

PERFORMANCE OF THE HOLDING COMPANY SOGEFI S.p.A.

In 2013, the Holding Company realised a net result of Euro 15.9 million, compared to Euro 6.2 million in the previous year.

A higher dividend flow from subsidiaries recorded in 2013 (Euro 34.9 million vs. Euro 21.4 million in 2012) was partly offset by rising net financial expenses (Euro 10.5 million approximately) mostly due to higher spread rates on loans applicable after debt was recently refinanced with new credit lines at current market prices which replaced the existing credit lines obtained before the economic crisis.

In 2012, item “Adjustments to financial assets” included a writedown of Euro 5.8 million of the carrying value of Italy-based Group company Sogefi Rejna S.p.A..

The change in “Operating costs” mainly reflects a higher *fair value*, for the amount of Euro 1.6 million, of share-based incentive plans for Company Directors and employees, as well as increased personnel and service costs as a result of the Company providing more services to subsidiaries as evidenced by the growth in operating revenues compared to the previous year.

The item “Other non-operating income (expenses)” mainly includes a writedown of Company's investment properties for Euro 1.7 million and expenses incurred in reorganising executive and clerical functions at the Company for Euro 0.8 million. During the previous year, this item mainly accounted for consulting services for the acquisition of potential targets (not executed).

(in millions of Euro)	2013	2012
Financial income/expenses and dividends	19.1	16.0
Adjustments to financial assets	-	(5.8)
Other operating revenues	16.7	14.1
Operating costs	(23.3)	(18.3)
Other non-operating income (expenses)	(3.1)	(2.3)
RESULT BEFORE TAXES	9.4	3.7
Income taxes	(6.5)	(2.5)
NET RESULT	15.9	6.2

As regards to the **statement of financial position**, the table below shows the main items as of December 31, 2013, compared with the figures recorded at the end of the previous year:

(in millions of Euro)	Note(*)	12.31.2013	12.31.2012 (**)
Short-term assets	(n)	20.7	10.0
Short-term liabilities	(o)	(9.8)	(9.6)
Net working capital		10.9	0.4
Equity investments	(p)	396.9	396.5
Other fixed assets	(q)	55.4	41.6
CAPITAL INVESTED		463.2	438.5
Other medium and long-term liabilities	(r)	(2.5)	(1.2)
NET CAPITAL INVESTED		460.7	437.3
Net financial indebtedness		304.9	283.3
Shareholders' equity		155.8	154.0
TOTAL		460.7	437.3

(*) See the notes at the end of this report for a detailed explanation of the reasons for the reclassifications that we have made.

(**) Certain values as at December 31, 2012 were redetermined after the application of the amendment to IAS 19 - Employee benefits

The increase in “Net working capital” is mainly due to higher receivables owed by CIR S.p.A. in connection with the Group tax filing system and by the Argentinean subsidiaries as a result of regulations currently in force issued by Argentinean monetary authorities prohibiting dividend, royalty and service payments to foreign beneficiaries, as well as proceeds from the use of the Group information system by some European subsidiaries to be collected during the following year.

“Other fixed assets” includes an increase of Euro 14.2 million relating to capitalised costs for the multi-year project started during the second half of year 2011 to develop and implement a new integrated information system at a group-wide level. The integrated SAP platform became operational during the 2013 year after installation at subsidiaries Sogefi Rejna S.p.A., Allevard Rejna Autosuspensions S.A., Allevard Springs Ltd, Filtrauto S.A. and Sogefi Filtration d.o.o. was completed.

Net financial indebtedness as of December 31, 2013 was Euro 304.9 million, with a net increase of Euro 21.6 million compared to December 31, 2012.

(in millions of Euro)	12.31.2013	12.31.2012
Short-term cash investments	40.1	27.0
Short/medium-term financial receivables to third and subsidiaries	119.2	107.5
Short-term financial debts (*)	(143.2)	(150.8)
Medium/long-term financial debts	(321.0)	(267.0)
NET FINANCIAL POSITION	(304.9)	(283.3)

(*) Including current portions of medium and long-term financial debts.

As mentioned above, such increase in net financial indebtedness was mainly due to the negative impact in working capital, the increase in intangible assets and the change in the fair value of interest rate hedging instruments.

The table below illustrates the **cash flow statement** of Sogefi S.p.A. and the impact of the cash outflows mentioned above:

(in millions of Euro)	Note(*)	2013	2012
SELF-FINANCING	(s)	18.3	10.2
Change in net working capital	(t)	(10.6)	1.8
Other medium/long term assets/liabilities	(u)	1.6	2.7
CASH FLOW GENERATED BY OPERATIONS		9.3	14.7
Sale of equity investments	(v)	-	-
TOTAL SOURCES		9.3	14.7
Increase in intangible assets		14.2	9.1
Purchase of tangible assets		0.1	0.1
Purchase of equity investments		0.4	12.7
TOTAL APPLICATION OF FUNDS		14.7	21.9
FREE CASH FLOW		(5.4)	(7.2)
Holding Company increases in capital		0.8	0.1
Net purchase of treasury shares		-	(1.4)
Change in fair value derivative instruments		(2.3)	(5.4)
Dividends paid by the Holding Company		(14.7)	(14.7)
CHANGES IN SHAREHOLDERS' EQUITY		(16.2)	(21.4)
Change in net financial position	(w)	(21.6)	(28.6)
Opening net financial position	(w)	(283.3)	(254.7)
CLOSING NET FINANCIAL POSITION	(w)	(304.9)	(283.3)

(*) See the notes at the end of this report for a detailed explanation of the reasons for the reclassifications that we have made.