

G) COMMITMENTS AND RISKS

41. OPERATING LEASES

For accounting purposes, *leases* and rental contracts are classified as operating when:

- a significant part of the risks and benefits associated with ownership are retained by the lessor;
- there are no purchase options at prices that do not represent the presumable market value of the asset being leased at the end of the period;
- the lease term is not for the major part of the useful life of the asset leased or rented.

Operating lease instalment payments are booked to the Income Statement in line with the underlying contracts.

The main operating leases existing as of December 31, 2013 regard the following subsidiaries:

- Sogefi (Suzhou) Auto Parts Co., Ltd. for the rental of two production plants in Wujiang, under a contract that will expire in September 2033.
As at December 31, 2013, total remaining payments amount to Euro 14,920 thousand, Euro 650 thousand of which due by the end of the year. The Group has not given any guarantees whatsoever for this contract;
- Filtrauto S.A. for the rental of the production plant in Guyancourt. The contract will expire in May 2021 and remaining payments as of December 31, 2013 amount to Euro 5,466 thousand, Euro 758 thousand of which are due by the end of the year.
The Group has not given any guarantees for this contract;
- Allevard Federn GmbH for the rental of the production plant in Völklingen. The contract expires in May 2020. As at December 31, 2013, the remaining payments amount to Euro 2,594 thousand, Euro 384 thousand of which due by the end of the year.
The Group has not given any guarantees for this contract;
- Sogefi Engine Systems Canada Corp. for the rental of the production plant in Montreal. The contract expires in December 2015 and the remaining payments at December 31, 2013 amount to Euro 1,413 thousand, Euro 691 thousand of which due by the end of the year.
The Group has not given any guarantees for this contract;
- Shanghai Sogefi Auto Parts Co., Ltd. for the rental of a production plant located in Shanghai under a contract that will expire in August 2023.
As at December 31, 2013, total remaining payments amount to Euro 2,379 thousand, Euro 277 thousand of which due by the end of the year. The Group has not given any guarantees whatsoever for this contract;
- Allevard Sogefi U.S.A. Inc. for the rental of the production plant in Prichard (West Virginia).

The contract expires in May 2019 and the remaining payments at December 31, 2013 amount to Euro 1,558 thousand, of which Euro 288 thousand due by the end of the year. For this contract Sogefi S.p.A. provided a guarantee equal to 61% of the residual instalments still to fall due. The guarantee is renewed at the end of each year according to the residual amount.

There are no restrictions of any kind on this type of lease and at the end of the contract the US company will be able to purchase the building at its market value.

Future lease payments under operating leases outstanding as of December 31, 2013 are as follows:

(in thousands of Euro)	2013	2012
Within 12 months	6,574	6,686
Between 1 and 5 years	19,093	18,923
Beyond 5 years	14,131	14,259
TOTAL	39,798	39,868

42. INVESTMENT COMMITMENTS

At December 31, 2013, Group companies have binding commitments for investments relating to the purchase of property, plant and equipment for Euro 1,907 thousand (Euro 480 thousand at the end of the previous year) as already disclosed in the explanatory notes regarding tangible fixed assets.

43. GUARANTEES GIVEN

Details of guarantees are as follows:

(in thousands of Euro)	12.31.2013	12.31.2012
PERSONAL GUARANTEES GIVEN		
a) Sureties to third parties	1,745	1,232
b) Other personal guarantees in favour of third parties	9,714	9,714
TOTAL PERSONAL GUARANTEES GIVEN	11,459	10,946
REAL GUARANTEES GIVEN		
a) Against liabilities shown in the financial statements	9,588	13,237
TOTAL REAL GUARANTEES GIVEN	9,588	13,237

The guarantees given in favour of third parties relate to guarantees given to certain customers and to operating lease contracts; guarantees are shown at a value equal to the outstanding commitment at the reporting period. These accounts indicate risks, commitments and guarantees provided by Group companies to third parties.

The "Other personal guarantees in favour of third parties" relate to the commitment of the subsidiary LPDN GmbH to the employee pension fund for the two business lines at the time it was acquired in 1996; this commitment is covered by the contractual obligations of the seller, who is a leading German operator.

“Real guarantees given” mainly refer to the subsidiaries Sogefi Engine Systems Canada Corp., Systèmes Moteurs S.A.S., and Allevard IAI Suspensions Private Ltd, which have real guarantees on tangible fixed assets and inventories to secure loans obtained from financial institutions.

44. OTHER RISKS

As of December 31, 2013, the Group had third-party goods and materials held at Group companies worth Euro 7,075 thousand (Euro 6,064 thousand as of December 31, 2012).

45. POTENTIAL LIABILITIES

Sogefi Group is managing environmental issues in some production plants. No relevant costs are expected.

In 2004, the subsidiary Sogefi Filtration Ltd purchased the assets and liabilities of Filtrauto UK Ltd, thus taking charge of employer as regards the pension funds Filtrauto UK Limited Staff Pension Scheme and Filtrauto UK Limited Works Pension Scheme. Said funds are defined-benefit plans.

Between 1990 and 2006, the employer and the pension fund *trustees* received professional advices from leading consulting companies to equalise the conditions of the pension funds, as required by amended legislation.

It shows that the above equalisation may not have been correctly applied.

Sogefi Filtration Ltd has therefore submitted a *protective claim* to the Birmingham High Court.

The Court could conclude that the equalisation was correctly applied, or that an adjustment could be possible, or even that there is a potential liability. In the latter case, we are confident that almost the entire amount of any liability can be recovered from the consultants.

An initial valuation of the maximum potential liability, before its likely recovery from the consultants amounts to around Euro 1.9 million.

Please note that the Group granted a put option on 40% of the Share-capital of Sogefi M.N.R. Filtration India Pvt Ltd. It is held by non-controlling shareholders and its exercise price (currently under negotiation) should reflect the “Fair Market Value” (as defined in the relevant contract) of the underlying shares. The impact of this option has not been recognised in the Consolidated Financial Statements as of December 31, 2013 because the fair value of the liability associated with the option cannot be measured reliably when there is no market price quoted on any active market for the underlying equity instruments. Other considerations were the significant range of reasonable fair value measurements and the probabilities of the various estimates cannot be reasonably assessed.

In January 2014, the Holding Company Sogefi S.p.A. received two notices of assessment under which Italian tax authorities disallowed deduction of the costs for services performed by the Parent Company CIR S.p.A. during the year 2009 for Euro

1.8 million from IRES tax base and consequently their eligibility for VAT tax deduction.

Based on the Group tax advisor's opinion, Directors believe said arguments to be groundless and inconsistent with the applicable tax regulation in force and, for the moment, the risk of losing to be possible but not probable.

This is why the Holding Company did not set aside any amount for tax risks in the 2013 financial statements.

46. ATYPICAL OR UNUSUAL TRANSACTIONS

Pursuant to Consob Communication dated July 28, 2006, it is specified that the Group did not implement any atypical and/or unusual transactions during 2013.

47. SUBSEQUENT EVENTS

On January 31, 2014, Sogefi S.p.A. increased its share capital by a par value of Euro 431 thousand after a stock subscription to execute certain stock option plans for Company Directors and employees and subsidiary employees.

On February 5, 2014, Allevard Rejna Suspension S.A. announced a plan to shut down its Lieusaint plant (France) as part of its capacity downsizing plan.