3,013 |
| **Total** | **32,021** | **32,217** |

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 the Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa S.p.A. (formerly known as Sviluppo Italia S.p.A.) 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. At the end of the rental contract, this receivable shall be extinguished by means of the transfer to Montefibre of inventories for the same value.

The other receivables relate mainly to a secured deposit granted as partial guarantee for the debt due towards SIMEST, included in “Other non-current financial liabilities” for a total of Euro 2,015 thousand.

## 18. DEFERRED TAX ASSETS

| (in thousands of Euro) | 30.06.2008 | 31.12.2007 |
|---|---|---|
| Advance taxation on gains relative to leaseback | 274 | 366 |
| Subsidiary company tax losses | 2,628 | 3,235 |
| Other tax deductions of subsidiary companies | 858 | 846 |
| **TOTAL** | **3,760** | **4,447** |

No further deferred tax assets have been included in the financial statements as of June 30, 2008 relative to the timing differences existing in the parent company, as, at present, the necessary conditions do not exist to enable us to consider the probable existence of future taxable income for the periods in which such differences shall be reversed, given also that the expectations of positive future results are dependent upon the outcome of the diversification initiatives described in Note 1.
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 33,696 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 (%) | Net advance taxation |
|---|---|---|---|
| Write-down of property, plant and equipment | 12,663 | *31.19* | 3,950 |
| Write-down of inventories | 6,131 | *31.40* | 1,925 |
| Write-down of trade receivables | 673 | *27.50* | 185 |
| Provisions for risks and charges | 17,033 | *31.40* | 5,348 |
| Fiscal losses brought forward | 80,539 | *27.67* | 22,288 |
| **TOTAL** | | | **33,696** |

The fiscal losses which expire on December 31, 2008 amount to Euro 21,000 thousand.
The abovementioned fiscal losses may be carried forward up until the following dates:

| (in thousands of Euro)<br>Fiscal loss | Expiry date for carry forward |
|---|---|
| 21,000 | 31.12.2008 |
| 22,812 | 31.12.2010 |
| 10,740 | 31.12.2011 |
| 20,407 | 31.12.2012 |
| 5,580 | 31.12.2021 |

## Current assets

### 19. Trade receivables

These comprise the following:

| (in thousands of Euro) | 30.06.2008 | 31.12.2007 |
|---|---|---|
| Italian customers | | |
| Original value | 27,765 | 27,292 |
| Write-downs | (2,892) | (2,871) |
| **Net value** | **24,873** | **24,421** |
| Europe (Excluding Italy) | | |
| Original value | 12,896 | 15,561 |
| Write-downs | (2,259) | (3,056) |
| **Net value** | **10,637** | **12,505** |
| Rest of the World | | |
| Original value | 30,240 | 34,551 |
| Write-downs | (1,077) | (350) |
| **Net value** | **29,163** | **34,201** |
| **Total** | **64,673** | **71,127** |

The credit risks towards European customers are generally covered by means of insurance policies with the major insurance companies and the risk assumed is limited to the percentage of receivables not insured, which varies from 15% to 30%, depending on the country in question.

The credit risks towards non-European customers are covered principally through the use of credit letters, confirmed 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.

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 book value of trade receivables does not differ significantly from the fair value thereof and they do not include any significant overdue balances receivable other than those already taken into account in the determination of the provision for bad debts. This provision has been determined on the basis of an evaluation of risk and is therefore considered congruent.
No provision for bad debts has been accrued relative to trade receivables from related parties as these are considered to be free from risk.

Montefibre S.p.A. has carried out certain factoring operations, both with and without recourse (pro soluto and pro solvendo). On the basis of recent interpretations, the financial statements for the year ended June 30, 2008 include not only those receivables sold in factoring with recourse (pro solvendo) but also certain receivables factored without recourse (pro soluto) which do not entirely fulfil the requirements of IAS 39 for elimination from the financial statements, given that the Company still bears the risk for the interest payable in the event of the late collection of the receivable by the factor.

At June 30, 2008, the value of the receivables sold with and without recourse (pro solvendo and pro soluto) included in the financial statements with a corresponding financial liability, amount to Euro 13,720 thousand(Euro 15,201 thousand as of December 31, 2007), of which Euro 12,327 thousand pro soluto (Euro 12,770 thousand as of December 31, 2007).

### 20. Current financial assets

| (in thousands of Euro) | 30.06.2008 | 31.12.2007 |
|---|---|---|
| Equity investment in Fidion S.r.l. | 10 | 10 |
| Securities | 0 | 4 |
| **Total** | **10** | **14** |

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

### 21. Inventories

| (in thousands of Euro) | 30.06.2008 | 31.12.2007 |
|---|---|---|
| Raw, ancillary and consumable materials | | |
| Gross value | 15,778 | 26,578 |
| Write-downs | (5,957) | (4,938) |
| **Net Value** | **9,821** | **21,640** |
| Work in progress and semi-finished products | | |
| Gross value | 5,518 | 6,234 |
| Write-downs | (0) | (0) |
| **Net Value** | **5,518** | **6,234** |
| Finished products and goods for resale | | |
| Gross value | 20,202 | 15,496 |
| Write-downs | (174) | (174) |
| **Net Value** | **20,028** | **15,322** |
| Advances to suppliers | **0** | **5** |
| Total Gross value | 41,498 | 48,308 |
| Total Write-downs | (6,131) | (5,112) |
| **Total Net Value** | **35,367** | **43,196** |

No restrictions on sale or other ties exist relative to inventories.

## 22. Cash and cash equivalents

| (in thousands of Euro) | 30.06.2008 | 31.12.2007 |
|---|---|---|
| Current bank accounts | 5,455 | 6,720 |
| Foreign currency bank accounts | 1,784 | 2,166 |
| Deposit accounts | 0 | 5,500 |
| Cash on hand | 33 | 45 |
| **Total** | **7,272** | **14,431** |
| *Average interest rate* | *2.5%* | *1.4%* |

## 23. Other current assets

| (in thousands of Euro) | 30.06.2008 | 31.12.2007 |
|---|---|---|
| Due from fiscal authorities | 5,471 | 6,770 |
| Due from employees and social welfare institutions | 1,995 | 3,017 |
| Reimbursements due | 1,308 | 1,500 |
| Other sundry receivables | 4,873 | 5,899 |
| **Total** | **13,647** | **17,186** |

The amounts due from fiscal authorities comprise principally of VAT credits due.
The amounts due from social welfare institutions comprise principally of receivables for advance redundancy payments (CIGS).
The reimbursement due is receivable from FRI-EL Acerra S.r.l., the company which received in conferral the business segment which includes NGP's thermo-electric power station; it 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 comprise principally the balance of the current account between the related company Fidion and Montefibre S.p.A., for Euro 2,712 thousand.

## Potential assets

In September 2007 the area in which the Porto Marghera factory is situated suffered severe flooding which caused significant damage, both directly and indirectly, through the loss of production and the consequent loss of profit; the Company has presented an insurance claim for damages in accordance with its insurance policy. At the time of preparation of these financial statements an agreement has been reached for an initial advance indemnity payment of Euro 1,200 thousand, while the total value of the indemnity, net of the relative excess, has yet to be established.

## Group net equity

This is comprised of the following:

### 24. Share capital

The share capital amounts to Euro 156,000,000, all issued and fully paid up; no changes have taken place in the share capital during the current year 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, with the exception of that mentioned in Note 1. Likewise, no stock option plans have been adopted.
Montefibre S.p.A. does not hold, and did not, at any time during the year, hold own shares or shares in parent companies (either directly or 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 of reserves, the savings shares enjoy the same rights as those of the other shares.

The Ordinary Shareholders' Meeting of May 7, 2008 resolved to carry forward the net loss for the year 2007. In addition, given that the Ordinary Shareholders' Meeting of 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 2008 and 2009, 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 not available for the distribution of dividends, for share capital increases nor 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 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;

- the adjustment, net of the relative fiscal effect, deriving from recalculation of the fair value of Genfibre's plant with reference to the percentage of share capital held prior to the acquisition of control and the consequent inclusion in the consolidated financial statements;

- the translation adjustments deriving from the valuation of the investment in the company Jilin JiMont, whose activities are both carried out and recorded in foreign currency.

Retained earnings/losses brought forward include the variations in net equity shown in the opening balance sheet of the first set of consolidated financial statements prepared in accordance with international accounting standards, with the exception of those recorded in the Revaluation reserve.

## PAYABLES TOWARDS BANKS

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

### 26. CURRENT PAYABLES

| (in thousands of Euro) | 30.06.2008 | 31.12.2007 |
|---|---|---|
| Foreign currency advances on import and export operations | 21,254 | 26,148 |
| Current account overdrafts | 284 | 1,778 |
| Other short-term loans | 15,274 | 23,955 |
| Current portion of mortgage loans | 3,313 | 2,000 |
| Accrual for interest charges | 76 | 229 |
| **TOTAL** | **40,201** | **54,110** |
| *Average interest rate* | *5.5%* | *4.1%* |

The heading "Other short-term loans" represents the debt due towards banks for advances received against invoices.

### 27. NON-CURRENT PAYABLES

| (in thousands of Euro) | 30.06.2008 | 31.12.2007 |
|---|---|---|
| Medium/long-term loans at variable interest rates | 4,657 | 6,967 |
| *Average interest rate* | *5.8%* | *5.7%* |

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

| (in thousands of Euro) | |
|---|---|
| 30.06.2010 | 1,376 |
| 30.06.2011 | 1,464 |
| 30.06.2012 | 1,549 |
| 30.06.2013 | 268 |
| **TOTAL** | **4,657** |

The repayment of these loans are guaranteed by mortgages and liens on part of the buildings and plant at the Acerra and Miranda de Ebro factories.

### Other financial liabilities

These comprise, amongst other things, payables towards leasing companies for real estate operations carried out.

## 28. Current payables

| (in thousands of Euro) | 30.06.2008 | 31.12.2007 |
|---|---|---|
| Lease-back of industrial buildings | 1,068 | 1,044 |
| Leasing - Montefibre Hispania head office | 446 | 374 |
| Debt towards factoring companies | 13,720 | 15,201 |
| Debt towards other providers of finance | 74 | 3,297 |
| **Total** | **15,308** | **19,916** |
| *Average interest rate* | *5.8%* | *5.2%* |

The balance shown for the debt towards factoring companies relate to receivables for the same value recorded under the heading Trade receivables (Note 19).

## 29. Non-current payables

| (in thousands of Euro) | 30.06.2008 | 31.12.2007 |
|---|---|---|
| Lease-back of industrial buildings | 1,184 | 1,724 |
| Leasing - Montefibre Hispania head office | 1,376 | 1,634 |
| Debt towards other providers of finance | 4,872 | 4,872 |
| **Total** | **7,432** | **8,230** |
| *Average interest rate* | *5.8%* | *5.2%* |

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 year 2007, which Montefibre has undertaken to repurchase within June 30, 2013 at specific agreed conditions. We would point out that a guarantee deposit of Euro 2,015 thousand, recorded under the heading “Other non-current assets”, has been given against this debt (Notes 16 and 17).

## 30. PROVISIONS FOR RISKS AND CHARGES

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 31.12.2007 | **2,200** | **7,378** | **9,848** | **19,426** |
| Provision accrued | 48 | 1,568 | 100 | **1,716** |
| Utilisation | 0 | (4,126) | (349) | **(4,475)** |
| Reclassification | 0 | (254) | 0 | **(254)** |
| Effects of discounting to present value | 0 | (96) | 0 | **(96)** |
| **BALANCE AS OF 30.06.2008** | **2,248** | **4,470** | **9,599** | **16,317** |

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

| (in thousands of Euro) | For taxation | For sundry risks | For sundry charges | Total |
|---|---|---|---|---|
| **30.06.2008** | | | | |
| Current | 1,904 | 481 | 1,100 | **3,485** |
| Non-current | 344 | 3,989 | 8,499 | **12,832** |
| **TOTAL** | **2,248** | **4,470** | **9,599** | **16,317** |
| 31.12.2007 | | | | |
| Current | 1,438 | 90 | 1,370 | **2,898** |
| Non-current | 762 | 7,288 | 8,478 | **16,528** |
| **TOTAL** | **2,200** | **7,378** | **9,848** | **19,426** |

The provision for taxation represents the best estimate of risk relative to tax disputes in course, and is considered adequate to cover the eventual liabilities arising therefrom.
The balance shown above has not been discounted given that interest charges are liable at the time of settlement of the tax disputes. We would point out that the last set of financial statements finalised for tax purposes was that for the year ended December 31, 2002.

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 481 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. As a result of the valuation of the investment in Fibras Europeas de Poliéster at net equity, this provision, which amounted to Euro 5,791 thousand at December 31, 2007, has been increased by Euro 1,328 thousand during the period; furthermore, given that during the course of the period the Group has underwritten its share, for Euro 4,000 thousand, of a share capital increase currently underway, this amount has been deducted from the provision, bringing the closing balance to a total of Euro 3,119 thousand as of June 30, 2008.

Further information is given in Note 11.

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

- residual mobility costs, for Euro 151 thousand, to be paid by Montefibre during the years 2015 and 2016, following the exit of the entire workforce of the Ottana factory under mobility procedures on January 1, 2008;

- further mobility costs relative to the personnel involved in the restructuring programme at the Porto Marghera factory, estimated at Euro 400 thousand; all of which 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 approximately Euro 700 thousand is expected to be utilised during the next twelve months;

- agents' leaving indemnity for Euro 283 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, of Euro 930,000 and Euro 3,839,000, the latter representing the Group's maximum exposure to risk, in favour of the Agenzia nazionale per l'attrazione degli investimenti e lo sviluppo d'impresa S.p.A. ( formerly called Sviluppo Italia S.p.A) as guarantee for the eventual repayment of the loan advance and of the portion of investment grants to be paid by Sviluppo Italia to SIMPE. The necessary bureacratic process has been set in motion in order to obtain the Agenzia'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.

At June 30, 2008 the relative risk relates essentially to the mortgage loan instalments outstanding for an amount of approximately Euro 15 million ( of which Euro 1 million repaid on July 1, 2008); 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 entirely by NGP to SIMPE.

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 is provided in Note 11.

### Disputes and litigation

The Montefibre Group is involved in civil, administrative and penal proceedings 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 which could arise as a result of these proceedings, taking account of the information currently available.

The more significant legal proceedings for which the information currently available is insufficient to permit any reliable estimate of probability or quantification of the eventual costs to be incurred are briefly described below.

#### Porto Marghera factory

No significant developments took place regarding (i) the civil dispute pending before the Court of Venice instigated by the Ministries for the Environment and for Infrastructures – Magistrate for the Venice waters' Office (MAV) regarding the request for compensation for environmental damages and the reimbursement of the costs incurred by the government for work carried out on the canals bordering the site and (ii) to the analysis carried out by the judge in accordance with Article No. 186 bis/ter of the Code of Civil Procedure and of the confiscation order/request deposited by the above Ministries.
In view of a possible amicable settlement of the dispute, the hearing has been postponed numerous times, the latest date being that of September 2008.

Similarly, no significant developments have taken place regarding the three administrative disputes currently pending:

i. before the National Court of Administrative/Civil Appeal (Consiglio di Stato) following the sentence issued by the Venice TAR rejecting the Company's appeal against certain directives with which the Ministry for the Environment prescribed the carrying out of work which had already been executed in part by the MAV;

ii. before the Venice TAR (Regional Administrative Court), and in which Montefibre has contested the Directive issued by the Ministry for the Environment which confirmed and ratified the directives which are already the subject of a dispute pending before the National Court of Administrative/Civil Appeal (Consiglio di Stato);

iii. before the Venice TAR, and in which Montefibre has contested other directives in which the same Ministry had prescribed costly interventions to be carried out which have no real basis either in current legislation nor in the contractual agreements stipulated following the "Chemical Programme Agreement".

### Acerra factory - criminal proceedings

At the request of the plaintiffs, Montefibre has been sued for civil liability in the penal proceedings pending before the Court of Nola and involving eight 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.
During the hearing held at the end of June, the Judge admitted evidence as requested by the individual defendants and has rescheduled the hearing for the end of September 2008, for the commencement of preliminary proceedings.

As regards the other criminal proceeding instigated by the Nola Public Prosecutors Office following the deaths of certain injured parties of the first trial; the Prosecutors Office is notifying certain defendants of the closure of the preliminary investigations.

### Ex-factory at pallanza-verbania

The sentence issued in June 2007 concluded the criminal proceedings pending before the Court of Verbania for 17 defendants comprised of ex-directors and managers of Montefibre, acquitting them of the alleged cases of mesotelioma and of one of the three alleged cases of asbestosis. Three of the defendants have been found guilty of culpable homicide and civil liabilty (Montefibre S.p.A.).

The heirs of the ex-employees have all been paid damages except for certain other parties which have been awarded damages to be paid separately

Montefibre and the other defendants have launched an appeal against this unfavourable initial verdict before the Turin Court of Appeal which has not yet set the date for the pre-trial hearing.

The Public Prosecutors Office of the Court of Verbania has launched a new criminal investigation against ex-directors and managers of Montefibre in relation to the deaths and presumed professional illnesses contracted by certain ex-employees of the Pallanza-Verbania factory.
It is not possible at present to foresee either the duration nor the outcome of these cases.

### Tax investigation relative to the year 2004

Purely for information purposes, we point out that during the month of December 2007 the Milano 3 local tax inspectors office carried out a tax inspection regarding income tax, IRAP and VAT relative to the fiscal year 2004.

The tax assesment received showed IRPEG and IRAP tax due on taxable income of more than Euro 23 million, of which Euro 22 million regarding purchases from countries with preferential tax treatment, and taxable income for VAT purposes of Euro 111 thousand for goods returned without sufficient documentary support.

The taxable income for IRPEG purposes notified by the Milano 3 tax office would be offset by the fiscal losses brought forward.

The tax inspectors' findings are not definitive and, according to current fiscal legislation, they could be subject to re-examination in the light of, amongst other things, the significant documentation presented by the Company as proof of their lack of foundation.

## 32. Employee benefits

### Employee termination indemnity

The following movements took place during the period:

(in thousands of Euro)

| | |
|---|---|
| **Balance as of 31.12.2007** | **5,134** |
| Interest costs | 102 |
| Benefits paid | (367) |
| **Balance as of 30.06.2008** | **4,869** |

The above indemnity has been calculated on the basis of the same demographic and economic-financial assumptions as those utilised for the actuarial valuation as of December 31, 2007.

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

| | 30.06.2008 | 31.12.2007 |
|---|---|---|
| Number of employees on the payroll | 669 | 717 |
| Of whom operative | 657 | 710 |

### 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 31.12.2007** | **716** |
| Current accrual | 0 |
| Utilisation | 0 |
| Actuarial financial charges | 0 |
| **Balance as of 30.06.2008** | **716** |

The actuarial assumptions remain unchanged with respect to those adopted in the financial statements as of December 31, 2007.

## 33. Deferred tax liability

The table below shows the composition thereof and the movements therein during the period:

(in thousands of Euro)

| | |
|---|---|
| **Balance as of 31.12.2007** | **12,738** |
| Charged/(credited) to shareholders' equity | (65) |
| Charged/(credited) to the income statement | (400) |
| **Balance as of 30.06.2008** | **12,273** |

The above balance includes the fiscal effects calculated on the adjustments made to Montefibre S.p.A.'s financial statements relative to financial leasing contracts and investment property, and on the adjustment to fair value of the ex-Genfibre plant recorded during the year 2007 following the merger by incorporation of this company in Montefibre S.A.

## 34. Trade payables

These are analysed by geographical area below:

| (in thousands of Euro) | 30.06.2008 | 31.12.2007 |
|---|---|---|
| Italy | 32,746 | 34,383 |
| Europe (excluding Italy) | 7,590 | 29,232 |
| Other countries | 22,302 | 12,042 |
| **Total** | **62,638** | **75,657** |

## 35. Other current liabilities

| (in thousands of Euro) | 30.06.2008 | 31.12.2007 |
|---|---|---|
| Due towards social welfare institutions | 2,414 | 2,696 |
| Due towards employees | 4,229 | 9,837 |
| Due towards agents and professional consultants | 1,344 | 1,607 |
| Other third party creditors | 3,425 | 5,198 |
| Gain on lease-back of industrial buildings | 1,094 | 1,458 |
| **Total** | **12,506** | **20,796** |

Other third party creditors includes the recording of the greenhouse gas emission rights related to the operation of Montefibre Hispania's thermo-electric plant, and relative to costs to be incurred in future years.

## Comments on the consolidated income statement

### 36. Purchases of goods and services and other sundry costs

| (in thousands of Euro) | 30.06.2008 | 30.06.2007 |
|---|---|---|
| **Purchases** | **108,118** | **116,863** |
| Raw materials | 81,389 | 93,212 |
| Utilities | 17,643 | 16,548 |
| Other | 9,086 | 7,103 |
| **Services** | **17,062** | **22,047** |
| Transport and storage | 6,450 | 7,415 |
| Maintenance and repairs | 3,232 | 3,708 |
| Other services | 7,380 | 10,924 |
| **Other costs and indirect taxes** | **5,058** | **1,470** |
| **Total** | **130,238** | **140,380** |

### 37. Payroll and related charges

| (in thousands of Euro) | 30.06.2008 | 30.06.2007 |
|---|---|---|
| Wages and salaries | 13,487 | 15,451 |
| Social welfare contributions | 3,254 | 3,781 |
| Employee termination indemnity accrued | 428 | 54 |
| Other costs | 219 | 215 |
| **Total** | **17,388** | **19,501** |

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

| | 30.06.2008 | 30.06.2007 |
|---|---|---|
| Managers | 11 | 10 |
| Supervisory staff | 45 | 58 |
| Clerical staff | 183 | 211 |
| Special grades | 0 | 0 |
| Manual workers | 459 | 608 |
| **Total** | **698** | **887** |
| *Of whom: operative* | *688* | *742* |

### 38. Value adjustments

| (in thousands of Euro) | 30.06.2008 | 30.06.2007 |
|---|---|---|
| Revaluation to *fair value* of investment property | 0 | 400 |
| Write-down of plant and machinery | (12,000) | 0 |
| Write-down of inventories | (1,000) | 0 |
| Write-down of trade receivables | 0 | (150) |
| **Total** | **(13,000)** | **250** |

### 39. Financial income

| (in thousands of Euro) | 30.06.2008 | 30.06.2007 |
|---|---|---|
| Interest and other income from banks | 202 | 255 |
| Interest income from non-current receivables | 1,596 | 1,257 |
| Other interest income and financial income | 0 | 102 |
| Financial income from discounting to present value | 76 | 0 |
| Gains realised on exchange | 1,849 | 1,639 |
| Gains on exchange not yet realised | 257 | 238 |
| **Total** | **3,980** | **3,491** |

### 40. Financial charges

| (in thousands of Euro) | 30.06.2008 | 30.06.2007 |
|---|---|---|
| Interest charges on medium and long term loans | 257 | 187 |
| Interest and other charges on current bank accounts | 1,549 | 2,473 |
| Other interest and financial charges | 208 | 567 |
| Actuarial financial charges | 153 | 0 |
| Losses realised on exchange | 404 | 1,394 |
| Losses on exchange not yet realised | 151 | 287 |
| **Total** | **2,722** | **4,908** |

### 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) | 30.06.2008 | 30.06.2007 |
|---|---|---|
| Fibras Europeas de Poliéster S.L. | (1,328) | (3,226) |
| Genfibre S.A. | 0 | 163 |
| Jilin JiMont Acrylic Fiber Co. Ltd. | (1,667) | (2,329) |
| **Total** | **(2,995)** | **(5,392)** |

As regards the results of the equity investments in Fibras Europeas de Poliéster and in Jilin JiMont Acrylic Fiber Co. Ltd., reference should be made to Note 16.

### 42. Taxation

| (in thousands of Euro) | 30.06.2008 | 30.06.2007 |
|---|---|---|
| Current taxation | 1,182 | 255 |
| Deferred tax assets | 92 | 256 |
| Deferred tax liability | (400) | 362 |
| Taxation relative to prior years | 0 | 318 |
| **Total** | **874** | **1,191** |

### 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) | 30.06.2008 | 30.06.2007 |
|---|---|---|
| Numerator | | |
| Result for the period | (11,754) | (20,669) |

| (in migliaia) | 30.06.2008 | 30.06.2007 |
|---|---|---|
| Denominator | | |
| Ordinary shares | 130,000 | 130,000 |

### 44. Significant non-recurring events and operations

| (in thousands of Euro) | 30.06.2008 | 30.06.2007 |
|---|---|---|
| Costs incurred for early retirement incentives net of utilisation of previous provision accrued | (739) | (224) |
| Environmental protection costs | 0 | (53) |
| Gains on disposal of land and buildings | 13,153 | 0 |
| **Total** | **12,414** | **(277)** |

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 2008 are summarised below:

| (in thousands of Euro) | Economic effect | Financial effect |
|---|---|---|
| Costs incurred for early retirement incentives net of utilisation of previous provision accrued | (739) | (639) |
| Gains on disposal of land and buildings | 13,153 | 26,100 |
| **Total** | **12,414** | **25,461** |

The costs incurred for early retirement incentives amount to Euro 739 thousand; the incentives paid out during the period amount to Euro 639 thousand.

The gains from the disposal of land and buildings derive from the sale of buildings part of which were recorded at December 31, 2007 under the heading Non-current assets held for sale. In particular they relate to the Milan head office building and to a building situated at the Porto Marghera factory, sold for a total of Euro 26,100 thousand, giving rise to net gains of Euro 13,153 thousand. Greater detail of these operations is given in Notes 1 and 13.

## 45. Related party transactions

The transactions between Montefibre S.p.A. and its subsidiaries have been eliminated in the consolidated financial statements and therefore are not disclosed in this note.
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 | Financial income |
|---|---|---|---|---|
| **30.06.2008** | | | | |
| Fidion S.r.l. | | 1,518 | (75) | 861 |
| Jilin JiMont Acrylic Fiber Co. Ltd | | 5 | | |
| West Dock S.r.l. | | | (203) | |
| Orlandi S.p.A. | 1,255 | | | |
| Detelina International Ltd | 1,186 | | | |
| HF Filati S.p.A. | 2 | | | |
| NGP S.p.A. | | 58 | (56) | 297 |
| **Total** | **2,443** | **1,581** | **(334)** | **1,158** |
| *% of total* | *1.7* | *24.4* | *0.2* | *29.0* |
| **30.06.2007** | | | | |
| Fidion S.r.l. | | 1,549 | (78) | 659 |
| Genfibre S.A. | 181 | | (5,425) | |
| Orlandi S.p.A. | 1,811 | 52 | | |
| Detelina International Ltd | 1,141 | | | |
| NGP S.p.A. | | 2 | (46) | 242 |
| **Total** | **3,133** | **1,603** | **(5,549)** | **901** |
| *% of total* | *1.8* | *56.5* | *4.0* | *25.8* |

### Balance sheet

| (in thousands of Euro) | Non-current receivables | Current receivables | Current payables |
|---|---|---|---|
| **30.06.2008** | | | |
| Fidion S.r.l. | 6,452 | 2,787 | 75 |
| Jilin JiMont Acrylic Fiber Co. Ltd | | 29 | |
| Orlandi S.p.A. | | 954 | |
| Detelina International Ltd | | 928 | |
| HF Filati S.p.A. | | 2 | |
| NGP S.p.A. | 9,515 | 167 | 134 |
| **Total** | **15,967** | **4,867** | **209** |
| **31.12.2007** | | | |
| Fidion S.r.l. | 6,425 | 4,407 | 127 |
| Jilin JiMont Acrylic Fiber Co. Ltd | | 24 | |
| Orlandi S.p.A. | | 858 | |
| Detelina International Ltd | | 639 | |
| NGP S.p.A. | 9,217 | 232 | 71 |
| **Total** | **15,642** | **6,160** | **198** |

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

The emoluments due to the members of the Boards of Directors and of Statutory Auditors as of June 30, 2008 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 incentive | Other fees and emol. |
|---|---|---|---|---|---|---|---|
| BOARD OF DIRECTORS | | | | | | | |
| De Santis Roberto | Chairman | 182 days | Approval of 2009 FS | 100 | 1 | | |
| Boriolo Emilio Mario | Managing Director | 182 days | Approval of 2009 FS | 174 | 1 | | |
| Caporizzi Valter | Director | 182 days | Approval of 2009 FS | 8 | | | |
| Galeazzi Giorgio | Director | 182 days | Approval of 2009 FS | 8 | | | |
| Nova Alessandro | Director | 182 days | Approval of 2009 FS | 10 | | | |
| Orlandi Sergio | Director | 182 days | Approval of 2009 FS | 8 | | | |
| Orlandi Vittorio | Director | 182 days | Approval of 2009 FS | 8 | | | |
| Pellegrini Aurelio | Director | 182 days | Approval of 2009 FS | 8 | | | |
| BOARD OF STATUTORY AUDITORS | | | | | | | |
| Rock Ugo | Chairman | 182 days | Approval of 2008 FS | 15 | | | |
| Armarolli Marco | Statutory Auditor | 182 days | Approval of 2008 FS | 10 | | | |
| Lovati Marco Benvenuto | Statutory Auditor | 182 days | Approval of 2008 FS | 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.

On behalf of the Board of Directors
The Chairman
*Roberto De Santis*

## CERTIFICATION OF THE CONDENSED HALF-YEARLY FINANCIAL STATEMENTS

PURSUANT TO ARTICLE NO. 81-TER OF CONSOB REGULATION NO. 11971 OF MAY 14, 1999 AND SUBSEQUENT AMENDMENTS AND INTEGRATION

We, the undersigned, Emilio Mario Borioli, Managing Director, and Giuliano Contro, Manager responsible for the preparation of the accounting statements of the Company Montefibre S.p.A., hereby certify, taking into account the provisions of Article No. 154-bis, paragraphs 3 and 4 of the Italian Legislative Decree No. 58 of February 24, 1998:

- the appropriateness in relation to the characteristics of the Group and

- the effective application,

of the administrative and accounting procedures adopted for the preparation of the condensed half-yearly financial statements during the course of the six months ended on June 30, 2008.

We also certify that

1. the condensed half-yearly financial statements:
   a) have been prepared in accordance with the recognised international accounting standards adopted throughout the European Community in accordance with EC Regulation No. 1606/2002 of July 19, 2002 issued by the European Parliament and Council;
   b) correspond to the figures contained in the Group's accounting records;
   c) give a true and fair view of the equity, economic and financial situation of the issuer and of the consolidated companies as a whole;

2. the interim directors' report contains at least references to the more significant events which took place during the first six months of the year and of their effect on the condensed half-yearly financial statements, together with a description of the principal risks and uncertainties regarding the remaining six months of the year. The interim directors' report also contains details of significant transactions with related parties.

Milan, August 29, 2008

The Managing Director,
*Emilio Mario Boriolo*

The Manager responsible for the preparation of the accounting statements of the Company,
*Giuliano Contro*

# Independent auditors' report

## Auditors' report on the limited review of the condensed half-yearly consolidated financial statements

*(Translation from the original Italian language version)*

To the shareholders of
MONTEFIBRE S.p.A.

1. We have carried out a limited review of the condensed half-yaerly consolidated financial statements, consisting of the balance sheet, income statement, statement of movements in shareholders' equity, statement of cash flows and the related explanatory notes, of Montefibre S.p.A. and its subsidiary companies (Montefibre Group) as of June 30, 2008. The responsibility for the preparation of the condensed half-yaerly consolidated financial statements in conformity with the international accounting standard applicable to interim financial reporting (IAS 34) adopted by the European Union lies with Montefibre S.p.A.'s directors. Our responsibility is to express an opinion on these financial statements based on our limited review.

2. With the exception of that discussed in the following paragraph, our review was carried out in accordance with the limited review standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency) in its Resolution No. 10867 of July 31, 1997. Such limited review consists mainly of obtaining information relative to the figures contained in the condensed half-yaerly consolidated financial statements and of evaluating the consistency of the accounting principles applied, through discussions with management and through the application of analytical techniques to the abovementioned figures. The limited review does not include the performance of auditing procedures such as tests of compliance with internal control procedures and substantive procedures for the verification of assets and liabilities, and therefore it is significantly less in scope than a full audit performed in accordance with generally accepted auditing standards. Consequently, unlike in our report on the annual consolidated financial statements, here we do not express a professional audit opinion on the condensed half-yaerly consolidated financial statements.

   With regard to the figures relative to the consolidated annual and interim financial statements for the previous year presented for comparative purposes, reference should be made to our reports dated April 14, 2008 and October 30, 2007 respectively.

3. The Company has updated the evaluation carried out in order to ascertain the recoverable value of the temporarily unutilised plant destined for polyester staples production, recorded in the financial statements as of June 30, 2008 for Euro 26.7 million; this evaluation did not show a need for any write-down to be

made. To date, we have been unable to obtain adequate information to enable us to express an opinion on the reasonableness of the evaluation made by the Company.

4. On the basis of our review, with the exception of the possible adjustments relative to the matters disclosed in paragraph 3 above, no matters came to our attention which would lead us to believe that the condensed half-yearly consolidated financial statements of the Montefibre Group as of June 30, 2008 have not been prepared, in all material aspects , in conformity with the International Accounting Standard relative to interim financial reporting (IAS 34) adopted by the European Union.

5. For information purposes only, we would draw your attention to the contents of paragraph one of the explanatory notes to the financial statements, and in particular to the continuation of the difficult conditions under which the acrylic fibres sector operates and which results in economic losses for the Group together with an absorption of financial resources. The Directors has disclosed the existence of considerable uncertainty regarding the continuity of the Company as a result of such circumstances and they have described the steps taken to restore both economic and financial equilibrium.

Milan, August 29, 2008

PricewaterhouseCoopers S.p.A.
Signed by:
*Andrea Crespi*

*This report has been translated into the English language solely for the convenience of international readers. References in this report to the financial statements refer to the financial statements in original Italian language and not to the English language translation thereof.*

# 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.

With respect to the previous communication we would point out the increase from 14.20% to 15.35% of the investment held by Montefibre in Servizi Porto Marghera S.c.a r.l. following the withdrawal of one of the latter's shareholders on 30.6.2008.

### COMPANIES SUBJECT TO THE ABOVEMENTIONED DISCLOSURE REQUIREMENTS:

| | **Montefibre Hispania S.A.U.*** | **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% | 15.35% |
| 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% | 15.35% |
| 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.

(1) Montefibre has undertaken a commitment to repurchase, prior to 30.6.2013, the share sold to Simest S.p.A., in order to maintain an equal share in the joint venture Jilin Jimont Acrylic Fiber Co. Ltd.

(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 - 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.

| Jilin JiMont Acrylic Fiber Co. Ltd.* | Fibras Europeas de Poliéster S.L. * | West Dock S.r.l. * | Astris Carbon S.r.l. * |
|---|---|---|---|
| 516-1 Jiuzhan Street | Paseo de Garcia, 85-8 | Via Vanzo, 71/A | Via Marco d'Aviano, 2 |
| Jilin City | 08008 | 31021 | 20131 |
| Jilin Province | Barcelona | Mogliano Veneto | Milan |
| (China) | (Spain) | (TV) (Italy) | |
| RMB | Euro | Euro | Euro |
| 450,000,000 | 12,003,012 | 100,000 | 10,000 |
| 39.36%[1] | 39.99% | 50.00% | 50.00% |
| 1 | 800,000 | 1 | 1 |
| | | | |
| 1 | 800,000 | 1 | 1 |
| 50.0% | 39.99% | 50.00% | 50.00% |
| December 21, 2005 | November 30, 2006 | April 12, 2007 | December 4, 2007 |
| - | - | 04145940260 | 05951170967 |
| | | | |
| - | - | 326454 | 1861301 |
| - | - | TV | MI |
| 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 Financial Report approved by the Board of Directors on August 26, 2008 and August 27, 2008.

**NOTE**
*This Interim Financial Report has been translated into English from the original Italian version.*