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## FINANCIAL STATEMENTS AT 31 DECEMBER 2007



**Legal Seat: Milan, Via Santa Radegonda n. 11 – 20121 Italy**

**Share Capital Euro 9.726.600,00 fully paid up**

**Fiscal code and number of private company register: Milan  
n°03545180105**

THURSDAY



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COMPANIES HOUSE

***FACI S.P.A.***

***Company subject to the control and coordination activity***

***of Euechemia SpA***

**Registered Office: Milan Via Santa Radegonda n. 11**

**Share Capital: Euro 9,726,600.00 fully paid up**

**Milan Companies Register's Office and Fiscal Code: 03545180105**

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***MINUTES OF THE ORDINARY SHAREHOLDERS' MEETING OF***

***JULY 25, 2008***

On July 25 2008 at the time of 11,00 in Carasco (GE) Via Privata Devoto  
n 36 the Ordinary Shareholders' Meeting of FACI SPA was held

whereas

- with letter dated June 19<sup>th</sup> 2007 the Ordinary Shareholders' Meeting  
was called for June 28<sup>th</sup> 2007 and it was deserted, as recorded in the  
minutes prepared in that same date,
- that same notice called for this day at the same time and location, in  
second convocation, the Ordinary Shareholders' Meeting;

noted

- that the President of the Board of Directors, Mr Franco Rossi, will  
chair the meeting;
- that Ms Silvia Traverso, unanimously voted, will act as the meeting's  
Secretary,

ascertained

- that in representation of the share capital the following are present
- JOSE'-ANTONIO ESTAUN RUIZ, holder of no 233,813 shares, on



his own behalf;

- ENRIQUE ESTAUN RUIZ, holder of no 233,813 share, on his own behalf, represented,
- FACI IMMOBILIARE SpA – Sole Shareholder Company, holder of no 5,190,000 shares, present in the person of the Sole Director, Franco Rossi,
- EUCHEMIA SpA, holder of no 13,047,379 shares, present in the person of the Sole Director, Franco Rossi,
- that present for the Board of Directors, in addition to the President are: Modestino Cavaliere and Raffaele Benvenuto, managing directors and Stefano Rossi, director,
- that present for the Board of Statutory Auditors are. Antonio Argenio, President, Giovanna Galardi and Aldo Borrelli, auditors

the President pronounce

the meeting validly gathered and able to resolve on the following

#### Agenda

##### 1 Resolutions on the matters as per article 2364 of the civil code

The President of the Board of Directors takes the floor and briefly informs the Shareholders's Meeting why the Board of Directors in the meeting of 1<sup>st</sup> April 2008 availed of the statutory extended term of 180 days for the adoption of the financial statements for the year ended December 31<sup>st</sup>, 2007.

The President then reads the financial statements, containing the balance sheet, the income statement and notes there to

He then illustrates in detail the single accounts of the balance sheet and of



the income statement, the notes and the schedules attached

The President then reads the Director's report on operations, providing detailed comments on the corporate transactions carried out during the year, and the report of the auditors prepared by the external auditors in charge of the accounting review and audit

Subsequently the President of the Board of Statutory Auditors, Antonio Argenio, reads the report on the financial statements prepared by said Board

Those present were invited to provide comments

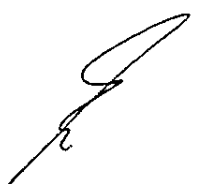
The Meeting then, after wide and exhaustive discussion, having obtained the explanations requested and noted the reports of the Board of Statutory Auditors and of the external auditors, unanimously

adopts

the financial statements for the year ended December 31<sup>st</sup> 2006 and the Director's report on operations, widely discharging him for his actions and

resolves

- to release the "forex reserve ex article 2426, paragraph 8 bis c c , for Euro 503 742,20, since not necessary anymore, to reallocate as "extraordinary reserve",
- to fully release the "fiscal interference elimination reserve", reallocating to "extraordinary reserve",
- to withdraw Euro 2 303.410,00 from the "extraordinary reserve" to allocate as "reserve Law 488";
- to allocate the result of the year equal to Euro 1 249 073,85 as follows.

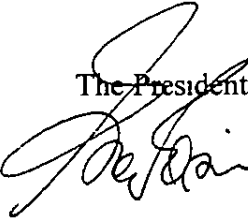


- as to the 5% equal to Euro 62 453,69 to the legal reserve,
- as to the remaining part, equal to Euro 1 186 620,16, to the extraordinary reserve

The financial statements and the Director's report adopted above, and the reports of the Board of Statutory Auditors and of the external auditors are attached to these minutes

No other person requesting the floor and the matter on the agenda completed, at the time of 11 50 the meeting closes, after the reading and the adoption of these minutes

The Secretary

The President  


**Company under the control and the coordination of Euechemia S.p.A.**  
**Registered Office Milan, Via Santa Radegonda n. 11 - Italy**  
**Main Office Carasco, Via Privata Devoto, 36 - Italy**  
**Share Capital € 9 726 600 fully paid up**  
**Milan Companies Register's Office Number and Fiscal code 03545180105**

## BALANCE SHEET

**B) Fixed assets**

4) concessions, licences, trademarks and similar rights  
7) other

**Total Intangible Assets**

- 1) land and building
- 2) plant and machinery
- 3) industrial and trade equipment
- 4) other goods
- 5) work in progress and down payments

**Total Tangible Assest**

- 1) Equity investments
  - a) in subsidiaries
  - b) in associated companies
- 2) loans receivable
  - a) from subsidiaries
  - due beyond the following year

**Total Financial Assets****Total Fixed Assets (B)**

Period end 31 December 2007	Period end 31 December 2006	Difference
41 911	142 929	(101 018)
325 762	19 611	306 151
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367 673	162 540	205 133
0	17 627 286	(17 627 286)
17 951 248	19 629 175	(1 677 927)
82 438	119 664	(37 226)
403 579	447 806	(44 227)
197 955	1 008 829	(810 874)
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18 635 220	38 832 760	(20 197 540)
11 241 252	5 980 904	5 260 348
1 195 675	3 797 874	(2 602 199)
1 443 995	50 000	1 393 995
-----	-----	-----
13 880 922	9 828 778	4 052 144
32 883 815	48 824 078	(15 940 263)

C) Current assets

I - Inventory

- 1) raw, ancillary and consumable materials,
- 4) finished products and goods,

Total inventory

II - Receivables

- 1) trade receivables
  - due within the following year
- 2) due from subsidiaries
  - due within the following year
- 3) due from associated companies,
  - due within the following year
- 4) due from parent companies
  - due within the following year

4bis) tax receivables

- due within the following year
- due beyond the following year

5) other receivables

5b) due from other debtors

- due within the following year
- due beyond the following year

Total receivables

IV - Liquid assets

- 1) Cash at banks and post offices
- 3) cash and cash equivalents on hand

Total liquid assets

Total current assets (C)

D) Prepaid expenses and accrued income

TOTAL ASSETS

	Period end 31 December 2007	Period end 31 December 2006	Difference
	2 600 881	3 018 602	(417 721)
	4 312 068	4 032 729	279 339
Total inventory	6 912 949	7 051 331	(138 382)
	15 174 657	13 647 823	1 526 834
	4 675 768	3 005 456	1 670 312
	228 917	342 285	(113 368)
	598 299	136 000	462 299
	868 928	1 361 711	(492 783)
	21 096	47 074	(25 978)
	1 010 763	6 100 261	(5 089 498)
	75 582	75 832	(250)
Total receivables	24 120 247	24 716 442	(596 195)
	8 672 473	8 972 871	(300 398)
	3 150	3 740	(590)
Total liquid assets	8 675 623	8 976 611	(300 988)
Total current assets (C)	39 708 819	41 994 384	(2 285 565)
	61 881	42 787	19 094
TOTAL ASSETS	72 654 515	90 861 249	(18 206 734)

# **LIABILITIES**

## **A) Shareholders' equity**

	Period end 31 December 2007	Period end 31 December 2006	Difference
I - Share capital	9 726 600	9 726 600	0
II - Share premium reserve	0	668 992	(668 992)
III - Revaluation reserve			
- Revaluation reserve as per Law n° 342/00	4 583 560	6 667 345	(2 083 785)
- Revaluation reserve as per Law n° 448/01	5 870 492	8 539 344	(2 668 852)
- Revaluation reserve as per Law n° 266/05	1 823 394	2 652 348	(828 954)
IV - Legal reserve	947 813	935 942	11 871
VI - Reserve for own shares	0	1 250 000	(1 250 000)
VII - Other reserves			
- Extraordinary reserve	697 939	3 045 423	(2 347 484)
- Fiscal interference elimination reserve	5 463 687	8 807 556	(3 343 869)
- Forex reserve ex article 2426, paragraph 8 bis c c	637 470	637 470	0
IX - Net profit (loss) for the year	1 249 076	237 419	1 011 657
<b>Total Shareholders' equity (A)</b>	<b>31 000 027</b>	<b>43 168 443</b>	<b>(12 168 416)</b>

## **B) Provisions**

1) for agents and directors termination allowance	1 015 258	900 015	115 243
2) deferred taxes	0	1 676 682	(1 676 682)
3) other provisions,	405 000	135 000	270 000
<b>Total provisions (B)</b>	<b>1 420 258</b>	<b>2 711 697</b>	<b>(1 291 439)</b>

## **C) Reserves for employees leaving indemnity**

	<b>3 796 976</b>	<b>3 794 508</b>	<b>2 468</b>
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## **D) Payables**

1) bonds			
- due within the following year	0	10 000 000	(10 000 000)
4) due to banks			
- due within the following year	5 193 768	4 066 792	1 126 976
- due beyond the following year	15 369 274	12 935 763	2 433 511
6) down payments			
- due within the following year	118 637	23 745	94 892
7) trade payables			
- due within the following year	9 936 974	9 425 350	511 624
9) due to subsidiaries			
- due within the following year	188 179	173 967	14 212
10) due to associated companies			
- due within the following year	703 872	850 075	(146 203)
11) due to parent company			
- due within the following year	409 668	530 628	(120 960)
12) taxes payable			
- due within the following year	1 367 147	500 056	867 091
13) due to social security			
- due within the following year	794 651	678 041	116 610
14) other payables			
14b) due to other creditors			
- due within the following year	1 785 373	1 391 189	394 184
- due beyond the following year	0	5 165	(5 165)
<b>Total payables (D)</b>	<b>35 867 543</b>	<b>40 580 771</b>	<b>(4 713 228)</b>

## **E) Accrued expenses and deferred income**

	<b>569 711</b>	<b>605 830</b>	<b>(36 119)</b>
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## **TOTAL LIABILITIES**

	<b>72 654 515</b>	<b>90 861 249</b>	<b>(18 206 734)</b>
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## **GUARANTEES**

### **a) Guarantees granted**

	<b>6 309 659</b>	<b>7 006 445</b>	<b>(696 786)</b>
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## **TOTAL MEMORANDUM ACCOUNT**

	<b>6 309 659</b>	<b>7 006 445</b>	<b>(696 786)</b>
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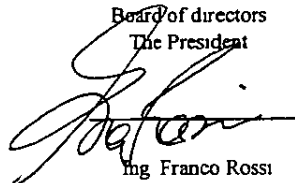


# **PROFIT & LOSSES**

	Period end 31 December 2007	Period end 31 December 2006	Difference
<b>A) Value of production</b>			
1) revenues from sales and services	76 864 198	69 403 061	7 461 137
2) changes in inventory of work in process and finished products	301 775	166 721	135 054
5) Other income and revenues			
a) capital grant	0	12 638	(12 638)
b) other income	514 409	512 205	2 204
<b>Total value of production (A)</b>	<b>77 680 382</b>	<b>70 094 625</b>	<b>7 585 757</b>
<b>B) Cost of sales</b>			
6) raw materials	45 434 389	38 614 871	6 819 518
7) services	13 678 432	13 803 458	(125 026)
8) leases	1 518 170	177 635	1 340 535
9) personnel			
a) wages and salaries	8 168 425	7 721 516	446 909
b) social security contribution	2 671 510	2 391 972	279 538
c) employees leaving indemnities charges	646 464	595 209	51 255
e) other	373 806	363 657	10 149
<b>Total personnel costs</b>	<b>11 860 205</b>	<b>11 072 354</b>	<b>787 851</b>
10) Depreciation and amortisation			
a) amortisation of intangible assets	149 427	138 673	10 754
b) depreciation of tangible assets	2 863 557	3 599 170	(735 613)
d) writedowns of fixed assets	104 444	88 115	16 329
11) changes in inventory of raw materials	401 513	(291 181)	692 694
13) other provisions	289 675	97 742	191 933
14) other operating costs	320 981	274 289	46 692
<b>Total costs of sales (B)</b>	<b>76 970 793</b>	<b>67 575 126</b>	<b>9 395 667</b>
<b>Difference between value and costs of sales (A-B)</b>	<b>709 589</b>	<b>2 519 499</b>	<b>(1 809 910)</b>
<b>C) Financial income and expenses</b>			
15) Income from equity investments			
c) from others	628 935	0	628 935
16) other financial income			
a) from receivables recorded in fixed assets			
- from subsidiary	2 058	6 547	(4 489)
d) other financial income	157 395	196 401	(39 006)
17) Interests and other financial expenses			
d) others	(847 320)	(714 314)	(133 006)
17bis) foreign exchange gains and losses			
a) gains	189 785	107 458	82 327
b) losses	(1 063 332)	(663 485)	(399 847)
<b>Total financial income and charges C)</b>	<b>(932 479)</b>	<b>(1 067 393)</b>	<b>134 914</b>

	Period end 31 December 2007	Period end 31 December 2006	Difference
D) Adjustements to the value of financial assets			
18) revaluations			
a) of equity investments	80 000	0	80 000
Total adjustments (D)	80 000	0	80 000
Profit (loss) before taxes (A-B+C+D+E)	92 716	1 452 106	(1 359 390)
22) Income taxes for the year			
- current	(914 841)	(1 807 013)	892 172
- deferred	2 071 201	592 326	1 478 875
Total taxes	1 156 360	(1 214 687)	2 371 047
23) Net profit (loss) for the year	1 249 076	237 419	1 011 657

Board of directors  
The President



ing Franco Rossi

## FACI S.p.A.

Company subject to the control and coordination activity of Euehemia S.p.A.  
Registered Office Milan, Via Santa Radegonda n. 11  
Share Capital € 9,726,600 00 fully paid up  
Milan Companies Register's Office Number and Fiscal Code 03545180105

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2007

Dear Shareholders,

the financial statements that we present to your attention have been prepared in accordance with statutory requirements and is composed of

- Balance sheet (prepared in accordance with the template provided by articles 2424 e 2424 bis civil code),
- Income Statement (prepared in accordance with the template provided by articles 2425 e 2425 bis civil code),
- Notes to the financial statements

The Notes are organised as follows

- ✓ Part A Accounting Principles,
- ✓ Part B Notes to the balance sheet,
- ✓ Part C Notes to the income statement

Other information needed to provide a true and fair view of the financial position and the results of the company are included in the Director's Report.

The Board of Statutory Auditors has been previously informed about the accounting principles adopted for the preparation of these financial statements



## NOTES TO THE FINANCIAL STATEMENTS

The structure of the balance sheet and income statement is that provided for by articles 2424 e 2425 civil code

In accordance with article 2423-*ter* c c , the financial statements are prepared in a comparison format, showing the amount related to the previous year near each account.

We note that the statements have been prepared considering the modifications introduced by Legislative Decree n 6/2003 (Reform of the Company Act)

In accordance with article 2423 c c we note that:

- ✓ As to the accounting principles adopted, the general principles of clarity and true and fair view have been followed,
- ✓ The schemes of the balance sheet and income statement provide sufficient information to give a true and fair view of the financial position and the results of the company, it is therefore not considered necessary to provide further additional information,
- ✓ No cases of incompatibility arise between the statutory reporting requirements in the preparation of the financial statements and the need to provide a true and fair view, and therefore no recourse to exceptions has been made as permitted by article 2423, paragraph 4 c c ,
- ✓ The financial statements are prepared in Euro units

In accordance with article 2423-*ter* c c we note that

- ✓ The valuation of the accounts has been made in compliance with the principles of prudence and going concern and taking into account the economic function of each asset and liability,
- ✓ Revenues and expenses have been accounted for on an accrual basis, independently from the date of collection or payment,
- ✓ Risks and losses related to the financial year have been taken into account, even if known after year end, while profits are included only if realised within the year end,
- ✓ There has been no re-grouping of accounts within the balance sheet or income statement,
- ✓ The accounting and evaluation principles have not been modified compared to previous year

In accordance with article 2424, paragraph 2 c c we note that there are no assets or liabilities that

can be accounted for in more than one line of the balance sheet

Finally we note that the company is included in the consolidation of the group it belongs to and that the parent company due to prepare the consolidated financial statements is Eucemia SpA, with registered office in Milan. A copy of the consolidated financial statements including the director's report will be deposited at the Companies Register's office in Milan

We refer back to the Director's Report for what it relates to the nature of the activity, the trend of the economic and financial situation, the relations with the subsidiaries, associated and parent companies, subject to their control and related parties, the expected trend in the operations, the subsequent events

The company is subject to the control and coordination activity of Eucemia SpA. In accordance with article 2497 bis c.c. the basic data regarding the company which exercises the control and coordination activity are provided in attachment n. 26

## Part A – ACCOUNTING PRINCIPLES

The accounting principles adopted in relation with the most significant accounts follow, in accordance with article 2426 c.c.

### 1 Intangible Assets

Intangible assets are recognised at purchase price or production cost, including incidental charges

The cost is amortised annually, with the constant amortisation charge calculated in relation with the remaining useful life. With this regard it is noted that

- Concessions, licences and similar rights, comprising mainly software application programs and the technology for oleochemical, are amortised over a period of 5 years,
- Trademarks are amortised over a period of 18 years,
- The goodwill deriving from the acquisition of the UK branch has been fully amortised in 2005,
- Other intangible assets are amortised based on a reasonable allocation scheme each year

### 2. Tangible Assets

Tangible assets are recorded at purchase price or production cost, including incidental charges

For some assets the cost is adjusted due to revaluations by law or as a result of the allocation of the goodwill arising on mergers

The plant has been revalued both in 2000, in application of Law n. 342/2000 articles 10-16, and 2001, in application of Law n. 448/2001 article 3

Following the demerge carried out with deed dated 1st March 2007 and effective from 5 March 2007, the whole real estate has been transferred to FACI Immobiliare SpA

It is confirmed that the value of the buildings and of the plant recorded in the financial statements after the revaluations are not greater than the effective values attributed to such assets with regard to their consistence, production capacity, effective economic use by the company, nevertheless to current values

In financial year 2005 the Company has made use of the possibility given by the 2006 Financial Act, to realign the book and fiscal values of the fixed assets, therefore the fiscal values of the plant and equipments have been adjusted to their book values

During this current year the Company has made use of the possibility given by par. 48 of article 1 of the Financial Act of 2008 to realign, through the payment of a substitute tax, the differences between accounting and fiscal values of the fixed assets which had been generated following the deductions made off the books for fiscal purposes only on the tax return (page EC)

The beginning value of the fixed assets is depreciated annually, on a straight-line basis, applying economic-technical rates. The depreciation rates reflect the physical useful life and the technological obsolescence of the fixed assets and are detailed in schedule 7 attached. The rates are halved for the assets acquired in the financial year, assuming that the assets purchased during the year have been started up, on average, at half year


In the case when, independently from the depreciation accounted for, an impairment emerges, the fixed asset is written down accordingly, if in the following financial years the reasons for the write-down no longer exist, the original value is written-back

Maintenance costs of ordinary nature are charged fully to the income statement. Maintenance costs of incremental nature are allocated to the assets they relate to and depreciated in accordance with their residual possibility of utilisation

The fixed assets denominated in foreign currency are recorded at the foreign exchange rate of the date of purchase or at the lower one at the year end, if the reduction is deemed to last

### 3. Financial fixed assets

The equity investments are valued at purchase cost or subscription. The cost is reduced in the case of an impairment loss where the investment has incurred losses and no profits are expected, in the near future, sufficient to cover such losses. The original value is written-back in the following financial years if the reasons for the write-down no longer exist.



Receivables are recorded at face value, corresponding to the estimated realisable value

The financial fixed assets in foreign currency are recorded at the foreign exchange rate of the date of purchase or at the lower one at the year end, if the reduction is deemed to last

#### **4 Inventory**

Inventory is valued at the lower between purchase price or production cost – calculated with the LIFO method (last in first out) – and the net realisable value

The adoption of this method results in a valuation that does not differ significantly from that resulting from the application of the average annual cost method

#### **5 Receivables**

Receivables are prudently recorded at their estimated realisable value. The adjustment of the face to the estimated realisable value is made through provisioning for potential bad debts

Receivables in foreign currency are recorded at the year end spot foreign exchange rate. The related foreign exchange gains or losses are accounted for in the income statement and the possible net gain is allocated to a specific reserve

#### **6. Liquid assets**

Liquid assets consist of the cash in bank accounts and petty cash. They are recorded at nominal value

Cash in foreign currency is recorded at the year-end spot exchange rate

#### **7 Accruals, pre-paid expenses and deferred income**

Accruals, pre-paid expenses and deferred income are part of revenues and expenses, shared among more than one accounting period, whose amount varies according to the timeframe, calculated according to the accrual basis accounting rules

#### **8. Shareholders' equity**

The shareholders' equity represents the difference between assets and liabilities and includes the shareholders' contributions, reserves of any nature and net profits not withdrawn

#### **9. Provisions**

Provisions are recognised when there are certain or probable liabilities determined in their nature but uncertain in the amount and timing

The amounts provided for reflect the best estimate based on information available to the Company



Contingent liabilities are noted but not provided for

#### **10 Provision for employees leaving indemnity**

The provision for employees leaving indemnity represents the liability accrued towards the employees in accordance with current laws and labour contracts, taking into consideration every kind of remuneration of permanent nature

#### **11 Payables**

Payables are recorded at their nominal value, corresponding to the amount of obligations existing at year end

Payables in foreign currency are recorded at the year end spot foreign exchange rate. The related foreign exchange gains or losses are accounted for in the income statement and the possible net gain is allocated to a specific reserve

#### **12 Memorandum account**

Memorandum account includes guarantees, personal or collateral, given directly or indirectly against someone else's debts, and commitments

#### **13. Revenues and expenses**

They are recognised according to prudence and accrual basis accounting principles

Sales, net of returns, discounts and allowances, are recognised when ownership is transferred, which is in general when the goods are delivered or shipped. Financial revenues are recognised on accrual basis

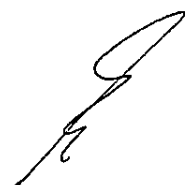
Revenues, other income, production costs and the other expenses related to transactions in foreign currency, are determined at the spot foreign exchange rate at the date of the transactions. Income and other expenses related to sales with forward return obligation, including the difference between spot and forward price, are recorded on an accrual basis

#### **14. Income taxes**

Current income taxes are accrued based on the estimate of the tax charge calculated in accordance with current regulations

We note that the Company has agreed to the tax consolidation scheme as provided in articles 117 and following of the Taxation Act, as consolidated company. The consolidating company is the parent Eucemia S.p.A.

Deferred tax liabilities and assets are calculated on temporary differences between the result of the year and the taxable income





Deferred tax assets are recognised to the extent that taxable profit will be available against which they can be recovered in the future. Deferred tax liabilities are recorded even in the case that the related liability is not very likely to arise. Deferred tax liabilities and assets are offset if the offsetting is legally allowed.

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## Part B – NOTES TO THE BALANCE SHEET

### INTANGIBLE ASSETS

In accordance with article 2427, paragraph 1 n. 2) the movements of the intangible assets, divided among historical cost, amortisation and net book value, are detailed in schedules 1-3 attached.

### B.II – TANGIBLE ASSETS

In accordance with article 2427, paragraph 1 n. 2) the movements of the tangible assets, divided among historical cost, depreciation and net book value, are detailed in schedules 4-6 attached.

Up until financial year 1995 tangible assets were depreciated on a straight-line basis using the maximum rates allowed by fiscal regulations. In 1997 the company has reassessed the depreciation rates of certain tangible assets based on a study carried out by external professionals on the remaining useful economic-technical life and the expected net realisable value at 31 December 1996. Such rates have turned out to be lower than the fiscal ones.

Consequently, commencing from financial year 1996, the company has been depreciating the tangible assets based on the new rates considered representative of the remaining useful economic-technical life of the assets, adding to the lower depreciation cost so recorded further depreciation charges, similar to accelerated ones, up to the maximum rates allowed by fiscal regulations.

Such higher depreciation charges, compared to those determined based on the remaining useful economic-technical life of the tangible assets, have been recorded in line B 10 b) of the income statement until financial year 2003. Such way of accounting, in accordance with article 2426 c.c., has allowed the company in the past not to be negatively affected from a tax point of view. In financial year 2004 such fiscal interference previously generated by such "additional" depreciation charges has been eliminated and the related deferred tax liability has been accounted for.

In accordance with Law 72/1983, art. 10 the assets held at year end revalued in previous years in relation with specific laws, are shown in schedule 8 attached. The assets revalued in 2000 in accordance with Law 342/2000 articles 10-16 are shown in schedule 9 attached, those revalued in 2001 in accordance with article 3 of Law 448/2001 in schedules 10. For each asset revalued, the

addition to the historical value and the variation of the accumulated depreciation due to the revaluation are shown

The goodwill from the merge, allocated in 1996 on part of the plant based on said external professional's evaluation, has obtained fiscal deduction in 1997

Work in progress mainly relate to advances to suppliers for the acquisition of plant and equipments

Finally, in relation to the main movements during the period, the following is noted

- ✓ the increases relate to the purchase/modernisation of the production plant for Euro 920 thousand, to the purchase of equipment for Euro 0,4 thousand, to the purchase of automobiles, furniture and electronic office machines for Euro 144,9 thousand to the acquisition of work in progress for Euro 73 thousand.
- ✓ decreases relate mainly to the sale of plant for Euro 36,2 thousand, to the sale of equipments for Euro 3 thousand, to the sale of automobiles and electronic machines for 8,9 thousand and to the allocation of work in progress for Euro 883,88 thousand

### B III – FINANCIAL ASSETS

In accordance with article 2427, paragraph 1, n.2) the movements of the financial assets are detailed in schedules 11 and 12 attached

The information relevant to the investments in subsidiaries and associated companies as per article 2427, paragraph 1, n. 5) are gathered in schedule 13 attached

As to the composition of the financial assets in subsidiaries and associated companies, the following is noted

- ✓ the value of the investment in the subsidiary FACI Asia Pacific PTE LT was written-down in 2001, the net equity in 2006 shows an improvement as such as to make the write-back to the original value possible, nevertheless it has been decided prudentially not to do so in this financial year and to wait for the consolidation of positive results,
- ✓ the subsidiary Cifrachim Sarl has been established in France in 2003 and it is still in start-up, the provision of Euro 95 000, accrued in 2005 for the risk of future losses, has been released this year for Euro 80 000,
- ✓ the subsidiary FACI Chem Zhangjiagang Co Ltd established in China in 2007 has closed its first financial statements with a loss, the value of the subsidiary has increased following a share capital increase,
- ✓ the associated company Metalest Immobiliaria SL has been demerged in favour of FACI Immobiliare S.p.a and on 16 of March 2007 the whole investment in Metalest has been acquired and it has been accounted for in the balance sheet with a value higher than the



corresponding net equity, justified by the higher value of the fixed assets,

- ✓ the book value of the associated company Ambrogio Pagani S.p.A., 25% owned, lower than its net equity,
- ✓ the value of the associated company Reinco Co has been written down in 1999, the net equity resulting from the last available financial statements shows an improvement and in the next years results are expected such as to recover the losses incurred in prior years

Eliminato

#### C I - INVENTORY

The composition of the inventory is detailed in schedule 14

#### C.II - RECEIVABLES

The composition of the receivables is detailed in schedule 14

The trade receivables derive from ordinary commercial transactions. The provision for bad debt is deemed fair.

Receivables which fall due in more than 12 months are detailed in schedule 14. No receivables are due in more than 5 years. In defining the due date of the receivables the contractual and, if the case, the customary terms are taken into account.

In accordance with article 2427, paragraph 1, n. 6-ter) it is noted that no receivables related to transactions, which require the purchaser a future sale-back exist.

#### C.IV - LIQUID ASSETS

The composition of the liquid assets is detailed in schedule 14

#### D - ACCRUED INCOME AND PRE-PAID EXPENSES

The composition of the accrued income and pre-paid expenses is detailed in schedule 14

#### A - NET EQUITY

The movements and the composition of the shareholders' equity are detailed in schedules 16 and 17. As to the composition, the following is noted:

- ✓ following the monetary revaluations made in 2000, 2001 e 2005, the company has recorded in the equity temporarily non-taxable reserves for Euro 17,859,036, decreased following the demerger to Euro 5,581,591. The reserves correspond to the amount of revaluations net of the relative substitute tax. No deferred taxes have been provided for, since no utilisations that can generate taxation are expected,
- ✓ the share premium reserve of Euro 668,992 has been allocated in favour of the net equity of the beneficiary company of the demerger,

- ✓ the tax suspension on the net equity reserves and the profit of the year, amounting to Euro 11,847,182 and generated in year 2004 following the elimination of the fiscal "interference" for Euro 18,879,296 net of deferred taxes of Euro 7,032,538, remains for Euro 370,726 since it is substituted following the realigning made in year 2005, for Euro 14,699,871, therefore the tax suspension, till year 2007, will be equal to Euro 14,699,871,
- ✓ the reserve for own shares of Euro 1 250 000 has been zeroed following the shares exchange among the shareholders of Metalest,

Finally it is noted that in order to obtain the highest possible fiscal benefit, the Company has made use of the possibility to deduct, off the accounting records, depreciation charges higher than those accounted for in the statutory accounts, both the 'additional' to those economic-technical and the accelerated ones. On these higher fiscal depreciation charges, deferred taxes have been calculated.

It is noted that due to the above, the net equity reserves and the profits of the year, also future ones, benefit from tax suspension for an amount corresponding to the excess of the depreciation charges deducted compared to those recorded in the income statement, net of the deferred tax liabilities accrued in relation to the amounts deducted. The tax suspension following the realignment between the book and the fiscal value of the fixed assets which have been generated by the off-the-book tax deductions included in the EC part of the tax return, expire from 1<sup>st</sup> January 2008.

In accordance with article 2427, paragraph 1, n. 7<sup>bis</sup>) for each item of the net equity, in schedule 18, the origin, the possible use and distribution, the actual use in the past three years, is detailed.

In accordance with article 2427, paragraph 1, n. 17) it is noted that the share capital is made up of 18,705,000 shares of € 0.52 each in face value.

In accordance with article 2427, paragraph 1, n. 18) it is noted that the Company has not issued any preferred shares but has issued bonds.

In accordance with article 2427, paragraph 1, n. 19) it is noted that the Company has not issued any financial instrument during the financial year.

No assets are allocated for specific affairs.

#### **B – FONDI PER RISCHI E ONERI**

##### **B – PROVISIONS**

The composition and the movements of the provisions are detailed in schedule 18.

##### **C – PROVISION FOR EMPLOYEES LEAVING INDEMNITY**

The composition and the movement of the provision for employees leaving indemnity are detailed in schedule 19.

**D – PAYABLES**

The composition of the payables is detailed in schedule 15

The trade payables derive from ordinary commercial transactions

There exist no payables due to shareholders for loans

Payables which fall due in more than 12 months are detailed in schedule 15 No payables are due in more than 5 years In determining the due date of the payables the contractual and, if the case, customary terms are taken into account

In accordance with article 2427, paragraph 1, n. 6-ter) it is noted that no payables related to transactions, which require the purchaser a future sale-back exist

**E – ACCRUED EXPENSES AND DEFERRED INCOME**

The composition of accrued expenses and deferred income is detailed in schedule 15

**MEMORANDUM ACCOUNT**

In accordance with article 2427, paragraph 1, n. 9) the main items of the memorandum account noted at the end of the balance sheet are detailed as follows

- ✓ guarantees for Euro 6 309 659

\* \* \* \* \*



**Parte C – INFORMAZIONI SUL CONTO ECONOMICO****A – VALUE OF PRODUCTION**

In accordance with article 2427, paragraph 1, n. 10) the geographical distribution of sales revenues is detailed in schedule 20. The distribution by kind of activities has not been included since not relevant.

**B – COST OF PRODUCTION**

In accordance with article 2427, paragraph 1), n. 16) the remuneration of the Directors and of statutory and external auditors are noted in schedule 23.

The information required by article 2427 paragraph 1, n. 22) are not noted since not relevant.

As to wages and salaries, in accordance with article 2427, paragraph 1, n. 15) the average number of employees divided by category is noted in schedule 22. It is reminded that the Company has adopted the National Collective Labour Agreement for the chemical industry.

**C – FINANCIAL INCOME AND EXPENSES**

With regard to the financial income we highlight that it mainly refers to bank interests and interests on loans to subsidiaries.

In accordance with article 2427, paragraph 1, n. 11) it is noted that your Company has not received income from investments other than dividends.

As to the financial expenses, in accordance with article 2427, paragraph 1, n. 12) their composition is detailed in schedule 21.

In accordance with article 2427, paragraph 1, n. 8) it is noted that no financial expenses have been recorded as assets in the balance sheet.


As to the foreign exchange gains and losses, an unrealised net loss of Euro 357,106, has been recorded in the period, therefore the foreign exchange reserve ex article 2426 n. 8-bis provided for against the unrealised foreign exchange net profit of year 2005 is released for the same amount.

In accordance with article 2427, paragraph 1, n. 6-bis) it is noted that the movements in the foreign exchange rates happened after year end have not determined significant effects.

**TAXES**

The current taxes refer to IRES (Corporate Tax) and IRAP (Regional Tax on Productive Activities).

As to deferred tax liabilities and assets, the information required by article 2427, paragraph 1, n. 14) are noted in schedules 24 and 25.



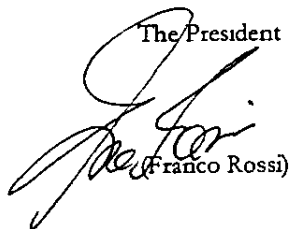
The impact of the deferred taxation on the income statement is to lower the current taxes

#### CASH-FLOW STATEMENT

The cash-flow statement in schedule 27 attached links the movements occurred, during the year, in the company's net equity to the financial situation.

For the Board of Directors

The President

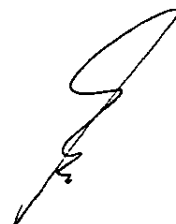


(Franco Rossi)

**ATTACHMENTS**

The following attachments contain additional information, further to those included in the notes, of which they are full part.

- 1 Schedule of the movements in intangible fixed assets– historical cost,
- 2 Schedule of the movements in intangible assets – accumulated amortisation,
- 3 Schedule of the movements in intangible assets – net book values,
- 4 Schedule of the movements in tangible assets– historical costs,
- 5 Schedule of the movements in tangible assets – accumulated depreciation,
- 6 Schedule of the movements in tangible assets – net book values,
- 7 List of depreciation rates,
- 8 Schedule summarising the monetary revaluations ex article 10 Law 72/83,
- 9 Schedule summarising the monetary revaluations ex article 10-16 Law 342/00,
- 10 Schedule summarising the monetary revaluations ex article 10-16 Law 448/01,
- 11 Schedule of the movements in financial assets – investments in subsidiaries, associated and parent companies,
- 12 Schedule of the movements in financial assets other than the investments in subsidiaries and associated and parent companies,
- 13 Relevant information on the investments in subsidiaries and associated companies,
- 14 Schedule of the other assets,
- 15 Schedule of the other liabilities,
- 16 Schedule of the movements in the shareholders' equity,
- 17 Schedule of the composition of the shareholders' equity,
- 18 Schedule of the movements in provisions,
- 19 Schedule of the movements in the provision for employees leaving indemnity,
- 20 Sales revenues distribution by geographical area,
- 21 Composition of interests and other financial expenses,
- 22 Average number of employees,
- 23 Schedule of the remuneration of Directors, statutory and external auditors,
- 24 Schedule of the movements and composition of deferred tax assets,
- 25 Schedule of the movements and composition of deferred tax liabilities,
- 26 Financial statements of the company that controls and coordinates,
- 27 Cash-flow statement





## FACI S.p.A

## SCHEDULE 1 ATTACHED TO THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

## SCHEDULE OF THE MOVEMENTS IN INTANGIBLE ASSETS - HISTORICAL COST

DESCRIPTION	Cost 31/12/2006 (A)	Revaluations 31/12/2006 (B)	(Write-downs) 31/12/2006 (C)	Historical Cost 31/12/2006 (A+B+C)	Acquisitions	Revaluations	Other increases	(Disposals)	Forex adjustments	Historical Cost 31/12/2007
Concessions, licences, trademarks and similar rights	517 269,37	0,00	0,00	517 269,37	14 948,73	0,00	0,00	0,00	(265,39)	531 952,71
Goodwill	74 460,17	0,00	0,00	74 460,17	0,00	0,00	0,00	(74 460,17)	0,00	0,00
Other	55 493,28	0,00	0,00	55 493,28	341 412,49	0,00	0,00	(30 979,50)	(2 067,47)	363 858,80
<b>TOTAL</b>	<b>647 222,82</b>	<b>0,00</b>	<b>0,00</b>	<b>647 222,82</b>	<b>356 361,22</b>	<b>0,00</b>	<b>0,00</b>	<b>(105 439,67)</b>	<b>(2 332,85)</b>	<b>895 811,52</b>

## FACI S.p.A

## SCHEDULE 1 ATTACHED TO THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

## SCHEDULE OF THE MOVEMENTS IN INTANGIBLE ASSETS - ACCUMULATED AMORTISATION

DESCRIPTION	Cumulated amortisation 31/12/2006 (A)	Revaluations 31/12/2006 (B)	Accumulated amortisation 31/12/2006 (A+B)	Revaluations	Other increases	Reclassifications	Forex rate	Amortisation of the year	Accumulated amortisation 31/12/2007
Concessions, licences, trademarks and similar rights	374 340,21	0,00	374 340,21	0,00	0,00	0,00	(118,35)	115 819,60	490 041,46
Goodwill	74 460,17	0,00	74 460,17	0,00	0,00	(74 460,17)	0,00	0,00	0,00
Other	35 882,26	0,00	35 882,26	0,00	0,00	(30 979,50)	(413,49)	33 607,63	38 096,90
<b>TOTAL</b>	<b>484 682,64</b>	<b>0,00</b>	<b>484 682,64</b>	<b>0,00</b>	<b>0,00</b>	<b>(105 439,67)</b>	<b>(531,84)</b>	<b>149 427,23</b>	<b>528 138,36</b>

## SCHEDULE 3 ATTACHED TO THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

## SCHEDULE OF THE MOVEMENTS IN INTANGIBLE ASSETS - NET BOOK VALUES

DESCRIPTION	Net Book Value 31/12/2006	Acquisitions	Other Increases (decreases)	(Depreciation)	Net Book Value 31/12/2007
Concessions, licences trademarks and similar rights	142.929,16	14.948,73	(147,04)	(115.819,60)	41.911,25
Goodwill	0,00	0,00	0,00	0,00	0,00
Other	19.611,02	341.412,49	(1.653,97)	(33.607,63)	325.761,90
<b>TOTAL</b>	<b>162.540,18</b>	<b>356.361,22</b>	<b>(1.801,01)</b>	<b>(149.427,23)</b>	<b>367.673,16</b>

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SCHEDULE 4 ATTACHED TO THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

SCHEDULE OF THE MOVEMENTS IN TANGIBLE ASSETS - HISTORICAL COST

DESCRIPTION	Cost 31/12/2006 (A)	Revaluations 31/12/2006 (B)	(Write-downs) 31/12/2006 (C)	Historical Cost 31/12/2006 (A+B+C)	Acquisitions	Revaluations	(Disposals)	(Write-downs and adjustments)	Historical Cost 31/12/2007	Total including revaluations
Land and buildings	10 544 324,13	18 414 766,00	0,00	28 959 090,13	2 344,57	0,00	(28 961 434,70)	0,00	0,00	0,00
Plant and machinery	74 913 510,87	9 553 843,00	0,00	84 467 353,87	920 047,07	0,00	(159 601,96)	(36 173,00)	85 191 625,98	9 553 843,00
Industrial and commercial equipment	1 858 192,88	28 868,00	0,00	1 887 060,88	4 145,45	0,00	(26 339,30)	(3 082,44)	1 861 784,59	28 868,00
Other assets	2 826 852,41	0,00	0,00	2 826 852,41	144 972,62	0,00	(145 992,09)	(8 948,98)	2 816 883,96	0,00
Work-in-progress and down payments	1 008 828,70	0,00	0,00	1 008 828,70	73 010,69	0,00	(883 884,45)	0,00	197 954,94	0,00
<b>TOTAL</b>	<b>91 151 708,98</b>	<b>27 997 477,00</b>	<b>0,00</b>	<b>119 149 185,98</b>	<b>1 144 520,41</b>	<b>0,00</b>	<b>(30 177 252,50)</b>	<b>(48 204,42)</b>	<b>90 068 249,47</b>	<b>9 582 711,00</b>

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SCHEDULE 5 ATTACHED TO THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

SCHEDULE OF THE MOVEMENTS IN TANGIBLE ASSETS - ACCUMULATED DEPRECIATION (ORDINARY CHARGES)

DESCRIPTION	Accumulated depreciation 31/12/2006 (A)	Revaluations 31/12/2006 (B)	Accumulated depreciation 31/12/2006 (A+B)	Revaluations	Other Increases	(Decreases)	Forx adjustments	Depreciation of the year	Accumulated depreciation 31/12/2007	Total including revaluations
Land and buildings	11 331 803,85	0,00	11 331 803,85	0,00	0,00	(11 459 097,11)	0,00	127 293,26	0,00	0,00
Plant and machinery	19 901 339,96	44 936 839,00	64 838 178,96	0,00	0,00	(122 566,55)	(12 702,22)	2 537 467,74	67 240 377,93	44 936 839,00
Industrial and commercial equipment	1 767 396,89	0,00	1 767 396,89	0,00	0,00	(26 339,30)	(2 485,05)	40 773,72	1 779 346,26	0,00
Other assets	2 379 046,12	0,00	2 379 046,12	0,00	0,00	(118 330,54)	(5 433,01)	158 022,58	2 413 305,15	0,00
<b>TOTAL</b>	<b>35 379 586,82</b>	<b>44 936 839,00</b>	<b>80 316 425,82</b>	<b>0,00</b>	<b>0,00</b>	<b>(11 726 333,50)</b>	<b>(20 620,27)</b>	<b>2 863 557,30</b>	<b>71 433 029,35</b>	<b>44 936 839,00</b>

## SCHEDULE 6 ATTACHED TO THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

## SCHEDULE OF THE MOVEMENTS IN TANGIBLE ASSETS - NET BOOK VALUE

DESCRIPTION	Net Book Value 31/12/2006	Acquisitions	(Decreases)	Other Increases (decreases)	(Depreciation charges)	Net Book Value 31/12/2007
Land and buildings	17 627 286,28	2 344,57	(17 502 337,59)	0,00	(127 293,26)	(0,00)
Plant and machinery	19 629 174,91	920 047,07	(24 333 19)	(36 173,00)	(2 537 467,74)	17 951 248,05
Industrial and commercial equipment	119 663,98	4 145,45	2 485,05	(3 082,44)	(40 773,72)	82 438,33
Other assets	447 806,29	144 972,62	(22 228 55)	(8 948,98)	(158 022,58)	403 578,81
Work-in-progress and down payments	1 008 828,70	73 010 69	(883 884 45)	0,00	0,00	197 954,94
<b>TOTAL</b>	<b>38 832 760,17</b>	<b>1 144 520,41</b>	<b>(18 430 298,73)</b>	<b>(48 204,42)</b>	<b>(2 863 557,30)</b>	<b>18 635 220,13</b>

## LIST OF DEPRECIATION RATES

DESCRIPTION		% 31/12/2007	% 31/12/2006	% Differenza
<b>Intangible assets</b>				
Concessions licences trademarks and other rights	minimum rate	10.00%	10.00%	0.00%
	maximum rate	20.00%	20.00%	0.00%
Goodwill		20.00%	20.00%	0.00%
Other intangible assets	minimum rate	12.50%	12.50%	0.00%
	maximum rate	33.33%	33.33%	0.00%
<b>Tangible assets</b>				
Land and buildings	minimum rate	2.18%	2.18%	0.00%
	maximum rate	5.50%	5.50%	0.00%
Plant and machinery	minimum rate	0.03%	0.03%	0.00%
	maximum rate	12.50%	12.50%	0.00%
Industrial and commercial equipment	minimum rate	0.88%	0.88%	0.00%
	maximum rate	25.00%	25.00%	0.00%
Other assets	minimum rate	12.00%	12.00%	0.00%
	maximum rate	25.00%	25.00%	0.00%

CATEGORIES	Historical cost not revalued (A)	Historical cost revalued (B)	Law 72 19/03/1983 (E)	Law 413 30/12/1991 (F)	Revaluation from merger (G)	Balance Sheet value (A+B+C+D +E+F+G)
Plant and machinery	75 637 782,74	2 603 637,00	494 495,00	0,00	6 455 711,24	85 191 625,98
Industrial and commercial equipment	1 832 916,59	24 869,00	3 999,00	0,00	0,00	1 861 784,59
TOTAL	77 470 699,33	2 628 506,00	498 494,00	0,00	6 455 711,24	87 053 410,57

ITEMS	Historical cost not revalued (A)	Acc Dep not revalued (B)	Historical cost revaluation (C)	Acc Dep revaluation (D)	Historical cost 31/12/2007 (A+C)	Acc Dep 31/12/2007 (B+D)
Plant prod. & distribution thermal energy	1 848 081,63	1 797 370,55	4 330 700,00	3 703 205,00	6 178 781,63	5 500 575,55
Plant prod. & distribution electrical energy	996 836,61	1 166 234,59	630 274,00	460 876,00	1 627 110,61	1 627 110,59
Plant distribution Nitrogen compressed air	105 525,46	41 935,71	145 460,00	99 495,00	250 985,46	141 430,71
Plant fat depuration & filtration	381 336,53	472 232,52	825 789,00	734 893,00	1 207 125,53	1 207 125,52
Plant hydrogenation	1 367 041,97	1 468 459,44	3 708 131,00	3 205 102,00	5 075 172,97	4 673 561,44
Plant discontinuous scission	1 255 851,11	1 731 508,13	3 711 802,00	3 236 145,00	4 967 653,11	4 967 653,13
Plant continuous scission	686 085,52	1 808 843,95	617 857,00	344 135,00	1 303 942,52	524 978,95
Plant glycerine processing	352 059,68	227 409,34	1 491 893,00	1 266 201,00	1 843 952,68	1 493 610,34
Plant stearine distillation	721 226,19	508 199,35	2 830 155,00	2 426 803,00	3 551 381,19	2 935 002,35
Plant distillation and fractioning fatty acids	1 226 050,62	1 110 747,47	2 167 213,00	1 726 159,00	3 393 263,62	2 836 906,47
Plant stearate direct	4 514 085,00	3 891 289,22	9 437 442,00	8 313 116,00	13 951 527,00	12 204 405,22
Plant stearate direct L type	131 066,21	(6 607,77)	208 452,00	145 961,00	339 518,21	139 353,23
Plant stearate for filtration	624 402,39	888 311,39	1 513 212,00	1 249 303,00	2 137 614,39	2 137 614,39
Plant stearate dispersion	459 029,25	155 485,26	1 552 797,00	1 329 688,00	2 011 826,25	1 485 173,26
Plant production ethylene	852 904,94	982 946,41	1 703 332,00	1 468 344,00	2 556 236,94	2 451 290,41
Plant production monoglyceride	1 551 399,71	282 570,43	950 214,00	776 168,00	2 501 613,71	1 058 738,43
Plant production esters	1 878 239,00	290 282,58	308 168,00	124 310,00	2 186 407,00	414 592,58
Plant production epoxide	1 232 184,67	850 040,17	1 963 232,00	1 529 408,00	3 195 416,67	2 379 448,17
Tanks	4 332 873,85	3 070 659,29	10 081 139,00	8 892 772,00	14 414 012,85	11 963 431,29
Packaging	5 130 205,92	2 420 095,02	3 638 171,00	2 764 326,00	8 768 376,92	5 184 421,02
Plant water treatment	694 664,00	219 657,79	1 053 902,00	888 119,00	1 748 566,00	1 107 776,79
Boiler	65 021,14	46 363,25	244 853,00	206 118,00	309 874,14	252 481,25
Fire protection system	1 051 699,78	250 186,46	46 200,00	44 134,00	1 097 899,78	294 320,46
Plant production acid dimer	58 496,39	19 996,03	7 739,00	2 058,00	66 235,39	22 054,03
<b>TOTAL</b>	<b>31 516,367,57</b>	<b>22 066 216,58</b>	<b>53 168 127,00</b>	<b>44 936 839,00</b>	<b>84 684 494,57</b>	<b>67 003 055,58</b>

## SCHEDULE SUMMARISING THE MONETARY REVALUATION EX ARTICLE 3 PARAGRAPHS 1-3 LAW 448/01

ITEMS	Historical cost not revalued 31/12/2006	Historical cost revalued	Disposals 31/12/2007	Cumulated dep not revalued at 31/12/01	Acc. Dep revaluation	Total revaluations L. 448/01	Dep Fund Utilisation 31/12/2007	Acquisitions 31/12/2007	Amort 31/12/2007	Residual value 31/12/2007
Plant prod. & distribution thermal energy	6 211 060,20	0,00	(77 638,25)	5 605 189,00	645 400,00	645 400,00	0,00	45 359,68	203 216,49	678 206,08
Plant prod. & distribution electrical energy	1 589 330,61	0,00	0,00	1 570 471,00	173 600,00	173 600,00	0,00	37 780,00	37 780,00	0,02
Plant distribution Nitrogen compressed air	248 070,63	0,00	0,00	183 840,00	44 800,00	44 800,00	0,00	2 914,83	11 089,29	109 554,75
Plant for depuration & filtration	1 207 125,53	0,00	0,00	1 074 838,00	121 100,00	121 100,00	0,00	0,00	19 506,12	0,01
Plant hydrogenation	5 032 295,21	0,00	0,00	4 842 446,00	486 500,00	486 500,00	0,00	42 877,76	151 370,09	401 611,53
Plant discontinuous scission	4 958 259,79	0,00	0,00	4 849 010,00	457 100,00	457 100,00	0,00	9 393,32	141 501,86	(0,02)
Plant continuous scission	1 290 142,52	0,00	0,00	892 174,00	241 500,00	241 500,00	0,00	13 800,00	43 382,62	778 963,57
Plant glycerine processing	1 813 192,37	0,00	0,00	1 636 685,00	216 300,00	216 300,00	0,00	30 760,31	24 128,47	350 342,34
Plant stearine distillation	3 514 180,22	0,00	0,00	3 012 443,00	389 900,00	389 900,00	0,00	37 200,97	77 619,14	616 378,84
Plant distillation and fractioning fatty acids	3 438 185,27	0,00	(68 763,71)	3 060 275,00	493 500,00	493 500,00	0,00	23 842,06	124 546,24	556 357,15
Plant stearate direct	13 843 755,28	0,00	0,00	12 198 505,00	1 368 500,00	1 368 500,00	0,00	107 771,72	466 220,13	1 747 121,78
Plant stearate direct L. type	339 518,21	0,00	0,00	275 118,00	64 400,00	64 400,00	0,00	0,00	1 146,06	200 164,98
Plant stearate for filtration	2 137 614,39	0,00	0,00	2 051 842,00	282 800,00	282 800,00	0,00	0,00	80 906,73	0,00
Plant stearate dispersion	1 980 733,03	0,00	(13 200,00)	1 613 377,00	214 200,00	214 200,00	0,00	44 293,22	23 978,22	526 652,99
Plant production ethylene	2 532 959,03	0,00	0,00	2 384 739,00	228 900,00	228 900,00	0,00	23 277,91	94 826,93	104 946,53
Plant production monoglyceride	2 385 068,37	0,00	0,00	1 247 804,00	167 300,00	167 300,00	0,00	116 545,34	1 574,77	1 442 875,28
Plant production esters	2 088 133,15	0,00	0,00	625 892,00	184 800,00	184 800,00	0,00	98 273,85	86 526,94	1 771 814,42
Plant production epoxide	3 157 951,67	0,00	0,00	2 710 615,00	496 300,00	496 300,00	0,00	37 465,00	104 320,30	815 968,50
Tanks	14 407 787,11	0,00	0,00	12 759 678,00	1 221 500,00	1 221 500,00	0,00	6 225,74	331 544,45	2 450 581,56
Packaging	8 624 860,23	0,00	0,00	5 580 513,00	1 137 500,00	1 137 500,00	0,00	143 516,69	387 176,83	3 583 955,90
Plant water treatment	1 726 730,75	0,00	0,00	1 435 960,00	178 500,00	178 500,00	0,00	21 835,25	502,09	640 789,21
Boiler	309 874,14	0,00	0,00	278 786,00	37 100,00	37 100,00	0,00	0,00	3 005,78	57 392,89
Plant water distribution	52 221,45	3 158,00	0,00	11 006,00	2 442,00	5 600,00	0,00	3 173,78	6 924,40	13 121,46
Fire protection system	1 081 010,25	3 859,00	0,00	231 474,00	135 441,00	139 300,00	0,00	16 889,53	54 894,99	803 579,32
Plant production acid dimer	66 235,39	0,00	0,00	21 075,00	7 000,00	7 000,00	0,00	0,00	3 311,77	44 181,36
<b>TOTAL</b>	<b>84 036 294,80</b>	<b>7 017,00</b>	<b>(159 601,96)</b>	<b>70 153 755,00</b>	<b>8 996,381,00</b>	<b>9 003 400,00</b>	<b>0,00</b>	<b>863 196,96</b>	<b>2 477 688,94</b>	<b>17 650 379,09</b>



## SCHEDULE 11 ATTACHED TO THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

## SCHEDULE OF THE MOVEMENTS IN FINANCIAL ASSETS - INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

COMPANY	%	Historical cost 31/12/2006	Revaluation	Book Value 31/12/2006	Acquisitions	Revaluations	Other increases	(Disposals)	(Write-downs)	Other decreases	Balance Sheet value 31/12/2007
<b>Subsidiaries</b>											
- FACI Asia Pacific PTE LTD	100,00%	4 248 928,46	0,00	4 248 928,46	0,00	0,00	0,00	0,00	0,00	0,00	4 248 928,46
- Cifrachim Srl	100,00%	8 000,00	0,00	8 000,00	0,00	0,00	0,00	0,00	0,00	0,00	8 000,00
- FACI Chem Zhangjiagang	100,00%	1 723 975,74	0,00	1 723 975,74	0,00	0,00	1 997 235,86	0,00	0,00	0,00	3 721 211,60
- FACI Metalest	100,00%	0,00	0,00	0,00	0,00	0,00	3 263 111,90	0,00	0,00	0,00	3 263 111,90
<b>Total subsidiaries</b>		<b>5 980 904,20</b>	<b>0,00</b>	<b>5 980 904,20</b>	<b>0,00</b>	<b>0,00</b>	<b>5 260 347,76</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>11 241 251,96</b>
<b>Associated companies</b>											
- Ambrogio Pagani	25,00%	526 786,04	0,00	526 786,04	0,00	0,00	0,00	0,00	0,00	0,00	526 786,04
- Reinco Ca	41,00%	668 888,89	0,00	668 888,89	0,00	0,00	0,00	0,00	0,00	0,00	668 888,89
- FACI Metalest SL	50,00%	1 794 611,90	0,00	1 794 611,90	0,00	0,00	0,00	0,00	0,00	(1 794 611,90)	0,00
- Metalest Immobiliaria SL	50,00%	807 587,06	0,00	807 587,06	0,00	0,00	0,00	0,00	0,00	(807 587,06)	0,00
<b>Total associated companies</b>		<b>3 797 873,89</b>	<b>0,00</b>	<b>3 797 873,89</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>(2 602 198,96)</b>	<b>1 195 674,93</b>
<b>TOTAL</b>		<b>9 778 778,09</b>	<b>0,00</b>	<b>9 778 778,09</b>	<b>0,00</b>	<b>0,00</b>	<b>5 260 347,76</b>	<b>0,00</b>	<b>0,00</b>	<b>(2 602 198,96)</b>	<b>12 436 926,89</b>

**FACI S.p.A**

**SCHEDULE 12 ATTACHED TO THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

**SCHEDULE OF THE MOVEMENTS FINANCIAL ASSETS OTHER THAN THE INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES**

DESCRIPTION	Cost 31/12/2006 (A)	Revaluations (Write-downs) 31/12/2006 (B)	Book value 31/12/2006 (A+B+C)	Acquisitions	Revaluations	Other Increases	Reclassification* (Decreases)	(Svalutazioni)	Balance Sheet value 31/12/2007
Receivables from subsidiaries - Loan to Ciffrachim Srl - Loan to FACI Chem Zhangjiagang - Loan to FACI Metalst	50 000,00 0,00 0,00	0,00 0,00 0,00	50 000,00 0,00 0,00	0,00 0,00 0,00	0,00 0,00 0,00	0,00 393 994,97 1 000 000,00	0,00 0,00 0,00	0,00 0,00 0,00	50 000,00 393 994,97 1 000 000,00
<b>TOTAL</b>	<b>50 000,00</b>	<b>0,00</b>	<b>50 000,00</b>	<b>0,00</b>	<b>0,00</b>	<b>1 393 994,97</b>	<b>0,00</b>	<b>0,00</b>	<b>1 443 994,97</b>

**FACI S.p.A**

**SCHEDULE 13 ATTACHED TO THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

**RELEVANT INFORMATION ON THE INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES**

COMPANY	Registered Office	Registered Capital	Net Equity	Result of the last period	% ownership	Net equity owned	Balance Sheet value 31/12/2007	Difference
<b>Subsidiaries</b>								
- FACI Asia Pacific PTE LTD	Singapore	4 252 705,19	6 574 215,38	834 997,87	100,00%	6 574 215,38	4 248 928,46	2 325 286,92
- Ciffrachim Srl	Neully sur Seine	8 000,00	(6 823,35)	41 559,09	100,00%	(6 823,35)	8 000,00	(14 823,35)
- FACI Chem Zhangjiagang	Cina	3 500 504,91	2 837 075,16	(663 429,75)	100,00%	2 837 075,16	3 721 211,60	(884 136,44)
- FACI Metalst	Spagna	3 413 736,80	2 940 459,40	3 462,52	100,00%	2 940 459,40	3 263 111,90	(322 652,50)
<b>Associated companies</b>								
- Ambrogio Pagani	Bergamo	516 000,00	10 149 052,00	140 703,00	25,00%	2 537 263,00	526 786,04	2 010 476,96
- Reimco Ca	Venezuela	287 294,06	1 500 484,02	400 890,53	41,00%	615 198,45	668 888,89	(53 690,44)

\* Financial statements for the year ended 31 December 2007

\* Financial statements for the year ended 31 March 2008

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SCHEDULE 14 ATTACHED TO THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER

SCHEDULE OF THE OTHER ASSETS

DESCRIPTION	Value at 31/12/2007	Value at 31/12/2006	Difference
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Inventory

Raw materials			
- Raw materials ending balance - Carasco	2 431 313,74	2 826 422,19	(395 108,45)
- Raw materials ending balance - UK	169 567,14	192 179,46	(22 612,32)
Finished goods			
- Finished goods ending balance - Carasco	4 086 637,33	3 766 717,28	319 920,05
- Finished goods ending balance - UK	275 797,05	321 016,50	(45 219,45)
- Slow moving provision - UK (-)	(50 366,13)	(55 005,21)	4 639,08
Total inventory	6 912 949,13	7 051 330,22	(138 381,09)

Receivables

Trade receivables due within the following year			
- Trade receivables	12 243 038,00	10 923 523,86	1 319 514,14
- Trade receivables forex adjustments	(276 493,28)	(71 915,40)	(204 577,88)
- Trade receivables UK	1 301 509,67	1 347 554,80	(46 045,13)
- Trade receivables forex adjustments UK	6 978,97	(1 190,32)	8 169,29
- Trade receivables - Acceptance Drafts	2 847 336,48	2 307 144,34	540 192,14
- Accrued Sales	18 888,88	19 489,82	(600,94)
- Accrued Credit Notes Payable (-)	(240 199,59)	(209 811,18)	(30 388,41)
- Bad debt provision	(708 809,79)	(654 867,81)	(53 941,98)
- Bad debt provision UK	(17 592,08)	(12 105,50)	(5 486,58)
Receivables from subsidiaries due within the following year			
- Trade receivables from subsidiaries	4 564 368,72	2 893 535,12	1 670 833,60
- Cifrachim netting account	111 399,34	111 399,34	0,00
- FACI Chem Zhangjiagang Co Ltd netting account	0,00	521,85	(521,85)
Receivables from associated companies due within the following year			
- Trade receivables from associated companies	153 917,32	342 284,87	(188 367,55)
- Receivable from Ambrodio Paganı S p a for dividends resolved	75 000,00	0,00	75 000,00
Receivables from parent companies due within the following year			
- Receivables transferred to parent Eucemia for Faci UK income	91 172,59	85 579,51	5 593,08
- Receivables for withholding tax on bank accts transf to parent Ei	38 969,83	50 420,14	(11 450,31)
- Receivables for withholding tax on R&D transferred to parent Ei	48 946,00	0,00	48 946,00
- Receivables for tax advances (IRES) transferred to parent Eucemi	259 692,77	0,00	259 692,77
- Receivables from parent Eucemia for lower IRES previous year	159 518,00	0,00	159 518,00
Tax receivables due within the following year			
- Irap	99 684,00	0,00	99 684,00
- VAT	769 243,92	1 361 710,92	(592 467,00)
Tax receivables due beyond the following year			
- VAT Administration for unsettled claims	1 164,61	1 164,61	0,00
- Receivable for Gov Concessions Tax	516,46	516,46	0,00
- Income Tax (IRPEF) advance on Employees Leaving Indemnity	18 225,89	6 404,14	11 821,75
- Revaluation of the Income Tax (IRPEF) advance on ELI (TFR)	1 189,03	38 988,99	(37 799,96)

FACI S.p.A.

**SCHEDULE 14 ATTACHED TO THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER**

**SCHEDULE OF THE OTHER ASSETS**

DESCRIPTION	Value at 31/12/2007	Value at 31/12/2006	Difference
Receivables for deferred tax assets within the year			
- Receivable for deferred tax assets	1 466 237,00	0,00	1 466 237,00
Other receivables due within the following year			
- Advances to suppliers	28 505,46	375,40	28 130,06
- Advances to INAIL white collars	58 760,92	47 008,25	11 752,67
- Advances to INAIL blue collars	158 445,47	137 575,22	20 870,25
- Advances to INAIL managers	3 456,57	2 833,51	623,06
- Advances to INAIL temps	437,73	608,85	(171,12)
- Advances to employees for travelling	4 521,61	2 312,88	2 208,73
- Other receivables	47 136,26	28 335,29	18 800,97
- Other receivables UK	13 585,60	12 298,44	1 287,16
- Advances to CEDIS	522,71	184,83	337,88
- Advances to suppliers UK	359,76	39 658,35	(39 298,59)
- Advances to employees - UK	340,90	372,30	(31,40)
- Advances for Custom Notes to receive - UK	3 667,33	0,00	3 667,33
- Receivables for grant Law 488/92	691 023,00	691 023,00	0,00
- Receivables from shareholders	0,00	130 229,72	(130 229,72)
- Receivables from bondholders for underwriting	0,00	5 000 000,00	(5 000 000,00)
- Down payment for real estate management expenses	0,00	7 445,45	(7 445,45)
Other receivables due beyond the following year			
- Security deposit	62 716,63	62 963,59	(246,96)
- Security deposit Shanghai office	5 931,67	5 931,67	0,00
- Security deposit 3rd application Law 488	6 900,00	6 900,00	0,00
- Security deposit UK	34,09	37,23	(3,14)
<b>Total receivables</b>	<b>24 120 248,47</b>	<b>24 716 442,53</b>	<b>4 493 554,19</b>
<b>Short-term financial assets</b>			
- Own shares 2,5% of registered capital	0,00	1 250 000,00	(1 250 000,00)
<b>Total short-term financial assets</b>	<b>0,00</b>	<b>1 250 000,00</b>	<b>(1 250 000,00)</b>
<b>Liquid assets</b>			
Bank and postal accounts	8 672 472,50	8 972 871,19	(300 398,69)
Petty cash	3 150,12	3 739,80	(589,68)
<b>Total liquid assets</b>	<b>8 675 622,62</b>	<b>8 976 610,99</b>	<b>(589,68)</b>
<b>Accrued income and prepayments</b>			
Accrued income			
- Other accrued income	4 745	0	4 745
Prepayments			
- Other prepayments	31 810,58	17 901,25	13 909,33
- Other prepayments UK	25 325,26	24 885,48	439,78
<b>Total accrued income and prepayments</b>	<b>61 881,02</b>	<b>42 786 73</b>	<b>14 349 11</b>

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SCHEDULE 15 ATTACHED TO THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER

SCHEDULE OF THE OTHER LIABILITIES

DESCRIPTION	Value at 31/12/2007	Value at 31/12/2006	Difference
<b>Payables</b>			
Bonds due within the following year	0,00	10 000 000,00	(10 000 000,00)
Payables due to banks due within the following year	5 193 768,14	4 066 792,42	1 126 975,72
Payables due to banks due beyond the following year	15 369 274,10	12 935 763,19	2 433 510,91
Down payments due within the following year			
- Advances from customers	118 637,21	23 744,63	94 892,58
Trade payables due within the following year			
- Trade payable	8 258 355,72	7 054 557,16	1 203 798,56
- Trade payable forex adjustment	(5 955,61)	5 129,12	(11 084,73)
- Trade payable UK	873 579,94	941 328,06	(67 748,12)
- Trade payable forex adjustment UK	12 890,20	(14 063,08)	26 953,29
- Accrued payables	790 665,15	586 956,86	203 708,29
- Trade payables - Acceptance drafts	0,00	863 825,60	(863 825,60)
- Accrued payables UK	22 646,69	38 339,85	(15 693,16)
- Accrued Credit Notes Receivable (-)	(14 718,62)	(41 561,31)	26 842,69
- Accrued Credit Notes Receivable UK (-)	(489,00)	(9 162,49)	8 673,48
Payables due to subsidiaries within the following year			
- Trade payables	188 178,63	173 966,86	14 211,77
Payables due to associated companies within the following year			
- Trade payables	703 871,52	850 074,61	(146 203,09)
Payables due to parent companies within the following year			
- Payables due to Eucemia for the transfer of the IRES receivable	409 668,00	530 628,00	(120 960,00)
Tax payables due within the following year			
- Irap	0,00	7 780,00	(7 780,00)
- Withholding tax IRPEF blue collars	228 206,22	205 727,33	22 478,89
- Withholding tax IRPEF white collars	169 388,59	133 643,03	35 745,56
- Withholding tax IRPEF managers	53 741,58	44 519,00	9 222,58
- Withholding tax IRPEF free-lance and agents	2 315,65	831,93	1 483,72
- Withholding tax IRPEF temps	84 444,74	86 673,00	(2 228,26)
- Withholding tax IRPEF on bonds interests	0,00	9 967,20	(9 967,20)
- Withholding tax UK employees	9 122,96	0,00	9 122,96
- Substitute Tax Payable realignment 2008	742 215,00	0,00	742 215,00
- VAT UK	77 712,35	10 914,83	66 797,52
Payables due to Social Security within the following year			
- Accrued INPS charges blue collars	1 243,56	1 004,79	238,77
- Accrued INPS charges white collars	824,07	658,13	165,94
- Accrued INPS charges managers	308,85	145,66	163,19

FACI S.p.A.

SCHEDULE 15 ATTACHED TO THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER

SCHEDULE OF THE OTHER LIABILITIES

DESCRIPTION	Value at 31/12/2007	Value at 31/12/2006	Difference
- Accrued INAIL charges blue collars	159 304,57	134 652,55	24 652,02
- Accrued INAIL charges white collars	61 284,19	49 910,59	11 373,60
- Accrued INAIL charges managers	3 341,22	2 981,53	359,69
- Accrued INPS charges temps	0,00	1 580,70	(1 580,70)
- Accrued INPS charges directors	479,70	201,48	278,22
- Payables to the FACI workers fund	1 640,00	1 610,00	30,00
- Fonchum	109 843,72	67 896,32	41 947,40
- Social security charge payable	431 802,04	382 513,04	49 289,00
- Accrued INAIL charges temps	217,91	404,05	(186,14)
- NIC + SMP social security charges payable - UK	10 311,99	20 962,00	(10 650,01)
- Accrued Social security changes on the bonus	1 492,27	13 520,50	(12 028,23)
- Accrued Social Security Previnday managers (TFR)	11 353,15	0,00	11 353,15
- Provision - Saving and Social Security (TFR)	1 203,98	0,00	1 203,98
Payables to other creditors due within the year			
- Bonus	227 077,97	0,00	227 077,97
- Trade Unions charges for blue and white collars payable	2 388,20	3 403,66	(1 015,46)
- Managers wages payable	26 571,00	21 686,00	4 885,00
- Blue collars accrued 14th month salary	148 960,00	161 980,85	(13 020,85)
- Technical clerks accrued 14th month wage	40 260,00	46 878,73	(6 618,73)
- Administrative clerks accrued 14th month wage	42 900,00	40 832,76	2 067,24
- Managers accrued 14th month wage	26 880,00	25 400,00	1 480,00
- Blue collars accrued vacation	245 625,01	244 208,23	1 416,78
- Technical employees accrued vacation	62 738,46	77 469,93	(14 731,47)
- Administrative employees accrued vacation	77 884,45	85 203,13	(7 318,68)
- Managers accrued vacation	70 660,53	64 432,19	6 228,34
- Blue collars accrued 'frozen' vacation	16 310,99	12 369,97	3 941,02
- Technical clerks accrued 'frozen' vacation	1 369,74	4 250,93	(2 881,19)
- Administrative clerks accrued 'frozen' vacation	6 887,30	6 532,47	354,83
- Managers accrued 'frozen' vacation	1 070,82	1 030,04	40,78
- Accrued wages - payable	316 260,11	306 056,64	10 203,47
- 1/5 transferred wage payable	1 944,00	1 130,00	814,00
- Conai	451,87	480,71	(28,84)
- Other payables	64 137,93	230 621,65	(166 483,72)
- Accrued canteen benefit due to employees	33 982,34	38 303,09	(4 320,75)
- Accrued remuneration to directors and temps - payable	13 502,10	13 502,10	0,00
- Payables to Faci Immobiliare - Scission	351 230,02	0,00	351 230,02
- Other payables UK	770,82	429,02	341,80
- Accrued Property Tax UK	5 508,97	4 987,35	521,62
Payables to other creditors due beyond the following year			
- Security deposits payable San Benigno	0,00	5 164,57	(5 164,57)
Total payables	35 867 543,01	40 580 771,16	(4 713 228,15)

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SCHEDULE 15 ATTACHED TO THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER

SCHEDULE OF THE OTHER LIABILITIES

DESCRIPTION	Value at 31/12/2007	Value at 31/12/2006	Difference
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Accrued expenses and deferred income

Accruals

- Accrued interests	157 154,65	63 101,95	94 052,70
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Deferred income

- Grants 3rd application Law 488	412 555,91	542 727,91	(130 172,00)
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Total accruals and deferred income

569 710,56	605 829,86	(36 119,30)
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FACI S.p.A

SCHEDULE 16 ATTACHED TO THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

SCHEDULE OF THE MOVEMENTS IN THE SHAREHOLDERS' EQUITY

DESCRIPTION	Closing balance 31/12/2006	Result destination 31/12/2006	Other increase	(Decreases) distribution	Other (decreases)	Result 31/12/2007	Closing balance 31/12/2007
Share capital	9 726 600,00						9 726 600,00
Share premium reserve	668 992,44			(668 992,44)			0,00
Revaluation reserves							
- Revaluation reserve Law 342/00	6 667 344,95			(2 083 785,00)			4 583 559,95
- Revaluation reserve Law 448/01	8 539 344,00			(2 668 852,00)			5 870 492,00
- Revaluation reserve Law 266/05	2 652 348,04			(828 954,00)			1 823 394,04
Legal reserve	935 941,67	11 871,11		(1 250 000,00)			947 812,78
Reserve for own shares	1 250 000,00						0,00
Other reserves							
- Extraordinary reserve	3 045 423,21	225 551,15		(2 573 035,56)			697 938,80
- Fiscal interference elimination reserve	8 807 556,16			(3 343 869,00)			5 463 687,16
- Rounding reserve	4,00			(8,00)			(4,00)
- Forex reserve ex article 2426, paragraph 8 bis c c	637 470,37	0,00					637 470,37
Net profit (loss) for the year	237 422,26	(237 422,26)				1 249 076,00	1 249 076,00
Total Net Equity	43 168 447,10	0,00	(8,00)	(13 417 488,00)	0,00	1 249 076,00	31 000 027,10



## SCHEDULE 17 ATTACHED TO THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

## SCHEDULE OF THE COMPOSITION OF THE SHAREHOLDERS' EQUITY

DESCRIPTION	Shareholders payments	Profits destination	Other	Closing balance 31/12/2006	Usable for losses recovery	Usable for registered capital increases	Distributable	Summary utilisation last three years	
								Losses recovery	Other cases
Share capital	9 726 600,00			9 726 600,00	9 726 600,00				
Revaluation reserves									
- Revaluation reserve Law 342/00			4 583 559,95	4 583 559,95	4 583 559,95	4 583 559,95	4 583 559,95		
- Revaluation reserve Law 448/01			5 870 492,00	5 870 492,00	5 870 492,00	5 870 492,00	5 870 492,00		
- Revaluation reserve Law 266/05			1 823 394,04	1 823 394,04	1 823 394,04	1 823 394,04	1 823 394,04		
Riserva legale		947 812,78		947 812,78	947 812,78				
Other reserves									
- Extraordinary reserve		697 938,80		697 938,80	697 938,80	697 938,80	697 938,80		
- Fiscal interference elimination reserve		5 463 687,16		5 463 687,16	5 463 687,16	5 463 687,16	5 463 687,16		
- Rounding reserve			(4,00)	(4,00)					
- Forex reserve ex article 2426, paragraph 8 bis c c		637 470,37		637 470,37					
- Capital grants ex article 55 Tax Act reserve				0,00				200 196,81	
Net profit (loss) for the year			1 249 076,00	1 249 076,00	1 249 076,00	1 249 076,00	1 249 076,00	1 577 635,00	
Total net equity	9 726 600,00	7 746 909,11	13 526 517,99	31 000 027,10	30 362 560,73	19 688 147,95	19 688 147,95	1 777 831,81	0,00

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SCHEDULE 18 ATTACHED TO THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

SCHEDULE OF THE MOVEMENTS IN PROVISIONS

DESCRIZIONE	Saldo 31/12/2006	Accantonam 31/12/2007	Incrementi diversi	(Utilizzi)	(Decrementi) diversi	Saldo 31/12/2007
Provision for agents and directors termination allowance						
- Additional agents allowance	25 585,92	6 933,83				32 519,75
- Provision for agents termination allowance	143 040,36			(4 040,36)		139 000,00
- Provision for directors termination allowance 1999	731 388,57	112 350,00				843 738,57
Deferred taxes						
- Deferred taxes provision	1 676 682,47			(1 676 682,47)		0,00
Other provisions						
- Provision for pending litigations	40 000,00		350 000,00			390 000,00
- Provision for potential losses of subsidiary Cifrachim	95 000,00	(80 000,00)				15 000,00
Total provisions	2.711 697,32	39 283,83	350 000,00	(1 680 722,83)	0,00	1 420 258,32

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**SCHEDULE 19 ATTACHED TO THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

**SCHEDULE OF THE MOVEMENTS OF THE PROVISION FOR EMPLOYEES LEAVING INDEMNITY ACCOUNT**

DESCRIPTION	Closing balance 31/12/2006	Accruals 31/12/2007	Other increases	(Utilisations)	(Substitute tax)	Other (decreases)	Closing balance 31/12/2007
Blue collars	2 243 511,47	120 467,74	0,00	(101 605,64)	0,00	0,00	2 262 373,57
Technical employees	708 845,08	39 791,94	0,00	(35 045,95)	0,00	0,00	713 591,07
Administrative employees	605 458,33	31 980,51	0,00	(64 103,02)	0,00	0,00	573 335,82
Managers	235 706,22	11 284,38	0,00	0,00	0,00	(3 971,55)	243 019,05
Substitute tax on the revaluation of the provision (TFR)	986,40	14 129,04	0,00	(10 459,41)	0,00	0,00	4 656,03
Total provision for employees leaving indemnity account	3 794 507,50	217 653,61	0,00	(211 214,02)	0,00	(3 971,55)	3 796 975,54

FACI S.p.A.

SCHEDULE 20 ATTACHED TO THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

SALES REVENUES DISTRIBUTION BY GEOGRAPHICAL AREA

DESCRIPTION	FACI Carasco	FACI UK	Total
<b>Sales revenues</b>			
- Italy	17 553 238,89	6 365,53	17 559 604,42
- United Kingdom	1 635 386,75	5 209 179,31	6 844 566,06
- Other EU countries	36 598 350,87	1 720 939,39	38 319 290,26
- East Europe	6 103 018,67	42 656,85	6 145 675,52
- Asia, Far East	4 462 049,16	128 084,82	4 590 133,98
- America	2 762 197,06	75 458,88	2 837 655,94
- Africa	436 127,60	2 086,32	438 213,92
- Other countries	129 622,00	170,91	129 792,91
<b>Total</b>	<b>69 679 991,00</b>	<b>7 184 942,00</b>	<b>76 864 933,00</b>

Figures are gross of returns and discounts

FACI S.p.A.

SCHEDULE 21 ATTACHED TO THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

COMPOSITION OF INTEREST AND OTHER FINANCIAL EXPENSES

DESCRIPTION	31/12/2007	31/12/2006	Difference
<b>Interests and other financial expenses</b>			
Related to bank loans			
- Interest payables on banks overdrafts	30 959,10	21 023,20	9 935,90
- Interest on guarantees	575,10	1 299,95	(724,85)
- Interest on the Mediocredito bank loan	0,00	1 947,82	(1 947,82)
- Interest on loans	764 401,90	610 161,19	154 240,71
Related to payables to others			
- Interest on delayed taxes	1,51	15,00	(13,49)
- Interests on security deposits	129,11	129,11	0,00
- Interest on bonds issued	50 342,47	79 737,44	(29 394,97)
- Other Interests	760,73	0,00	760,73
- Loss on share disposal of Faci Immobiliare	150,08	0,00	150,08
<b>Total</b>	<b>847.320,00</b>	<b>714.313,71</b>	<b>133.006,29</b>

FACI S.p.A.

SCHEDULE 22 ATTACHED TO THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

AVERAGE NUMBER OF EMPLOYEES

CATEGORIES	Average number 31/12/2007	Average number 31/12/2006	Difference
Blue collars	122	119	3
Technical clerks	29	29	0
Administrative clerks	24	25	-1
Middle management	12	10	2
Top management	5	5	0
Totale	192	188	4

FACI S.p.A.

SCHEDULE 23 ATTACHED TO THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

SCHEDULE OF THE REMUNERATION OF DIRECTORS, STATUTORY AND EXTERNAL AUDITORS

DESCRIPTION	Number	31/12/2007	31/12/2006
Directors	5	793 280,24	685 800,36
Statutory auditors	3	38 696 70	39 209,47
External auditors	1	15 000 00	15 000,00
Total		846 976,94	740 009 83

## SCHEDULE OF THE MOVEMENTS AND COMPOSITION OF DEFERRED TAX ASSETS

DESCRIPTION	Year	Amount expense/income	Deferred Tax assets 31/12/2005	Accrual Ires 33%	Accrual Irap 42,5%	(Utilisation) Ires 33%	(Utilisation) Irap 42,5%	Adjustments Ires 5,5%	Adjustments Irap 0,35%	Deferred Tax assets 31/12/2007
Agency termination allowance accruals	2001	4 040,00	1 505,00	0,00	0,00	(1 333,29)	(171,71)	0,00	0,00	0,00
Agency termination allowance accruals	2004	114 000,00	42 465,00	0,00	0,00	0,00	0,00	(6 270,00)	(399,00)	35 796,00
Agency termination allowance accruals	2005	25 000,00	9 313,00	0,00	0,00	0,00	0,00	(1 315,00)	(88,00)	7 850,00
Additional agents allowance accrued not paid	2006	13 137,00	4 893,00	0,00	0,00	0,00	0,00	(722,00)	(46,00)	4 125,00
Additional agents allowance accrued not paid	2007	2 893,47	0,00	796,00	113,00	0,00	0,00	0,00	0,00	909,00
Litigation Provision Accrual - TARSU Issue	2007	50 000,00	0,00	13 750,00	1 950,00	0,00	0,00	0,00	0,00	15 700,00
Litigation Provision Accrual - Antritrust Issue	2007	300 000,00	0,00	82 500,00	11 700,00	0,00	0,00	0,00	0,00	94 200,00
Inventory slow-moving provision UK	2002	52 388,00	19 514,00	0,00	0,00	0,00	0,00	(2 881,00)	(183,00)	16 450,00
Inventory slow-moving provision UK	2005	1 510,00	562,00	0,00	0,00	0,00	0,00	(83,00)	(5,00)	474,00
Inventory slow-moving provision UK (forex adjustment)	2006	1 107,00	412,00	0,00	0,00	(364,99)	(47,01)	0,00	0,00	0,00
Inventory slow-moving provision UK (forex adjustment)	2007	(3 531,87)	0,00	(971,00)	(138,00)	0,00	0,00	0,00	0,00	(1 109,00)
Pending litigation provision	2004	40 000,00	14 900,00	0,00	0,00	0,00	0,00	(2 200,00)	(140,00)	12 560,00
Taxes and other charges accrued not paid	2007	5 966,64	0,00	1 641,00	233,00	0,00	0,00	0,00	0,00	1 874,00
Entertainment expenses - partially deductible	2007	28 524,00	0,00	7 845,00	1 112,00	0,00	0,00	0,00	0,00	8 957,00
Entertainment expenses - partially deductible	2006	35 560,00	13 246,00	0,00	0,00	(2 934,00)	(378,00)	(1 467,00)	(93,00)	8 374,00
Entertainment expenses - partially deductible	2005	20 355,00	7 582,00	0,00	0,00	(2 239,00)	(288,00)	(747,00)	(47,00)	4 261,00
Entertainment expenses - partially deductible	2004	14 156,00	5 272,00	0,00	0,00	(2 336,00)	(301,00)	(388,00)	(25,00)	2 222,00
Entertainment expenses - partially deductible	2003	4 750,00	1 771,00	0,00	0,00	(1 569,00)	(202,00)	0,00	0,00	0,00
Remuneration of statutory auditors (letter b)	2006	22 559,00	8 403,00	0,00	0,00	(7 444,00)	(959,00)	0,00	0,00	0,00
Remuneration of statutory auditors (letter b)	2007	21 692,00	0,00	5 965,00	846,00	0,00	0,00	0,00	0,00	6 811,00
Directors remuneration accrued not paid	2005	13 502,00	4 456,00	0,00	0,00	0,00	0,00	(743,00)	0,00	3 713,00
Unrealised foreign exchange losses	2006	180 205,70	59 468,00	0,00	0,00	(59 468,00)	0,00	0,00	0,00	0,00
Unrealised foreign exchange losses	2007	289 383,48	0,00	79 580,00	0,00	0,00	0,00	0,00	0,00	79 580,00
Non deductible goodwill amortisation UK	2002	7 685,00	2 863,00	0,00	0,00	0,00	0,00	(423,00)	(27,00)	2 413,00
Non deductible goodwill amortisation UK	2003	7 094,00	2 643,00	0,00	0,00	0,00	0,00	(396,00)	(25,00)	2 228,00
Non deductible goodwill amortisation UK	2004	7 092,00	2 641,00	0,00	0,00	0,00	0,00	(389,00)	(25,00)	2 221,00
Non deductible goodwill amortisation UK	2005	10 536,00	3 925,00	0,00	0,00	0,00	0,00	(580,00)	(37,00)	3 308,00
Non deductible goodwill amortisation UK	2006	10 752,00	4 005,00	0,00	0,00	0,00	0,00	(591,00)	(38,00)	3 376,00
Additional depreciation of San Benigno I building (rev)	2005	18 541,00	6 907,00	0,00	0,00	(6 119,00)	(788,00)	0,00	0,00	0,00
Additional depreciation of San Benigno I building (rev)	2005	8 065,00	3 004,00	0,00	0,00	(2 661,00)	(343,00)	0,00	0,00	0,00
Additional depreciation of C. Lambroschini building (rev)	2005	49 179,00	18 319,00	0,00	0,00	(16 229,00)	(2 090,00)	0,00	0,00	0,00
Additional depreciation of FACI building (rev)	2005	1 954,00	728,00	0,00	0,00	(645,00)	(83,00)	0,00	0,00	0,00
Additional depreciation of ex Garibaldi building (rev)	2005	1 206,00	449,00	0,00	0,00	(398,00)	(51,00)	0,00	0,00	0,00
Additional depreciation of ex Rocca building (rev)	2005	420,00	157,00	0,00	0,00	(139,00)	(18,00)	0,00	0,00	0,00
Additional depreciation of ex Rocca building (rev)	2005	1 536,00	572,00	0,00	0,00	(507,00)	(65,00)	0,00	0,00	0,00
Additional depreciation of San Colombano building (rev)	2005	54 575,00	20 329,00	0,00	0,00	(18 010,00)	(2 319,00)	0,00	0,00	0,00
Additional depreciation of San Benigno I building (rev)	2005	18 541,00	6 907,00	0,00	0,00	(6 119,00)	(788,00)	0,00	0,00	0,00
Additional depreciation of C. Lambroschini building (rev)	2006	8 065,00	3 004,00	0,00	0,00	(2 661,00)	(343,00)	0,00	0,00	0,00
Additional depreciation of San Benigno II building (rev)	2006	49 179,00	18 319,00	0,00	0,00	(16 229,00)	(2 090,00)	0,00	0,00	0,00
Additional depreciation of FACI building (rev)	2006	1 954,00	728,00	0,00	0,00	(645,00)	(83,00)	0,00	0,00	0,00
Additional depreciation of ex Garibaldi building (rev)	2006	1 206,00	449,00	0,00	0,00	(398,00)	(51,00)	0,00	0,00	0,00
Additional depreciation of ex Rocca building (rev)	2006	420,00	157,00	0,00	0,00	(139,00)	(18,00)	0,00	0,00	0,00
Additional depreciation of ex Rocca building (rev)	2006	1 536,00	572,00	0,00	0,00	(507,00)	(65,00)	0,00	0,00	0,00
Additional depreciation of San Colombano building (rev)	2006	54 575,00	20 329,00	0,00	0,00	(18 010,00)	(2 319,00)	0,00	0,00	0,00
Depreciation of realigned fixed assets deductible 08	2006	1 777 870,00	662 256,00	0,00	0,00	0,00	0,00	(97 782,00)	(6 223,00)	558 251,00
Depreciation of realigned fixed assets deductible 08	2007	1 898 964,12	0,00	522 215,00	74 060,00	0,00	0,00	0,00	0,00	596 275,00
<b>TOTAL</b>			<b>973 025,00</b>	<b>713 321,00</b>	<b>89 876,00</b>	<b>(167 104,28)</b>	<b>(13 860,72)</b>	<b>(117 031,00)</b>	<b>(7 401,00)</b>	<b>1 470 825,00</b>

## SCHEDULE IS ATTACHED TO THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

## SCHEDULE OF THE MOVEMENTS AND COMPOSITION OF DEFERRED TAX LIABILITIES

DESCRIPTION	Year	Amount expense/income	Deferred Tax liabilities 31/12/2005	Accrual Ires 33%	Accrual Irap 4,25%	(Utilisation) Ires 33%	(Utilisation) Irap 4,25%	(Adjustments) Ires 5,5%	(Adjustments) Irap 0,35%	Deferred Tax liabilities 31/12/2007
Deferred income on grants Law 488	2005	412.555,91	202.167,00	0,00	0,00	(179.100,97)	(23.066,03)	0,00	0,00	0,00
Dividends from Ambrogio Pagani not cashed (5%)	2007	3.750,00	0,00	1.031,00	0,00	0,00	0,00	0,00	0,00	1.031,00
Unrealised foreign exchange gains	2006	15.569,02	5.138,00	0,00	0,00	(5.138,00)	0,00	0,00	0,00	0,00
Unrealised foreign exchange gains	2007	12.934,58	0,00	3.557,00	0,00	0,00	0,00	0,00	0,00	3.557,00
Accelerated depreciation deducted off the books Carrasco	2004	590.797,00	220.072,00	0,00	0,00	(194.963,00)	(25.109,00)	0,00	0,00	0,00
Accelerated depreciation deducted off the books Carrasco	2004	3.123.837,00	1.163.630,00	0,00	0,00	(1.030.867,00)	(132.763,00)	0,00	0,00	0,00
Accelerated depreciation deducted off the books Carrasco	2004	227.657,00	84.802,00	0,00	0,00	(75.127,00)	(9.675,00)	0,00	0,00	0,00
Accelerated depreciation deducted off the books Carrasco	2004	42.475,00	15.822,00	0,00	0,00	(14.017,00)	(1.805,00)	0,00	0,00	0,00
Accelerated depreciation deducted off the books Carrasco Buildings	2005	1.306.545,00	486.689,00	0,00	0,00	(431.161,00)	(55.528,00)	0,00	0,00	0,00
Accelerated depreciation deducted off the books Carrasco Buildings	2005	188.317,00	70.148,00	0,00	0,00	(62.145,00)	(8.003,00)	0,00	0,00	0,00
Accelerated depreciation deducted off the books Carrasco	2005	14.480,00	5.393,00	0,00	0,00	(4.778,00)	(615,00)	0,00	0,00	0,00
Accelerated depreciation deducted off the books Carrasco	2006	905.645,00	337.353,00	0,00	0,00	(298.863,00)	(38.490,00)	0,00	0,00	0,00
Accelerated depreciation deducted off the books Carrasco Buildings	2006	148.756,00	55.411,00	0,00	0,00	(49.089,00)	(6.322,00)	0,00	0,00	0,00
Accelerated depreciation deducted off the books Carrasco	2006	8.274,00	3.082,00	0,00	0,00	(2.730,00)	(352,00)	0,00	0,00	0,00
Accelerated depreciation deducted off the books Carrasco	2007	609.673,06	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
<b>TOTAL</b>			<b>2.649.707,00</b>	<b>4.588,00</b>	<b>0,00</b>	<b>(2.347.978,97)</b>	<b>(301.728,03)</b>	<b>0,00</b>	<b>0,00</b>	<b>4.588,00</b>



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SCHEDULE 26 ATTACHED TO THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

FINANCIAL STATEMENTS OF THE COMPANY THAT EXERCISES THE CONTROL AND COORDINATION ACTIVITY

**Euchemia S.p.a.**

Registered Office Genova, Piazza della Vittoria n 8/20

Share capital: € 10 600 000,00 interamente versato

Genova Companies Register's Office Number and Fiscal code 03690290105

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005**

**BALANCE SHEET**

**ASSETS**

B) Fixed Assets

C) Current Assets

**TOTAL ASSETS**

Year end 31-dic-06	Year end 30-dic-05	Difference
13 221 297	13 221 297	0
9 286 821	806 623	8 480 198
22 508 118	14 027 920	8 480 198

**LIABILITIES**

A) Shareholders' Equity  
Share Capital  
Reserves  
Profit (Loss) for the year

**Totale patrimonio netto (A)**

D) Payables

**TOTAL LIABILITIES**

10 600 000	10 600 000	0
1 726 101	1 819 273	(93 172)
(29 766)	(93 172)	63 406
12 296 335	12 326 101	(29 766)
10 211 783	1 701 819	8 509 964
22 508 118	14 027 920	8 480 198

**INCOME STATEMENT**

B) Costs of production

C) Financial income and expenses

**Profit before taxes (A-B+C+D+E)**

Income taxes

**Profit (Loss) for the year**

37 565	41 552	(3 987)
(52 751)	(51 621)	(1 130)
(90 316)	(93 173)	2 857
60 550	1	60 549
(29 766)	(93 172)	63 406

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SCHEDULE 27 ATTACHED TO THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

CASH-FLOW STATEMENT

Operating activities, cash flows provided by or (used in)

Net profit for the year	1 249 076,00
Amortisation of intangible assets	149 427,00
Depreciation of tangible assets	2 863 557,00
Increase (decrease) in long-term liabilities	(1 288 971,00)
Decrease (increase) in inventories	138 382,00
Decrease (increase) in trade receivables short-term	(3 009 300,00)
Decrease (increase) in financial receivables short-term	3 559 650,00
Increase (decrease) in trade payables short-term	474 526,00
Increase (decrease) in other short-term liabilities	1 220 805,00
a) Net cash flow from operating activities (used in)/provided by	5 357 152,00

Investing activities, cash flows provided by or (used in)

Net capital expenditure in intangible assets	(354 560,00)
Net capital expenditure in tangible assets	17 333 983,00
Net capital expenditure in financial fixed assets	(4 052 144,00)
Net capital expenditure in financial current assets	1 250 000,00
b) Net cash flow from investing activities (used in)/provided by	14 177 279,00

Financing activities, cash flows provided by or (used in)

Increase (decrease) in long-term debt	(7 571 654,00)
Increase (decrease) in capital and reserves of third parties	(13 417 491,00)
Decrease (increase) in medium/long-term receivables	26 750,00
c) Net cash flow from financing activities (used in)/provided by	(20 962 395,00)
Net increase (decrease) in cash and cash equivalents	(1 427 964,00)
Opening net liquidity	4 909 819,00
Changes in liquidity	(1 427 964,00)
Closing net liquidity	3 481 855,00



# **FACI S.p.A.**

Company subject to the control and coordination activity of Eucemia S.p.A.  
Registered Office Milan, Via Santa Radegonda n. 11  
Share Capital € 9,726,600 00 fully paid up  
Milan Companies Register's Office Number and Fiscal Code 03545180105

## **DIRECTOR'S REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

Dear Shareholders,

the financial statements for the year ended at 31 December 2007, which we present for your review and approval closed with a net profit of Euro 1,249,076 after relevant taxes of Euro 1 156 360 and a gross operating margin (before amortisation, depreciation and provisions) of Euro 3,952,283

### **Operational Performance**

The two-year comparison of the gross operating margin (changed from Euro 5,918,356 to Euro 3,952,283) while remaining for sure positive, marks a decrease mainly due to the pressure on the raw materials and the energy costs

Payables have decreased by Euro 47 millions, going from Euro 40,6 millions at 31 December 2006 to Euro 35 9 millions at 31 Decembers 2007

The net financial position has worsened by Euro 1,42 millions going from Euro 4,91 millions to Euro 3,48 millions, remaining anyway strong

The 2007 results of our branch in the Liverpool area confirm the constantly increasing trend with sales going from Euro 6,118,141 in 2006 to Euro 7,184,942 in 2007 and a net profit gone from Euro 277,189 in 2006 to Euro 383,294 in 2007

The main variation concerns the raw materials item, for which the arguments that follow are valid. On the other hand, as to the labour costs, a 6% increase is noted, in line with previous years, compared to a 10% increase in sales. It is worth to note that subsidiaries are increasingly supervised and coordinated by the headquarters. Energy costs instead have experienced a moderate increase of 4% mainly due to a watchful management of resources and consequent lower consumption

## **Investments**

During 2007 investments for Euro 1,144,5 thousand and divestments for Euro 1,215 80 thousand have been undertaken. This amount does not include the buildings demerged in favour of Faci Immobiliare with deed dated 1st March 2007 and with effects starting 5 March 2007, whose historical cost is equal to Euro 28,961 thousand.

Such investments, anyway lower than those undertaken in previous years, relate to different productive lines and services, with several updates in particular devoted to the improvement of the environment, both inside and outside.

The main investment in 2007 has been the one in the factory based in China for the production of metallic stearates with a total capacity of more than 10,000 t, fully owned by Faci Spa. The total investment is equal to Euro 3 7 millions and the activity has started in December 2007.

In 2008 the investments will be addressed to some production lines, mainly esters and stearates, aiming to an increase of the productive capacity to meet the market's need. Another planned investment, whose realisation depends upon an external authorisation, is that of an automated warehouse, at this point absolutely necessary to improve the service and better manage the increasing volumes.

Other important investments will be undertaken in the subsidiary in Singapore, both to increase the productive capacity of metallic stearates and esters, and for the new lines of production for the pharmaceutical and cosmetic markets, and for the increase of the warehouse capacity. Having acquired a new lot of land, this will be equipped for further extensions.

## **Trends in the business**

Sales have shown a 10.2% increase in value and a 1 5% increase in volume during 2007. The modest increase in volume should not be interpreted in a negative way, both because the market conditions have not been particularly positive, and especially because the weakness of the US dollar has favoured, or rather forced, us to transfer to our subsidiary in Singapore many of the sales to countries belonging to the US\$ area. In this context the 1 5% increase means that we have been able to improve many positions in the European market, in particular in Spain, France and Eastern Europe. Sales to Asia, Middle East and

United States have instead decreased

Evaluating volumes from a global point of view, those of Faci Asia Pacific have increased by 32% and the whole increase in volume of the Group can be estimated in more than 10%

Much higher is the growth in turnover, impacted significantly by the increase in many raw materials prices, specifically oils and fats and metals like the zinc

How much the general increase in raw materials prices have influenced and still influence the world economy is known. In our industry the usage of agricultural products as alternative fuel has played an important role, and everyone believes that to be one of the main reason for the increase in price of products like cereals and oil, generating not only problems to the food supplies, but also in the oleochemical industry

We have placed significant attention in constantly updating the sale prices based on the increase in the cost of raw materials and the mentioned decrease in the operating margin is a consequence of the fact that such management has been only partially successful. The main difficulties have been generated by sudden increases which have happened faster than the updating of sale prices. It helps to note that our customers prefer regular and mid- or long-term delivery conditions, with updates not more frequent than quarterly, or even half-year and annual

The increase in volume of the group follows the well functioning of the global sales network, already set in the past and further reinforced in 2007. The possibility to supply our products from five sites, our ability to adjust the offer to the needs of every kind of customer, the local presence of our sales force in the main world markets, are all strengths of our company that competitors cannot, for the time being, offer

#### **Relationships with branches, subsidiaries, associated and parent companies.**

The fully owned subsidiary (FACI Chemicals (Zhangjiagang) Co Ltd) established in China in 2006 has completed in 2007 the factory for the production of metallic stearates with a capacity higher than 10,000 t/year. The production, as previously shortly noted, has started in December 2007 and during 2008 we expect to reach a total volume of about 6,000 t, higher than the 50% of the nominal capacity. Even if it is early to draw any conclusion, we could even generate a positive cash-flow in 2008

The branch based in the UK (Faci UK), as above detailed, has had also for this year a positive result and an increase in turnover of 17.4% and a net profit increase of 38.3%, equal to 5.3% of the turnover. These are clear signs of a progressive consolidation of our market share.

Ambrogio Paganı ends with a profit of Euro 140,703 and an operating margin of Euro 662,106. Also for this result, the same observations made previously on raw materials prices and markets hold valid. Even if not brilliant, such result is to be considered positively in consideration of the operating issues that our industry has faced. For the current year a better result is expected.

Faci Asia Pacific Pte Ltd, shows an increase in turnover, increased from Euro 18,269,256 in 2006 to Euro 25,933,595 in 2007, and a better net result from Euro 561,040 in 2006 to Euro 834,998 in 2007. Operating margin has increased from Euro 1,835,081 in 2006 to Euro 2,296,252 in 2007. As already noted such result is mainly due to the stronger competitiveness of such site compared to the European ones and it has allowed to widen the market to regions 'traditionally' close to Europe like the Middle East and the United States. The increase in sales on the local markets has been as important, since growth rates remain very high. Also the raw materials used in Singapore have shown a significant increase and, even if not as much, the result has been negatively affected by the difficulty to adjust sale prices to their increase.

The capacity of the plant is by now used at 100% and new investments are planned, even if the plant in China will be able to absorb part of the volumes supplied in 2007. A good outlook then for 2008,

Cifrachim Sarl, the company that promotes our products in the French market, has positively contributed to the improvement of our positions in France and Belgium, grown by some 10%. It has been so confirmed that a direct presence on the market can lead to better sales results and lower selling costs compared to the traditional sales channels.

The newco Metalest Immobiliaria SL, following the partial demerge of FACI, has become ownership of FACI Immobiliare since 5 March 2007. While the ownership of FACI

Metalest SL has been integrated to 100% through the exchange of the Faci's own shares on 16 March 2007. The subsidiary ends with a profit of Euro 3,462 52 compared to a loss of Euro 476,739 91 in 2006. While sales have increased from Euro 18 4 millions in 2006 to Euro 18 7 millions in 2007. An improvement, but yet not a fully satisfying result.

Following said integration there have been many actions put in place to improve the efficiency of the company both from a productive and a commercial point of view. Considering the chronic difficulties that affect the Spanish market, the efforts have been devoted mainly to reinforce the most profitable lines, sometimes to the detriment of those where the competitive pressure is higher. In 2008 an increase of the turnover and a balance result is expected so to confirm the improvement shown in 2007.

Reinco CA, a 41% associated company, shows a profit of Euro 400,891, with an increase of 81 2 % compared to prior year, profiting from the positive trend of the country's economy very much linked to the oil industry.

In accordance with point 2) of article 2428 Civil Code, the relationships with subsidiaries, associated and parent companies developed during the year are shown as follows:

Income statement	Other Income	Other Expenses	Financial Income
<i>Subsidiaries</i>			
<b>Faci Asia Pacific Ltd</b>	2,766,752 67	376,107 08	
<b>Chifrachim Sarl</b>	2,057 58	172,066 43	
<b>Faci Chemicals ZJG</b>	1,586,030 38		
<i>Associated</i>			
<b>Ambrogio Paganì S.p.a.</b>		2,054,366 81	
<b>Faci Metalest S.L.</b>	980,844.85	465,729.04	
<b>Reinco Co S.a.</b>	153,917 32	27,742.52	

Balance Sheet	Trade receivables	Financial receivables	Trade payables
<i>Subsidiaries</i>			
Faci Asia Pacific Ltd	2,596,033 15		45,186 29
Chifrachim Sarl	1,087 87		141,640 92
<i>Faci Chem Zhangjiagang</i>	1,586,030 38		0 00
<i>Associated</i>			
Ambrogio Pagani S.p.a.			676 129,00
Faci Metalest S.L.	381,217 32		1,351 42
Reinco Co S.a.	153,917 32		27,742 52

#### Acquisitions, disposals, number and face value of own shares and of the parent company's

In accordance with points 3) and 4) of article 2428 of the Civil Code, we inform you that following a resolution of the ordinary shareholders' meeting held on the 28<sup>th</sup> of July 2006 the Company has purchased its own shares starting September 2006 for Euro 5 million, subsequently sold in December 2006 and in March 2007, we have not purchased or sold – nor directly neither indirectly – shares of our parent company Euehemia S.p.a

#### Outlook

The two macroeconomic factors that will mainly affect the outlook for 2008 are the trend in raw materials prices and a global recession already in place (for some countries a lower growth) And the second can affect the first The attention will then have to be drawn on how to respond to the challenges of the markets in a quick and effective way, maintaining the usual consolidated efficiency, competitiveness and quality of the service The global turnover could reach some Euro 150 millions, or US\$ 240 millions A significant increase due to the growth of volumes and prices and that will mean a greater attention to the working capital and its financing The margins will depend mainly upon the prices of raw materials which for the first part of 2008 have increased steadily Furthermore, the increase in energy costs will for sure negatively affect the production costs



### Subsequent events

In 2008 Faci Metalest LS will be merged into Faci S p A , following which, a branch of Faci SpA will be established in Spain

### Secondary sites

The operating and manufacturing premises of Faci s p A are in Carasco (Ge) in Via Privata Devoto n 36.

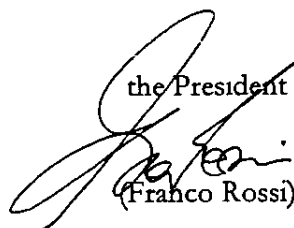
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Dear Shareholders,

in expressing our thanks to those within the company who have contributed to the results obtained, we invite you to approve the financial statements which we present to your approval together with our conduct and we propose to assign the profit of the year of Euro 1,249,073 85 as follows

- as to Euro 62,453 69 to the legal reserve
- as to the remaining, Euro 1,186,620 16 to the extraordinary reserve

For the Board of Directors

  
the President  
(Franco Rossi)

# FACI S.p.A.

Company subject to the control and coordination activity of Euehemia S p A.

Registered Office: Milan, Via Santa Radegonda n 11

Share Capital € 9 726.600,00 fully paid up

Milan Companies Register's Office and Fiscal Code n 03545180105

## REPORT OF THE BOARD OF STATUTORY AUDITORS

FOR THE YEAR ENDED 31 DECEMBER 2007

IN ACCORDANCE WITH ARTICLE 2429 CIVIL CODE

## TO SHAREHOLDER'S MEETING OF FACI S.P.A.

Dear Shareholders,

As known, this "Board of Statutory Auditors " was appointed by an Ordinary Shareholders' meeting dated 31 July 2007, then, starting from that date, we performed the duty of supervision in accordance with ex article 2403 of the Civil Code

The assignment of external audit has been entrusted to the auditing firm "S R C. – Società di Revisione Contabile S r l" Società Unipersonale Aforesaid audit company will therefore disclose the professional judgement competence over the accounting control

With effect from our appointment we have watched over the compliance with relevant regulation provisions and with the law in general, with the company act and also monitored the use of proper management principles Our activity has been guided by rules of conduct as established for the "Board of Statutory Auditors" and recommended by the national Certified Accountants Board

With this report we inform you about activities performed as follow

### 1 In particular the "Board of Statutory Auditors"

- Obtained informations by Board of Directors in relation to the general trend in the operations and their expected development the most significant transaction, occurred for size or characteristics, carried out by the company We should confirm that action occurred are not absolutely incautious, risky, in conflict of interests or contrary to resolution of shareholder's meeting such to compromise business wealth's integrity ,

- Related with the Audit Company S R C Società di Revisione Contabile S r l At this regard no particular observations to note
  - Attended all shareholder's and Board of Directors's meetings Aforesaid meeting are statutory rules, to general statutory provisions and to laws applicable We therefore confirm that by laws are in accordance with the law and the Statute of Association and they are not incautious, risky or potentially in conflict of interests such to compromise business wealth's integrity ,
  - Watched over, thanks to the informations obtained by proper functions managers and by available documentation, the adequacy of the administrative procedure and accounting system adopted by the Company At this regard it has no particular observations occur,
  - Watched over the adequacy of the administrative and accounting system through informations achieved by the Company administrative function by the auditor firm This Board of statutory auditors also oversaw on management reliability to represent correctly facts by assumption of managers functions informations and the available documentation, on this regard no particular observation to note
- 2 The Board of Statutory Auditors didn't received complaints as in compliance with article 2408 civil code
- 3 During 2007 the Board of Statutory Auditors has not issue opinions in compliance with law
- 4 The Board of Statutory Auditors watches over on the observance of the Company of Decreto Legislativo 19 September 1994, n 626, ed al Decreto Legislativo 30 June 2003, n 196
- 5 The Board of Statutory Auditors has checked the Balance Sheet as for 31 December 2007 summarised as follows

BALANCE SHEET	31/12/2007	31/12/2006
<u>Assets</u>		
B) Fixed assets	32 883 815	48 824 078
C) Current assets	39 708 819	41 994 384
D) Accrued income and prepaid expenses	61 881	42 787

<i>Total assets</i>	72 654 515	90 861 249
<b><u>Shareholders' equity and liabilities</u></b>	<b>31/12/2007</b>	<b>31/12/2006</b>
A) Shareholders' equity	31 000 027	43 168 443
B) Provisions	1 420 258	2 711 697
C) Employees leaving indemnity provision	3 796 976	3 794 508
D) Payables	35 867 543	40 580 771
E) ) Accrued income and prepaid expenses	569 711	605 830
<i>Total shareholders' equity and liabilities</i>	72 654 515	90 861 249

<b>INCOME STATEMENT</b>	<b>31/12/2007</b>	<b>31/12/2006</b>
A) Value of production	77 680 382	70 094 625
B) Costs of production	76 970 793	67 575 126
<i>Difference between value and costs of production (a-b)</i>	709 589	2 519 499
C) Financial income and expenses	(932 479)	(1 067 393)
E) Extraordinary income and expenses		
<i>Profit before taxes (a-b+c+d+e)</i>	92 716	1 452 106
Income taxes	1 156 360	(1 214 687)
<b>Profit (loss) for the year</b>	<b>1 249 076</b>	<b>237 419</b>

On this financial statement

- We have not performed analytical control on financial statement, In accordance to the law we have just supervised on his general setting up procedure also, with reference to procedures and structure, we have no particular observation to note,
- We have oversaw procedure used by the Board of the Directors to disclose the Annual Report principally to determinate full compliance to applicable laws at this regard, no particular observation occurs,
- As per our knowledge, the Directors, in preparing the financial statement, did not deviate from the law, in accordance with article 2423, paragraph 4 of the Civil Code,
- We examined the correspondence of the financial statement to the facts and to the information of which we have knowledge thanks to the fulfilment of our obligations and we no observations,

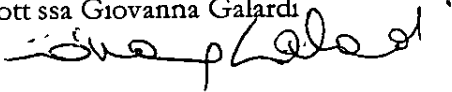
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Taking into consideration the report on financial statement as for 31 December 2007 carried out by S R C Società di Revisione Contabile S r l o, any criticisms or reserves occurs, the Board of Statutory Auditors suggest to approve the financial statements for the year ended 31 December 2007 we no observations Also no observation occur in relation to the Board of Directors' by law

**THE BOARD OF STATUTORY AUDITORS**

  
Dott. Antonio Argenio

  
Dott. Aldo Borelli

  
Dott.ssa Giovanna Galardi

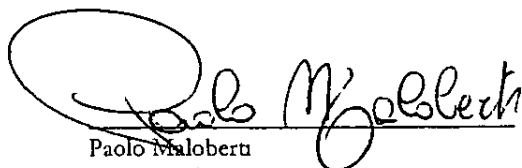
# S R.C. SOCIETA' DI REVISIONE CONTABILE S.R.L.

## REPORT OF THE AUDITORS AS PER ARTICLE 2409 TER C.C. ON THE FINANCIAL STATEMENTS OF THE COMPANY FACI S.P.A.

To the Shareholders of the company Faci S.p.A ,

- 1 we have audited the financial statements of the company Faci S.p.A for the financial year ended at 31 December 2007. These financial statements are under the responsibility of the company's Directors. Our responsibility is to express a legal opinion on these financial statements based on a qualified audit as per article 2409 *ter* of Italian Civil Code,
- 2 we have conducted our audit in accordance with Italian Standards on Auditing. Those Standards require that we plan and perform our audit to obtain a reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3 in our opinion, the financial statements are properly drawn up in accordance with Italian Accounting Principles, so as to give a true and fair view of the state of affairs of the company at 31 December 2007 and of the results, changes in equity and cash flows of the company for the financial year ended on that date.

Genoa, 12 June 2008



Paolo Maloberti  
(partner audit)

- SOCIETA' A RESPONSABILITA' LIMITATA CON SOCIO UNICO -

SEDE LEGALE GENOVA 16121 PIAZZA DELLA VITTORIA, 10 - CAP. SOC. 10.000 EURO I.V. -

C.F. e P. IVA 01461280990 ISCRITTA AL REGISTRO REVISORI CONTABILI AL N° 133940