CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of Euro)

ASSETS	*Note*	*12.31.2011*	*12.31.2010*
CURRENT ASSETS			
Cash and cash equivalents	5	102,461	66,760
Other financial assets	6	1,912	200
Working capital			
Inventories	7	152,505	98,456
Trade receivables	8	178,655	138,815
Other receivables	8	10,204	10,232
Tax receivables	8	19,564	12,178
Other assets	8	2,800	2,485
TOTAL WORKING CAPITAL		363,728	262,166
TOTAL CURRENT ASSETS		468,101	329,126
NON-CURRENT ASSETS			
FIXED ASSETS			
Land	9	15,774	14,423
Property, plant and equipment	9	239,250	208,445
Other tangible fixed assets	9	4,846	4,278
Of which: leases		12,847	13,753
Intangible assets	10	213,526	133,489
TOTAL FIXED ASSETS		473,396	360,635
OTHER NON-CURRENT ASSETS			
Investments in joint ventures	11	303	-
Other financial assets available for sale	12	490	440
Non-current trade receivables	13	918	-
Financial receivables	13	-	-
Other receivables	13	14,102	10,146
Deferred tax assets	14-20	37,853	38,247
TOTAL OTHER NON-CURRENT ASSETS		53,666	48,833
TOTAL NON-CURRENT ASSETS		527,062	409,468
NON-CURRENT ASSETS HELD FOR SALE	15	744	722
TOTAL ASSETS		995,907	739,316

LIABILITIES	*Note*	*12.31.2011*	*12.31.2010*
CURRENT LIABILITIES			
Bank overdrafts and short-term loans	16	9,827	35,958
Current portion of medium/long-term financial debts and other loans	16	46,962	42,773
Of which: leases		1,674	1,866
TOTAL SHORT-TERM FINANCIAL DEBTS		56,789	78,731
Other short-term liabilities for derivative financial instruments	16	632	164
TOTAL SHORT-TERM FINANCIAL DEBTS AND DERIVATIVE FIN. INSTRUMENTS		57,421	78,895
Trade and other payables	17	283,516	210,019
Tax payables	17	8,615	6,235
Other current liabilities	18	7,324	2,121
TOTAL CURRENT LIABILITIES		356,876	297,270
NON-CURRENT LIABILITIES			
MEDIUM/LONG-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS			
Financial debts to bank	16	330,462	141,406
Other medium/long-term financial debts	16	7,916	9,562
Of which: leases		5,686	7,187
TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS		338,378	150,968
Other medium/long-term financial liabilities for derivative financial instruments	16	8,416	2,042
TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS		346,794	153,010
OTHER LONG-TERM LIABILITIES			
Long-term provisions	19	40,507	41,777
Other payables	19	1,619	410
Deferred tax liabilities	20	35,219	32,447
TOTAL OTHER LONG-TERM LIABILITIES		77,345	74,634
TOTAL NON-CURRENT LIABILITIES		424,139	227,644
SHAREHOLDERS' EQUITY			
Share capital	21	60,665	60,546
Reserves and retained earnings (accumulated losses)	21	110,515	117,874
Group net result for the year	21	24,736	18,821
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE HOLDING COMPANY		195,916	197,241
Non-controlling interests	21	18,976	17,161
TOTAL SHAREHOLDERS' EQUITY		214,892	214,402
TOTAL LIABILITIES AND EQUITY		995,907	739,316

CONSOLIDATED INCOME STATEMENT
(in thousands of Euro)

	Note	2011		2010	
		Amount	%	Amount	%
Sales revenues	23	1,158,385	100.0	924,713	100.0
Variable cost of sales	24	805,898	69.6	622,963	67.4
CONTRIBUTION MARGIN		352,487	30.4	301,750	32.6
Manufacturing and R&D overheads	25	114,983	9.9	98,586	10.6
Depreciation and amortization	26	48,769	4.2	44,924	4.9
Distribution and sales fixed expenses	27	35,269	3.0	32,367	3.5
Administrative and general expenses	28	64,396	5.6	58,346	6.3
OPERATING RESULT		89,070	7.7	67,527	7.3
Restructuring costs	30	8,754	0.8	12,022	1.3
Losses (gains) on disposal	31	101	-	(509)	-
Exchange losses (gains)	32	866	0.1	220	-
Other non-operating expenses (income)	33	19,836	1.7	14,021	1.5
- of which non-recurring		8,610		187	
EBIT		59,513	5.1	41,773	4.5
Financial expenses (income), net	34	12,680	1.1	9,554	1.0
Losses (gains) from equity investments	35	-	-	(200)	-
RESULT BEFORE TAXES AND NON-CONTROLLING INTERESTS		46,833	4.0	32,419	3.5
Income taxes	36	18,941	1.6	11,570	1.3
NET RESULT BEFORE NON-CONTROLLING INTERESTS		27,892	2.4	20,849	2.2
Loss (income) attributable to non-controlling interests		(3,156)	(0.3)	(2,028)	(0.2)
GROUP NET RESULT		24,736	2.1	18,821	2.0
Earnings per share (EPS) (Euro):	38				
Basic		0.216		0.165	
Diluted		0.215		0.165	

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(in thousands of Euro)

	Note	2011	2010
Net result before non-controlling interests		27,892	20,849
Profit (loss) booked in Other Comprehensive Income			
- Profit (loss) booked to cash flow hedging reserve		(6,732)	862
- Profit (loss) booked to fair value reserve for financial assets available for sale		(2)	(18)
- Tax on items booked in Other Comprehensive Income	21	1,854	(231)
- Profit (loss) booked to translation reserve		(4,588)	11,018
Profit (loss) booked in Other Comprehensive Income		(9,468)	11,631
Total comprehensive result for the period		18,424	32,480
Attributable to:			
- Shareholders of the Holding Company		15,448	30,108
- Non-controlling interests		2,976	2,372

CONSOLIDATED CASH FLOW STATEMENT

(in thousands of Euro)

	2011	2010
Cash flows from operating activities		
Net result	24,736	18,821
Adjustments:		
- non-controlling interests	3,156	2,028
- depreciation, amortization and writedowns	52,338	46,176
- accrued costs for stock-based incentive plans	611	540
- losses/(gains) on disposal of fixed assets and non-current assets held for sale	101	(509)
- losses/(gains) on sale of equity investments in associates	-	(46)
- dividends collected	-	(52)
- provisions for risks, restructuring and deferred taxes	(8,095)	(8,698)
- post-retirement and other employee benefits	(1,828)	(3,558)
- change in net working capital	14,215	(15,447)
- other medium/long-term assets/liabilities	6,848	267
CASH FLOWS FROM OPERATING ACTIVITIES	92,082	39,522
INVESTING ACTIVITIES		
Cash and cash equivalents of subsidiaries purchased/sold during the year	8,311	-
Consideration transferred in connection with the business combination	(146,501)	-
Purchase of property, plant and equipment	(36,255)	(24,304)
Purchase of intangible assets	(20,495)	(11,723)
Net change in other securities	(1,934)	39
Sale of subsidiaries (net of cash and cash equivalents) and associates	-	147
Sale of property, plant and equipment	212	1,091
Sale of intangible assets	40	88
Dividends collected	-	52
NET CASH FLOWS FROM INVESTING ACTIVITIES	(196,622)	(34,610)
FINANCING ACTIVITIES		
Capital increase in subsidiaries from third parties	-	907
Net change in capital	309	297
Net purchase of treasury shares	(2,684)	-
Dividends paid to Holding Company shareholders and non-controlling interests	(16,138)	(2,000)
New (repayment of) long-term loans	193,463	(81,876)
New (repayment of) finance leases	(1,849)	(922)
Other equity movements	(4,883)	613
NET CASH FLOWS FROM FINANCING ACTIVITIES	168,218	(82,981)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	63,678	(78,069)
Balance at the beginning of the period	30,802	107,256
(Decrease) increase in cash and cash equivalents	63,678	(78,069)
Exchange differences	(1,846)	1,615
BALANCE AT THE END OF THE PERIOD	92,634	30,802

ADDITIONAL INFORMATION OF CASH FLOW STATEMENT		
Taxes paid	(18,953)	(8,923)
Financial expenses paid	(15,225)	(10,866)
Financial income collected	1,854	1,446

Note: this table shows the elements that bring about the change in cash and cash equivalents, as expressly required by IAS 7 (in particular the net balance between "Cash and cash equivalents" and "Bank overdrafts and short-term loans"). The cash flow statement included in the Report of the board of directors on operations shows the various operational components of cash flow, thereby explaining all of the changes in the overall net financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(in thousands of Euro)

	Attributable to the shareholder of the parent company				*Non-controlling interests*	*Total*
	Share capital	*Reserves and retained earnings (accumulated losses)*	*Net result for the period*	*Total*		
Balance at December 31, 2009	60,397	114,053	(7,639)	166,811	15,364	182,175
Paid share capital increase	*149*	*148*	*-*	*297*	*907*	*1,204*
Allocation of 2009 net profit:						
Legal reserve	*-*	*-*	*-*	*-*	*-*	*-*
Dividends	*-*	*-*	*-*	*-*	*(2,000)*	*(2,000)*
Retained earnings	*-*	*(7,639)*	*7,639*	*-*	*-*	*-*
Credit to equity for stock-based incentive plans	*-*	*540*	*-*	*540*	*-*	*540*
Other changes	*-*	*(515)*	*-*	*(515)*	*518*	*3*
Comprehensive result for the period						
Fair value measurement of financial assets available for sale	*-*	*(11)*	*-*	*(11)*	*(7)*	*(18)*
Fair value measurement of cash flow hedging instruments	*-*	*862*	*-*	*862*	*-*	*862*
Tax on items booked in Other Comprehensive Income	*-*	*(233)*	*-*	*(233)*	*2*	*(231)*
Currency translation differences	*-*	*10,669*	*-*	*10,669*	*349*	*11,018*
Net result for the period	*-*	*-*	*18,821*	*18,821*	*2,028*	*20,849*
Total comprehensive result for the period	-	11,287	18,821	30,108	2,372	32,480
Balance at December 31, 2010	60,546	117,874	18,821	197,241	17,161	214,402
Paid share capital increase	*119*	*190*	*-*	*309*	*-*	*309*
Allocation of 2010 net profit:						
Legal reserve	*-*	*-*	*-*	*-*	*-*	*-*
Dividends	*-*	*(14,888)*	*-*	*(14,888)*	*(1,250)*	*(16,138)*
Retained earnings	*-*	*18,821*	*(18,821)*	*-*	*-*	*-*
Credit to equity for stock-based incentive plans	*-*	*611*	*-*	*611*	*-*	*611*
Other changes	*-*	*(121)*	*-*	*(121)*	*89*	*(32)*
Net purchase of treasury shares	*-*	*(2,684)*	*-*	*(2,684)*	*-*	*(2,684)*
Comprehensive result for the period						
Fair value measurement of financial assets available for sale	*-*	*(2)*	*-*	*(2)*	*-*	*(2)*
Fair value measurement of cash flow hedging instruments	*-*	*(6,732)*	*-*	*(6,732)*	*-*	*(6,732)*
Tax on items booked in Other Comprehensive Income	*-*	*1,854*	*-*	*1,854*	*-*	*1,854*
Currency translation differences	*-*	*(4,408)*	*-*	*(4,408)*	*(180)*	*(4,588)*
Net result for the period	*-*	*-*	*24,736*	*24,736*	*3,156*	*27,892*
Total comprehensive result for the period	-	(9,288)	24,736	15,448	2,976	18,424
Balance at December 31, 2011	60,665	110,515	24,736	195,916	18,976	214,892

EXPLANATORY AND SUPPLEMENTARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: CONTENTS

A) GENERAL ASPECTS

SOGEFI is an Italian Group that is market leader in the field of components for motor vehicles, specializing in engine and cabin filter systems, air intake and engine cooling systems and suspension components.
SOGEFI is present in 3 continents and 18 countries, with 57 locations, of which 43 are production sites. It is a multinational group and a partner of the world's largest motor vehicle manufacturers.

The Holding Company, Sogefi S.p.A., has its registered offices in Via Ulisse Barbieri 2, Mantova and its operating offices in Via Flavio Gioia 8, Milano.
The Sogefi stock has been listed on the Milano Stock Exchange, organised and managed by Borsa Italiana S.p.A. since 1986 and has been traded on the STAR segment since January 2004.
The Holding Company, Sogefi S.p.A., is subject to the policy guidance and coordination of its parent company CIR – Compagnie Industriali Riunite S.p.A..

1. CONTENT AND FORMAT OF THE CONSOLIDATED FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with Consob resolution 11971/1999 and subsequent amendments, in particular those introduced by resolutions no. 14990 of April 14, 2005 and no. 15519 of July 27, 2006, and include the consolidated accounting statements and explanatory and supplementary notes of the Group and those of the Holding Company, prepared according to the IFRS international accounting standards issued by the IASB (International Accounting Standards Board) and endorsed by the European Union. IFRS means all the "International Financial Reporting Standards" (IFRS), all the "International Accounting Standards" (IAS) and all the interpretations of the "International Financial Reporting Interpretations Committee" (IFRIC), previously named the "Standing Interpretations Committee" (SIC).
It is specifically reported that the IFRS have been applied in a consistent manner to all the periods presented in this document.

The financial statements have been prepared on the basis of the conventional historical cost principle, except for the measurement of certain financial assets and liabilities, including derivatives instruments, where the application of the fair value principle is mandatory.

The financial statements used for consolidation purposes are those prepared by the Boards of Directors for approval by the shareholders of the individual companies. Said financial statements have been reclassified and adjusted to comply with International Financial Reporting Standards (IAS/IFRS), and Group accounting policies.

The Consolidated Financial Statements as of December 31, 2011 were approved by the Board of Directors of the Holding Company Sogefi S.p.A. on February 23, 2012.

1.1 Format of the consolidated financial statements

As regards to the format of the consolidated financial statements, the Company has opted to present the following types of accounting statements:

Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position is presented in two sections, showing assets on one side and liabilities and equity on the other.

Assets and liabilities are in turn shown in the consolidated financial statements on the basis of their classification as current or non-current.

An asset/liability is classified as current when it satisfies one of the following criteria:

– it is expected to be realised/settled or it is expected to be sold or consumed in the normal cycle of operations, or

– it is held primarily for the purpose of trading, or

– it is expected to be realised/settled within twelve months after the reporting period.

If none of the above conditions are met, the assets/liabilities are classified as non-current.

Finally, liabilities are classified as current when the entity does not have unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Consolidated Income Statement

Costs shown in the Consolidated Income Statement are aggregated by function, while also making a distinction between fixed and variable costs.

The Income Statement also provides the following intermediate aggregates in order to give a clearer understanding of the typical results of normal manufacturing activities, the financial side of the business and the impact of taxation:

– Contribution margin;

– Operating result;

– EBIT (earnings before interest and tax);

– Result before taxes and non-controlling interests;

– Net result before non-controlling interests;

– Group net result.

We have maintained the item "Operating result" (sometimes defined in US/UK accounting literature as Adjusted EBIT) as Sogefi's management and Board of Directors think that it is meaningful to retain an "intermediate" result that represents the profitability generated by core business activities (i.e. the activities more closely related to the manufacturing and sales side of the business). Conceptually, this is not the same as EBIT (literally earnings before interest and tax), which is usually stated net of restructuring costs and other expenses that do not form part of normal business operations, or that are in any case non-recurring.

In other words, by way of example, the "Operating result" is not affected by non-recurring expenses and income (such as Restructuring costs, gains or losses on disposals) or by charges or income that are not related to normal business operations, such as tax charges that are the result of different fiscal policies that the various countries adopt for common budgetary purposes by applying a variable mix of direct and indirect taxes

(determined mainly according to financial or economic parameters) depending on their own socio-economic characteristics. Similarly, the "Operating result" does not include exchange gains and losses as they are considered more a part of foreign exchange management.
For the sake of more effective disclosure, these types of income and charges are shown separately on the table presented here and, where necessary and significant, the notes to the financial statements give a clear indication as to their nature and amount.

Consolidated Statement of Other Comprehensive Income

The Consolidated Statement of Other Comprehensive Income includes all the changes occurring in Other comprehensive income of the year, generated by transactions other than those conducted with shareholders and in compliance with specific IAS/IFRS accounting principles. The Group has chosen to present these changes in a separate table to the Consolidated Income Statement.
The changes in Other comprehensive income are shown before the related tax effect with the aggregate amount of the income taxes on said variations being recognised in a single item.

Consolidated Cash Flow Statement

A Consolidated Cash Flow Statement split by area of formation of the various types of cash flow as indicated in international accounting standards is included, though we are of the opinion that it is not an ideal format to understand the cash flows of an industrial group such as Sogefi. The Report of the board of directors therefore includes another statement that shows the cash flow generated by operations, which we consider to be a more effective tool for understanding how funds are generated and absorbed within the Group.
The Consolidated Cash Flow Statement has been prepared using the indirect method.
Please note that in this cash flow statement, the change in working capital may not coincide with the difference between the opening and closing statement of financial position figures because of exchange differences: in fact, cash flows generated are converted using the average exchange rate for the year, while the difference between the opening and closing consolidated statement of financial position figures in Euro may be influenced by changes in exchange rates at the beginning and end of the year, which have little to do with the generation or absorption of cash flow within working capital. The exchange differences generated by opening and closing statement of financial position are booked to "Exchange differences on assets/liabilities and equity" in the consolidated cash flow statement, whereas in the Consolidated Cash Flow Statement required by IAS 7 they are booked to "Exchange differences".

Consolidated Statement of Changes in Equity

A Consolidated Statement of Changes in Equity is included as required by international accounting standards, showing separately the net result for the period and any change that was not charged through the Income Statement, but directly to the consolidated Other comprehensive income on the basis of specific IAS/IFRS, as well as transactions with shareholders in their role as shareholders.

1.2 Content of the consolidated financial statements

The consolidated financial statements as of December 31, 2011 include the Holding Company Sogefi S.p.A. and the directly or indirectly controlled subsidiaries.
Section H of these notes gives a list of the companies included in the scope of consolidation and the percentages held.

These financial statements are presented in Euro and all figures are rounded up or down to the nearest thousand Euro, unless otherwise indicated.
The consolidated financial statements (prepared on a line-by-line basis) include the financial statements of Sogefi S.p.A., the Holding Company, and of all the Italian and foreign companies in which, directly or indirectly, it holds a majority of the voting rights.

During the year the following changes occurred in the scope of consolidation:
- *the subsidiary Allevard Rejna Autosupensions S.A. increased its percentage of ownership in the subsidiary S.ARA Composite S.a.S. from 81.82% to 86.67% (percentage values refer to subscribed capital fully paid in), through share capital increases of Euro 2,000 thousand;*
- *in July 2011, subsidiary Sogefi Rejna S.p.A. established Sogefi Allevard S.r.L. (Romania). The company had not started operations at the end of year 2011 yet, and it will be active in the suspension components sector;*
- *in July 2011, Holding Company Sogefi S.p.A. purchased 100% of the share capital of French company Systèmes Moteurs S.A.S., that holds equity interests of the following companies directly or indirectly:*
  - *Mark IV Air Intake Systems Corp. (Canada), 100% owned by Systèmes Moteurs S.A.S.;*
  - *Mark IV Air Intake India Pvt. Ltd. (India), 99.52% owned by Systèmes Moteurs S.A.S. and 0.48% owned by Systèmes Moteurs China, S.a.r.l. (Luxembourg);*
  - *Systèmes Moteurs China, S.a.r.l. (Luxembourg), 100% owned by Systèmes Moteurs S.A.S.;*
  - *Systèmes Moteurs S.r.l. (Romania), 99% owned by Systèmes Moteurs S.A.S.;*
  - *Mark IV Systèmes Moteurs U.S.A. Inc. (U.S.A.), 100% owned by Systèmes Moteurs S.A.S.;*
  - *Mark IV Hong Kong Limited (Hong Kong), 100% owned by Systèmes Moteurs China, S.a.r.l. (Luxembourg);*
  - *Mark IV Asset (Shanghai) Auto Parts Co., Ltd. (China), 50% owned by Mark IV Hong Kong Limited (Hong Kong);*
  - *Mark IV AIS Mexico, S. de R.L. de C.V. (Mexico), 99.97% owned by Mark IV Air Intake Systems Corp. (Canada) and 0.03% owned by Systèmes Moteurs S.A.S. (France);*
  - *Mark IV (Shanghai) Trading Co. LTD (China), 100% owned by Mark IV Hong Kong Limited (Hong Kong).*

The newly-acquired companies have been included in the scope of consolidation as of the date of their acquisition/establishment, on a line-by-line basis.

The effects resulting from changes to the scope of consolidation are illustrated, if significant, in the notes related to the individual financial statement items.
For further details on the acquisition of Group Systèmes Moteurs, please refer to paragraph "2.2 Business combinations".

Finally, it should be noted that:
- *the procedure for the merger by incorporation of Sogefi Filtration A.B. and Sogefi Filtration B.V. into Filtrauto S.A. was completed in June 2011;*
- *in December, subsidiary EMW Environmental Technologies Private Ltd was merged by incorporation into subsidiary Sogefi M.N.R. Filtration India Private Ltd..*

No changes occurred in the scope of consolidation as a result of these transactions.

2. CONSOLIDATION PRINCIPLES AND ACCOUNTING POLICIES

The main accounting principles and standards applied in preparation of the consolidated financial statements and of the Group aggregate financial disclosures are set forth below.

These Consolidated Financial Statements have been drawn on the going concern assumption, as the Directors have verified the inexistence of financial, performance or other indicators that could give rise to doubts as to the Group's ability to meet its obligations in the foreseeable future. The risks and uncertainties relating to the business are described in the dedicated sections in the Report on Operations. A description of how the Group manages financial risks, including liquidity and capital risk, is provided in note 39.

2.1 Consolidation principles

The financial statements as of December 31, 2011 of the companies included in the scope of consolidation, prepared in accordance with Group accounting policies with reference to IAS/IFRS, have been used for consolidation purposes.
The scope of consolidation includes subsidiaries and associates.

All the companies over which the Group has the direct or indirect power to determine the financial and operating policies are considered subsidiaries.
The assets, liabilities, costs and revenues of the individual consolidated companies are fully consolidated on a line-by-line basis, regardless of the percentage owned, while the carrying value of consolidated investments held by the Holding Company and other consolidated companies is eliminated against the related share of equity.

All intercompany balances and transactions, including unrealised profits deriving from transactions between consolidated companies, are eliminated. Unrealised losses are eliminated, unless it is likely that they will be recovered in the future.

The financial statements of the subsidiaries are drawn up using the currency of the primary economic environment in which they operate ("functional currency"). The consolidated financial statements are presented in Euro, the functional currency of the Holding Company and hence the currency of presentation of the consolidated financial statements of the Sogefi Group.
The procedures for translation of the financial statements expressed in foreign currency other than the Euro are the following:
- *the items of the Consolidated Statement of Financial Position are translated into Euro at the year-end exchange rates, taking account of any exchange risk hedging transactions;*
- *the Income Statement items are translated into Euro using the year's average exchange rates;*

– differences arising on translation of opening equity at year-end exchange rates are booked to the translation reserve, together with any difference between the income statement and the statement of financial position result;
– whenever a subsidiary with a different functional currency from the Euro is disposed of, any exchange differences included in equity are charged to the Income Statement.

The following exchange rates have been used for translation purposes:

	2011		2010	
	Average	12.31	Average	12.31
US dollar	1.3904	1.2939	1.3243	1.3362
Pound sterling	0.8675	0.8353	0.8576	0.8607
Brazilian real	2.3239	2.4159	2.3299	2.2177
Argentine peso	5.7369	5.5676	5.1795	5.3098
Chinese renminbi	8.9847	8.1588	8.9646	8.8222
Indian rupee	64.7668	68.7130	60.5327	59.7729
New romanian Leu	4.2371	4.3233	n.a.	n.a.
Canadian dollar	1.3752	1.3215	n.a.	n.a.
Mexican peso	17.2444	18.0512	n.a.	n.a.
Hong Kong dollar	10.8237	10.0510	n.a.	n.a.

An associate is an entity in which the Group is able to exert a significant influence, but without being able to control its financial and operating policies.
Equity investments in associates are consolidated applying the equity method, which means that the results of operations of associates and any changes in Other comprehensive income of the associates are reflected in the consolidated Income Statement and in Consolidated Statement of Other Comprehensive Income. If the carrying value exceeds the recoverable amount, the carrying value of the investment is adjusted by booking the related loss to the Income Statement.

2.2 Business combinations

Business combinations are recognised under the acquisition method. According to this method, the consideration transferred to a business combination is measured at fair value calculated as the aggregate of the acquisition-date fair value of the assets transferred and liabilities assumed by the Group and of the equity instruments issued in exchange for the control of the acquired entity. The acquisition-related costs of the transaction are generally booked to the income statement at the time they are incurred.
On the acquisition-date, the identifiable assets acquired and the liabilities assumed are recognised at their acquisition-date fair value; the following items represent exception to the above and are valued according to their reference principle:
– deferred tax assets and liabilities;
– assets and liabilities relating to employee benefits;

– *liabilities or equity instruments relating to share-based payments of the acquired entity or share-based payments relating to the Group, issued as a replacement of contracts of the acquired entity;*
– *assets held for sale and discontinued assets and liabilities.*

Goodwill is measured as the surplus between the sum of the consideration transferred to the business combination, the value of non-controlling interests and the fair value of the previously-held equity interest in the acquiree with respect to the fair value of the net assets transferred and liabilities assumed as at the acquisition-date. If the fair value of the net assets transferred and liabilities assumed as at the acquisition-date exceeds the sum of the consideration transferred, the value of non-controlling interests and the fair value of the previously-held equity interest in the acquiree, said surplus is immediately booked to the income statement as gain resulting from said transaction.
The share of non-controlling interests as at the acquisition-date may be measured at fair value or as a proportion of the net assets value in the acquiree. The measurement method adopted is decided on a transaction-by-transaction basis.
Business combinations made prior to January 1, 2010 were recognised in accordance with the previous version of IFRS 3.

Acquisition of Systèmes Moteurs Group

As mentioned above, Holding Company Sogefi S.p.A. purchased the French Group of components manufacturer Systèmes Moteurs S.A.S. on 29 July 2011, by buying 100% of the share capital of the parent company Mark IV Systèmes Moteurs S.A.S, which was later renamed Systèmes Moteurs S.A.S.
The Systèmes Moteurs Group is one of the world's largest producers of air intake and engine cooling systems. Supplier to the major world car manufacturers, the group has seven production plants (three of which are in France while the others are in Canada, Mexico, Romania and India), two research, development and innovation centres (in France and the United States) and is currently building a new production site in China. Mark IV Systèmes Moteurs generates around 60% of its revenues in Europe, has an increasing share of the market in North America and has started expanding in strong-growth countries such as China and India.

The total consideration paid in connection with the business combination amounts to Euro 146,501 thousand and includes a price adjustment after the net financial position and net working capital of Systèmes Moteurs Group at the acquisition date (Euro 2,373 thousand) were accurately determined, as well as the book value of Systèmes Moteurs S.A.S. indebtedness owed to Group Mark IV LLC as of July 29, 2011 for the amount of Euro 20,447 thousand, which was repaid by Sogefi S.p.A. to previous shareholders at the same date using an intercompany loan granted by Holding Company Sogefi S.p.A. to Systèmes Moteurs S.A.S..

As a result, the total consideration transferred in connection with the business combination amounted to Euro 146,501 thousand, which is obtained by adding up the Closing Purchase Price of Euro 123,681 thousand, the price adjustment of Euro 2,373 thousand and the indebtedness of the Systèmes Moteurs Group for the amount of Euro 20,447 thousand repaid to previous shareholders. Such consideration was paid using available credit lines and cash and cash equivalents.

Acquisition-related cost directly connected with the transaction reflecting the fees of consultants who assisted the Holding Company Sogefi S.p.A. with the legal, financial and tax due diligence amounted to Euro 4,395 thousand and were charged to item "Other non-operating expenses (income)" of the income statement.

The assets and liabilities values of the Systèmes Moteurs Group were determined on a provisional basis, as certain evaluation procedures had not been completed at the time of preparing these financial statements.
In compliance with IFRS 3, a final determination of the fair value of assets, liabilities and potential liabilities will be completed within twelve months from acquisition-date.
The portion of the condideration transferred in excess of the fair value of assets and net liabilities acquired was recognised under goodwill for the provisional amount of Euro 54,919 thousand.
Goodwill is supported by the favourable outlook in terms of revenues and financial performance of the Systèmes Moteurs Group, as outlined in the strategic plan for 2012-2015 and confirmed by the results achieved so far.

The following table reports the provisional fair values of acquired assets and liabilities and details of goodwill on acquisition of control date, namely July 29, 2011:

(in thousands of Euro)

ASSETS	Fair Value
CURRENT ASSETS	
Cash and cash equivalents	8,311
Other financial assets	-
Inventories	51,395
Trade receivables	48,193
Other receivables (*)	5,307
Tax receivables	4,356
Other assets	334
TOTAL CURRENT ASSETS	117,896
NON-CURRENT ASSETS	
FIXED ASSETS	
Land	1,006
Property, plant and equipment (*)	37,156
Other tangible fixed assets	715
Intangible assets (*)	17,627
TOTAL FIXED ASSETS	56,504
OTHER NON-CURRENT ASSETS	
Investments in associates	274
Other receivables	952
Deferred tax assets (*)	1,518
TOTAL OTHER NON-CURRENT ASSETS	2,744
TOTAL NON-CURRENT ASSETS	59,248
TOTAL ASSETS (A)	177,144

LIABILITIES	Fair Value
CURRENT LIABILITIES	
Bank overdrafts and short-term loans	-
Current portion of medium/long-term financial debts and other loans	-
TOTAL SHORT-TERM FINANCIAL DEBTS	-
Other short-term liabilities for derivative financial instruments	-
TOTAL SHORT-TERM FINANCIAL DEBTS AND DERIVATIVE FIN. INSTUMENTS	-
Trade and other payables	69,653
Tax payables	32
Other current liabilities	2,887
TOTAL CURRENT LIABILITIES	72,572
NON-CURRENT LIABILITIES	
OTHER LONG-TERM LIABILITIES	
Long-term provisions (*)	4,815
Other payables	1,359
Deferred tax liabilities (*)	6,816
TOTAL OTHER LONG-TERM LIABILITIES	12,990
TOTAL NON-CURRENT LIABILITIES	12,990
TOTAL LIABILITIES (B)	85,562

Transferred consideration for the acquisition	146,501
Net asset acquired (A)-(B)	91,582
GOODWILL	54,919

Transferred consideration for the acquisition (**)	146,501
Cash and cash equivalents owned by the purchased group (**)	(8,311)
CASH FLOW FOR THE ACQUISITION	138,190

(*) Fair Value measuring of these items is provisional in December 31, 2011
(**) As in the Consolidated Cash Flows Satement

The fair value of trade receivables amounts to Euro 48,193 thousand, and comprises a gross value of Euro 48,258 thousand and allowance for doubtful accounts for the amount of Euro 65 thousand.

The fair value of item "Inventories" includes Euro 803 thousand generated by the recognition of the margins on finished products, semi-finished products and work in progress (the so-called "inventory step-up"). The same amount was released in the income statement as of December 31, 2011, under item "Other non-operating expenses (income)" after the relating products were sold.

The fair value valuation of land and buildings is final.

The fair value valuation process for "Plant and equipment" and the other "Intangible assets" has not been completed yet.

Potential liabilities arising out of product warranty risks were booked at Euro 1,430 thousand (which account for the claims submitted by certain customers as of December 31, 2011). The full amount of such potential liabilities had been used as of December 31, 2011. We believe that the balance left after full or partial insurance compensation will be repaid by the seller of Systèmes Moteurs S.A.S.' shares. For this reason, this amount was credited to "Other receivables".
The fair value valuation of these potential liabilities and "Other receivables" is provisional.

In 2011 the Systèmes Moteurs Group contributed a share of Euro 135,708 thousand to the Sogefi Group's revenues and a share of Euro 4,572 thousand to the profit of the period.

It should be noted that the companies of the Systèmes Moteurs Group – except for the Indian subsidiary – adopted the same year-end date as the other companies of the Sogefi Group for their statutory financial statements after the acquisition date (July 29, 2011), i.e. changed year-end date from February 28 to December 31 of each year.

2.3 Accounting policies

The following accounting policies have been applied in the financial statements as of December 31, 2011.

Cash and cash equivalents

Cash and cash equivalents are those held to meet short-term cash needs, rather than for investment or other purposes. For an investment to be considered as cash or cash equivalent, it must be able to be readily converted into a known amount of cash and must be subject to an insignificant risk of change in value.

Inventories

Inventories are stated at the lower of purchase or manufacturing cost, determined on a weighted average cost basis, and realisable value based on market trends, net of variable selling costs.
Manufacturing cost includes raw materials and all direct or indirect production-related expenses. Financial expenses are excluded. Obsolete and slow-moving inventories are written down to their utilisable or realisable value.

Receivables included in current assets

Receivables are initially recognised at fair value of the consideration to be received, which usually corresponds to the nominal value shown on the invoice, adjusted (if necessary) to their estimated realisable value by making provision for doubtful accounts. Subsequently, receivables are measured at amortised cost, which generally corresponds to their nominal value.
Receivables assigned through without-recourse factoring transactions after which the related risks and benefits are definitively transferred to the assignee are derecognised from the statement of financial position at the time of transfer.

Tangible fixed assets

Tangible fixed assets mainly relate to industrial sites. Assets are shown at historical cost, net of accumulated depreciation and accumulated impairment losses.
Cost includes related charges, together with the portion of direct and indirect expenses reasonably attributable to individual assets.

Tangible fixed assets are depreciated each month on a straight-line basis using rates that reflect the technical and economic remaining lives of the related assets.

The depreciable value is the cost of an asset, or any other value representing the cost, less its residual value, where the residual value of an asset is the estimated value that the entity could receive at that time from its disposal, net of estimated disposal costs.

Depreciation is calculated from the month that the asset becomes available for use, or when it is potentially able to provide the economic benefits expected of it.

The annual average depreciation rates applied are as follows:

	%
Land	*n.a.*
Industrial buildings and light constructions	*2.5-12.5*
Plant and machinery	*7-14*
Industrial and commercial equipment	*10-25*
Other assets	*10-33*
Assets under construction	*n.a.*

Land, assets under construction and payments on account are not depreciated.

Ordinary maintenance costs are charged to the Income Statement.
Maintenance costs that increase the value, functions or useful life of fixed assets are recorded directly as the increase in the value of the assets to which they refer and depreciated over their residual useful lives.
Gains or losses on the disposal of assets are calculated as the difference between the sales proceeds and the net book value of the asset and are charged to the Income Statement for the period.

Grants are shown in the Statement of Financial Position as an adjustment of the book value of the asset concerned. Grants are then recognised as income over the useful life of the asset by effectively reducing the depreciation charge each year.

Assets under lease

There are two types of leases: finance leases and operating leases.
A lease is considered a finance lease when it transfers a significant and substantial part of the risks and benefits associated with ownership of the asset to the lessee.

As envisaged in IAS 17, a lease is considered a finance lease when the following elements are present, either individually or in combination:

- *the contract transfers ownership of the asset to the lessee at the end of the lease term;*
- *the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that it is reasonably certain, at the inception of the* lease, *that it will be exercised;*
- *the lease term is for the major part of the useful life of the asset, even if title is not transferred;*
- *at the inception of the lease, the present value of the minimum lease payments is equal to the fair value of the asset being leased;*
- *the assets being leased are of such a specialised nature that only the lessee is able to use them without making major modifications.*

Assets available to Group companies under contracts that fall into the category of finance leases are accounted for as tangible fixed assets at their fair value at the date of purchase or, if lower, at the present value of the minimum payments due under the lease; the corresponding liabilities to the lessor are shown in the Statement of Financial Position as financial debts. The assets are depreciated over their estimated useful lives.
Lease payments are split between the principal portion, which is booked as a reduction of financial debts, and interest. Financial expenses are charged directly to the Income Statement for the period.
Payments under operating lease contracts, on the other hand, are charged to the Income Statement on a straight-line basis over the life of the contract.

Intangible assets

An intangible asset is only recognised if it is identifiable and verifiable, it is probable that it will generate economic benefits in the future and its cost can be measured reliably.
Intangible assets with a finite life are valued at purchase or production cost, net of amortisation and accumulated impairment losses.

The annual average amortisation rates applied are as follows:

	%
Development costs	*20-33*
Industrial patents and intellectual property rights, concessions, licences, trademarks	*20-33*
Other	*20-33*
Goodwill	*n.a.*
Assets under construction	*n.a.*

Amortisation is based on the asset's estimated useful life and begins when it is available for use.

Research and development expenses

Research expenses are charged to the income statement as incurred in accordance with IAS 38.

Development expenses relating to specific projects are capitalised when their future benefit is considered reasonably certain by virtue of a customer's commitment; they are then amortised over the entire period of future profits expected to be earned by the project in question.

The capitalised value of the various projects is reviewed annually - or more frequently if there are particular reasons for doing so - analysing its fairness to see if there have been any impairment losses.

Trademarks and licences

Trademarks and licences are valued at cost, less amortisation and accumulated impairment losses. The cost is amortised over the shorter of the contract term and the finite useful life of the asset.

Software

The costs of software licences, including related charges, are capitalised and shown in the financial statements net of amortisation and any accumulated impairment losses.

It should be pointed out that a multi-year project has been launched to implement a new integrated ITC system across the Group. Relating costs are capitalised by Holding Company Sogefi S.p.A., that will licence the intellectual property rights on the ITC system for use by the subsidiaries involved in the implementation process receiving the payment of royalty fees.

Goodwill

Goodwill resulting from business combinations is initially recognised at cost as at the acquisition-date, as detailed in the paragraph above entitled "Business combinations". Goodwill is not amortised but is tested annually for impairment, or more frequently if specific events or changed circumstances indicate a potential loss in value. Unlike other intangible assets, reversal of an impairment loss is not allowed for goodwill.

For impairment test purposes, goodwill was allocated to each of the Cash Generating Units (CGU) due to benefit from the acquisition.

The Sogefi Group currently encompasses five CGUs: Engine Systems – Fluid Filters (previously name "Filters"), Engine Systems – Air Intake and Cooling (Systèmes Moteurs Group), Car Suspension, Industrial Vehicles Suspension and Precision Springs.

The goodwill currently on the books only concerns the Engine Systems – Fluid Filters, Engine Systems – Air Intake and Cooling and the Car Suspension CGUs.

Intangible assets with an indefinite useful life

Intangible assets with an indefinite useful life are not amortised, but are tested annually for impairment, or more frequently if there is an indication that the asset may have suffered a loss in value. As of December 31, 2011, the Group has no intangible assets with an indefinite useful life.

Impairment losses of tangible and intangible fixed assets

If there are indications of possible losses in value, tangible and intangible fixed assets are subjected to impairment test, estimating the asset's recoverable amount and comparing it with its net book value. If the recoverable amount is less than the book value, the latter is reduced accordingly. This reduction constitutes an impairment loss, which is booked to the income statement.
For goodwill and any other intangible fixed assets with indefinite life, impairment test is carried out at least once a year.
With the exception of goodwill, if a previous writedown is no longer justified, a new recoverable amount is estimated, providing it is not higher than what the carrying value would have been if the writedown had never been made. This reversal is also booked to the income statement.

Equity investments in associates and joint ventures

The results, assets and liabilities of associates and joint ventures are consolidated under the equity method.

Equity investments in other companies and other securities

In accordance with IAS 39, equity investments in entities other than subsidiaries and associates are classified as financial assets available for sale which are measured at fair value, except in situations where the market price or fair value cannot be determined. In this case the cost method is used.
Gains and losses deriving from value adjustments are booked to a specific item in "Profit (loss) booked in Other Comprehensive Income". In the case of objective evidence that an asset suffered an impairment loss or it is sold, the gains and losses previously recognised under "Profit (loss) booked in Other Comprehensive Income" are reclassified to the Income Statement.
For a more complete discussion of the principles regarding financial assets, reference should be made to the note specifically prepared on this matter (paragraph 3 "Financial assets").

Non-current assets held for sale

Under IFRS 5 "Non-current assets held for sale and discontinued operations", providing the relevant requirements are met, non-current assets whose book value will be recovered principally by selling them rather than by using them on a continuous basis, have to be classified as being held for sale and valued at the lower of book value or fair value net of any selling costs. From the date they are classified as non-current assets held for sale, their depreciation is suspended.

Loans

Loans are initially recognised at cost, represented by the fair value received, net of related loan origination charges.
After initial recognition, loans are measured at amortised cost by applying the effective interest rate method.
The amortised cost is calculated taking account of issuing costs and any discount or premium envisaged at the time of settlement.

Derivatives

A derivative is understood as being any contract of a financial nature with the following characteristics:

1. *its value changes in relation to changes in an interest rate, the price of a financial instrument, the price of a commodity, the exchange rate of a foreign currency, a price or interest rate index, a credit rating or any other pre-established underlying variable;*
2. *it does not require an initial net investment or, if required, this is less than what would be requested for other types of contract likely to provide a similar reaction to changes in market factors;*
3. *it will be settled at some future date.*

For accounting purposes, a derivative's treatment depends on whether it is speculative in nature or whether it can be considered an hedging instrument.
All derivatives are initially recognised in the Statement of Financial Position at cost as this represents their fair value. Subsequently, all derivatives are measured at fair value.

Any changes in the fair value of derivatives that are not designated as hedging instruments are booked to the Income Statement (under the item "Financial expenses (income), net").

Derivatives that can be booked under the hedge accounting are classified as:

- *fair value hedges if they are meant to cover the risk of changes in the market value of the underlying assets or liabilities;*
- *cash flow hedges if they are taken out to hedge the risk of fluctuations in the cash flows deriving from an existing asset or liability, or from a future transaction that is highly probable.*

For derivatives classified as fair value hedges, the gains and losses that arise on determining their fair value and the gains and losses that derive from adjusting the underlying hedged items to their fair value are booked to the Income Statement.

For those classified as cash flow hedges, used for example, to hedge medium/long-term loans at floating rates, gains and losses that arise from their valuation at fair value are booked directly to Equity for the part that effectively hedges the risk for which they were taken out, whereas any part that proves ineffective is booked to the Income Statement (under the item "Financial expenses (income), net").
The portion booked to Equity will be reclassified to the Income Statement (under the item "Financial expenses (income), net" in the period) when the hedged assets and liabilities impact the costs and revenues of the period.
Note that the Group has adopted a specific procedure for managing financial instruments as part of an overall risk management policy.

Trade and other payables

Payables are initially recognised at fair value of the consideration to be paid and subsequently at amortised cost, which generally corresponds to their nominal value.

Provisions for risks and charges

Provisions for risks and charges are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.
On the other hand, no provision is made in the case of risks for which there is only a possibility that a liability may arise. In this case, the risk is disclosed in the notes on commitments and risks without making any provision.
Provisions relating to corporate reorganizations are only set aside once they have been approved and raised a valid expectation to the parties involved.

Post-retirement and similar employee benefits

Group employees have defined-benefit and/or defined-contribution pension plans, depending on the conditions and local practices of the countries in which the group operates.

The Group's responsibility is to finance the pension funds for the defined-benefit plans (including the employment termination indemnities currently applicable in Italy) and the annual cost recognised in the income statement are calculated on the basis of actuarial valuations that use the projected unit credit method. The part of the accumulated net value of actuarial profits and losses in excess of the higher between 10% of the present value of the defined-benefit obligation and 10% of the fair value of plan assets at the end of the previous reporting period is amortised over the average residual working life of the employees ("corridor approach"). On first-time adoption of IFRS, the Group decided to record all accumulated actuarial profits and losses existing on January 1, 2004, even though it had chosen to use the corridor approach for subsequent actuarial profits and losses.

The liability relating to benefits to be recognised on termination of employment recorded in the statement of financial position represents the present value of the defined-benefit obligation, adjusted by the actuarial profits and losses suspended in application of the corridor approach and by costs relating to past service to be recognised in future years, less the fair value of the plan assets. Any net assets determined using this calculation method are recognised as the lowest of their value and the sum of unrecognised net actuarial losses, the cost of past service to be recognised in future years, the present value of available repayments and reductions of future contribution to the plan.

In the event of an amendment to the plan that changes the benefits relating to past service or in the event of the application of a new plan relating to past service, the costs relating to past service are booked to the income statement on a straight-line basis for the average period until such time as said benefits are acquired. In the event of an amendment to the plan that significantly reduces the number of employees involved in the plan or that changes the clauses of the plan in such a way that a significant part of future service due to employees will no longer accrue the same benefits or will accrue them but to a lesser extent, the profit or loss relating to said reduction is immediately booked to the income statement.

All of the costs and income resulting from the measurement of funds for pension plans are booked to the income statement by functional area of destination, with the exception of the financial component relating to non-financed defined-benefit plans, which is included in Financial expenses.
The costs relating to defined-contribution plans are booked to the income statement when incurred.

Phantom stock options

With regard to phantom stock option plans, as envisaged by IFRS 2, in the section regarding "Cash-settled share-based payment transactions", the fair value of the plan at the date of the financial statements is remeasured, with any changes in fair value recognised to the Income Statement as a cost with a corresponding entry to a provision.

Stock-based incentive plans

With regard to "Stock-based incentive plans" (Stock options and Stock grants), as envisaged by IFRS 2 "Share-based payments", the Group calculates the fair value of the option at the granting date, booking it to the Income Statement as a cost over the vesting period of the benefit. Given that this is an eminently imputed element, the ad hoc equity reserve in the Statement of Financial Position has been increased. This imputed cost is measured by specialists with the help of suitable economic and actuarial models.

Deferred taxation

Deferred taxes are calculated on the temporary differences between the book value of assets and liabilities and their tax bases, and classified under non-current assets and liabilities.
Deferred tax assets are accounted for only to the extent that it is probable that sufficient taxable profits will be available in the future against which they can be utilised.
The carrying amount of the deferred tax assets shown in the financial statements is subject to an annual review.
Deferred tax assets and liabilities are calculated at the tax rates expected to apply in the period when the differences reverse under the law of the countries in which the Group operates, considering current rates and those enacted or substantially enacted at the end of the reporting period.

Participation in CIR's group tax filing system (applicable to Italian companies)

Each company jointing to the group Italian tax filing system transfers its tax profit or loss to the parent company. The parent company recognises a credit corresponding to the IRES (Italian tax on company income) that companies have to be paid. On the contrary, for companies that booked tax losses, the parent company recognises a debt corresponding to the IRES for the part of loss actually offset at group level.

Treasury shares

Treasury shares are deducted from the equity. The original cost of treasury shares and the profit resulting from their subsequent sales are recognised as changes in equity.

Revenues recognition

Revenues from the sale of products are recognised at the time ownership passes (time of risks and rewards transfer), which is generally upon shipment to the customer. They are shown net of returns, discounts and accruals.
Revenues from services rendered are recognised at the time the services are provided.

Variable cost of sales

This represents the cost of goods sold. It includes the cost of raw and ancillary materials and goods for resale, as well as variable manufacturing and distribution costs, including the direct labour cost of production.

Manufacturing and R&D overheads

This category includes manufacturing overheads such as indirect labour cost of production, maintenance costs, consumable materials, building rents, and industrial equipment involved in production.
Also included are all R&D overheads, net of any development costs that are capitalised because of their future benefits and excluding amortisation which is booked to a separate item in the Income Statement.

Distribution and sales fixed expenses

These are costs that are essentially insensitive to changes in sales volumes, relating to personnel, promotion and advertising, external warehousing, rentals and other sales and distribution activities. This category, therefore, includes all fixed costs identified as being incurred after finished products have been stocked in the warehouse and directly related to their sale and distribution.

Administrative and general expenses

This category includes fixed labour costs, telephone expenses, legal and tax consulting fees, rents and rentals, cleaning, security and other general expenses.

Operating grants

These are credited to the Income Statement when there is a reasonable certainty that the company will meet the conditions for obtaining the grant and that the grants will therefore be received.

Restructuring costs and other non-operating expenses/income

These are figures that do not relate to the Group's normal business activities or refer to non-recurring activities and are classified as ordinary items and disclosed in the notes if they are of a significant amount.
The non-recurring nature of restructuring costs makes it appropriate for them to be disclosed separately, booking them in such a way that does not affect the operating result deriving from the Group's normal business activities.

Dividends

Dividend income is recorded when the right to receive it arises. This is normally at the time of the shareholders' resolution that approves distribution of the dividends.

Dividends to be distributed are recognised as a payable to shareholders immediately after they have been approved.

Current taxes

Current taxes are booked on the basis of a realistic estimate of taxable income calculated according to current tax legislation in the country concerned, taking account of any exemptions and tax credits that may be due.

Earnings per share (EPS)

Basic EPS is calculated by dividing net result for the period attributable to the ordinary shareholders of the Holding Company by the weighted average number of ordinary shares outstanding during the period, net of treasury shares.

Diluted EPS is obtained by adjusting the weighted average number of shares outstanding to take account of all potential ordinary shares that could have a dilutive effect.

Translation of foreign currency items

Functional currency
Group companies prepare their financial statements in the local currency of the country concerned.
The functional currency of the Parent is the Euro and this is the presentation currency in which the consolidated financial statements are prepared and published.

Accounting for foreign currency transactions
Foreign currency transactions are initially translated at the exchange rate ruling on the transaction date.
At the end of the reporting period, monetary assets and liabilities expressed in foreign currency are retranslated at the period-end exchange rate.
Non-monetary foreign currency items valued at historical cost are translated at the exchange rate ruling on the transaction date.
Non-monetary items carried at fair value are translated at the exchange rate ruling on the date this value was determined.

Critical estimates and assumptions

Various estimates and assumptions regarding the future have to be made when preparing financial statements. They are the best estimates possible at the end of the reporting period. Given their nature, they could lead to a material difference in statement of financial position items in future years. The main items affected by these estimates are as follows:
- *goodwill: for the purpose of the consolidated financial statements as of December 31, 2011 and more specifically of the impairment test, the Group took into account the trends expected for 2012 as determined based on the budget and the forecasts included in the 2013-2015 strategic plan for the following years. Budget and plan were prepared based on conservative assumptions and considering the uncertain economic and financial scenario that characterised the final part of the year 2011. Such forecasts do not indicate a need for impairment;*
- *pension plans: actuaries who offer their consulting services to the Group use different statistic assumptions in order to anticipate future events for the purpose of estimating pension plan expenses, liabilities and assets. Such*

assumptions concern discount rate, expected return on pension plan assets (this particular assumption concerns nearly exclusively British pension funds), future wage inflation rates, mortality and turnover rates;
– *probability of recovering deferred tax assets for tax losses: as of December 31, 2011, deferred tax assets for tax losses incurred during the year under consideration or previous years were accounted for to the extent that it is probable that taxable income will be available in the future against which they can be utilised. Such probability is determined based on the fact that losses have originated under extraordinary circumstances that are unlikely to occur again.*

2.4 Adoption of new accounting standards

Accounting standards, amendments and interpretations adopted from January 1, 2011

The following accounting standards were first adopted by the Group starting January 1, 2011.

On November 4, 2009, the IASB issued a revised version of IAS 24 - Related party disclosures that simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. Adoption of this amendment had no effects on the measurement on the Group's financial statements or for the purposes of the Related party disclosures included in this Annual Financial Report.

Accounting standards, amendments and interpretations effective from January 1, 2011 not applicable to the Group

The following amendments, improvements and interpretations effective from January 1, 2011 relate to issues not applicable within the Group on the date of this Annual Financial Report but may affect the accounting of future transactions or agreements:

– *Amendment to IAS 32 – Financial instruments: Presentation: Classification of rights issued;*
– *Amendment to IFRIC 14 – Prepayments of a minimum funding requirements;*
– *IFRIC 19 – Extinguishing financial liabilities with equity instruments;*
– *Improvements to IAS/IFRS (2010).*

Accounting standards and amendments not yet applicable and not early adopted by the Group

On November 12, 2009, the IASB issued IFRS 9 – Financial instruments; the same standard was amended on October 28, 2010. The standard, which is to be applied retrospectively from January 1, 2015, represents the first phase of a process in stages, the aim of which is to entirely replace IAS 39 and introduces new requirements for the classification and measurement of financial assets and financial liabilities and for the derecognition of financial assets. In particular, as regards financial assets, the new standard adopts a single approach based on how an entity manages its financial instruments and the contractual cash flows characteristics of the financial assets, in order to determine its valuation criteria and replacing the many different rules in IAS 39. The most significant effect of the standard regarding the financial liabilities relates to the accounting for changes in fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss. According to the new standard, these changes must be recognised under Other comprehensive income and will no longer be reclassified to Income Statement.

On December 20, 2010, the IASB issued a minor amendment to IFRS 1 – First-time Adoption of International Financial Reporting Standards (IFRS), to eliminate references to January 1, 2004 as the date of transition to IFRS's and provide guidance on how to present financial statements in accordance with IFRS after a period of hyperinflation. These amendments are to be applied for annual periods beginning on or after July 1, 2011.

On December 20, 2010, the IASB issued a minor amendment to IAS 12 – Income Taxes that requires an entity to measure the deferred tax relating to an asset depending on how the entity expects to recover the carrying amount of the asset (through continued use or sale). As a result of this amendment, SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets will no longer apply. This amendment is to be applied retrospectively beginning on or after January 1, 2012.

On May 12, 2011, the IASB issued IFRS 10 – Consolidated Financial Statements that is to supersede SIC-12 Consolidation – Special Purpose Entities (Special Purpose Vehicles) and parts of IAS 27 – Consolidated and Separate Financial Statements, which will be renamed Separate financial statements and shall establish how equity investments are to be accounted for in separate financial statements. This new standard is based on existing standards and introduces a new definition of control that determines which entities are to be consolidated in the consolidated financial statements of the parent. It also provides guidance on how to determine whether an investor controls its investee where control analysis is difficult (de facto control, potential voting rights, special purpose entities, etc.). This standard is to be applied retrospectively beginning on or after January 1, 2013.

On May 12, 2011, the IASB issued IFRS 11 – Joint Arrangements that is to replace IAS 31 – Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. The new standard establishes criteria for identifying joint arrangements based on the rights and obligations arising out of agreements rather than their legal form and provides a single model to account for interests in joint ventures in the consolidated financial statements using the equity method. This standard is to be applied retrospectively beginning on or after January 1, 2013. After this standard was issued, IAS 28 – Investments in Associates was amended to include interests in joint ventures in its scope of application, as of the effective date of the new standard.

On May 12, 2011, IASB issued IFRS 12 – Disclosure of interests in other entities, a new standard that includes all of the disclosure requirements for subsidiaries, joint arrangements, associates, special purpose entities and other non-consolidated special purpose vehicles. This standard is to be applied retrospectively beginning on or after January 1, 2013.

On May 12, 2011, IASB issued IFRS 13 – Fair Value Measurement that explains clearly how to measure fair value for the purposes of statutory financial statements and is applicable to all IFRSs that require or allow fair value measurements or disclosures based on fair value. This standard is to be applied for annual periods beginning on or after January 1, 2013.

On June 16, 2011, IASB issued an amendment to IAS 1 – Presentation of Financial Statements requiring entities to group all items presented in Other Comprehensive Income depending on whether they can be reclassified to profit or loss. This amendment is effective for periods beginning on or after July 1, 2012.

On June 16, 2011, IASB issued an amendment to IAS 19 – Employee Benefits that eliminates the option to defer recognition of actuarial gains and losses using the corridor approach, and requires that surplus or deficit be presented in full in the statement of financial position, service cost and net interest cost be recognised separately in the income statement, and actuarial gains and losses arising out the remeasurement of assets and liabilities occurred during each year be booked to Other comprehensive income. In addition, the return on assets included in net financial expenses must be calculated using the discount rate used to measure the obligation. Expected return on assets will no longer be used for this calculation. Finally, the amendment introduces new disclosures to be presented in the notes to the financial statements. This amendment is effective for the year beginning on January 1, 2013 and is applied retrospectively.

On December 16, 2011, the IASB issued an amendment to IAS 32 - Financial instruments: Presentation and to IFRS 7 - Financial Instruments: Disclosures establishing the (offsetting) criteria for financial assets and liabilities. IASB clarified that the right to set-off is enforceable at the end of the reporting period and not contingent on a future event; in addition, such right is enforceable for all counterparties both in the normal course of business and in the event of insolvency or bankruptcy (depending on specific laws governing the agreement between the parties and applicable bankruptcy laws). The amendments to IFRS 7 concerned disclosures on financial (derivatives) instruments subject to enforceable master netting arrangements or similar arrangements even when they are not offset according to the provisions of IAS 32. The amendments to disclosures on the offsetting of financial instruments are effective for the year beginning on January 1, 2013 (comparative disclosures apply retrospectively).

At the date of this Annual Financial Report, the European Union has not yet completed the homologation process needed for the adoption of the amendments and standards outlined above.

On October 7, 2010, the IASB issued several amendments to IFRS 7 – Financial instruments: Disclosures effective for accounting periods beginning on or after July 1, 2011. The amendments were released in order to provide better understanding of transfers of financial assets (derecognition), and of the possible effects deriving from any risk that may remain with the entity that transferred the assets. The amendments also require additional disclosures in the event that a disproportionate amount of such transfer transactions occurs near the end of a reporting period. Application of this amendment will not have any effects on the measurement on the Group's financial statements.

3. FINANCIAL ASSETS

Classification and initial recognition

In accordance with IAS 39, financial assets are to be classified in the following four categories:
1. *financial assets at fair value through profit or loss;*
2. *held-to-maturity investments;*
3. *loans and receivables;*
4. *available-for-sale financial assets.*

The classification depends on the purpose for which assets are bought and held. Management decides on their initial classification at the time of initial recognition, subsequently checking that it still applies at the end of each reporting period.

The main characteristics of the assets mentioned above are as follows:

Financial assets at fair value through profit or loss
This is made up of two sub-categories:
- *financial assets held specifically for trading purposes;*
- *financial assets to be measured at fair value under the fair value option designation. This category also includes all financial investments, other than equity instruments that do not have a price quoted on an active market, but for which the fair value can be determined.*

Derivatives are included in this category, unless they are designated as hedging instruments, and their fair value is booked to the Income Statement.

At the time of initial recognition, financial assets held for trading are recognised at fair value, not including the transaction costs or income associated with the same instruments, which are recognised in the Income Statement.

All of the assets in this category are classified as current if they are held for trading purposes or if they are expected to be sold within 12 months from the end of the reporting period.

Designation of a financial instrument to this category is considered final (IAS 39 envisages some exceptional circumstances in which said financial assets may be reclassified in another category) and can only be done on initial recognition.

Held-to-maturity investments
These are non-derivative assets with fixed or determinable payments and fixed maturities which the Group intends to hold to maturity (e.g. subscribed bonds).
The intention and ability to hold the security to maturity has to be evaluated on initial recognition and confirmed at the end of each reporting period.
In the case of early disposal of securities belonging to this category (for a significant amount and not motivated by particular events), the entire portfolio is reclassified to financial assets available for sale and restated at fair value.

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market and in which the Group does not intend to trade.

They are included in current assets except for the portion falling due beyond 12 months from the end of the reporting period, which is classified as non-current.

Available-for-sale financial assets

This is a residual category represented by non-derivative financial assets that are designated as available for sale and which have not been assigned to one of the previous categories.

"Available-for-sale financial assets" are recorded at their fair value including related purchase costs.

They are classified as non-current assets, unless management intends to dispose of them within 12 months from the end of the reporting period.

Subsequent measurement

Gains and losses on "Financial assets at fair value through profit or loss" are immediately booked to the Income Statement.

"Available-for-sale financial assets" are measured at fair value unless a market price or fair value cannot be reliably determined. In this case the cost method is used.

Gains and losses on "Available-for-sale financial assets" are booked to a separate item under Other comprehensive income until they have been sold or cease to exist, or until it has been ascertained that they have suffered an impairment loss. When such events take place, all gains or losses recognised and booked to Other comprehensive income up to that moment are transferred to the Income Statement.

Fair value is the amount for which an asset could be exchanged, or a liability extinguished, in an arm's length transaction between informed and independent parties. Consequently, it is assumed that the holder is a going-concern entity and that none of the parties needs to liquidate their assets in a forced sale at unfavourable conditions.

In the case of securities traded on regulated markets, fair value is determined with reference to the bid price at the close of trading at the end of the reporting period.

In cases where no market valuation is available for an investment, fair value is determined either on the basis of the current market value of another very similar financial instrument or by using appropriate financial techniques (such as discounted cash flow analysis).

Purchases or sales regulated at "market prices" are recognised on the day of trading, which is the day on which the Group takes a commitment to buy or sell the asset.

In situations where the fair value cannot be reliably determined, the financial asset is carried at cost, with disclosure in the notes of its type and the reasons for measuring it at cost.

"Held-to-maturity investments" (cat. 2) and "Loans and receivables" (cat. 3) are measured at their amortised cost using the effective interest rate and taking account of any discounts or premiums obtained at the time of acquisition so that they can be recognised over the entire period until their maturity. Gains or losses are booked to the Income Statement either at the time that the investment reaches maturity or when an impairment arises, in the same way that they are recognised during the normal process of amortisation that is part of the amortised cost method.

Investments in financial assets can only be derecognised once the contractual rights to receive the cash flows deriving from such investments have expired (e.g. final redemption of bonds) or if the Group transfers the financial asset and all of the risks and benefits attached to it.

B) SEGMENT INFORMATION

4. OPERATING SEGMENTS

In compliance with the provisions of IFRS 8, the following information is provided by operating segments (business and geographical area).
The operating segments and performance indicators have been determined on the basis of the reports used by the Group's Managing Director for taking strategic decisions.

Business segments
With regard to the business segments, information concerning the two Divisions – Engine Systems and Suspension Components – is provided below. As of December 31, 2011, the Engine Systems Division encompasses the former "Filter Division" – a designation used until December 31, 2010 – as well as the Systèmes Moteurs Group; the two segments have been aggregated for the purpose of presentation because they deal with closely related products and are placed under the same management team. Figures for the Holding Company Sogefi S.p.A. and subsidiary Sogefi Purchasing S.a.S. are also provided for the purpose of reconciliation with consolidated values.

The tables below provide the Group's income statement and statement of financial position figures for 2010 and 2011:

(in thousands of Euro)	*2010*				
	Engine Systems Division	*Suspension Components Division*	*Sogefi SpA / Sogefi Purch. SaS*	*Adjustments*	*Sogefi consolidated f/s*
REVENUES					
Sales to third parties	*464,044*	*460,644*	*-*	*-*	*924,688*
Intersegment sales	*1,089*	*988*	*16,903*	*(18,955)*	*25*
TOTAL REVENUES	*465,133*	*461,632*	*16,903*	*(18,955)*	*924,713*
RESULTS					
EBIT	*19,430*	*27,546*	*(5,053)*	*(150)*	*41,773*
Financial expenses, net					*(9,554)*
Income from equity investments					*200*
Losses from equity investments					*-*
Result before taxes					*32,419*
Income taxes					*(11,570)*
Loss (profit) attributable to non-controlling interests					*(2,028)*
NET RESULT					*18,821*
STATEMENT OF FINANCIAL POSITION					
ASSETS					
Segment assets	*298,279*	*411,944*	*420,153*	*(485,956)*	*644,420*
Equity investments in associates	*-*	*-*	*-*	*-*	*-*
Unallocated assets	*-*	*-*	*-*	*94,896*	*94,896*
TOTAL ASSETS	*298,279*	*411,944*	*420,153*	*(391,060)*	*739,316*
LIABILITIES					
Segment liabilities	*184,859*	*257,530*	*256,444*	*(173,919)*	*524,914*
TOTAL LIABILITIES	*184,859*	*257,530*	*256,444*	*(173,919)*	*524,914*

OTHER INFORMATION					
Increase in tangible and intangible fixed assets	*16,631*	*19,146*	*250*	*-*	*36,027*
Depreciation, amortisation and writedowns	*20,946*	*24,605*	*474*	*151*	*46,176*

(in thousands of Euro)	*2011*				
	Engine Systems Division	*Suspension Components Division*	*Sogefi SpA / Sogefi Purch. SaS*	*Adjustments*	*Sogefi consolidated f/s*
REVENUES					
Sales to third parties	*610,361*	*546,594*	*-*	*1,430*	*1,158,385*
Intersegment sales	*1,144*	*1,130*	*18,567*	*(20,841)*	*-*
TOTAL REVENUES	*611,505*	*547,724*	*18,567*	*(19,411)*	*1,158,385*
RESULTS					
EBIT	*23,013*	*44,139*	*(8,190)*	*551*	*59,513*
Financial expenses, net					*(12,680)*
Income from equity investments					*-*
Losses from equity investments					*-*
Result before taxes					*46,833*
Income taxes					*(18,941)*
Loss (profit) attributable to non-controlling interests					*(3,156)*
NET RESULT					*24,736*
STATEMENT OF FINANCIAL POSITION					
ASSETS					
Segment assets	*475,064*	*422,275*	*591,760*	*(644,123)*	*844,976*
Equity investments in associates	*-*	*-*	*-*	*-*	*-*
Unallocated assets	*-*	*-*	*-*	*150,931*	*150,931*
TOTAL ASSETS	*475,064*	*422,275*	*591,760*	*(493,192)*	*995,907*
LIABILITIES					
Segment liabilities	*287,130*	*268,311*	*438,514*	*(212,940)*	*781,015*
TOTAL LIABILITIES	*287,130*	*268,311*	*438,514*	*(212,940)*	*781,015*
OTHER INFORMATION					
Increase in tangible and intangible fixed assets	*27,855*	*27,293*	*1,602*	*-*	*56,750*
Depreciation, amortisation and writedowns	*27,586*	*24,171*	*5,982*	*(5,401)*	*52,338*

Please note that the Engine Systems Division include the book value of the Systèmes Moteurs Group, whereas the other adjustments for its Purchase Price Allocation are posted in column "Adjustments".
The adjustment to "Sales to third parties" reflects provision for product warranties utilised; the relating fair value was booked to accounts during the Purchase Price Allocation process in connection with the Systèmes Moteurs Group acquisition, after receiving debit notes for product warranties.
Adjustments to "Intersegment sales" mainly refer to services provided by the Holding Company Sogefi S.p.A. and by the subsidiary Sogefi Purchasing S.a.S. to other Group companies (see note 40 for further details on the nature of the services provided). This item also includes intersegment sales between the Engine Systems Division and the Suspension Components Division.

Adjustments to "EBIT" refer to provisions for product warranties utilised, margin on Systèmes Moteurs Group inventories (equal to the difference between the fair value of acquired assets and their production cost determined on change of control date) released, depreciation on the fixed assets revaluations resulting from the acquisition of 40% of Sogefi Rejna S.p.A. and its subsidiaries in the year 2000 and of the Systèmes Moteurs Group in 2011.

In the Statement of Financial Position, the adjustments to "Segment assets" refer to the consolidation entry of investments in subsidiaries and intercompany receivables.
Adjustments to "Unallocated assets" mainly include the goodwill and the fixed assets revaluations resulting from the acquisitions of: the Allevard Ressorts Automobile group, 40% of Sogefi Rejna S.p.A., the Filtrauto group, 60% of Sogefi M.N.R. Filtration India Private Ltd and the Systèmes Moteurs group.

"Depreciation, amortisation and writedowns" include writedowns of tangible and intangible fixed assets for the amount of Euro 3,478 thousand, Euro 3,412 thousand of which originate from the current reorganisation of the Llntrisant site of subsidiary Sogefi Filtration Ltd. The assets of the British subsidiary were written down based on the fair value of assets at year-end date, which amounts to zero.

Note that "Non-current assets held for sale" (Euro 744 thousand as of December 31, 2011) refer to the "Suspension Components Division".

Geographical areas

The following tables provide a breakdown of the Group's income statement and statement of financial position figures by geographical area "of origin" for the years 2010 and 2011, based on the country of the company which made the sales or which owns the assets.
The breakdown of revenues by geographical area "of destination", in other words with regard to the nationality of the customer, is analysed in the directors' report and in the notes to the Income Statement.

(in thousands of Euro)			*2010*			
	Europe	*South America*	*North America*	*Asia*	*Adjustments*	*Sogefi consolidated f/s*
REVENUES						
Sales to third parties	673,191	219,530	12,835	19,132	-	924,688
Intersegment sales	21,799	880	16	1	(22,671)	25
TOTAL REVENUES	694,990	220,410	12,851	19,133	(22,671)	924,713
STATEMENT OF FINANCIAL POSITION						
ASSETS						
Segment assets	1,072,048	125,104	18,314	36,573	(607,619)	644,420
Equity investments in associates	-	-	-	-	-	-
Unallocated assets	-	-	-	-	94,896	94,896
TOTAL ASSETS	1,072,048	125,104	18,314	36,573	(512,723)	739,316
OTHER INFORMATION						
Increase in tangible and intangible fixed assets	24,294	6,981	1,061	4,283	(592)	36,027
Depreciation, amortisation and writedowns	35,650	6,423	946	1,042	2,115	46,176

(in thousands of Euro)	*2011*					
	Europe	*South America*	*North America*	*Asia*	*Adjustments*	*Sogefi consolidated f/s*
REVENUES						
Sales to third parties	*821,797*	*245,044*	*64,938*	*25,175*	*1,431*	*1,158,385*
Intersegment sales	*24,112*	*555*	*325*	*1,662*	*(26,654)*	*-*
TOTAL REVENUES	*845,909*	*245,599*	*65,263*	*26,837*	*(25,223)*	*1,158,385*
STATEMENT OF FINANCIAL POSITION						
ASSETS						
Segment assets	*1,408,970*	*128,155*	*66,374*	*52,801*	*(811,324)*	*844,976*
Equity investments in associates	*-*	*-*	*-*	*-*	*-*	*-*
Unallocated assets	*-*	*-*	*-*	*-*	*150,931*	*150,931*
TOTAL ASSETS	*1,408,970*	*128,155*	*66,374*	*52,801*	*(660,393)*	*995,907*
OTHER INFORMATION						
Increase in tangible and intangible fixed assets	*34,735*	*11,318*	*3,041*	*8,775*	*(1,119)*	*56,750*
Depreciation, amortisation and writedowns	*44,605*	*6,975*	*2,303*	*1,974*	*(3,519)*	*52,338*

Information on the main customers

Note that revenues from sales to third parties as of December 31, 2011 account for over 10% of Group revenues refer to: PSA (13.3% of total revenues) and Renault/Nissan (11.3% of total revenues).

C) NOTES ON THE MAIN ITEMS OF THE STATEMENT OF FINANCIAL POSITION

C 1) ASSETS

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents amount to Euro 102,461 thousand versus Euro 66,760 thousand as of December 31, 2010 and break down as follows:

(in thousands of Euro)	*12.31.2011*	*12.31.2010*
Short-term cash investments	*102,369*	*66,521*
Cheques	*16*	*158*
Cash on hand	*76*	*81*
TOTAL	*102,461*	*66,760*

"Short-term cash investments" earn interest at a floating rate.

As a result of the inclusion of the Systèmes Moteurs Group in the scope of consolidation, cash and cash equivalents increased by Euro 5,326 thousand (and Euro 8,311 thousand on the acquisition of control date).

For further details, please refer to the Analysis of the Net Financial Position in note 22 and to the Consolidated Cash Flow Statement included in the accounting schedules.

As of December 31, 2011, the Group has unutilised lines of credit for the amount of Euro 202,638 thousand. These funds are available for use on demand, because the conditions required for their availability are met.

6. OTHER FINANCIAL ASSETS

"Other financial assets" can be broken down as follows:

(in thousands of Euro)	*12.31.2011*	*12.31.2010*
Securities held for trading	*11*	*18*
Held-to-maturity investments	*1,893*	*-*
Assets for derivative financial instruments	*8*	*182*
TOTAL	*1,912*	*200*

"Securities held for trading" are measured at fair value based on official sources at the time the financial statements are drawn up. They represent readily marketable securities which are used by the companies to optimise cash management.
"Held-to-maturity investments" are valued at amortised cost and include bonds of a Spanish prime banking institution.

"Assets for derivative financial instruments" total Euro 8 thousand and refer to the fair value of forward foreign exchange contracts. The decrease in the item is linked to the trends in exchange rates at year end. Further details can be found in the analysis of financial instruments contained in note 39.

7. INVENTORIES

The breakdown of inventories is as follows:

(in thousands of Euro)	*12.31.2011*			*12.31.2010*		
	Gross	*Write-downs*	*Net*	*Gross*	*Write-downs*	*Net*
Raw, ancillary and consumable materials	*58,621*	*3,737*	*54,884*	*43,839*	*4,015*	*39,824*
Work in progress and semi-finished products	*13,454*	*292*	*13,162*	*12,445*	*269*	*12,176*
Contract work in progress and advances	*34,347*	*-*	*34,347*	*4,264*	*-*	*4,264*
Finished goods and goods for resale	*57,606*	*7,494*	*50,112*	*49,996*	*7,804*	*42,192*
TOTAL	*164,028*	*11,523*	*152,505*	*110,544*	*12,088*	*98,456*

The gross value of inventories records an increase by Euro 53,484 thousand, Euro 47,821 thousand of which originate from the inclusion of the Systèmes Moteurs Group in the scope of consolidation (please note the increase in "Contract work in progress and advances" reflecting tooling for sale to customers), whereas the remaining portion originates from increased production volumes. Exchange rates being equal, inventories would have increased by Euro 54,418 thousand.

Writedowns mainly consist of accruals for raw materials that can no longer be used for current production and for obsolete or slow-moving finished goods, goods for resale and ancillary materials. The decrease in the provisions reflects products scrapped during the year for the amount of Euro 1,848 thousand, whereas Euro 19 thousand are traced back to a negative exchange effect; these were partly offset by further accruals for Euro 1,302 thousand (recorded in the Income Statement under item "Variable cost of sales").
Inventories are encumbered by bank mortgages or liens totalling Euro 108 thousand to guarantee loans obtained by the subsidiary Allevard IAI Suspensions Private Ltd.

8. TRADE AND OTHER RECEIVABLES

Current receivables break down as follows:

(in thousands of Euro)	*12.31.2011*	*12.31.2010*
Trade receivables	*179,663*	*141,430*
Less: allowance for doubtful accounts	*5,319*	*5,852*
Trade receivables, net	*174,344*	*135,578*
Due from Parent Company	*4,311*	*3,237*
Due from associates	-	-
Tax receivables	*19,564*	*12,178*
Other receivables	*10,204*	*10,232*
Other assets	*2,800*	*2,485*
TOTAL	*211,223*	*163,710*

"Trade receivables, net" are non-interest bearing and have an average due date of 45 days, against 46 days recorded at the end of the previous year.

It should be noted that as of December 31, 2011, the Group factored trade receivables for Euro 57,557 thousand (Euro 37,563 thousand as of December 31, 2010), Euro 14,681 thousand of which pertain to the Systèmes Moteurs Group. The risks and benefits related to these receivables have been transferred to the factor; therefore these receivables have been derecognised from the Statement of Financial Position debiting the consideration received from the factoring company.

If the factoring transactions (Euro 57,557 thousand as of December 31, 2011 and Euro 37,563 thousand as of December 31, 2010) and Systèmes Moteurs Group figures (Euro 48,123 thousand) are excluded, trade receivables show a decrease of Euro 4,578 thousand for the most part originated from a reduction in receivables past due and a negative exchange effect (Euro 1,867 thousand).

Further adjustments were booked to "Allowance for doubtful accounts" during the year for a total of Euro 1,009 thousand, against net utilisations of the allowance for the amount of Euro 1,601 thousand (see note 39 for further details). Writedowns, net of provisions not used during the period, were charged to Income Statement under the item "Variable cost of sales – Variable sales and distribution costs".

"Due from Parent Company" as of December 31, 2011 is the amount receivable from the Parent Company CIR S.p.A. arising from the participation in the Group tax filing system on the part of the Italian companies of the Group.
See chapter F for the terms and conditions governing these receivables from CIR S.p.A..

"Tax receivables" as of December 31, 2011 include tax credits due to the Group companies by the tax authorities of the various countries. It does not include deferred taxes which are treated separately.
The increase in the item compared to the previous year includes Euro 7,631 thousand originated from the inclusion of the Systèmes Moteurs Group in the scope of consolidation.

"Other receivables" are made up as follows:

(in thousands of Euro)	*12.31.2011*	*12.31.2010*
Amounts due from social security institutions	*276*	*629*
Amounts due from employees	*235*	*224*
Advances to suppliers	*1,475*	*463*
Due from others	*8,218*	*8,916*
TOTAL	*10,204*	*10,232*

The decrease in "Amounts due from social security institutions" mainly relates to advance payment recovery by the subsidiary Sogefi Rejna S.p.A. from social security institutions for employees on redundancy benefits.

The increase in "Advances to suppliers" includes Euro 435 thousand originated from the inclusion of the Systèmes Moteurs Group in the scope of consolidation.

"Other receivables" decreased as a result of the advance payment of Euro 4,918 thousand related to the insurance indemnity of the subsidiary Filtrauto S.A. for product warranties given to customers. This decrease is partly offset by the inclusion of the Systèmes Moteurs Group in the scope of consolidation (Euro 1,915 thousand) and by an amount receivable recognised for the recovery of product warranties given to customers of the Systèmes Moteurs Group (Euro 1,430 thousand) as outlined in note "2.2 Business combinations".

The item "Other assets" essentially includes accrued income and prepayments on royalties, insurance premiums, indirect taxes relating to buildings and on costs incurred for sales activities.
The increase in this item basically accounts for the inclusion of the Systèmes Moteurs Group in the scope of consolidation (Euro 486 thousand).

9. TANGIBLE FIXED ASSETS

The net carrying amount of tangible fixed assets as of December 31, 2011 amounted to Euro 259,870 thousand versus Euro 227,146 thousand at the end of the previous year and breaks down as follows:

(in thousands of Euro)	*2011*				
	Land	*Buildings, plant and machinery, commercial and industrial equipment*	*Other assets*	*Assets under construction and payments on account*	*TOTAL*
Balance at January 1	14,423	189,145	4,278	19,300	227,146
Additions of the period	*583*	*14,360*	*1,148*	*20,164*	*36,255*
Disposals during the period	*(36)*	*(260)*	*(13)*	*(4)*	*(313)*
Exchange differences	*(206)*	*(1,251)*	*(76)*	*(441)*	*(1,974)*
Depreciation for the period	-	*(34,790)*	*(1,459)*	-	*(36,249)*
Writedowns/revaluations during the period	-	*(3,352)*	*(86)*	-	*(3,438)*
Change to the scope of consolidation	*1,006*	*35,102*	*715*	*1,913*	*38,736*
Other changes	*4*	*15,416*	*339*	*(16,052)*	*(293)*
Balance at December 31	15,774	214,370	4,846	24,880	259,870
Historical cost	*15,774*	*792,973*	*28,417*	*25,574*	*862,738*
of which: leases - gross value	1,158	18,542	15	-	19,715
Accumulated depreciation	-	*578,603*	*23,571*	*694*	*602,868*
of which: leases - accumulated depreciation	-	6,858	10	-	6,868
Net value	*15,774*	*214,370*	*4,846*	*24,880*	*259,870*
Net value - leases	1,158	11,684	5	-	12,847

(in thousands of Euro)	*2010*				
	Land	*Buildings, plant and machinery, commercial and industrial equipment*	*Other assets*	*Assets under construction and payments on account*	*TOTAL*
Balance at January 1	14,175	188,869	5,731	22,754	231,529
Additions of the period	-	*10,901*	*738*	*12,665*	*24,304*
Disposals during the period	*(9)*	*(520)*	*(53)*	-	*(582)*
Exchange differences	*215*	*5,815*	*300*	*1,266*	*7,596*
Depreciation for the period	-	*(33,097)*	*(1,577)*	-	*(34,674)*
Writedowns/revaluations during the period	-	*(171)*	*(72)*	*(694)*	*(937)*
Other changes	*42*	*17,348*	*(789)*	*(16,691)*	*(90)*
Balance at December 31	14,423	189,145	4,278	19,300	227,146
Historical cost	*14,423*	*733,874*	*27,322*	*19,994*	*795,613*
of which: leases - gross value	1,158	18,335	15	-	19,508
Accumulated depreciation	-	*544,729*	*23,044*	*694*	*568,467*
of which: leases - accumulated depreciation	-	5,750	5	-	5,755
Net value	*14,423*	*189,145*	*4,278*	*19,300*	*227,146*
Net value - leases	1,158	12,585	10	-	13,753

Investments during the year amounted to Euro 36,255 thousand compared with Euro 24,304 thousand in the previous year.

The larger projects regarded the "Assets under construction and payments on account" and "Buildings, plant and machinery, commercial and industrial equipment" categories.

Major investments in the "Assets under construction and payments on account" category include investments in the Indian start-up Allevard IAI Suspensions Private Ltd; in subsidiary S.ARA Composites S.A.S. for the spring prototypes line in composite material; in the Brazilian subsidiaries Allevard Molas do Brasil Ltda and Sogefi Filtration do Brasil Ltda for a new production line, quality improvement and new installations; in subsidiary Shanghai Sogefi Auto Parts Co. Ltd to upgrade production capacity and developing new products; and in subsidiaries Sogefi Rejna S.p.A. and Allevard Rejna Autosuspensions S.A. for new installations and the development of new products.

The most important projects in the "Buildings, plant and machinery, commercial and industrial equipment" category include investments in the subsidiaries Sogefi Filtration Ltd and Systèmes Moteurs S.A.S. for the development of new products and technologies; in Allevard Rejna Autosuspensions S.A. for the improvement of production processes and new installations; and in LPDN GmbH to upgrade production capacity and for plant maintenance.

Numerous other smaller investments were also made during the year, which focused on upgrading production plants and developing new products.

"Disposals during the period" mostly account for transfers of "Buildings, plant and machinery, commercial and industrial equipment" performed by several group companies for minor amounts.

"Writedowns/revaluations during the period" totalled Euro 3,438 thousand and is nearly entirely made up of writedowns of "Buildings, plant and machinery, commercial and industrial equipment" and "Other assets" performed by subsidiary Sogefi Filtration Ltd as a result of the restructuring of its Llantrisant production plant currently under way.

"Change to the scope of consolidation" represents the fair value of Systèmes Moteurs Group's assets at the acquisition date. These amounts mainly refer to land, buildings, plant and machinery of subsidiary Systèmes Moteurs S.A.S. and plant and machinery of subsidiary Mark IV Air Intake Systems Corp..
Please note that the fair value of plant and machinery included in the "Buildings, plant and machinery, commercial and industrial equipment" category was determined on a provisional basis.

"Other changes" refer to the completion of projects that were underway at the end of the previous year and their reclassification under the pertinent items.

The balance of "Assets under construction and payments on account" as of December 31, 2011 includes Euro 306 thousand of advances for investments.

The main inactive assets, with a total net value of Euro 6,635 thousand, included in the item "Tangible fixed assets" refer to an industrial building of the subsidiary Sogefi Rejna S.p.A. (located in Melfi); an industrial

building, with adjoining land and a property complex of the Holding Company Sogefi S.p.A. (located in Mantova and San Felice del Benaco).
The book value of said assets will be recovered through their sale rather than through their continuous use. As we do not expect to sell them within one year, they are not subject to the accounting treatment envisaged by IFRS 5.

In addition, Allevard Sogefi USA Inc. subsidiary owns a production line temporarily not in use for an amount of Euro 7,420 thousand (net value). The production will start again in 2012/2013 because of new customers' orders and the facility will accommodate certain production requests transferred from other Sogefi group companies.

"Depreciation for the period" has been recorded in the appropriate item in the Income Statement.

No interest costs were capitalised to "Tangible fixed assets" during the year 2011.

Guarantees

As of December 31, 2011, tangible fixed assets are encumbered by mortgages or liens totalling Euro 1,545 thousand to guarantee loans from financial institutions, compared to Euro 501 thousand as of December 31, 2010. Guarantees as of December 31, 2011 refer exclusively to the Indian subsidiaries Sogefi M.N.R. Filtration India Private Ltd and Allevard IAI Suspensions Private Ltd.

Purchase commitments

As of December 31, 2011, there are binding commitments to buy tangible fixed assets for Euro 2,460 thousand (Euro 4,266 thousand as of December 31, 2010) mainly relating to the subsidiaries S.ARA Composite S.A.S. and Allevard Rejna Autosuspensions S.A.. Said commitments will be settled within 12 months.

Leases

The carrying value of assets under financial leases as of December 31, 2011 was Euro 19,715 thousand, and the related accumulated depreciation amounted to Euro 6,868 thousand. The financial aspects of the lease payments and their due dates are explained in note 16.

10. INTANGIBLE ASSETS

The net balance as of December 31, 2011 was Euro 213,526 thousand versus Euro 133,489 thousand at the end of the previous year, and breaks down as follows:

(in thousands of Euro)	2011				
	Development costs	*Industrial patents and intellectual property rights, concessions, licences and trademarks*	*Other, assets under construction and payments on account*	*Goodwill*	*TOTAL*
Balance at January 1	27,624	5,048	6,738	94,079	133,489
Additions of the period	*13,246*	*396*	*6,853*	*-*	*20,495*
Disposals during the period	*-*	*(22)*	*(18)*	*-*	*(40)*
Exchange differences	*(106)*	*-*	*(154)*	*-*	*(260)*
Amortisation for the period	*(9,966)*	*(2,028)*	*(523)*	*-*	*(12,517)*
Writedowns during the period	*(129)*	*-*	*(5)*	*-*	*(134)*
Change to the scope of consolidation	*15,854*	*1,688*	*54*	*54,919*	*72,515*
Other changes	*1,075*	*353*	*(1,450)*	*-*	*(22)*
Balance at December 31	47,598	5,435	11,495	148,998	213,526
Historical cost	*105,233*	*21,943*	*15,796*	*171,896*	*314,868*
Accumulated amortisation	*57,635*	*16,508*	*4,301*	*22,898*	*101,342*
Net value	*47,598*	*5,435*	*11,495*	*148,998*	*213,526*

(in thousands of Euro)	2010				
	Development costs	*Industrial patents and intellectual property rights, concessions, licences and trademarks*	*Other, assets under construction and payments on account*	*Goodwill*	*TOTAL*
Balance at January 1	25,199	5,944	6,150	94,079	131,372
Additions of the period	*7,334*	*139*	*4,250*	*-*	*11,723*
Disposals during the period	*(36)*	*-*	*(52)*	*-*	*(88)*
Exchange differences	*801*	*3*	*237*	*-*	*1,041*
Amortisation for the period	*(8,251)*	*(1,537)*	*(462)*	*-*	*(10,250)*
Writedowns during the period	*(315)*	*-*	*-*	*-*	*(315)*
Other changes	*2,892*	*499*	*(3,385)*	*-*	*6*
Balance at December 31	27,624	5,048	6,738	94,079	133,489
Historical cost	*78,773*	*19,958*	*10,491*	*116,977*	*226,199*
Accumulated amortisation	*51,149*	*14,910*	*3,753*	*22,898*	*92,710*
Net value	*27,624*	*5,048*	*6,738*	*94,079*	*133,489*

Investments during the year amounted to Euro 20,495 thousand compared with Euro 11,723 thousand in the previous year.

The increases in "Development Costs" refer to the capitalisation of costs incurred by Group companies to develop new products in collaboration with leading motor vehicle manufacturers. The largest investments refer to the subsidiaries Filtrauto S.A., Systèmes Moteurs S.A.S. and Sogefi Filtration do Brasil Ltda.

The additions to "Other, assets under construction and payments on account" are principally due to the costs incurred for the acquisition or internal production of intangible assets not yet in use.
The most important investments were made in subsidiary Allevard Rejna Autosuspensions S.A. for the development of new products and in the Holding Company Sogefi S.p.A. for the implementation of the new ERP information system across the Sogefi Group.
It does not include advances to suppliers for the purchase of fixed assets.

The line "Writedowns during the period" mostly refers to the writedowns made by the subsidiary Sogefi Rejna S.p.A. after a project under way was abandoned.

"Change to the scope of consolidation" represents the provisional fair value of Systèmes Moteurs Group's assets at the acquisition date.

"Development costs" principally include costs generated internally, whereas "Industrial patents and intellectual property rights, concessions, licences and trademarks" consist of factors that are all acquired externally.
"Other, assets under construction and payments on account" include around Euro 5,435 thousand of costs generated internally.

There are no intangible assets with an indefinite useful life except for goodwill.

Goodwill and impairment test

From January 1, 2004 goodwill is no longer amortised, but subjected each year to impairment test.

The Company has identified five Cash Generating Units (CGUs) to which the goodwill deriving from acquisitions could be allocated:
- *engine systems – fluid filters (previously named "filters")*
- *engine systems - air intake and cooling ("Systèmes moteurs" group)*
- *car suspension*
- *industrial vehicle suspension*
- *precision springs*

For the moment, it is possible to identify goodwill deriving from external acquisitions in only three segments: fluid filters, air intake and cooling (to which the whole goodwill obtained with the acquisition of the Systèmes Moteurs group was allocated) and car suspension.
The specific goodwill of the "Engine Systems Division – fluid filters" amounts to Euro 77,030 thousand, the provisional goodwill of the "Engine Systems Division - air intake and cooling" amounts to Euro 54,919 thousand and the goodwill pertaining to the "Car Suspension Division" amounts to Euro 17,049 thousand.

Impairment tests have been carried out in accordance with the procedure laid down in IAS 36 to check whether there have been any losses in the value of this goodwill, by comparing the book value of the individual CGUs with their value in use, given by the present value of estimated future cash flows that are expected to result from the continuing use of the asset being tested for impairment.
We used the method that involves discounting unlevered cash flows, based on projections drawn up in budgets/long-term plans for the period 2012-2015, approved by management and in line with forecasts for the automotive segment (as estimated from the segment's most important sources) and on a discounting rate of 8.8%, which reflects the weighted average cost of capital.

The terminal value was calculated using the "perpetual annuity" approach, assuming a growth rate of 2% and considering an operating cash flow based on the last year of the long-term plan (the year 2015), adjusted to project a stable situation "in perpetuity", based on the following main assumptions:
- *a balance between capital investment and depreciation (according to the rationale of considering the level of investment needed to "maintain" the business);*
- *a zero change in working capital (assuming in effect that the benefits of the working capital reduction plan that the Group is currently implementing will run out in the medium-term).*

As regards the average cost of capital, we calculated a weighted average of the cost of debt (taking into consideration the benchmark interest rates plus a spread) and the Company's own cost of capital, based on parameters for a group of firms operating in the European car components sector which are considered by the leading industry analysts to be Sogefi's peers.

The values used to calculate the average cost of capital (extrapolated from the main financial sources) are as follows:
- *financial structure of the industry: 31.4%*
- *levered beta of the industry: 1.12*
- *risk free rate: 5.44% (average of risk free rates of the key markets in which the group operates weighted by sales revenues)*
- *risk premium: 5.5%*
- *cost of debt spread: 1.1%*

Sensitivity analyses were also carried out on two of the variables referred to above, with the growth rate being set to zero and the average cost of capital being increased by two percentage points. None of the scenarios used highlighted the need to post a write-down.
As far as the sensitivity analysis goes, the impairment test reached break even point at the following discounting rates (growth rate remaining unchanged at 2%): 17.29% for the engine systems division - fluid filters; 12.71% for the engine systems division - air intake and cooling; and 12.88% for the car suspension division.

The test based on the present value of the estimated future cash flows turns out a value in use of the CGUs that is considerably higher than their carrying value, so no writedown has been posted.

11. INVESTMENTS IN JOINT VENTURES

The item includes the investment in Mark IV Asset (Shanghai) Auto Parts Co., Ltd., a joint venture valued at the equity method.

12. OTHER FINANCIAL ASSETS AVAILABLE FOR SALE

As of December 31, 2011, these totalled Euro 490 thousand, compared with Euro 440 thousand as of December 31, 2010 and break down as follows:

(in thousands of Euro)	12.31.2011	12.31.2010
Equity investments in other companies	490	440
Other securities	-	-
TOTAL	490	440

The balance of "Equity investments in other companies" essentially refers to the 22.62% shareholding in the company AFICO FILTERS S.A.E.. The equity investment was not classified as associate due to the lack of group's members in the management bodies of the company.

13. FINANCIAL RECEIVABLES AND OTHER NON-CURRENT RECEIVABLES

Non-current trade receivables amount to Euro 918 thousand and refer to subsidiary Systèmes Moteurs S.A.S.; they relate to equipment supplied.

"Other receivables" break down as follows:

(in thousands of Euro)	12.31.2011	12.31.2010
Substitute tax	576	576
Pension fund surplus	11,298	8,039
Other receivables	2,228	1,531
TOTAL	14,102	10,146

"Substitute tax" refers to the amount paid by the Holding Company Sogefi S.p.A. for the revaluation of buildings at the end of 2005.

"Pension fund surplus" refers to the subsidiaries Sogefi Filtration Ltd (Euro 11,146 thousand) and Filtrauto S.A. (Euro 152 thousand relating to the ex subsidiary Sogefi Filtration B.V). For further details, refer to note 19.

The item "Other receivables" mainly includes tax credits, including fiscal credits on purchases of assets made by the Brazilian subsidiaries, and non-interest bearing guarantee deposits for leased properties. These receivables will be collected over the coming years.

The increase in the item reflects tax credits of subsidiaries S.ARA Composite S.A.S. and Allevard Rejna Autosuspensions S.A. for the amount of Euro 466 thousand for research and development activities, whereas the remaining portion originates from the change to the scope of consolidation (Euro 301 thousand).

14. DEFERRED TAX ASSETS

As of December 31, 2011, this item amounts to Euro 37,853 thousand compared with Euro 38,247 thousand as of December 31, 2010.
This amount relates to the expected benefits on deductible temporary differences, booked to the extent that it is probable that it will be recovered. Reference should be made to note 20 for a further discussion of this matter.

15. NON-CURRENT ASSETS HELD FOR SALE

This item includes the net value of Euro 744 thousand of the building of the UK subsidiary, United Springs Ltd, held for sale.

C 2) LIABILITIES AND EQUITY

16. FINANCIAL DEBTS TO BANKS AND OTHER FINANCING CREDITORS

These break down as follows:

Current portion

(in thousands of Euro)	*12.31.2011*	*12.31.2010*
Bank overdrafts and short-term loans	*9,827*	*35,958*
Current portion of medium/long-term financial debts	*46,962*	*42,773*
of which: leases	1,674	1,866
TOTAL SHORT-TERM FINANCIAL DEBTS	*56,789*	*78,731*
Other short-term liabilities for derivative financial instruments	*632*	*164*
TOTAL SHORT-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS	*57,421*	*78,895*

Non-current portion

(in thousands of Euro)	*12.31.2011*	*12.31.2010*
Financial debts to banks	*330,462*	*141,406*
Other medium/long-term financial debts	*7,916*	*9,562*
of which: leases	5,686	7,187
TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS	*338,378*	*150,968*
Other medium/long-term liabilities for derivative financial instruments	*8,416*	*2,042*
TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS	*346,794*	*153,010*

Bank overdrafts and short-term loans

For further details, please refer to the Analysis of the Net Financial Position in note 22 and to the consolidated Cash Flow Statement included in the financial statements.

Current portion of medium/long-term financial debts

As of December 31, 2011, this item principally includes the following loans:

- *the current portion of Euro 22,200 thousand of a Euro 100,000 thousand loan obtained by the Holding Company Sogefi S.p.A. from Unicredit Corporate Banking S.p.A. in 2006 (the residual amount as of December 31, 2011 was Euro 44,210 thousand). The loan expires in September 2013 and has a floating interest rate corresponding to the 3-month Euribor plus a base spread of 70 basis points. The spread actually applied at the end of 2011 corresponded to 70 basis points. The loan is not secured against any of the company's assets;*
- *the current portion of Euro 5,000 thousand of a Euro 40,000 thousand loan obtained by the Holding Company Sogefi S.p.A. from Banca Europea degli Investimenti (European Investment Bank) in 2010 (the residual amount as of December 31, 2011 was Euro 39,790 thousand). The loan expires in April 2016 and has*

a floating interest rate corresponding to the 3-month Euribor plus an average spread of 256 basis points. The loan is not secured against any of the company's assets;

- *the current portion of Euro 2,675 thousand of a Euro 4,000 thousand loan denominated in Renminbi obtained by the subsidiary Shanghai Sogefi Auto Parts Co., Ltd from Unicredit in 2011 (the residual amount as of December 31, 2011 corresponded to the full amount). The loan expires in September 2012 and has a floating interest rate corresponding to the six-monthly PBOC plus a spread of 300 basis points. The loan is not secured against any of the company's assets;*
- *the current portion of Euro 2,295 thousand of a Euro 25,000 thousand loan obtained by the Holding Company Sogefi S.p.A. from Banca Carige S.p.A. in 2011 (the residual amount as of December 31, 2011 was Euro 24,686 thousand). The loan expires in June 2017 and has a floating interest rate corresponding to the 3-month Euribor plus a fixed spread of 225 basis points. The loan is not secured against any of the company's assets;*
- *the current portion of Euro 2,000 thousand of a Euro 10,000 thousand loan obtained by the Holding Company Sogefi S.p.A. from GE Capital S.p.A. in 2011 (the residual amount as of December 31, 2011 was Euro 9,926 thousand). The loan expires in December 2016 and has a floating interest rate corresponding to the 3-month Euribor plus a fixed spread of 230 basis points. The loan is not secured against any of the company's assets;*
- *the current portion of other minor medium/long-term loans, including financial lease payments in accordance with IAS 17.*

In April 2011, Holding Company Sogefi S.p.A. repaid and redeemed in advance the full residual amount of the loan obtained from Intesa Sanpaolo S.p.A. in 2006. Further details are provided below. The current portion as of December 31, 2010 amounted to Euro 11.1 million.

Other short-term liabilities for derivative financial instruments

The item includes the short-term portion of the fair value of interest risk hedging contracts and exchange risk hedging contracts.
Reference should be made to chapter E for a further discussion of this matter.

Medium/long-term financial debts

This mainly includes the following loans:

- *the syndicated loan obtained by the Holding Company Sogefi S.p.A. in 2008 for a total of Euro 160,000 thousand, Euro 159,825 thousand of which had been drawn down as of December 31, 2011. The loan expires in June 2013 and has a floating interest rate corresponding to the 3-month Euribor plus a base spread of 50 basis points. The spread actually applied at the end of 2011 corresponded to 50 basis points. The loan is not secured against any of the company's assets;*
- *the revolving loan obtained by the Holding Company Sogefi S.p.A. from Banca Nazionale del Lavoro S.p.A. in 2011 for a total of Euro 40,000 thousand, and drawn down for its full amount as of December 31, 2011. The loan expires in January 2013 and has a floating interest rate corresponding to the 3-month Euribor plus a fixed spread of 180 basis points. The loan is not secured against any of the company's assets;*
- *the medium-long term portion of Euro 34,790 thousand of the Euro 40,000 thousand loan obtained by the Holding Company Sogefi S.p.A. from Banca Europea degli Investimenti (European Investment Bank) in 2010;*

– the loan obtained by the Holding Company Sogefi S.p.A. from Intesa Sanpaolo S.p.A. in 2011 for a total of Euro 60,000 thousand, divided into two tranches of Euro 30,000 thousand each, with one tranche at amortised capital instalments and one of the revolving type. As of December 31, 2011, Euro 29,339 had been drawn down. The loan expires in December 2016 and has a floating interest rate corresponding to the 3-month Euribor plus a fixed spread of 250 basis points until May 1, 2012; after that date, a base spread of 200 basis points will be applied. The loan is not secured against any of the company's assets. When the new loan was taken out, the Holding Company Sogefi S.p.A. redeemed the previous loan in advance by repaying the residual amount of about Euro 27.8 million (Euro 11.1 million of which were the current portion); the previous loan for a total of Euro 50.0 million had been obtained from Intesa Sanpaolo S.p.A. in 2006 at a floating interest rate corresponding to the 3-month Euribor plus a base spread of 60 basis points, and was to expire in September 2013;
– the medium-long term portion of Euro 22,391 thousand of the Euro 25,000 thousand loan obtained by the Holding Company Sogefi S.p.A. from Banca Carige S.p.A. in 2011.

In March 2011, the Holding Company Sogefi S.p.A. signed a revolving loan agreement for a total of Euro 25 million with Banca Monte dei Paschi di Siena S.p.A.. The agreement term is 6 years; the 3-month Euribor plus a fixed spread of 175 basis points will be applied until the first test ratio date; after that date, a base spread of 150 basis points will be applied. As of December 31, 2011, the Holding Company had not made any draw-down as regards the above loan.

The item "Other medium/long-term financial debts" includes other minor loans, as well as financial lease payments in accordance with IAS 17.

It is specified that, contractually, the spreads of the loans of the Holding Company Sogefi S.p.A. are reviewed every six months on the basis of the computation of the consolidated NFP/normalised consolidated EBITDA ratio.

For an analysis of the covenants relating to loans outstanding at the end of the period, please refer to note 22.

Other medium/long-term financial liabilities for derivative financial instruments

The item includes the medium/long-term portion of the fair value of the interest risk hedging instruments.
The increase in the item accounts for new multi-year agreements entered into by the Holding Company Sogefi S.p.A. to cover part of the loans taken out in 2011 and part of the future loans that are highly probable to be taken out.
Reference should be made to chapter E for a further discussion of this matter.

Finance leases

The Group has finance leases as well as rental and hire contracts for property, plant and machinery that, according to their type, cover almost the entire useful life of the asset concerned. The assets held under these leases, rental and hire contracts are booked in accordance with IAS 17 as though they were fixed assets owned by the company, disclosing their historical cost, depreciation, the financial cost and the residual liability.

Future payments deriving from these contracts can be summarised as follows:

(in thousands of Euro)	*Instalments*	*Capital*
Within 12 months	*2,072*	*1,674*
Between 1 and 5 years	*4,034*	*2,821*
Beyond 5 years	*3,597*	*2,865*
Total lease payments	*9,703*	*7,360*
Interests	*(2,343)*	*-*
TOTAL PRESENT VALUE OF LEASE PAYMENTS	*7,360*	*7,360*

The contracts included in this item refer to the following subsidiaries:

– Sogefi Filtration Ltd for a long-term rental contract for the production site in Tredegar. The contract expires in September 2022 and the original total amount of the contract was GBP 2,650 thousand; the future capital payments amount to GBP 2,208 thousand and the annual nominal rate of interest applied by the lessor is 11.76%.
The Group has not given any sureties for this contract.
This rental contract has been accounted for as financial leases, as required by IAS 17, where the present value of the rent payments coincided approximately with the fair value of the asset at the time the contract was signed.

– Allevard Rejna Autosuspensions S.A. has two lease contracts for the following production sites:
a) Lieusaint: the contract expires in October 2014 and the original total amount of the contract was Euro 6,575 thousand, the future capital payments amount to Euro 1,317 thousand and the annual nominal rate of interest applied by the lessor is 3-month Euribor plus a spread of 60 basis points. The Group has not given any sureties for this contract;
b) Fronville: the contract expires in June 2012 and the original total amount of the contract was Euro 6,412 thousand, the future capital payments amount to Euro 569 thousand and the annual nominal rate of interest applied by the lessor is 3-month Euribor plus a spread of 72 basis points. The Group has not given any sureties for this contract.
There are no restrictions of any nature on these leases. There is a purchase option at the end of the contracts to buy the assets, namely Euro 4 thousand for the production site at Lieusaint and Euro 305 thousand for the site at Fronville. Given that it is probable that the options will be exercised, considering the low redemption values of the assets, these contracts have been accounted for as finance leases, as foreseen by IAS 17.

– Allevard Sogefi USA Inc. has entered into the following lease contracts for the Prichard production site relating to:
a) plants, machinery and improvements to the building for an original amount of USD 1,600 thousand. The contract expires in May 2019, the future capital payments amount to USD 1,245 thousand and the annual interest rate applied by the lessor is equal to 3.92%. The Group has given sureties for this contract;
b) plant, machinery and improvements to the building for an original amount of USD 1,897 thousand, increased to USD 3,000 thousand during the course of 2010. The contract expires in July 2019, the future capital payments amount to USD 2,416 thousand and the annual interest rate applied by the lessor is equal to 3%. The Group has given sureties for this contract.

There are no restrictions of any nature on these leases. Upon expiry of the contracts ownership of the assets is transferred to the lessee without payment of any purchase price. These contracts are therefore accounted for as financial leases, as required by IAS 17.

17. TRADE AND OTHER CURRENT PAYABLES

The amounts shown in the financial statements can be broken down into the following categories:

(in thousands of Euro)	12.31.2011	12.31.2010
Trade and other payables	283,516	210,019
Tax payables	8,615	6,235
TOTAL	292,131	216,254

Details of trade and other payables are as follows:

(in thousands of Euro)	12.31.2011	12.31.2010
Due to suppliers	216,980	159,819
Due to the parent company	433	263
Due to tax authorities for indirect and other taxes	9,698	7,495
Due to social and security institutions	20,931	15,123
Due to employees	27,911	20,647
Other payables	7,563	6,672
TOTAL	283,516	210,019

The amounts "Due to suppliers" are not subject to interest and on average are settled in 74 days, compared to 78 days recorded in 2010.
There is no significant concentration of payables due to any one supplier or small group of suppliers.

If the Systèmes Moteurs Group is not included in the scope of consolidation (Euro 57,893 thousand) and the reduction due to exchange rate fluctuation (Euro 1,174 thousand) is excluded, trade payables are found to be virtually stable.

The increase in payables "Due to tax authorities for indirect and other taxes", "Due to employees" and "Due to social and security institutions" is traced back for the most part to the change to the scope of consolidation.

The increase in "Tax payables" reflects the higher tax burden resulting from the improved results achieved in this period.

18. OTHER CURRENT LIABILITIES

"Other current liabilities" include adjustments to costs and revenues for the period so as to ensure compliance with the accruals based principle (accrued expenses and deferred income) and advances received from customers for orders still to be delivered.
The Euro 5,203 thousand increase in the item includes Euro 2,334 thousand arising out of the change to scope of consolidation and the remaining amount was originated from larger advances paid by customers for tooling to be built.

19. LONG-TERM PROVISIONS AND OTHER PAYABLES

These are made up as follows:

(in thousands of Euro)	*12.31.2011*	*12.31.2010*
Pension funds	*27,346*	*23,714*
Provision for employment termination indemnities	*5,679*	*5,578*
Provision for restructuring	*2,484*	*8,027*
Provisions for disputes with tax authorities	*80*	*317*
Provision for phantom stock options	*59*	*226*
Provision for product warranties	*1,404*	*705*
Other risks	*2,482*	*2,598*
Agents' termination indemnities	*86*	*81*
Lawsuits	*887*	*531*
TOTAL	*40,507*	*41,777*

Details of the main items are given below.

Pension funds

The amount of Euro 27,346 thousand represents the amount set aside at year end by the various Group foreign companies to cover the liabilities of their various pension funds. We point out that as of December 31, 2011, the pension funds of the subsidiaries Sogefi Filtration Ltd and Filtrauto S.A. (for the part relating to the ex subsidiary Sogefi Filtration B.V.) show a surplus of Euro 11,146 thousand and Euro 152 thousand, respectively, which have been reported on the line "Other receivables", as explained in note 13. The net amount of the liabilities to the various pension funds as of December 31, 2011 is therefore equal to Euro 16,048 thousand, as presented in the following table which shows movements in "Pension funds" during the course of the year:

(in thousands of Euro)	*12.31.2011*	*12.31.2010*
Opening balance	*15,675*	*16,688*
Cost of benefits charged to income statement	*936*	*2,219*
Contributions paid	*(2,849)*	*(3,055)*
Change to the scope of consolidation	*2,605*	*-*
Exchange differences	*(319)*	*(177)*
TOTAL	*16,048*	*15,675*
of which booked to Liabilities	27,346	23,714
of which booked to Assets	(11,298)	(8,039)

The amounts charged to the Income Statement can be summarised as follows:

(in thousands of Euro)	*2011*	*2010*
Current service cost	*2,040*	*1,010*
Interest cost	*8,701*	*8,633*
Expected return on plan assets	*(9,387)*	*(8,740)*
Actuarial (gains) losses recognised during the year	*(1,119)*	*1,316*
Past service cost	*240*	*-*
Settlements/Curtailments	*461*	*-*
TOTAL	*936*	*2,219*

"Current service cost" and "Past service cost" are included in the various "Labour cost" lines of Income Statement items. It should be stressed that "Current service cost" for the previous year included a benefit for the amount of Euro 808 thousand resulting from a reduction in pension funds in connection with the restructuring plans under way at that time.
"Interest cost" and "Expected return on plan assets" are included in "Financial expenses (income), net".
A portion of actuarial gains for the amount of Euro 329 thousand is included in "Labour cost", whereas the remaining amount is booked to "Other non-operating expenses (income)". The profit for the year mainly originates from the changed limit for the value of assets for employee benefits that may be recognised in the financial statements.
Item "Settlements/Curtailments" is included in "Other non-operating expenses (income)" and relates to subsidiary Sogefi Filtration Ltd for the reorganisation under way at the Llantrisant plant.

The following table shows the breakdown of "Pension funds" by geographical area of the relevant subsidiaries:

(in thousands of Euro)	*12.31.2011*	*12.31.2010*
Great Britain	*(9,987)*	*(6,741)*
France	*23,074*	*19,365*
Germany	*2,776*	*2,886*
Other	*185*	*165*
TOTAL	*16,048*	*15,675*

The increase in Great Britain surplus is due to the ordinary contributions made during the year, which exceeded the related current service cost, and to the dynamics of actuarial valuations.
The increase in pension funds in France originates from the change to the scope of consolidation due to the inclusion of the Systèmes Moteurs group for the amount of Euro 2,605 thousand.

The following paragraphs summarise the pension systems in the geographical areas that affect the Group the most: Great Britain and France.
Note that the actuarial valuations of the "Pension funds" are carried out by external specialists.

Great Britain

In Great Britain, pension plans are mainly private, being made with fund management companies and administered independently from the company.
They are classified as defined-benefit plans subject to actuarial valuation that are accounted for according to the corridor approach as provided for by IAS 19.

The main assumptions used in the actuarial valuation of these "Pension funds" were as follows:

	12.31.2011	12.31.2010
Discount rate %	4.8	5.5
Expected rate of return on plan assets %	2.0-7.0	2.0-7.5
Expected annual wage rise %	3.1-4.0	3.4-4.4
Annual inflation rate %	3.1	3.4
Retirement age	65	65

It is specified that the range of values presented for the "Expected rate of return on plan assets %" refers to the various types of assets included in the basket (shares, bonds, cash).
The reduction in the "Discount rate" is the result of the downward trend in returns on AA-rated corporate bonds recorded in 2011.

France

Pensions in France are essentially based on state pension plans and the responsibility of the company is limited to paying the contributions established by law.
In addition to this basic assistance guaranteed by the state, employees also have the right to other amounts that depend on their period of service and salary level, which are only paid if the employee reaches retirement age in the company.
These additional benefits are recognised as a liability for the company and, in accordance with IAS 19, they are considered as defined-benefit plans subject to actuarial valuation.

The main assumptions used in the actuarial valuation of these "Pension funds" were as follows:

	12.31.2011	12.31.2010
Discount rate %	4.75-5.00	4.50
Expected annual wage rise %	2.0-2.5	2.0-3.0
Annual inflation rate %	2.0	2.0
Retirement age	62-65	62-65

The increase in the "Discount rate" compared to the previous year is the result of the upward trend in returns on AA-rated corporate bonds recorded in 2011.

The following table shows all of the obligations deriving from "Pension funds" and the present value of the plan assets for the year 2011 and the four previous years.

(in thousands of Euro)	*12.31.2011*	*12.31.2010*	*12.31.2009*	*12.31.2008*	*12.31.2007*
Present value of defined benefit obligations	*179,572*	*164,835*	*151,614*	*124,549*	*164,415*
Fair value of plan assets	*149,486*	*144,044*	*130,352*	*108,292*	*148,962*
Deficit	*30,086*	*20,791*	*21,262*	*16,257*	*15,453*
Liabilities recorded in "Long-term provisions"	*27,346*	*23,714*	*23,614*	*23,470*	*23,718*
Surplus recorded in "Other receivables"	*(11,298)*	*(8,039)*	*(6,926)*	*(4,048)*	*(124)*
Unamortised past service (income) cost	*1,826*	*2,238*	*196*	*(17)*	*(18)*
Unrecognised actuarial (gains) losses	*12,212*	*2,878*	*4,378*	*(3,148)*	*(8,123)*

"Unamortised past service (income) cost" reflects the increase of pension benefits recorded in the previous year following a change in national sector agreements in France. This increase will be amortised (and therefore booked to the Income Statement) on the basis of the length of the average residual working life of employees.

The item "Unrecognised actuarial (gains) losses" refers to the gains and losses not booked to the Income Statement as lower than the threshold of the corridor. The increase in the item compared to the previous year mainly reflects actuarial losses on the UK pension plan assets.

Changes in the "Present value of defined benefit obligations" were as follows:

(in thousands of Euro)	*12.31.2011*	*12.31.2010*
Present value of defined benefit obligations at the beginning of the period	*164,835*	*151,614*
Current service cost	*2,040*	*1,010*
Interest cost	*8,701*	*8,633*
Contribution paid by plan participants	*634*	*733*
Actuarial (gains) losses recognised during the period	*2,492*	*3,691*
Exchange differences	*4,561*	*4,077*
Benefits paid	*(6,553)*	*(7,083)*
Past service cost	*(168)*	*2,160*
Change to the scope of consolidation	*2,605*	*-*
Settlements/Curtailments	*425*	*-*
Present value of defined benefit obligations at the end of the period	*179,572*	*164,835*

The increase of the present value of obligations compared to the previous year is mainly due to the decrease in the discount rate of UK pension funds, which was only partially offset by the increase in the discount rate of French pension funds and the dropping inflation rate adopted for the valuation of UK pension funds. The effects resulting from these changes are included in "Actuarial (gains) losses recognised during the period".
Fluctuating exchange rates and the change to the scope of consolidation also contributed to the increase in the present value of obligations.

Changes in the fair value of plan assets are illustrated in the table below:

(in thousands of Euro)	*12.31.2011*	*12.31.2010*
Fair value of plan assets at the beginning of the period	*144,044*	*130,352*
Expected return on plan assets	*9,387*	*8,740*
Contribution paid by plan participants	*634*	*733*
Contribution paid by the company	*1,891*	*2,191*
Actuarial gains (losses) of the period	*(5,201)*	*4,223*
Exchange differences	*4,327*	*4,027*
Benefits paid	*(5,596)*	*(6,222)*
Fair value of plan asset at the end of the period	*149,486*	*144,044*

The instability of financial markets aversely affected the fair value of plan assets, causing actuarial losses for the amount of Euro 5,201 thousand. To counter such instability, asset allocation was modified by increasing bonds and liquid funds and decreasing stocks as shown in the table below:

	12.31.2011	*12.31.2010*
Debt instruments	*42%*	*34%*
Capital instruments	*31%*	*41%*
Cash	*20%*	*11%*
Other assets	*7%*	*14%*
TOTAL	*100%*	*100%*

Provision for employment termination indemnities (TFR)

This aspect only concerns the Group's Italian companies, where pensions are represented by state plans and the company's responsibility is limited to regular payment of social contributions each month.
In addition to state-provided pensions, employees are entitled to a termination indemnity when they leave the company or retire. This is put aside in a specific provision and the amounts accrued in previous years are subject to annual revaluation. This supplementary indemnity is considered as a defined-benefit fund, but subject to actuarial valuation for the part relating to the expected future benefits in respect of past service (which is the part subject to annual revaluation). Any actuarial losses of the individual companies are booked to the Income Statement if they fall outside the 10% corridor limit.
Further to the amendments to the "Provision for employment termination indemnities" introduced by Law 296 of December 27, 2006 and subsequent decrees and regulations issued in the early part of 2007, the portions of the provision accruing as from January 1, 2007 and transferred either to supplementary pension funds or the treasury fund held by INPS (the Italian social security authority) are being treated as "defined-contribution plans". These amounts therefore do not require actuarial valuation and are no longer booked to the "Provision for employment termination indemnities". The "Provision for employment termination indemnities" accruing up to December 31, 2006 is still a "defined-benefit plan", consequently requiring actuarial valuation, which however will no longer take account of the component relating to future wage inflation.
This change is only applicable to companies with more than 50 employees (not applicable to Holding Company Sogefi S.p.A.).

The assumptions taken into consideration when carrying out the actuarial valuation of the "Provision for employment termination indemnities" were as follows:

– Macroeconomic assumptions:

1. *discount rate: 4.25%*
2. *annual inflation rate: 2%*
3. *annual increase in termination indemnity: 3%*

– Demographic assumptions:

1. *rate of voluntary resignations: 3% - 10% of the workforce;*
2. *retirement age: it was assumed that employees would reach the first of the requirements valid for mandatory general social security;*
3. *probability of death: the RG48 mortality tables produced by the General State Accounting Body were used;*
4. *probability of advanced settlement: 2% - 3% each year;*
5. *INPS' table split by age and gender was used for the probability of disability.*

The provision changed as follows during the period:

(in thousands of Euro)	*12.31.2011*	*12.31.2010*
Opening balance	*5,578*	*8,365*
Accruals for the period	*377*	*409*
Contributions paid	*(276)*	*(3,196)*
TOTAL	*5,679*	*5,578*

The amounts charged to the Income Statement can be summarised as follows:

(in thousands of Euro)	*2011*	*2010*
Current service cost	*77*	*93*
Interest cost	*283*	*301*
Actuarial (gains) losses recognised during the year	*17*	*15*
TOTAL	*377*	*409*

Unrecognised actuarial losses are lower than the threshold of the corridor and amount to Euro 793 thousand as of December 31, 2011 (Euro 775 thousand as of December 31, 2010).

Provision for restructuring

These are amounts set aside for restructuring operations that have been officially announced and communicated to those concerned, as required by IAS/IFRS.

The provision changed as follows during the period:

(in thousands of Euro)	*12.31.2011*	*12.31.2010*
Opening balance	*8,027*	*11,056*
Accruals for the period	*786*	*7,122*
Utilisations	*(6,023)*	*(10,062)*
Provisions not used during the period	*(167)*	*(93)*
Other changes	*(162)*	*-*
Exchange differences	*23*	*4*
TOTAL	*2,484*	*8,027*

"Accruals for the period" mainly refer to the reorganisation of production activities under way at the Llantrisant plant (engine systems).
"Utilisations" have been booked as reductions of provisions previously set aside for restructuring projects planned and initiated in previous years and completed or being completed mainly in the engine systems division.
The "Provisions not used during the period" relate to amounts previously set aside which turned out to be excessive compared with the amount actually spent.
Movements in the "Accruals for the period" net of the "Provisions not used during the period" occurred during the year total Euro 619 thousand; this figure is booked to the Income Statement under "Restructuring costs".

Provisions for disputes with tax authorities

This refers to tax disputes underway with local tax authorities, relating mainly to subsidiary Sogefi Rejna S.p.A., for which the appropriate provisions have been made, even though the final outcome is not yet certain.

The provision changed as follows during the period:

(in thousands of Euro)	*12.31.2011*	*12.31.2010*
Opening balance	*317*	*446*
Accruals for the period	*-*	*-*
Utilisations	*(237)*	*(129)*
Provisions not used during the period	*-*	*-*
Other changes	*-*	*-*
Exchange differences	*-*	*-*
TOTAL	*80*	*317*

The decrease in the item reflects the settlement of the tax dispute of the subsidiary Sogefi Filtration S.A., which required payment of the amount set aside during the previous years.

Provision for phantom stock options

This item amounted to Euro 59 thousand (Euro 226 thousand as of December 31, 2010) and refers to the fair value accrual for incentive schemes providing for cash payment, known as phantom stock options, for the Managing Director of the Holding Company. The change in the provision reflects the portion of the change in fair value attributable to the period (Euro 167 thousand). The decrease in the provision has been included in the Income Statement under "Directors' and statutory auditors' remuneration". More details on the phantom stock option plans can be found in note 29.

Other provisions

As regards the "Other provisions", the amounts shown in the financial statements are the best possible estimate of the underlying liabilities. The following table shows the movements in the most important items:

(in thousands of Euro)	12.31.2010			
	Provision for product warranties	Other risks	Agents' termination indemnities	Lawsuits
Opening balance	4,090	2,450	159	620
Accruals for the period	151	1,274	4	112
Utilisations	(3,317)	(389)	(82)	(184)
Provisions not used during the period	(221)	(776)	-	(22)
Exchange differences	2	39	-	5
TOTAL	705	2,598	81	531

(in thousands of Euro)	12.31.2011			
	Provision for product warranties	Other risks	Agents' termination indemnities	Lawsuits
Opening balance	705	2,598	81	531
Accruals for the period	554	914	5	163
Utilisations	(1,481)	(261)	-	(75)
Provisions not used during the period	(216)	(543)	-	(114)
Change to the scope of consolidation	1,821	-	-	384
Other changes	-	(200)	-	-
Exchange differences	21	(26)	-	(2)
TOTAL	1,404	2,482	86	887

The item "Provision for product warranties" refers to both allocations calculated on a statistical basis made by the Group companies to cover warranties to customers and to allocations for specific risks and litigations towards customers.
The "Provisions not used during the period" mainly refer to provisions made in previous years, that were then found to be excessive following an updated assessment of the risk and of related insurance cover.

"Change to the scope of consolidation" represents the fair value of assumed Systèmes Moteurs Group's liabilities at the acquisition date. The item includes Euro 1,430 thousand for liabilities booked during the purchase price allocation process; the full amount was utilised at the end of year 2011.

The increase in item "Other risks" mainly refers to the accruals for disputes with employees (Euro 571 thousand), and suppliers (Euro 200 thousand).
"Provisions not used during the period" of the item "Other risks" mainly refer to the reduction of the provisions set aside by the subsidiary LPDN GmbH to cover noise pollution risks and the economic impact of the probable requests for part-time contracts by employees who, having reached the age limits established by the law, have the right to request the company to grant said contracts.
"Other changes" represent reclassifications of other items of the financial statements.

"Accruals for the period" and "Provisions not used during the period" of "Lawsuits" refer to disputes with employees.
"Change to the scope of consolidation" represents the fair value of assumed Systèmes Moteurs Group's liabilities relating to disputes with employees at the acquisition date.

Other payables

"Other payables" totalled Euro 1,619 thousand (Euro 410 thousand as of December 31, 2010) and mainly regard the Systèmes Moteurs Group, namely advances received from customers and amounts due to suppliers.

20. DEFERRED TAX ASSETS AND LIABILITIES

The following details of deferred tax assets and liabilities are provided in light of the IAS/IFRS disclosure requirements.

(in thousands of Euro)	*12.31.2011*		*12.31.2010*	
	Amount of temporary differences	*Tax effect*	*Amount of temporary differences*	*Tax effect*
Deferred tax assets:				
Allowance for doubtful accounts	*2,616*	*734*	*2,233*	*628*
Fixed assets writedowns	*21,569*	*6,874*	*21,908*	*6,795*
Inventory writedowns	*5,586*	*1,811*	*6,248*	*2,015*
Provisions for restructuring	*777*	*213*	*3,250*	*1,024*
Other provisions	*22,977*	*7,622*	*18,781*	*6,203*
Other	*20,468*	*6,553*	*25,960*	*8,927*
Deferred tax assets for tax losses incurred during the year	*8,553*	*2,138*	*14,057*	*4,628*
Deferred tax assets for tax losses incurred during previous years	*37,510*	*11,908*	*25,209*	*8,027*
TOTAL	*120,056*	*37,853*	*117,646*	*38,247*
Deferred tax liabilities:				
Accelerated/excess depreciation and amortisation	*68,154*	*20,221*	*62,802*	*19,633*
Difference in inventory valuation methods	*79*	*33*	*819*	*236*
Capitalisation of R&D costs	*35,802*	*11,502*	*26,609*	*9,072*
Other	*13,583*	*3,463*	*12,294*	*3,506*
TOTAL	*117,618*	*35,219*	*102,524*	*32,447*
Deferred tax assets (liabilities), net		*2,634*		*5,800*
Temporary differences excluded from the calculation of deferred tax assets (liabilities):				
Tax losses carried forward	*59,732*	*22,094*	*48,425*	*18,521*
Other	*(626)*	*(237)*	*(820)*	*(254)*
TOTAL	*59,106*	*21,857*	*47,605*	*18,267*

The tax effect has been calculated on the basis of the rates applicable in the various countries, which are in line with those of the previous year, except for the tax rate in force in Great Britain (25% as of December 31, 2011 compared to 28% the previous year).

The change in "Deferred tax assets (liabilities), net" compared with December 31, 2010 amounts to Euro 3,166 thousand and differs by Euro 3,281 thousand from the amount shown in the Income Statement under "Income taxes – Deferred tax liabilities (assets)" due to:

- *movements in financial items that did not have any effect on the income statement and therefore the related positive tax effect has been recorded in equity (Euro 1,854 thousand);*
- *change to the scope of consolidation due to the inclusion of the Systèmes Moteur group. The provisional fair value of net deferred tax liabilities at the acquisition date amounted to Euro 5,298 thousand. This amount mainly refers to deferred tax liabilities on R&D costs capitalisation and on the depreciation and amortisation differentials of subsidiary Systèmes Moteurs S.A.S., which were partly offset by deferred tax assets, entirely utilised at the end of the year 2011, on past losses of subsidiary Mark IV Air Intake Systemes Corp.;*
- *reclassifications or exchange differences.*

The decrease in the tax effect in the item "Provisions for restructuring" relates to the use of accruals made in the previous year for production reorganisation mainly implemented at the French subsidiary Filtrauto S.A..
The decrease in the tax effect in the item "Other" mostly originates from a reclassification made under "Capitalisation of R&D costs".
The increase in the tax effect in items "Other provisions" (mainly pension funds), "Accelerated/excess depreciation and amortization" and "Capitalisation of R&D costs" is to be traced back for the most part to the change to the scope of consolidation which was partly offset by the reclassification mentioned above.

"Deferred tax assets for tax losses incurred during the year" mainly refer to subsidiary Sogefi Filtration Ltd.
"Deferred tax assets for tax losses incurred during previous years" mainly refer to the subsidiaries Allevard Rejna Autosupensions S.A., Sogefi Filtration S.A. and Sogefi Filtration Ltd.
These taxes were recognised because it is believed to be probable that taxable income will be available in the future against which such tax losses can be utilised. Such probability is determined based on the fact that losses have originated under extraordinary circumstances that are unlikely to occur again, such as restructuring plans currently under way or occurred in the past. It should also be noted that the losses incurred by the UK subsidiary can be carried forward indefinitely and those of the Spanish subsidiary must be utilised within 2025. The losses of the French subsidiary can be carried forward indefinitely but the new law passed in 2011 has maintained a limit for the amount that can be utilised each year, making recovery time longer.

Note that the deferred tax assets relating to the "Allowance for doubtful accounts" and to the "Inventory writedowns" include amounts that will mainly be reversed in the twelve months following year end.

As regards the figures shown under "Temporary differences excluded from the calculation of deferred tax assets (liabilities)", deferred tax assets were not booked as, at year end, there was not a probability that they would be recovered. "Tax losses carried forward" mainly refer to subsidiary Allevard Sogefi U.S.A., Inc. and can be carried forward up to a 20-year limit (the first term is in year 2022). The increase in "Tax losses carried forward" mainly relates to the change to the scope of consolidation.

21. SHARE CAPITAL AND RESERVES

Share capital

The share capital of the Holding Company Sogefi S.p.A. is fully paid in and amounts to Euro 60,665 thousand as of December 31, 2011 (Euro 60,546 thousand as of December 31, 2010), split into 116,662,992 ordinary shares with a par value of Euro 0.52 each.

As of December 31, 2011, the Holding Company has 3,253,000 treasury shares in its portfolio, corresponding to 2.79% of share capital.

Movements in the shares outstanding are as follows:

(Shares outstanding)	*2011*	*2010*
No. shares at start of period	116,434,992	116,148,992
No. shares issued for subscription of stock options	*228,000*	*286,000*
No. of ordinary shares as of December 31	*116,662,992*	*116,434,992*
Treasury shares	*(3,253,000)*	*(1,956,000)*
No. of shares outstanding as of December 31	113,409,992	114,478,992

The following table shows the changes in the Group's equity:

(in thousands of Euro)	*Share capital*	*Share premium reserve*	*Reserve for treasury shares*	*Treasury shares*	*Translation reserve*
Balance at December 31, 2009	60,397	14,491	5,007	(5,007)	(2,540)
Paid share capital increase	*149*	*148*	-	-	-
Allocation of 2009 net profit:					
Legal reserve	-	-	-	-	-
Dividends	-	-	-	-	-
Retained earnings	-	-	-	-	-
Credit to equity for stock-based incentive plans	-	-	-	-	-
Other changes	-	-	-	-	-
Fair value measurement of financial assets available for sale	-	-	-	-	-
Fair value measurement of cash flow hedging instruments: share booked to equity	-	-	-	-	-
Fair value measurement of cash flow hedging instruments: share booked to income statement	-	-	-	-	-
Tax on items booked in Other Comprehensive Income	-	-	-	-	-
Currency translation differences	-	-	-	-	*10,669*
Net result for the period	-	-	-	-	-
Balance at December 31, 2010	60,546	14,639	5,007	(5,007)	8,129
Paid share capital increase	*119*	*190*	-	-	-
Allocation of 2010 net profit:					
Legal reserve	-	-	-	-	-
Dividends	-	-	-	-	-
Retained earnings	-	-	-	-	-
Net purchase of treasury shares	-	*(2,684)*	*2,684*	*(2,684)*	-
Credit to equity for stock-based incentive plans	-	-	-	-	-
Other changes	-	-	-	-	-
Fair value measurement of financial assets available for sale	-	-	-	-	-
Fair value measurement of cash flow hedging instruments: share booked to equity	-	-	-	-	-
Fair value measurement of cash flow hedging instruments: share booked to income statement	-	-	-	-	-
Tax on items booked in Other Comprehensive Income	-	-	-	-	-
Currency translation differences	-	-	-	-	*(4,408)*
Net result for the period	-	-	-	-	-
Balance at December 31, 2011	60,665	12,145	7,691	(7,691)	3,721

	Legal reserve	Cash flow hedging reserve	Stock-based incentive plans reserve	Tax on items booked in Other Comprehensive Income	Other reserves	Retained earnings	Net result for the period	Total
	12,320	(3,288)	1,168	901	3,124	87,877	(7,639)	166,811
	-	-	-	-	-	-	-	297
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	(7,639)	7,639	-
	-	-	540	-	-	-	-	540
	-	-	-	-	-	(515)	-	(515)
	-	-	-	-	(11)	-	-	(11)
	-	(1,556)	-	-	-	-	-	(1,556)
	-	2,418	-	-	-	-	-	2,418
	-	-	-	(233)	-	-	-	(233)
	-	-	-	-	-	-	-	10,669
	-	-	-	-	-	-	18,821	18,821
	12,320	(2,426)	1,708	668	3,113	79,723	18,821	197,241
	-	-	-	-	-	-	-	309
	-	-	-	-	-	-	-	-
	-	-	-	-	-	(14,888)	-	(14,888)
	-	-	-	-	-	18,821	(18,821)	-
	-	-	-	-	-	-	-	(2,684)
	-	-	611	-	-	-	-	611
	-	-	-	-	-	(121)	-	(121)
	-	-	-	-	(2)	-	-	(2)
	-	(7,987)	-	-	-	-	-	(7,987)
	-	1,255	-	-	-	-	-	1,255
	-	-	-	1,854	-	-	-	1,854
	-	-	-	-	-	-	-	(4,408)
	-	-	-	-	-	-	24,736	24,736
	12,320	(9,158)	2,319	2,522	3,111	83,535	24,736	195,916

Share premium reserve

It amounts to Euro 12,145 thousand compared with Euro 14,639 thousand in the previous year.
The increase by Euro 190 thousand accounts for share subscriptions under stock option plans.
On April 19, 2011, the Shareholders' Meeting authorised the purchase of treasury shares and the Holding Company Sogefi S.p.A. purchased 1,297,000 shares at an average price of Euro 2.07 each in 2011. The Holding Company set up the "Reserve for treasury shares" according to Italian Civil Code (article 2357-ter) using the availability amount of the "Share premium reserve".

Treasury shares

The item "Treasury shares" corresponds to the acquisition cost of the treasury shares held in portfolio. Movements during the year amount to Euro 2,684 thousand and reflect treasury share purchased occurred in 2011 as reported in the note to "Share premium reserve".

Translation reserve

This reserve is used to record the exchange differences arising on the translation of foreign subsidiaries' financial statements.
Movements in the period show a decrease of Euro 4,408 thousand mainly attributable to the depreciation of the Brazilian real against the Euro.

Cash flow hedging reserve

This reserve has changed as a result of accounting for the cash flows deriving from instruments that for IAS 39 purposes are designated as "cash flow hedging instruments". Changes during the period show a decrease of Euro 6,732 thousand.

Stock-based incentive plans reserve

The reserve refers to the credit to equity for stock-based incentive plans, assigned to employees, resolved after November 7, 2002, including the portion relating to the stock grant plan approved in 2011.

Retained earnings

These totalled Euro 83,535 thousand and include amounts of profit that have not been distributed.
The decrease of Euro 121 thousand mainly arises from the change in the percentage held in the subsidiary S.ARA Composite S.A.S..

Tax on items booked directly in Other Comprehensive Income

The table below shows the amount of income taxes relating to each item of the "Profit (loss) booked in Other Comprehensive Income":

(in thousands of Euro)	*2011*			*2010*		
	Gross value	*Taxes*	*Net value*	*Gross value*	*Taxes*	*Net value*
- Profit (loss) booked to cash flow hedging reserve	*(6,732)*	*1,853*	*(4,879)*	*862*	*(237)*	*625*
- Profit (loss) booked to fair value reserve for financial assets available for sale	*(2)*	*1*	*(1)*	*(18)*	*6*	*(12)*
- Profit (loss) booked to translation reserve	*(4,588)*	*-*	*(4,588)*	*11,018*	*-*	*11,018*
- Total Profit (loss) booked in Other Comprehensive Income	*(11,322)*	*1,854*	*(9,468)*	*11,862*	*(231)*	*11,631*

NON-CONTROLLING INTERESTS

The balance amounted to Euro 18,976 thousand and refers to the portion of shareholders' equity attributable to non-controlling interests.
The increase of Euro 89 thousand mainly arises from the change in the percentage held in the subsidiary S.ARA Composite S.A.S..

22. ANALYSIS OF THE NET FINANCIAL POSITION

The following table provides details of the net financial position as required by Consob in its communication no. DEM/6064293 of July 28, 2006 with a reconciliation of the net financial position shown in the Report on operations:

(in thousands of Euro)	*12.31.2011*	*12.31.2010*
A. Cash	*102,461*	*66,760*
B. Other cash at bank and on hand (details)	*-*	*-*
C. Financial instruments held for trading	*1,903*	*18*
D. Liquid funds (A) + (B) + (C)	***104,364***	***66,778***
E. Current financial receivables	***8***	***182***
F. Current payables to banks	*9,827*	*35,958*
G. Current portion of non-current indebtedness	*46,962*	*42,773*
H. Other current financial debts	*632*	*164*
I. Current financial indebtedness (F) + (G) + (H)	***57,421***	***78,895***
J. Current financial indebtedness, net (I) - (E) - (D)	***(46,951)***	***11,935***
K. Non-current payables to banks	*330,462*	*141,406*
L. Bonds issued	*-*	*-*
M. Other non-current financial debts	*16,332*	*11,604*
N. Non-current financial indebtedness (K) + (L) + (M)	***346,794***	***153,010***
O. Net indebtedness (J) + (N)	***299,843***	***164,945***
Non-current financial receivables	*-*	*-*
Financial indebtedness, net including non-current financial receivables (as per the "Net financial position" included in the Report on operations)	***299,843***	***164,945***

Details of the Holding Company Sogefi S.p.A. covenants applying to loans outstanding at year end are as follows (see note 16 for further details on loans):

- *syndicated loan of Euro 160 million in 2008: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less or equal to 3.5; the ratio of consolidated normalised EBITDA to net financial expenses must not be less than 4;*
- *loan of Euro 100 million from Unicredit Corporate Banking S.p.A.: the ratio of consolidated net financial position to consolidated normalised EBITDA must be less than 4;*
- *loan of Euro 40 million from Banca Europea degli Investimenti (European Investment Bank): the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less or equal to 3.5; the ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 4;*
- *loan of Euro 60 million from Intesa Sanpaolo S.p.A.: the ratio of consolidated net financial position to consolidated normalised EBITDA must be less than or equal to 3.5;*
- *loan of Euro 40 million from Banca Nazionale del Lavoro S.p.A.: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less or equal to 3.5; the ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 4;*
- *loan of Euro 25 million from Banca Carige S.p.A.: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less or equal to 3.5; the ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 4;*

– loan of Euro 10 million from GE Capital S.p.A.: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less or equal to 3.5; the ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 4;
– loan of Euro 25 million from Banca Monte dei Paschi di Siena S.p.A.: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less or equal to 3.5; the ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 4.

As of December 31, 2011 the Company was in full compliance with these covenants.

D) NOTES ON THE MAIN INCOME STATEMENT ITEMS

23. SALES REVENUES

Revenues from the sale of goods and services

The Sogefi Group recorded net revenues for the amount of Euro 1,158,385 thousand during the period, compared with Euro 924,713 thousand in the previous year. Net of Euro 135,708 thousand realised by the Systèmes Moteurs Group, revenues would amount to Euro 1,022,677 thousand (+10.6% compared to 2010). Exchange rates being equal (at the average exchange rates of the previous year), corresponding revenues would amount to Euro 1,033,706 thousand (+11.8%).

Revenues from the sale of goods and services break down as follows:

By business sector:

(in thousands of Euro)	*2011*		*2010*	
	Amount	*%*	*Amount*	*%*
Engine systems	*611,505*	*52.8*	*465,133*	*50.3*
Suspension components	*547,725*	*47.3*	*461,632*	*49.9*
Intercompany eliminations	*(845)*	*(0.1)*	*(2,052)*	*(0.2)*
TOTAL	*1,158,385*	*100.0*	*924,713*	*100.0*

By geographical area of "destination":

(in thousands of Euro)	*2011*		*2010*	
	Amount	*%*	*Amount*	*%*
France	*246,932*	*21.3*	*207,377*	*22.4*
Germany	*158,304*	*13.7*	*119,873*	*13.0*
Great Britain	*97,060*	*8.4*	*79,043*	*8.5*
Italy	*79,400*	*6.9*	*71,562*	*7.7*
Benelux	*59,919*	*5.2*	*47,445*	*5.1*
Spain	*47,861*	*4.1*	*36,473*	*3.9*
Russia	*4,544*	*0.4*	*3,306*	*0.4*
Other European Conturies	*110,910*	*9.5*	*94,276*	*10.3*
Mercosur	*240,511*	*20.8*	*219,367*	*23.7*
United States	*53,971*	*4.7*	*18,616*	*2.0*
China	*17,246*	*1.5*	*12,639*	*1.4*
India	*13,325*	*1.2*	*9,685*	*1.0*
Mexico	*10,300*	*0.8*	*1,182*	*0.1*
Canada	*8,243*	*0.7*	*11*	*-*
Rest of the World	*9,859*	*0.8*	*3,858*	*0.5*
TOTAL	*1,158,385*	*100.0*	*924,713*	*100.0*

Sogefi continued to pursue its strategy of strengthening its presence in non-European markets, with activity growing significantly in Mercosur (+9.6%), North America (+266.1% including the strong contribution from

Systèmes Moteurs S.A.S.; on a like-for-like basis, the increase would have been by 46.1%), China (+36.4%) and India (+37.6%).

24. VARIABLE COST OF SALES

Details are as follows:

(in thousands of Euro)	*2011*	*2010*
Materials	*577,325*	*425,766*
Direct labour cost	*104,663*	*92,652*
Energy costs	*33,883*	*29,169*
Sub-contracted work	*26,999*	*20,217*
Ancillary materials	*18,415*	*16,599*
Variable sales and distribution costs	*39,900*	*35,512*
Royalties paid to third parties on sales	*3,888*	*4,191*
Other variable costs	*825*	*(1,143)*
TOTAL	*805,898*	*622,963*

The inclusion of Systèmes Moteurs Group in the scope of consolidation caused a change in "Variable cost of sales" for the amount of Euro 102,092 thousand.
The percentage on revenues of "Variable cost of sales" rose to 69.6% from 67.4% in 2010. Such growth is nearly entirely accounted for by "Materials", and their percentage on revenues rose from 46% to 49.8%. The increase is mostly due to the product mix of the Systèmes Moteurs group, on which materials have a greater impact than other factors, and to an increase in steel price, in spite of extra costs being nearly totally passed on to sales prices.

The percentage of "Direct labour costs" fell from 10% to 9% due to lower expenses linked to the use of welfare support provisions, an improvement in production efficiency following the increase in volumes, the different product mix of the Systèmes Moteurs group mentioned above, and to the wider use of temporary staff, whose cost is included in "Sub-contracted work".

"Other variable costs" represent the effect generated by direct labour cost and fixed cost following the reduction (in 2011) or the increase (in 2010) of the inventory of finished goods or semi-finished products.

25. MANUFACTURING AND R&D OVERHEADS

These can be broken down as follows:

(in thousands of Euro)	*2011*	*2010*
Labour cost	*84,115*	*70,895*
Materials, maintenance and repairs	*23,515*	*19,807*
Rental and hire charges	*6,739*	*5,193*
Personnel services	*7,477*	*7,443*
Technical consulting	*3,733*	*2,786*
Sub-contracted work	*1,900*	*1,200*
Insurance	*3,156*	*1,728*
Utilities	*1,352*	*1,396*
Capitalisation of internal construction costs	*(18,376)*	*(12,507)*
Other	*1,372*	*645*
TOTAL	*114,983*	*98,586*

"Manufacturing and R&D overheads" show an increase of Euro 16,397 thousand, Euro 13,200 thousand of which incurred by the Systèmes Moteurs Group. On a like-for-like basis, an increase of Euro 3,197 thousand (+3.2%) is observed compared to the previous year (+ Euro 4,022 thousand if the effect of exchange rates is excluded).

If the Systèmes Moteurs Group is not considered, the increase regarded almost all the items and specifically:

- *"Labour cost", which grew by Euro 1,423 thousand mainly due to the lower use of welfare support provisions in Europe, higher workforce in China and India, and inflation trends in South America. The increase was partly offset by a significant reduction in labour cost at subsidiary Sogefi Filtration Ltd as a result of the restructuring plan implemented during the year;*
- *"Materials, maintenance and repairs", up by Euro 1,928 thousand overall as a result to larger production volumes;*
- *"Technical consulting", which grew by Euro 507 thousand due to a more extensive use of them in the development of new products in subsidiary Allevard Rejna Autosuspensions S.A.;*
- *"Insurance", which increased by Euro 1,258 thousand, basically due to a more accurate distribution between "Manufacturing and R&D overheads" and "Administrative and general expenses" (as a consequence these costs are lower in the latter item).*

"Capitalisation of internal construction costs" increased by Euro 2,445 thousand, in particular at subsidiary Filtrauto S.A.. Euro 864 thousand were capitalised to the Holding Company Sogefi S.p.A.; these relate to the development of Group's new integrated ITC system.

Total costs for Research and Development (not reported in the table) amount to Euro 26,053 thousand (2.2% of sales revenues); on a like-for-like basis they amount to Euro 21,257 thousand (2.1% of sales revenues) compared to Euro 20,224 thousand (2.2% of sales revenues) in the previous year.

26. DEPRECIATION AND AMORTISATION

Details are as follows:

(in thousands of Euro)	*2011*	*2010*
Depreciation of tangible fixed assets	*36,252*	*34,673*
of which: assets under finance leases	1,010	1,041
Amortisation of intangible assets	*12,517*	*10,251*
TOTAL	*48,769*	*44,924*

If the Systèmes Moteurs Group is excluded, "Depreciation and Amortisation" amount to Euro 43,834 thousand, compared to Euro 44,924 thousand in the same period of the previous year. The decrease is mostly originated from subsidiaries Filtrauto S.A., Allevard Rejna Autosuspensions S.A. and LPDN GmbH. Conversely, an uptrend is observed in all areas where the Group has been growing significantly (China, India, United States).

Industrial depreciation included in the total depreciation of tangible fixed assets amounted to Euro 34,793 thousand (Euro 31,389 thousand without Systèmes Moteurs) versus Euro 33,097 thousand in the same period of the previous year.

Amortisation of intangible assets refers principally to development costs capitalised in previous years.

27. DISTRIBUTION AND SALES FIXED EXPENSES

This item is made up of the following main components:

(in thousands of Euro)	*2011*	*2010*
Labour cost	*21,204*	*19,318*
Sub-contracted work	*4,482*	*3,400*
Advertising, publicity and promotion	*3,771*	*4,081*
Personnel services	*2,920*	*2,596*
Rental and hire charges	*1,420*	*1,738*
Consulting	*838*	*665*
Other	*634*	*569*
TOTAL	*35,269*	*32,367*

The trend of "Distribution and sales fixed expenses" reflects increased sales volumes; on a like-for-like basis, these costs turn out to have increased by Euro 568 thousand (+1.8%) overall compared with the previous year.

The main changes, net of Systèmes Moteurs figures, are commented below:
- *the increase in "Labour cost" and "Personnel services" – by Euro 499 thousand overall – is mainly due to the increased volumes of the Suspension Components Division;*
- *"Sub-contracted work" and "Rental and hire charges" did not increase significantly overall, but reflect the new logistical approach focused on outsourcing management in the aftermarket segment of the Engine Systems Division;*

– *the savings on "Advertising, publicity and promotion" are to be traced back to the centralisation of this function which is now a responsibility of the aftermarket segment of the Engine Systems Division.*

28. ADMINISTRATIVE AND GENERAL EXPENSES

These can be broken down as follows:

(in thousands of Euro)	*2011*	*2010*
Labour cost	*30,490*	*27,764*
Personnel services	*3,918*	*3,486*
Maintenance and repairs	*3,721*	*3,501*
Cleaning and security	*3,558*	*3,490*
Consulting	*4,547*	*5,101*
Utilities	*2,767*	*2,810*
Rental and hire charges	*3,743*	*3,455*
Insurance	*1,319*	*2,131*
Participation des salaries	976	79
Administrative, financial and tax-related services provided by Parent Company	*1,820*	*1,860*
Audit fees	*1,365*	*1,157*
Directors' and statutory auditors' remuneration	*1,368*	*1,653*
Sub-contracted work	*648*	*665*
Other	*4,156*	*1,194*
TOTAL	*64,396*	*58,346*

"Administrative and general expenses" rise to Euro 60,287 thousand on a like-for-like basis, recording an increase of Euro 1,941 thousand (+3.3%).

The increase in "Labour cost" (+ Euro 880 thousand on a like-for-like basis) mainly originates from the inflation experienced by South American subsidiaries and higher bonuses.

The increase in "Personnel services" mainly relates to higher travelling expenses incurred by the Holding Company Sogefi S.p.A..

The decrease in "Consulting" fees is mostly originated from the French subsidiary Allevard Rejna Autosuspensions S.A..

The decrease in "Insurance" can be traced back to a more accurate classification under "Manufacturing and R&D overheads" and "Administrative and general expenses".

The increase in "Participation des salaries" *(profit-sharing scheme for employees of French subsidiaries) is due to the higher tax profit recorded in the year.*

The increase in "Other" (+ Euro 1,964 thousand on a like-for-like basis) is mainly due to the actuarial valuation of the pension funds of the French subsidiaries, and to the fact that the welfare support provisions granted to subsidiary Filtrauto S.A. to maintain occupational levels have been used up.

"Directors' and statutory auditors' remuneration" is made up of the remuneration of Holding Company Directors for the amount of Euro 1,290 thousand and of Holding Company Statutory Auditors for the amount of Euro 80 thousand.

29. PERSONNEL COSTS

Personnel

Regardless of their destination, "Personnel costs" as a whole can be broken down as follows:

(in thousands of Euro)	*2011*	*2010*
Wages, salaries and contributions	*236,851*	*207,312*
Pension costs: defined benefit plans	*2,028*	*1,103*
Pension costs: defined contribution plans	*1,594*	*1,260*
Participation des salaries	*976*	*79*
Imputed cost of stock option and stock grant plans	*611*	*540*
Other costs	*529*	*190*
TOTAL	*242,589*	*210,484*

With respect to the previous year, "Personnel costs" have risen by Euro 32,105 thousand (+15%), of which Euro 22,512 thousand originate from the inclusion of the Systèmes Moteurs Group in the scope of consolidation. Scope of consolidation being equal and excluding the effect of exchange rates, the increase would amount to Euro 11,218 thousand (+5%), to be traced back to production growth, lesser use of welfare support provisions and an overall increase in prices recorded in South America.

Despite this increase in absolute values, "Personnel costs" as a percentage of sales fell to 20.9% from 22.8% recorded in the previous year.

The increase of "Participation des salaries " *was commented upon above.*
"Wages, salaries and contributions", "Pension costs: defined benefit plans" and "Pension costs: defined contribution plans" are posted in the tables provided above at lines "Labour cost" and "Administrative and general expenses".

"Participation des salaries" *is included in "Administrative and general expenses".*

"Other costs" is included in "Administrative and general expenses".

"Imputed cost of stock option and stock grant plans" is included in "Other non-operating expenses (income)". The following paragraph "Personnel benefits" provides details of the stock option and stock grant plans.

The average number of Group employees, broken down by category, is shown in the table below:

(Number of employees)	*2011*	*2010*
Managers	*97*	*86*
Clerical staff	*1,491*	*1,319*
Blue collar workers	*4,501*	*4,265*
TOTAL	*6,089*	*5,670*

As of December 31, 2011, the Systèmes Moteurs group had 1,187 employees.

Personnel benefits

Sogefi S.p.A. implements stock-based incentive plans for the Managing Director and for managers of the Company and its subsidiaries that hold important positions of responsibility within the Group. The purpose is to foster greater loyalty to the Group and to provide an incentive that will raise their commitment to improving business performance and generating value in the long term.

The stock-based incentive plans of Sogefi S.p.A. are first approved by the Shareholders' Meeting.

Except as outlined at the following paragraphs "Stock grant plans", "Stock option plans" and "Phantom stock option plans", the Group has not carried out any other transaction that involves the purchase of goods or services with payments based on shares or any other kind of instrument representing portions of equity. As a result, it is not necessary to disclose the fair value of such goods or services.
As laid down in IFRS 2, only plans allocated after November 7, 2002 must be considered (note that the Company does not have any plans prior to said date) and therefore, in addition to that issued in 2011, the plans issued in the period from 2004 until 2010 must also be considered. The main details of these plans are provided below.

Stock grant plans

The 2011 stock grant plan provides for the free assignment of conditional rights (called "Units") that cannot be transferred to third parties or other beneficiaries; each of them entitles to the free assignment of one Sogefi S.p.A. share. There are two categories of rights under the plan: Time-based Units, that vest upon the established terms and Performance Units, that vest upon the established terms provided that shares have achieved the target price value (determined under art. 9, sub 4. letter a, of the Italian Income Tax Consolidation Act) established in the regulation.
The regulation provides for a minimum holding period during which the shares held for the plan can not be disposed of.
All shares assigned under the 2011 plan will be treasury shares held by Sogefi S.p.A.. According to the regulation, a pre-condition for assigning the shares is a continued employer-employee relationship or the continued appointment as a director/executive of the Company or one of its subsidiaries throughout the vesting period of the rights.

On April 19, 2011, after the Shareholders' Meeting approved the 2011 stock grant Plan to assign a maximum of 1,250,000 conditional rights, the Board of Directors executed the 2011 stock grant plan restricted to the Managing Director of the Company and to managers of the Company and its subsidiaries, who were assigned a total of 757,500 Units (320,400 of which were Time-based Units and 437,100 Performance Units).
Time-based Units will vest in tranches *on a three-monthly basis, accounting for 12.5% of their respective total, starting on April 20, 2013 and ending on January 20, 2015.*
Performance Units will vest at the same vesting dates established for Time-based Units, provided that the price value of shares at vesting date is at least equal to the percentage of the initial value indicated in the regulation.

The fair value of the rights assigned during 2011 has been determined at the time the rights were assigned using the Cox, Ross and Rubinstein binomial option pricing model for US options and amounts to Euro 1,765 thousand overall.

Input data used for valuation and stock grants details are provided below:
– curve of Euro risk-free interest rates as of April 19, 2011;
– price of the underlying equal to price of Sogefi S.p.A. share as of April 19, 2011, and equal to Euro 2.7892;
– average price of Sogefi S.p.A. share during the period starting on March 21, 2011 and ending on April 19, 2011 and equal to Euro 2.8159, for the determination of the stock grant Performance Units limit;
– historical volatility rate of the Sogefi S.p.A. share during 260 days, as of April 19, 2011 and equal to 37.49%;
– null dividend yield for stock grant valuation.

Imputed cost for 2011 relating to the 2011 plan is Euro 448 thousand, booked to the income statement under "Other non-operating expenses (income)".

Stock option plans

The stock option plans provide participants with the opportunity to exercise an option to subscribe to newly-issued Sogefi shares at a set price and within a specific period of time. According to the regulation, a pre-condition for exercising the option is a continued employer-employee relationship with or the continued appointment as a director/executive of the Company or one of its subsidiaries throughout the vesting period.

The main characteristics of the stock option plans approved during previous years and still under way are outlined below:
- *2004 stock option plan restricted to employees of the Company and its subsidiaries for a maximum of 1,880,000 ordinary shares (1.61% of share capital as of December 31, 2011) at a price of Euro 2.64 per share, to be exercised at the end of each four-month period starting on September 30, 2004 and ending on September 30, 2014;*
- *2005 stock option plan restricted to employees of the Company and its subsidiaries for a maximum of 1,930,000 shares (1.65% of the share capital as of December 31, 2011) with a subscription price of Euro 3.87, to be exercised between September 30, 2005 and September 30, 2015;*
- *2006 stock option plan restricted to employees of the Company and its subsidiaries for a maximum of 1,770,000 shares (1.52% of the share capital as of December 31, 2011) with a subscription price of Euro 5.87, to be exercised between September 30, 2006 and September 30, 2016;*
- *2007 stock option plan restricted to employees of the foreign subsidiaries for a maximum of 715,000 shares (0.61% of the share capital as of December 31, 2011) with an initial subscription price of Euro 6.96, to be*

exercised between September 30, 2007 and September 30, 2017. On April 22, 2008, the Board of Directors, under the authority vested in it by the Shareholders' Meeting, adjusted the exercise price from Euro 6.96 to Euro 5.78 to take into account the extraordinary portion of the dividend distributed by the Shareholders' Meeting on the same date;

- *2008 stock option plan restricted to employees of the foreign subsidiaries for a maximum of 875,000 shares (0.75% of the share capital as of December 31, 2011) with a subscription price of Euro 2.1045, to be exercised between September 30, 2008 and September 30, 2018;*
- *2009 stock option plan restricted to employees of the Company and its subsidiaries for a maximum of 2,335,000 shares (2% of the share capital as of December 31, 2011) with a subscription price of Euro 1.0371, to be exercised between September 30, 2009 and September 30, 2019;*
- *2009 extraordinary stock option plan restricted to beneficiaries of 2007 and 2008 phantom stock option plans, still employed by the Company or by its subsidiaries, after having waived their rights under the above-mentioned phantom stock option plans, for a maximum of 1,015,000 shares (0.87% of share capital as of December 31, 2011) of which 475,000 (first* Tranche *options) with a subscription price of Euro 5.9054, to be exercised between June 30, 2009 and September 30, 2017 and 540,000 (second* Tranche *options) with a subscription price of Euro 2.1045, to be exercised between June 30, 2009 and September 30, 2018;*
- *2010 stock option plan restricted to the Managing Director of the Company and managers of the Company and its subsidiaries for a maximum of 2,440,000 shares (2.09% of the share capital as of December 31, 2011) with a subscription price of Euro 2.3012, to be exercised between September 30, 2010 and September 30, 2020.*

The imputed cost for 2011 for existing plans is Euro 163 thousand, booked to the income statement under "Other non-operating expenses (income)".

The following table shows the total number of existing options with reference to the 2004-2010 plans and their average price of the year:

	2011		*2010*	
	Number	*Average price of the year*	*Number*	*Average price of the year*
Not exercised/not exercisable at the start of the year	*8,244,400*	*2.99*	*6,509,400*	*3.18*
Granted during the year	*-*	*-*	*2,440,000*	*2.30*
Cancelled during the year	*(249,000)*	*3.70*	*(419,000)*	*3.23*
Exercised during the year	*(228,000)*	*1.35*	*(286,000)*	*1.04*
Not exercised/not exercisable at the end of the year	*7,767,400*	*3.02*	*8,244,400*	*2.99*
Exercisable at the end of the year	*5,094,200*	*3.63*	*3,964,900*	*4.12*

The line "Not exercised/not exercisable at the end of the year" refers to the total number of options, net of those exercised or cancelled during the current and previous years.
The line "Exercisable at the end of the year" refers to the total amount of options matured at the end of the year and not yet subscribed.

Details of the number of options exercisable at December 31, 2011 are given below:

	Total
Number of exercisable options remaining at December 31, 2010	*3,964,900*
Options matured during the year	*1,676,100*
Options cancelled during the year	*(318,800)*
Options exercised during the year	*(228,000)*
Number of exercisable options remaining at December 31, 2011	*5,094,200*

Phantom stock option plans

Unlike traditional stock option plans, phantom stock option plans do not envisage the granting of a right to subscribe or to purchase a share, but entail paying the beneficiaries an extraordinary variable cash amount corresponding to the difference between the Sogefi share price in the option exercise period and the Sogefi share price at the time the option was awarded.

In 2009, as shown in the paragraph entitled "Stock option plans", the Holding Company gave the beneficiaries of the 2007 and 2008 phantom stock option plans the opportunity to waive the options of the above-mentioned plans and to join the 2009 extraordinary stock option plan.

The main characteristics of existing plans are as follows:
- *2007 phantom stock option plan restricted to the Managing Director, managers and project workers of the Holding Company and to managers of Italian subsidiaries, for a maximum of 1,760,000 options at the initial grant price of Euro 7.0854, adjusted to Euro 5.9054 in 2008, to be exercised between September 30, 2007 and September 30, 2017. Following subscription to the 2009 extraordinary stock option plan, 475,000 options were waived;*
- *2008 phantom stock option plan restricted to the Managing Director and managers of the Holding Company and to managers of Italian subsidiaries, for a maximum of 1,700,000 options at the grant price of Euro 2.1045, to be exercised between September 30, 2008 and September 30, 2018. Following subscription to the 2009 extraordinary stock option plan, 540,000 options were waived.*

Details of the number of phantom stock options as of December 31, 2011 are given below:

	2011
Not exercised/not exercisable at the start of the year	*1,830,000*
Granted during the year	*-*
Cancelled during the year	*-*
Exercised during the year	*-*
Not exercised/not exercisable at the end of the year	*1,830,000*
Exercisable at the end of the year	*1,731,000*

The fair value as of December 31, 2011 of the options awarded was calculated using the Black-Scholes method and amounts to Euro 59 thousand. The positive change compared to the previous year, corresponding to Euro 167 thousand, was booked to the Income Statement under "Directors' and statutory auditors' remuneration".

30. RESTRUCTURING COSTS

These amount to Euro 8,754 thousand (compared with Euro 12,022 thousand the previous year) and relate to restructuring plans already under way mainly in the engine systems division aimed at downsizing the Llantrisant plant in Wales.
"Restructuring costs" are made up of the accruals to the "Provision for restructuring" (Euro 619 thousand, net of the not used provisions made during the previous years) and for the remaining part of costs incurred and paid during the year.

31. LOSSES (GAINS) ON DISPOSAL

Losses on disposal amount to Euro 101 thousand. As of December 31, 2010, gains for the amount of Euro 509 thousand had been booked to accounts.

32. EXCHANGE (GAINS) LOSSES

Net exchange losses as of December 31, 2011 amounted to Euro 866 thousand (Euro 220 thousand as of December 31, 2010).

33. OTHER NON-OPERATING EXPENSES (INCOME)

These amount to Euro 19,836 thousand compared with Euro 14,021 thousand the previous year. The following table shows the main elements:

(in thousands of Euro)	*2011*	*2010*
Indirect taxes	*6,972*	*6,249*
Other fiscal charges	*2,996*	*2,702*
Imputed cost of stock option and stock grant plans	*611*	*540*
Other non-operating expenses (income)	*9,257*	*4,530*
TOTAL	*19,836*	*14,021*

"Indirect taxes" include tax charges such as property tax, taxes on sales revenues (French companies), non-deductible VAT and taxes on professional training.
"Other fiscal charges" consist of the cotisation économique territoriale *(previously called* taxe professionelle*) relating to the French companies, which is calculated on the value of tangible fixed assets and on added value. The increase reflects Euro 398 thousand relating to subsidiary Systèmes Moteurs S.A.S..*

The main components of "Other non-operating expenses (income)" are as follows:

of which non-recurring:

- *costs for the amount of Euro 4,395 thousand reflecting the fees of consultants who assisted the Holding Company Sogefi S.p.A. with the legal, financial and tax due diligence for the acquisition of the Systèmes Moteurs Group;*
- *write-downs of assets for the amount of Euro 3,412 thousand relating to subsidiary Sogefi Filtration Ltd for the restructuring process under way;*
- *costs for the amount of Euro 803 thousand relating to the recognition of the margin on finished products, semi-finished products and work in progress (the so-called "inventory step-up") to income statement, recognised when the fair value of acquired Systèmes Moteurs Group's assets on change of control date was determined;*

of which recurring:

- *provisions for legal disputes with employees and third parties mainly in the subsidiaries Sogefi Filtration do Brasil Ltda and Allevard Rejna Autosuspensions S.A. for a total of Euro 748 thousand;*
- *pension costs for employees no longer on the books of Allevard Federn GmbH for the amount of Euro 148 thousand;*
- *net actuarial gains for the amount of Euro 328 thousand originated from pension fund valuation;*
- *other recurring costs for the amount of Euro 79 thousand.*

34. FINANCIAL EXPENSES (INCOME), NET

Financial expenses are detailed as follows:

(in thousands of Euro)	2011	2010
Interest on amounts due to banks	8,669	5,027
Financial charges under lease contracts	449	476
Financial component of pension funds and termination indemnities	-	43
Loss on interest-bearing hedging instruments	1,302	2,446
Other interest and commissions	4,654	3,007
TOTAL FINANCIAL EXPENSES	15,074	10,999

Financial income is detailed as follows:

(in thousands of Euro)	2011	2010
Gain on interest-bearing hedging instruments	47	28
Interest on amounts given to banks	1,589	1,241
Financial component of pension funds and termination indemnities	541	-
Other interest and commissions	217	176
TOTAL FINANCIAL INCOME	2,394	1,445
TOTAL FINANCIAL EXPENSES (INCOME), NET	12,680	9,554

Financial expenses, net show an increase of Euro 3,126 thousand basically due to the higher net financial indebtedness as a result of the acquisition of the Systèmes Moteurs Group and to rising interest rates.

35. LOSSES (GAINS) FROM EQUITY INVESTMENTS

As of December 31, 2011, this item amounts to zero.

36. INCOME TAXES

(in thousands of Euro)	2011	2010
Current taxes	18,667	13,665
Deferred tax liabilities (assets)	(115)	(2,312)
Income (expenses) from Group tax filing system	389	217
TOTAL	18,941	11,570

The year 2011 recorded a tax rate of 40.4% compared to 35.7% in the previous year.

The line "Income (expenses) from Group tax filing system" includes the payment for the fiscal surplus received from the companies that have joined the CIR Group tax filing system.

A reconciliation between the standard tax rate (that of the Holding Company Sogefi S.p.A.) and the effective tax rate for 2011 and 2010 is shown in the table below. Taxes have been calculated at the domestic rates applicable in the various countries. The differences between the rates applied in the various countries and the standard tax rate are included in the line "Other permanent differences and tax rate differentials".

(in thousands of Euro)	*2011*		*2010*	
		Tax rate %		*Tax rate %*
Result before taxes	*46,833*	*27.5%*	*32,419*	*27.5%*
Theoretical income taxes	*12,879*		*8,915*	
Effect of increases (decreases) with respect to the standard rate:				
Statutory amortisation of goodwill	*(249)*	*-0.5%*	*(257)*	*-0.8%*
Non-deductible costs, net	*6*	*-*	*346*	*1.1%*
Use of deferred tax assets not recognised in previous years	*(487)*	*-1.0%*	*-*	*-*
Deferred tax assets on losses for the year not recognised in the financial statements	*2,171*	*4.6%*	*576*	*1.8%*
Taxed portion of dividends	*1,008*	*2.2%*	*819*	*2.5%*
Other permanent differences and tax rate differentials	*3,614*	*7.6%*	*1,171*	*3.6%*
Income taxes in the consolidated income statement	*18,941*	*40.4%*	*11,570*	*35.7%*

"Deferred tax assets on losses for the year not recognised in the financial statements" are mainly attributable to the French subsidiaries of the Suspension Components Division, for which there was no probability at the end of the year that such losses would be recovered.
The "Taxed portion of dividends" refers to the portion of dividends received from Group companies that is not tax-exempt.

37. DIVIDENDS PAID

Dividends paid during the year 2011 amounted to Euro 14,888 thousand, corresponding to a dividend per share of Euro 0.13.
The Company did not issue any shares other than ordinary shares; treasury shares are always excluded from the dividend.

38. EARNINGS PER SHARE (EPS)

Basic EPS

	2011	2010
Net result attributable to the ordinary shareholders (in thousands of Euro)	*24,736*	*18,821*
Weighted average number of shares outstanding during the year (thousands)	*114,326*	*114,349*
Basic EPS (Euro)	0.216	0.165

Diluted EPS

The Company only has one category of potential ordinary shares, namely those deriving from the potential conversion of the stock options granted to Group employees.

	2011	2010
Net result attributable to the ordinary shareholders (in thousands of Euro)	*24,736*	*18,821*
Average number of shares outstanding during the year (thousands)	*114,326*	*114,349*
Weighted average number of shares potentially under option during the year (thousands)	*2,024*	*3,440*
Number of shares that could have been issued at fair value (thousands)	*(1,513)*	*(3,440)*
Adjusted weighted average number of shares outstanding during the year (thousands)	*114,837*	*114,349*
Diluted EPS (Euro)	0.215	0.165

The "Weighted average number of shares potentially under option during the year" represents the average number of shares that are potentially outstanding under stock option plans (only for potentially dilutive options, i.e. with an exercise price lower than the average annual fair value of the ordinary shares of Sogefi S.p.A.), for which the subscription right has vested but has not yet been exercised at the end of reporting period. These shares have a potentially dilutive effect on Basic EPS and are therefore taken into consideration in the calculation of Diluted EPS.

The "Number of shares that could have been issued at fair value" represents the normalisation factor, being the number of shares that would have been issued dividing the proceeds that would have been received from subscription of the stock options by the average annual fair value of the Sogefi S.p.A. ordinary shares, which in 2011 amounted to Euro 2.4062, compared to Euro 2.1410 in 2010.

Please note that 2,622,535 shares that could dilute Basic EPS in the future were not included in the calculation of Diluted EPS for 2011 because their exercise price is higher than the average annual fair value of the ordinary shares of Sogefi S.p.A. in 2011.

E) 39. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial instruments

The following table shows a comparison between the book value of the Group's financial instruments and their fair value.

Analysing the table shows that the fair value is different from the book value only in the case of short-term and long-term financial debts. This difference, corresponding to Euro -381 thousand, is generated by the fixed-rate loans outstanding at the end of the reporting period, for which the value has been recalculated at current market rates.

(in thousands of Euro)	Book value		Fair Value	
	12.31.2011	12.31.2010	12.31.2011	12.31.2010
Financial assets				
Cash and cash equivalents	102,461	66,760	102,461	66,760
Securities held for trading	11	18	11	18
Held-to-maturity investments	1,893	-	1,893	-
Assets for derivative financial instruments	8	182	8	182
Current financial receivables	-	-	-	-
Trade receivables	178,655	138,815	178,655	138,815
Other receivables	10,204	10,232	10,204	10,232
Other assets	2,800	2,485	2,800	2,485
Other financial assets available for sale	490	440	490	440
Non-current trade receivables	918	-	918	-
Non-current financial receivables	-	-	-	-
Other non-current receivables	14,102	10,146	14,102	10,146
Financial liabilities				
Short-term financial debts	56,789	78,731	56,521	78,980
Other short-term liabilities for derivative financial instruments	632	164	632	164
Trade and other payables	283,516	210,019	283,516	210,019
Other current liabilities	7,324	2,121	7,324	2,121
Medium/long-term financial debts	338,378	150,968	338,265	150,100
Other medium/long-term liabilities for derivative financial instruments	8,416	2,042	8,416	2,042

Financial risk management

Given that the Group operates on world markets, its activity is exposed to various kinds of financial risks, including fluctuations, up or down, of interest and exchange rates, and cash flow risks (for cash flows generated outside of the Eurozone). In order to minimise these risks, the Group uses derivatives as part of its "risk management" activities, whereas it does not use or hold derivatives or similar instruments purely for trading purposes.

The Group also has available a whole series of financial instruments other than derivatives, such as bank loans, financial leases, rentals, sight deposits, payables and receivables deriving from normal operating activities.

The Group handles its main hedging operations centrally. Precise instructions have also been issued, laying down guidelines on risk management, while procedures have been introduced to control all transactions in derivatives.

Interest risk

The interest risk to which the Group is exposed mainly arises from long-term debts.

These debts may be fixed or floating rate.

Fixed rate debts expose the Group to a fair value risk. For this kind of risk arising from said contracts, the Group does not implement specific hedging policies, as it deems the risk to be limited to the modest amount of the fixed term loans.

Floating rate debts, which represent 95% of Group loans, expose the Group to a risk arising from interest rate volatility (cash flow risk).

With regard to this risk, for the purposes of the related hedging, the Group may use derivative contracts which limit the impacts on the income statement of changes in the interest rate. At present, hedging transactions cover around 34% of the Group's floating-rate debts. After such transactions, floating-rate loans represent around 63% of the Group's total loans.

The following table gives a breakdown, by maturity, of the book value of the Group's financial assets and liabilities instruments which are exposed to interest rate risk as of December 31, 2011, split according to whether they are contractually at a fixed or floating rate (for further details see the table shown in the analysis of "Liquidity risk"):

(in thousands of Euro)	*within 12 months*	*between 1 and 2 years*	*between 2 and 3 years*	*between 3 and 4 years*	*between 4 and 5 years*	*beyond 5 years*	*Total*
TOTAL FIXED RATE	*(3,942)*	*(8,924)*	*(1,321)*	*(1,046)*	*(987)*	*(3,013)*	*(19,233)*
TOTAL FLOATING RATE	*50,893*	*(247,216)*	*(26,773)*	*(26,729)*	*(22,105)*	*(8,679)*	*(280,609)*

Below there is a sensitivity analysis which shows the impact on the Income Statement, net of tax, and on Equity of a change in interest rates that is considered reasonably possible.

An increase or decrease in interest rates of 100 basis points, applied to floating-rate financial assets and liabilities in existence as of December 31, 2011, including interest-rate hedges, would have the following effects:

(in thousands of Euro)	*12.31.2011*		*12.31.2010*	
Sensitivity Analysis	*Net profit*	*Equity*	*Net profit*	*Equity*
+ 100 basis points	*(1,055)*	*(897)*	*(429)*	*(417)*
- 100 basis points	*1,055*	*897*	*429*	*417*

The effect on Equity differs from the effect on the Income Statement by Euro 158 thousand, which reflects the change in fair value of the instruments hedging the interest rate risk.

Foreign currency risk

As it operates at an international level, the Group is exposed to the risk that changes in exchange rates could have an impact on the fair value of some of its assets or liabilities.
Moreover, as can be seen from the segment information given in note 4, the Group produces and sells mainly in countries of the Eurozone, but it is exposed to currency risk, above all in respect of the British Pound, Brazilian Real, US Dollar, Argentine Peso, Chinese Renminbi and Canadian Dollar.
Generally speaking, the Group is not particularly exposed to exchange risk, which is mainly related to the translation of foreign subsidiaries' financial statements, as the currencies in which the foreign operating companies bill and those in which they are invoiced tend to be much the same.

As regards borrowings, there are also policies stating that any funds raised from third parties have to be in the same currency as the functional currency of the company obtaining the loan. If any exception is made to this principle, then systematic hedging of the risk is used through forward currency purchases.

A sensitivity analysis is provided below, which shows the impact on the Income Statement, especially on "Exchange (gains) losses", net of tax, and on Equity of a change in exchange rates that is considered reasonably possible. Note that the exchange effect of translating the financial statements of foreign subsidiaries into Euro has not been taken into consideration here.
What has been taken into consideration are the financial assets and liabilities outstanding as of December 31, 2011 denominated in a currency other than the functional currency of the individual subsidiaries. This analysis also takes into account any changes in the fair value of the financial instruments used to hedge exchange risk.

As of December 31, 2011, exchange risk was concentrated mainly in transactions with the Euro.

A 5% appreciation or depreciation of the Euro against the other main currencies would have the following effects:

(in thousands of Euro)	*12.31.2011*		*12.31.2010*	
Sensitivity Analysis	*Net profit*	*Equity*	*Net profit*	*Equity*
+ 5%	*(711)*	*(711)*	*(383)*	*(383)*
- 5%	*774*	*774*	*422*	*422*

These effects are mainly due to the following exchange rates:
- *EUR/GBP mainly due to the net debt exposure for the trade payables in Euro of the UK subsidiaries net of the change in the fair value of the relative hedge (subsidiary Sogefi Filtration Ltd);*
- *EUR/CNY mainly due to the net debt exposure for the trade and financial payables in Euro of Chinese subsidiaries;*
- *EUR/INR mainly due to the net debt exposure for the trade payables and financial debts in Euro of Indian subsidiaries.*

Price risk

The Group is partially exposed to price risk as it makes purchases of various raw materials such as steel, plastics, aluminium, cellulose products.
The risk is handled in the best way possible thanks to centralised purchasing and a policy of having various suppliers for each kind of raw material, operating in different parts of the world.
We would also point out that price risk is generally mitigated by the Group's ability to pass on part of the increase in raw material costs to selling prices.
The price risk on Group investments classified as "Securities held for trading" and "Other financial assets available for sale" is not significant.

Credit risk

This is the risk that one of the parties signing a contract of a financial nature defaults on an obligation, thereby provoking a financial loss. This risk can derive from strictly commercial aspects (granting and concentration of credits), as well as from purely financial aspects (choice of counterparties used in financial transactions).

From a commercial point of view, the Group does not have excessive concentrations of credit risk as it operates on distribution channels, both Original Equipment and the Aftermarket, that make it possible not to depend too much on individual customers. For example, Original Equipment sales are largely to car and industrial vehicle manufacturers.
As regards the Aftermarket, on the other hand, the Group's main customers are important international purchasing groups.
In order to minimise credit risk, however, procedures have in any case been implemented to limit the impact of any customer insolvencies.
As regards counterparties for the management of financial resources, the Group only has recourse to partners that have a safe profile and a high international standing.
The Group's maximum exposure to credit risk as of December 31, 2011 is represented by the book value of the financial assets shown in the financial statements (Euro 312,460 thousand), as well as by the nominal value of the guarantees given in favour of third parties, as mentioned in note 43 (Euro 11,054 thousand).

The exposure to credit risk is essentially linked to trade receivables which amounted to Euro 180,581 thousand as of December 31, 2011 (Euro 141,430 thousand as of December 31, 2010), written down by Euro 5,319 thousand (Euro 5,852 thousand as of December 31, 2010).
Receivables are backed by insurance guarantees for Euro 4,861 thousand (Euro 4,329 thousand as of December 31, 2010). The Group does not have any other guarantees covering trade receivables.

The following table shows the changes in the allowance for doubtful accounts:

(in thousands of Euro)	*12.31.2011*	*12.31.2010*
Opening balance	*5,852*	*5,752*
Change to the scope of consolidation	*65*	*-*
Accruals for the period	*1,009*	*1,373*
Utilisations	*(1,226)*	*(1,106)*
Provisions not used during the period	*(375)*	*(245)*
Other changes	*25*	*-*
Exchange differences	*(31)*	*78*
TOTAL	*5,319*	*5,852*

The following is an ageing analysis of gross receivables and the related allowance for doubtful accounts to help evaluate credit risk:

(in thousands of Euro)	*12.31.2010*		
	Gross value	*Allowance for doubtful accounts*	*Net value*
Receivables past due:			
0-30 days	*9,869*	*(9)*	*9,860*
30-60 days	*2,198*	*(40)*	*2,158*
60-90 days	*910*	*(65)*	*845*
over 90 days	*10,308*	*(5,738)*	*4,570*
Total receivables past due	*23,285*	*(5,852)*	*17,433*
Total receivables still to fall due	*118,145*	*-*	*118,145*
TOTAL	*141,430*	*(5,852)*	*135,578*

(in thousands of Euro)	*12.31.2011*		
	Gross value	*Allowance for doubtful accounts*	*Net value*
Receivables past due:			
0-30 days	*15,502*	*(69)*	*15,433*
30-60 days	*3,393*	*(181)*	*3,212*
60-90 days	*1,143*	*(201)*	*942*
over 90 days	*7,045*	*(4,868)*	*2,177*
Total receivables past due	*27,083*	*(5,319)*	*21,764*
Total receivables still to fall due	*153,498*	*-*	*153,498*
TOTAL	*180,581*	*(5,319)*	*175,262*

As of December 31, 2011, gross receivables past due were Euro 3,798 thousand higher than at the end of the previous year. The increase is concentrated in the "0-30 days" bracket (+ Euro 5,633 thousand) and in the "30-60 days" bracket (+ Euro 1,195 thousand) and reflects for the most the inclusion of the Systèmes Moteurs Group in the scope of consolidation. The "over 90 days" bracket has decreased (- Euro 3,263 thousand) mainly thanks to subsidiaries Filtrauto S.A. and United Springs B.V..

The impact of gross receivables past due on total receivables drops to 15% from 16.5% in the previous year. Past due receivables have been written down by 19.6% of the total (25.1% as of December 31, 2010) and 69.1% (55.7% as of December 31, 2010) considering only the "over 90 days" bracket. Writedowns refer mainly to disputed amounts or receivables that have been due for a significant period of time and can no longer be collected.
Net receivables past due account for 12.4% of total net receivables, compared to 12.9% in the previous year.
The item "Total receivables still to fall due" does not contain significant positions that have been renegotiated.

Considering the nature of the Sogefi Group's customers (cars and industrial vehicles manufacturers and important international purchasing groups), a Credit risk analysis by type of customer is not considered meaningful.

Liquidity risk

The Group is subject to a minimum amount of liquidity risk, namely having to handle a situation where it is not able to raise sufficient funds to meet its liabilities.
The Group has always taken an extremely prudent approach to its financial structure, using mainly medium/long-term funding, whereas forms of short-term financing are generally used only to cope with moments of peak requirement.
The fact that it has a significant level of cash flow, together with its solid capital structure, makes it relatively easy for the Group to find additional sources of financing.
It should also be mentioned that the Group has implemented a cash pooling system for all of the main European subsidiaries, which makes it possible to optimise liquidity and cash flow management at a supranational level.

The following table shows an analysis of the Group's financial assets and liabilities instruments by maturity, including the amount of future interests to be paid and trade receivables and payables:

(in thousands of Euro)	*within 12 months*	*between 1 and 2 years*	*between 2 and 3 years*	*between 3 and 4 years*	*between 4 and 5 years*	*beyond 5 years*	*Total*
Fixed rate							
Finance lease Sogefi Filtration Ltd	*(125)*	*(141)*	*(160)*	*(182)*	*(202)*	*(1,833)*	*(2,643)*
Finance lease Allevard Sogefi U.S.A. Inc.	*(336)*	*(348)*	*(360)*	*(372)*	*(384)*	*(1,032)*	*(2,832)*
Bank loan Sogefi Filtration do Brasil Ltda	-	*(7,311)*	-	-	-	-	*(7,311)*
Government financing	*(645)*	*(627)*	*(590)*	*(464)*	*(401)*	*(148)*	*(2,875)*
Other fixed rate loans	*(2,836)*	*(497)*	*(211)*	*(28)*	-	-	*(3,572)*
Future interest	*(941)*	*(617)*	*(342)*	*(289)*	*(253)*	*(732)*	*(3,174)*
TOTAL FIXED RATE	*(4,883)*	*(9,541)*	*(1,663)*	*(1,335)*	*(1,240)*	*(3,745)*	*(22,407)*
Floating rate							
Cash and cash equivalents	*102,461*	-	-	-	-	-	*102,461*
Financial assets	*1,904*	-	-	-	-	-	*1,904*
Assets for derivative financial instruments	*8*	-	-	-	-	-	*8*
Current financial receivables	-	-	-	-	-	-	-
Non-current financial receivables	-	-	-	-	-	-	-
Bank overdrafts and other short-term loans	*(9,827)*	-	-	-	-	-	*(9,827)*
Sogefi S.p.A. loans	*(32,914)*	*(244,556)*	*(24,901)*	*(25,087)*	*(19,335)*	*(2,402)*	*(349,195)*
Shangai Sogefi Auto Parts Co., Ltd loans	*(4,992)*	-	-	-	-	-	*(4,992)*
Bank loans	*(3,252)*	*(1,535)*	*(1,529)*	*(1,641)*	*(1,064)*	*(364)*	*(9,385)*
Finance lease Allevard Rejna Autosuspensions S.A.	*(1,213)*	*(328)*	*(343)*	-	-	-	*(1,884)*
Other floating rate loans	*(650)*	-	-	-	-	-	*(650)*
Future interest	*(9,521)*	*(5,017)*	*(2,512)*	*(1,515)*	*(561)*	*(58)*	*(19,184)*
Liabilities for derivative financial instruments - exchange risk hedging	*(60)*	-	-	-	-	-	*(60)*
*Future financial expenses on derivative instruments - interest risk hedging **	*(1,327)*	*(1,814)*	*(2,332)*	*(2,332)*	*(2,305)*	*(2,591)*	*(12,701)*
TOTAL FLOATING RATE	*40,617*	*(253,250)*	*(31,617)*	*(30,575)*	*(23,265)*	*(5,415)*	*(303,505)*
Trade receivables	*178,655*	*918*	-	-	-	-	*179,573*
Trade and other payables	*(283,516)*	-	-	-	-	-	*(283,516)*
TOTAL FINANCIAL INSTRUMENT - ASSET	*283,028*	*918*	-	-	-	-	*283,946*
TOTAL FINANCIAL INSTRUMENT - LIABILITIES	*(352,155)*	*(262,792)*	*(33,279)*	*(31,911)*	*(24,505)*	*(9,160)*	*(713,802)*

** The amount is different compared to Liabilities for derivative instruments - interest risk hedging (equal to a total amount of Euro 8,988 thousands) representing not discounted cash flow.*

Hedging

a) exchange risk

The Sogefi Group has the following contracts to hedge the exchange risk on financial balances. Note that even though the Group considers these instruments as exchange risk hedges from a substantial point of view, it has chosen not to adopt hedge accounting, as this treatment is not considered suitable for the Group's operating requirements. It therefore measures such contracts at fair value, posting the differences to the Income Statement.

As of December 31, 2011, the Holding Company Sogefi S.p.A. held the following forward sale contract to hedge exchange risk on intercompany financial positions:

Forward sale	Date opened	Spot price €/currency	Date closed	Forward price €/currency
USD 7,230,000	12/23/2011	1.30540	02/23/2012	1.30665

As of December 31, 2011, the fair value of this contract was negative for Euro 54 thousand and was booked to "Other short-term liabilities for derivative financial instruments".
Fair value was calculated using the forward curve of exchange rates as of December 31, 2011.

The subsidiary Sogefi Filtration Ltd has the following forward purchase contract to hedge the exchange risk on intercompany financial positions:

Forward purchase	Date opened	Spot price GBP/currency	Date closed	Forward price GBP/currency
EUR 2,500,000	12/23/2011	0.83230	02/23/2012	0.83360

As of December 31, 2011, the fair value of this contract amounted to Euro 8 thousand and was booked to "Other financial assets – Assets for derivative financial instruments". Fair value was calculated using the forward curve of exchange rates as of December 31, 2011.

b) interest risk

At the end of the year, the Holding Company Sogefi S.p.A. had the following derivatives in place to hedge its interest rate risk (in thousands of Euro) on financial debts drawdown:

Description of IRS	*Date opened*	*Contract maturity*	*Notional*	*Fixed rate*	*Fair value*
Hedging of Sogefi S.p.A. loan for € 100 million (09/29/2006 maturity 09/29/2013), rate: Euribor 3 months + 70 bps	*11/18/2009*	*04/30/2013*	*5,000*	*2.210%*	*(84)*
Hedging of Sogefi S.p.A. loan for € 100 million (09/29/2006 maturity 09/29/2013), rate: Euribor 3 months + 70 bps	*11/27/2009*	*04/30/2013*	*5,000*	*2.150%*	*(79)*
Hedging of Sogefi S.p.A. loan for € 160 million (06/04/2008 maturity 06/04/2013), rate: Euribor 3 months + 50 bps	*11/18/2009*	*05/06/2013*	*5,000*	*2.230%*	*(42)*
Hedging of Sogefi S.p.A. loan for € 160 million (06/04/2008 maturity 06/04/2013), rate: Euribor 3 months + 50 bps	*11/27/2009*	*05/06/2013*	*5,000*	*2.170%*	*(38)*
Hedging of Sogefi S.p.A. loan for € 160 million (06/04/2008 maturity 06/04/2013), rate: Euribor 3 months + 50 bps	*12/20/2010*	*05/06/2013*	*5,000*	*1.733%*	*(48)*
Hedging of Sogefi S.p.A. loan for € 160 million (06/04/2008 maturity 06/04/2013), rate: Euribor 3 months + 50 bps	*12/20/2010*	*05/06/2013*	*5,000*	*1.733%*	*(5)*
Hedging of Sogefi S.p.A. loan for € 160 million (06/04/2008 maturity 06/04/2013), rate: Euribor 3 months + 50 bps	*12/21/2010*	*05/06/2013*	*5,000*	*1.7075%*	*(46)*
Hedging of Sogefi S.p.A. loan for € 160 million (06/04/2008 maturity 06/04/2013), rate: Euribor 3 months + 50 bps	*12/22/2010*	*05/06/2013*	*10,000*	*1.685%*	*(89)*
Hedging of Sogefi S.p.A. loan for € 160 million (06/04/2008 maturity 06/04/2013), rate: Euribor 3 months + 50 bps	*03/11/2011*	*05/06/2013*	*10,000*	*2.693%*	*(89)*
Hedging of Sogefi S.p.A. loan for € 160 million (06/04/2008 maturity 06/04/2013), rate: Euribor 3 months + 50 bps	*03/11/2011*	*05/06/2013*	*10,000*	*2.805%*	*(80)*
Hedging of Sogefi S.p.A. loan for € 160 million (06/04/2008 maturity 06/04/2013), rate: Euribor 3 months + 50 bps	*03/23/2011*	*05/06/2013*	*10,000*	*2.800%*	*(94)*
Hedging of Sogefi S.p.A. loan for € 160 million (06/04/2008 maturity 06/04/2013), rate: Euribor 3 months + 50 bps	*03/23/2011*	*05/06/2013*	*5,000*	*2.445%*	*(102)*
Hedging of Sogefi S.p.A. loan for € 60 million (04/29/2011 maturity 12/31/2016), rate: Euribor 3 months + 200 bps	*05/11/2011*	*12/31/2016*	*28,000*	*2.990%*	*(1,600)*

Description of IRC	Date opened	Contract maturity	Notional	Cap/Floor	Fair value
Hedging of Sogefi S.p.A. loan for € 100 million (09/29/2006 maturity 09/29/2013), rate: Euribor 3 months + 70 bps	04/24/2008	10/31/2012	10,000	Cap: 4.50% Floor: 3.84%	(268)

Description of K.IN FORWARD ZERO COST	Date opened	Contract maturity	Notional	Cap/Floor	Fair value
Hedging of Sogefi S.p.A. loan for € 100 million (09/29/2006 maturity 09/29/2013), rate: Euribor 3 months + 70 bps	04/24/2008	10/31/2012	10,000	Cap: 4.50% Floor: 4.20% Knock in European: 3.33%	(304)

In 2011, the Holding Company Sogefi S.p.A. entered into the following Interest Rate Swap contracts (in thousands of Euro) on expected higly probable future long-term indebtedness, designed in hedge accounting. Relating cash flows will be exchanged from 2013 onwards:

Description of IRS	Date opened	Contract maturity	Notional	Fixed rate	Fair value
Hedging of Sogefi S.p.A. future financial indebtedness for 2013-2018	02/10/2011	06/01/2018	10,000	3.679%	(779)
Hedging of Sogefi S.p.A. future financial indebtedness for 2013-2018	02/23/2011	06/01/2018	10,000	3.500%	(724)
Hedging of Sogefi S.p.A. future financial indebtedness for 2013-2018	03/11/2011	06/01/2018	10,000	3.545%	(725)
Hedging of Sogefi S.p.A. future financial indebtedness for 2013-2018	03/23/2011	06/01/2018	10,000	3.560%	(729)
Hedging of Sogefi S.p.A. future financial indebtedness for 2013-2018	03/27/2011	06/01/2018	10,000	3.670%	(792)
Hedging of Sogefi S.p.A. future financial indebtedness for 2013-2018	05/13/2011	06/01/2018	10,000	3.460%	(692)
Hedging of Sogefi S.p.A. future financial indebtedness for 2013-2018	06/24/2011	06/01/2018	10,000	3.250%	(605)
Hedging of Sogefi S.p.A. future financial indebtedness for 2013-2018	06/28/2011	06/01/2018	10,000	3.250%	(585)
Hedging of Sogefi S.p.A. future financial indebtedness for 2013-2018	11/28/2011	06/01/2018	10,000	2.578%	(283)

As of December 31, 2011, the subsidiary Sogefi Filtration S.A. had the following derivative in place to hedge its interest rate risk (in thousands of Euro) on the loan obtained from Banco Sabadell:

Description of IRS	Date opened	Contract maturity	Notional	Fixed rate	Fair value
Hedging of Sogefi Filtration S.A. loan for € 7 million (05/30/2011 maturity 05/30/2016), rate: Euribor 3 months + 225 bps	08/30/2011	05/30/2016	3,150	2.6509%	(106)

With the exception of the IRS, which envisages payment by the Group of an agreed fixed rate and receipt from the counterparty of the floating rate that is the basis of the underlying loan, the remaining financial instruments envisage the Group paying an interest rate that may fluctuate within a defined range ("Cap-Floor" for the IRC and "Cap-Knock in" for the K.IN FORWARD ZERO COST). As regards K.IN FORWARD ZERO COST, if the 3-month Euribor falls below the "Knock in", the Group pays the "Floor" rate.
The aim of these contracts is to limit the risk of changes in interest rates. They have been treated in hedge accounting as hedging instruments and the related fair value is booked to equity, except for an amount of Euro 60 thousand that was booked to income statement under "Total financial expenses (income), net" as the ineffective portion of the hedge relationship.

Reference should be made to the paragraph on "Interest risk" for further information on the level of hedging of interest risk.

Equity management

The main objectives pursued by the Group through its equity risk management are the creation of value for shareholders and the safeguarding of business continuity. The Group also sets itself the objective of maintaining an optimal equity structure so as to reduce the cost of indebtedness and meet the covenants established by the loan agreements.

The Group monitors equity on the basis of the net financial position/total equity ratio ("gearing ratio"). For the purposes of determination of the net financial position reference is made to note 22. Total equity is analysed in note 21.

As of December 31, 2011, gearing stands at 1.40 (0.77 as of December 31, 2010).
The worsening of the gearing ratio compared to the previous year is due to the higher indebtedness of the Holding Company Sogefi S.p.A. after the acquisition of the Systèmes Moteurs Group.

Categories of financial assets and liabilities stated in the financial statements and fair value hierarchy

In compliance with the requirements of IFRS 7, the table below provides the information on the categories of financial assets and liabilities held by the Group as of December 31, 2011.

For the financial instruments measured at fair value in the statement of financial position the IFRS 7 requires a classification by hierarchy determined by reference to the source of inputs used to derive the fair value. This classification uses the following three levels:
- *level 1: if the financial instrument is quoted in an active market;*
- *level 2: if the fair value is determined using valuation techniques and the inputs used for the valuation (other than quoted prices of financial instruments) are observable in the market. Specifically, fair value was calculated using the forward curves of exchange and interest rates;*
- *level 3: if the fair value is determined using valuation techniques and the inputs used for the valuation are non-observable in the market.*

The following table therefore shows the fair value level of financial assets and liabilities measured at fair value, as of December 31, 2011.

(in thousands of Euro)	*Note*	*Book value 2011*	*Receivables and financial assets*	*Financial assets available for sale*	*Held-to-maturity investments*	*Financial liabilities*	*Fair Value with changes booked in the income statement*	
							Amount	*Fair value hierarchy*
Current assets								
Cash and cash equivalents	5	102,461	102,461	-	-	-	-	
Securities held for trading	6	11	-	-	-	-	11	1
Held-to-maturity investments	6	1,893	-	-	1,893	-	-	
Assets for derivative financial instruments	6	8	-	-	-	-	8	2
Trade receivables	8	178,655	178,655	-	-	-	-	
Other receivables	8	10,204	10,204	-	-	-	-	
Other assets	8	2,800	2,800	-	-	-	-	
Non-current assets								
Other financial assets available for sale	12	490	-	490 *	-	-	-	
Other non-current receivables	13	14,102	14,102	-	-	-	-	
Current liabilities								
Short-term financial debts	16	56,789	-	-	-	56,789	-	
Other short-term liabilities for derivative financial instruments	16	632	-	-	-	-	632 **	2
Trade and other payables	17	283,516	-	-	-	283,516	-	
Other current liabilities	18	7,324	-	-	-	7,324	-	
Non-current liabilities								
Medium/long-term financial debts	16	338,378	-	-	-	338,378	-	
Other medium/long-term liabilities for derivative financial instruments	16	8,416	-	-	-	-	8,416 **	2

** of which Euro 439 thousand relating to financial assets valued at cost, as permitted by IAS 39, insofar as a reliable fair value is not available.*

*** of which Euro 8,988 thousand relating to hedge instruments accounted according to the cash flow hedge method.*

The following table therefore shows the fair value level of financial assets and liabilities measured at fair value, as of December 31, 2010.

(in thousands of Euro)	*Note*	*Book value 2010*	*Receivables and financial assets*	*Financial assets available for sale*	*Held-to-maturity investments*	*Financial liabilities*	*Fair Value with changes booked in the income statement*	
							Amount	*Fair value hierarchy*
Current assets								
Cash and cash equivalents	5	66,760	66,760	-	-	-	-	
Securities held for trading	6	18	-	-	-	-	18	1
Asset for derivative financial instruments	6	182	-	-	-	-	182	2
Trade receivables	8	138,815	138,815	-	-	-	-	
Other receivables	8	10,232	10,232	-	-	-	-	
Other assets	8	2,485	2,485	-	-	-	-	
Non-current assets								
Other financial assets available for sale	12	440	-	440 *	-	-	-	
Other non-current receivables	13	10,146	10,146	-	-	-	-	
Current liabilities								
Short-term financial debts	16	78,731	-	-	-	78,731	-	
Other short-term liabilities for derivative financial instruments	16	164	-	-	-		164 **	2
Trade and other payables	17	210,019	-	-	-	210,019	-	
Other current liabilities	18	2,121	-	-	-	2,121	-	
Non-current liabilities								
Medium/long-term financial debts	16	150,968	-	-	-	150,968	-	
Other medium/long-term liabilities for derivative financial instruments	16	2,042	-	-	-	-	2,042 **	2

** of which Euro 435 thousand relating to a financial asset valued at cost, as permitted by IAS 39, insofar as a reliable fair value is not available.*
*** of which Euro 2,196 thousand relating to hedge instruments accounted according to the cash flow hedge method.*

F) 40. RELATED PARTY TRANSACTIONS

See IAS 24 and the related communications from Consob for the definition of related party transactions.

The Group is controlled by the Parent Company CIR S.p.A. (Carlo de Benedetti e Figli S.a.p.A. being the ultimate Parent Company), which as of December 31, 2011 held 56.4% of outstanding shares. Sogefi S.p.A.'s shares are listed on the STAR segment of Mercato Telematico Azionario managed by Borsa Italiana S.p.A..

The Group's consolidated financial statements include the financial statements of the consolidated companies, listed in chapter H along with the stake held in the same by the Group.
Dealings between Group companies are conducted at arm's length, taking into account the quality and nature of services rendered; the Holding Company Sogefi S.p.A. charges Group companies fees for administrative, financial and management support services. The Holding Company also debits and credits interest at a market spread to those subsidiaries that have signed up for the Group's centralised treasury function.
The subsidiary Sogefi Purchasing S.a.S. charges Group companies for purchase management support services.

As part of its activity, Sogefi S.p.A. makes use of the services provided by CIR S.p.A., its Parent Company, in areas such as strategic development, disposals and acquisitions, and services of an administrative, financial, fiscal and corporate nature. This relationship is regulated by contracts at arm's length conditions and the cost is commensurate to the effective value of such services to the Sogefi Group in terms of the time devoted to them and the specific economic advantages obtained as a result.
In 2011, the Holding Company Sogefi S.p.A. used the services of CIR S.p.A., paying Euro 1,820 thousand for them (Euro 1,860 thousand in the previous year).

As of December 31, 2011, the Italian companies of the Sogefi Group had receivables for the amount of Euro 4,262 thousand owed by CIR S.p.A. in connection with their participation in the Group tax filing system. As of December 31, 2010, receivables amounted to Euro 3,192 thousand, and were received in full during the course of 2011.

At the end of 2011, the subsidiary Sogefi Rejna S.p.A. recorded an income of Euro 49 thousand (Euro 45 thousand in the previous year) following the transfer of fiscal surplus to companies that have joined the CIR Group tax filing system in order to have an interest deduction. The Holding Company Sogefi S.p.A. recorded an expense of Euro 438 thousand (Euro 263 thousand in the previous year) due to the payment for the fiscal surplus received from the companies that have joined the CIR Group tax filing system.

As regards transactions with the Directors, Statutory Auditors and Managers with strategic responsibilities, for the compensation paid to them in 2011 see the table below.

Apart from those mentioned above and shown in the financial statements, we are not aware of any other related party transactions.

The following table summarises related party transactions:

(in thousands of Euro)	*2011*	*2010*
Receivables		
- for the Group tax filing from CIR S.p.A.	*4,262*	*3,192*
- for income following the transfer of fiscal surplus to the CIR Group	*49*	*45*
Payables		
- for purchases of energy/gas from Sorgenia S.p.A.	*8*	*8*
- for expense due to fiscal surplus received from the CIR Group	*433*	*263*
Revenues		
- for services rendered to Allevard Ressorts Composites S.a.S.	*-*	*25*
Costs		
- for services received from CIR S.p.A.	*1,820*	*1,860*
- for net expense due to fiscal surplus received from the CIR Group	*389*	*217*
- for the purchase of finished products from Allevard Ressort Composite S.a.S.	*-*	*61*
Compensation of directors and statutory auditors		
- directors	*1,261*	*1,525*
- statutory auditors	*107*	*128*
Other compensation to the Managing Director of the Holding Company	*-*	*339*
Compensation to Manager with strategic responsibilities ex Consob resolution no. 17221/2010 (*)	*536*	*533*

(*) the amounts indicated refer to a Manager with strategic responsibilities identified as "Related party" with the "Discipline on related party transactions" adopted by the Company pursuant to Consob resolution no. 17221/2010

In 2011, the total expenses for the "Compensation to Manager with strategic responsibilities ex Consob resolution no. 17221/2010" and related contributions, employment termination indemnities and fringe benefits amount to Euro 747 thousand (Euro 1,187 thousand in 2010, including "Other compensation to the Managing Director of the Holding Company" and relating expenses).

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, 2011 regard the following subsidiaries:

- *Allevard Federn GmbH for the rental of the production plant in Volklingen. The contract expires in May 2020. At December 31, 2011, the remaining payments amount to Euro 3,206 thousand, Euro 366 thousand of which due by the end of the year.*
  The Group has not given any guarantees for this contract;

- *Mark IV Air Intake Systems Corp. for the rental of the production plant in Montreal. The contract expires in December 2015 and the remaining payments at December 31, 2011 amount to CAD 4,057 thousand, CAD 970 thousand of which due by the end of the year.*
  The Group has not given any guarantees for this contract;

- *Filtrauto S.A. for the rental of the production plant in Guyancourt. The contract expires in December 2016 and the remaining payments at December 31, 2011 amount to Euro 2,611 thousand, Euro 870 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 plan in Shanghai. The contract expires in August 2023. At December 31, 2011, total remaining payments amount to CNY 18,110 thousand, CNY 1,646 thousand of which due by the end of the year. The Group has not given any guarantees 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, the remaining payments at December 31, 2011 amount to USD 2,942 thousand, of which USD 397 thousand due by the end of the year.*
  For this contract Sogefi S.p.A. provided a guarantee equal to 58% 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, 2011 are as follows:

(in thousands of Euro)	*2011*	*2010*
Within 12 months	*6,336*	*4,957*
Between 1 and 5 years	*14,796*	*9,359*
Beyond 5 years	*4,139*	*2,961*
TOTAL	*25,271*	*17,277*

42. INVESTMENT COMMITMENTS

At December 31, 2011, Group companies have binding commitments for investments relating to the purchase of property, plant and equipment for Euro 2,460 thousand (Euro 4,266 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)	*12.31.2011*	*12.31.2010*
PERSONAL GUARANTEES GIVEN		
a) Sureties to third parties	*1,340*	*1,021*
b) Other personal guarantees in favour of third parties	*9,714*	*9,714*
TOTAL PERSONAL GUARANTEES GIVEN	*11,054*	*10,735*
REAL GUARANTEES GIVEN		
a) Against liabilities shown in the financial statements	*1,738*	*556*
TOTAL REAL GUARANTEES GIVEN	*1,738*	*556*

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" refer exclusively to the Indian subsidiaries Sogefi M.N.R. Filtration India Private Ltd and Allevard IAI Suspensions Private Ltd, which have real guarantees on tangible fixed assets, inventories and trade receivables to secure loans obtained from financial institutions.

44. OTHER RISKS

As of December 31, 2011, the Group had third-party goods and materials held at Group companies worth Euro 5,417 thousand (Euro 5,180 thousand as of December 31, 2010).

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 of Filtrauto UK Ltd's Staff Pension Scheme and Filtrauto UK Ltd's 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.

Subsidiary Systèmes Moteurs S.A.S. is conducting in-depth technical investigations of the quality of the products supplied before the acquisition by the Sogefi Group with some customers.
Potential economic impact cannot be estimated at present.
However, we believe that any cost as may be incurred by Systèmes Moteurs S.A.S. after full or partial insurance compensation (if any) will be repaid by the seller of the shares of Systèmes Moteurs S.A.S., which Sogefi S.p.A. purchased in July 2011.

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 2011.

47. SUBSEQUENT EVENTS

On April 19, 2011, the Shareholders' Meeting authorised the purchase of treasury shares and the Holding Company purchased 233,229 treasury shares at an average price of Euro 1.99 each after the end of year 2011.

H) GROUP COMPANIES

48. LIST OF GROUP COMPANIES AS OF DECEMBER 31, 2011

SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS

Direct subsidiaries	Currency	Share capital	Number of shares	% held	Par value per share	Par value of the interest held
SOGEFI REJNA S.p.A. Mantova (Italy)	Euro	21,978,316	21,950,990	99.88	1	21,950,990
SOGEFI FILTRATION Ltd Llantrisant (Great Britain)	GBP	5,126,737	5,126,737	100.00	1	5,126,737
SOGEFI FILTRATION S.A. Cerdanyola (Spain) 86.08% held by Sogefi S.p.A. 13.92% held by Filtrauto S.A.	Euro	12,953,713.60	2,155,360	100.00	6.01	12,953,713.60
FILTRAUTO S.A. (*) Guyancourt (France)	Euro	5,750,000	287,494	99.99	20	5,749,880
ALLEVARD REJNA AUTOSUSPENSIONS S.A. Saint Cloud (France)	Euro	36,000,000	1,999,747	99.987	18	35,995,446
ALLEVARD SOGEFI U.S.A., Inc. Prichard (U.S.A.)	USD	20,055,000	191	100.00		20,055,000
SOGEFI FILTRATION d.o.o. Medvode (Slovenia)	Euro	10,291,798		100.00		10,291,798
SOGEFI PURCHASING S.A.S. Guyancourt (France)	Euro	100,000	10,000	100.00	10	100,000
SHANGHAI SOGEFI AUTO PARTS Co., Ltd Shanghai (China)	USD	13,000,000		100.00		13,000,000
SYSTÈMES MOTEURS S.A.S. Levallois-Perret (France)	Euro	54,938,125	3,602,500	100.00	15.25	54,938,125

(*) On June 30, 2011, the two subsidiaries SOGEFI FILTRATION B.V. and SOGEFI FILTRATION A.B. were merged by incorporation into FILTRAUTO S.A..

Indirect subsidiaries

	Currency	Share capital	Number of shares	% held	Par value per share	Par value of the interest held
ENGINE SYSTEMS DIVISION – FLUID FILTERS						
SOGEFI M.N.R. FILTRATION INDIA Private Ltd (*) Bangalore (India) Held by Filtrauto S.A.	INR	15,940,980	956,459	60.00	10	9,564,590
SOGEFI FILTRATION DO BRASIL Ltda São Bernardo do Campo (Brazil) Held by Sogefi Filtration S.A.	BRL	29,857,374	29,857,373	99.99	1	29,857,373
SOGEFI FILTRATION ARGENTINA S.A. Buenos Aires (Argentina) 91.90% held by Sogefi Filtration do Brasil Ltda 7.28% held by Filtrauto S.A. 0.81% held by Sogefi Rejna S.p.A.	ARP	10,691,607	10,691,605	99.99	1	10,691,605

(*) On October 11, 2011, the subsidiary EMW ENVIRONMENTAL TECHNOLOGIES Private Ltd was merged by incorporation into SOGEFI M.N.R. FILTRATION INDIA Private Ltd.

Indirect subsidiaries	Currency	Share capital	Number of shares	% held	Par value per share	Par value of the interest held
ENGINE SYSTEMS DIVISION – AIR INTAKE AND COOLING						
MARK IV AIR INTAKE SYSTEMS CORP. *Nova Scotia (Canada)* *Held by Systèmes Moteurs S.A.S.*	*CAD*	*39,393,000*	*2,283*	*100.00*		*39,393,000*
MARK IV SYSTÈMES MOTEURS USA, Inc. *Wilmington (U.S.A.)* *Held by Systèmes Moteurs S.A.S.*	*USD*	*100*	*1,000*	*100.00*	*0.10*	*100*
SYSTÈMES MOTEURS CHINA, S.à.r.l. *Luxembourg (Luxembourg)* *Held by Systèmes Moteurs S.A.S.*	*Euro*	*12,500*	*125*	*100.00*	*100*	*12,500*
MARK IV AIR INTAKE INDIA Pvt. Ltd *New Delhi (India)* *99.52% held by Systèmes Moteurs S.A.S.* *0.48% held by Systèmes Moteurs, China, S.à.r.l.*	*INR*	*20,684,570*	*2,068,457*	*100.00*	*10*	*20,684,570*
SYSTÈMES MOTEURS S.r.l. *Titesti (Romania)* *Held by Systèmes Moteurs S.A.S.*	*RON*	*1,000*	*99*	*99.00*	*10*	*990*
MARK IV AIS MEXICO, S de R.L. de C.V. *Apodaca (Mexico)* *0.03% held by Systèmes Moteurs S.A.S.* *99.97% held by Mark IV Air Intake Systems Corp.*	*MXN*	*3,000*	*3,000*	*100.00*	*1*	*3,000*
MARK IV HONG KONG Limited *Hong Kong (Hong Kong)* *Held by Mark IV Systèmes Moteurs, China, S.à.r.l.*	*HKD*	*1,000*	*1,000*	*100.00*	*1*	*1,000*
MARK IV (Shanghai) TRADING Co. Ltd *Shanghai (China)* *Held by Mark IV Hong Kong Limited*	*RMB*	*5,000,000*	*1*	*100.00*		*5,000,000*

Indirect subsidiaries

	Currency	Share capital	Number of shares	% held	Par value per share	Par value of the interest held
SUSPENSION COMPONENTS AND PRECISION SPRINGS DIVISION						
ALLEVARD SPRINGS Ltd *Clydach (Great Britain)* *Held by Allevard Rejna Autosuspensions S.A.*	*GBP*	*4,000,002*	*4,000,001*	*99.99*	*1*	*4,000,001*
ALLEVARD FEDERN GmbH *Volklingen (Germany)* *Held by Allevard Rejna Autosuspensions S.A.*	*Euro*	*50,000*		*100.00*		*50,000*
ALLEVARD REJNA ARGENTINA S.A. *Buenos Aires (Argentina)* *Held by Allevard Rejna Autosuspensions S.A.*	*ARP*	*600,000*	*599,827*	*99.97*	*1*	*599,827*
IBERICA DE SUSPENSIONES S.L. (ISSA) *Alsasua (Spain)* *Held by Allevard Rejna Autosuspensions S.A.*	*Euro*	*10,529,668*	*5,264,834*	*50.00*	*1*	*5,264,834*
ALLEVARD MOLAS DO BRASIL Ltda *São Paulo (Brazil)* *99.997% held by Allevard Rejna Autosuspensions S.A.* *0.003% held by Allevard Springs Ltd*	*BRL*	*37,161,683*	*37,161,683*	*100.00*	*1*	*37,161,683*
UNITED SPRINGS Ltd *Rochdale (Great Britain)* *Held by Allevard Rejna Autosuspensions S.A.*	*GBP*	*6,500,000*	*6,500,000*	*100.00*	*1*	*6,500,000*
UNITED SPRINGS B.V. *Hengelo (Netherlands)* *Held by Allevard Rejna Autosuspensions S.A.*	*Euro*	*254,979*	*254,979*	*100.00*	*1*	*254,979*
SHANGHAI ALLEVARD SPRING Co., Ltd *Shanghai (China)* *Held by Allevard Rejna Autosuspensions S.A.*	*Euro*	*5,335,308*		*60.58*		*3,231,919*
UNITED SPRINGS S.A.S. *Saint Cloud (France)* *Held by Allevard Rejna Autosuspensions S.A.*	*Euro*	*10,218,000*	*2,043,599*	*99.99*	*5*	*10,217,995*
S.ARA COMPOSITE S.A.S. *Saint Cloud (France)* *Held by Allevard Rejna Autosuspensions S.A.*	*Euro*	*9,000,000*	*8,000,000*	*88.89*	*1*	*8,000,000*
ALLEVARD IAI SUSPENSIONS Private Ltd *Pune (India)* *Held by Allevard Rejna Autosuspensions S.A.*	*INR*	*112,000,000*	*5,712,000*	*51.00*	*10*	*57,120,000*
LUHN & PULVERMACHER - DITTMANN & NEUHAUS GmbH *Hagen (Germany)* *Held by Allevard Federn GmbH*	*Euro*	*50,000*		*100.00*	*50,000*	*50,000*
SOGEFI ALLEVARD Srl *Bucharest (Romania)* *Held by Sogefi Rejna S.p.A.*	*RON*	*210,000*	*2,100*	*100.00*	*100*	*210,000*

EQUITY INVESTMENTS IN SUBSIDIARIES CONSOLIDATED USING THE EQUITY METHOD

Indirect subsidiaries	*Currency*	*Share capital*	*Number of shares*	*% held*	*Par value per share*	*Par value of the interest held*
MARK IV ASSET (Shanghai) AUTO PARTS Co., Ltd *Shanghai (China)* *Held by Mark IV Hong Kong Limited*	*RMB*	*10,000,000*	*1*	*50.00*		*5,000,000*

EQUITY INVESTMENTS IN NON-CONSOLIDATED SUBSIDIARIES

Indirect subsidiaries	*Currency*	*Share capital*	*Number of shares*	*% held*	*Par value per share*	*Par value of the interest held*
INTEGRAL S.A. (*) *San Luis (Argentina)* *93.50% held by Filtrauto S.A.* *6.50% held by Sogefi Filtration Argentina S.A.*	*ARP*	*2,515,600*	*2,515,600*	*100.00*	*1*	*2,515,600*

(*) in liquidation

EQUITY INVESTMENTS IN OTHER COMPANIES CARRIED AT COST

	Currency	*Share capital*	*Number of shares*	*% held*	*Par value per share*	*Par value of the interest held*
UMC & MAKKAWI SPRING MANUFACTURING Co., Ltd *Khartoum (Sudan)* *Held by Sogefi Rejna S.p.A.*	*SDP*	*900,000*	*225*	*25.00*	*1,000*	*225,000*
AFICO FILTERS S.A.E. *Cairo (Egypt)* *Held by Sogefi Rejna S.p.A.*	*EGP*	*11,000,000*	*24,880*	*22.62*	*100*	*2,488,000*