

**SO/GEFI**

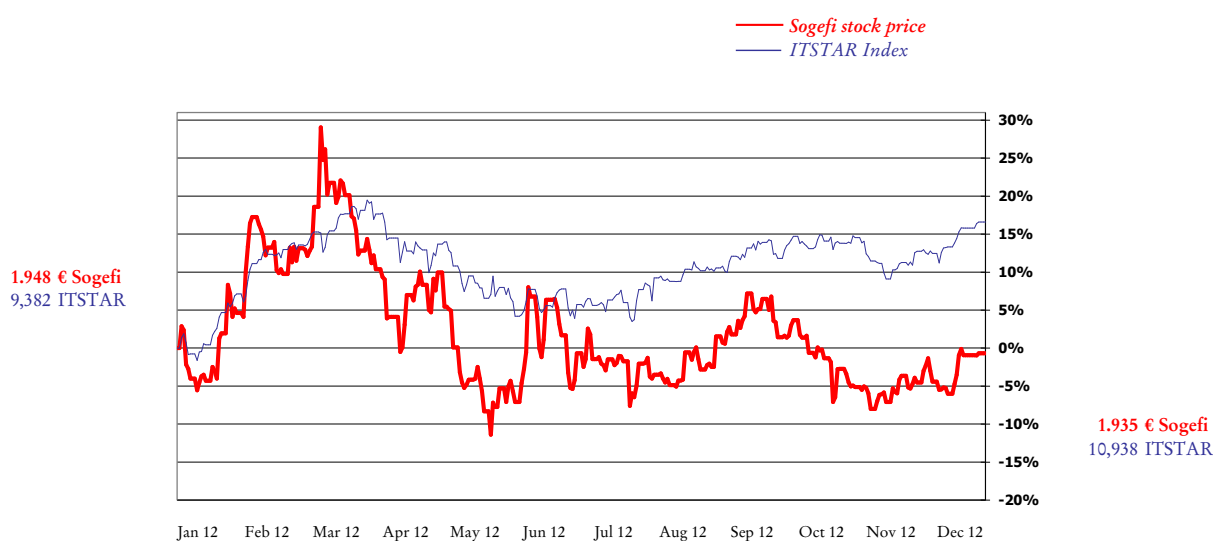
## OVERVIEW OF GROUP RESULTS

(in millions of Euro)	2009		2010		2011		2012	
	Amount	%	Amount	%	Amount	%	Amount	%
Sales revenues	781.0	100.0%	924.7	100.0%	1,158.4	100.0%	1,319.2	100.0%
EBITDA	47.2	6.0%	86.7	9.4%	111.9	9.7%	126.0	9.6%
Operating result	33.7	4.3%	67.5	7.3%	88.0	7.6%	92.7	7.0%
Ebit	5.1	0.6%	41.8	4.5%	58.5	5.0%	62.8	4.8%
Result before taxes and non-controlling interests	(5.6)	-0.7%	32.4	3.5%	45.8	3.9%	46.3	3.5%
Net result	(7.6)	-1.0%	18.8	2.0%	24.0	2.1%	29.3	2.2%
Self-financing	34.8		55.3		71.4		89.8	
Free cash flow	90.0		6.1		(116.4)		22.3	
Net financial position	(170.2)		(164.9)		(299.8)		(295.8)	
Total shareholders' equity	182.2		214.4		214.2		215.3	
GEARING	0.93		0.77		1.40		1.37	
ROI	1.3%		11.4%		13.1%		12.2%	
ROE	-4.7%		10.3%		12.3%		15.0%	
Number of employees at December 31	5,770		5,574		6,708		6,735	
Dividends per share (Euro)	-		0.13		0.13		0.13 (*)	
EPS (Euro)	(0.067)		0.165		0.210		0.260	
Average annual price per share	1.2986		2.1410		2.3722		1.9856	

(\*) As proposed by the Board of Directors to the Shareholders' Meeting.

## STOCK PERFORMANCE

The graph below shows the performance of Sogefi stock and of the ITSTAR index in 2012.



**REPORT OF THE BOARD OF DIRECTORS  
ON OPERATIONS IN 2012**

Shareholders,

*in the year 2012, the Sogefi Group recorded a further increase in revenues and profitability in the face of an automotive market that stalled yet again in the European continent where Sogefi presence is stronger – after the crisis experienced in the period 2008-2009 – in spite of the overall growth observed at a world-wide level.*

*The depressed European economies, especially in those countries that have pursued recessive policies, pushed new car sales down 7.8% compared to 2011. At as little as twelve million units, new car sales plummeted to their lowest level in the past seventeen years, with new registrations dropping back to the same level seen in 1995.*

*The positive results of the Group were made possible by the consolidation of Systèmes Moteurs S.A.S.- which was acquired in July 2011 and consolidated in December 2011 for a period of five months only - and by the continued pursuit of the strategy implemented over the past five years that focuses on expanding business in the more dynamic and profitable non-European markets.*

*As a matter of fact, vehicle production grew in all markets in which Sogefi has a presence except Europe, with the North American market making a brilliant recovery (+17.4%) and a confirmed positive trend in the Chinese (+5.8%), Indian (+5.3%) and Brazilian markets (+0.8%).*

*In this scenario, the Group achieved sales revenues of Euro 1,319.2 million in 2012, up 13.9% compared to 2011, and a consolidated net result of Euro 29.3 million (+22% over the previous year). On a like-for-like basis, revenues would have been Euro 979.4 million, down 4.2% from 2011.*

*Business growth was mainly achieved by the results of the Engine Systems Division (+29.6%), whereas the Suspension Components Division ended the year with a 3.5% decline in revenues, which were impacted by dropping sales in the industrial vehicle segment (-9.6%). The table below shows the performance of the divisions:*

<i>(in millions of Euro)</i>	2012		2011	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
<i>Engine systems</i>	792.6	60.1	611.5	52.8
<i>Suspension components</i>	528.6	40.1	547.7	47.3
<i>Intercompany eliminations</i>	(2.0)	(0.2)	(0.8)	(0.1)
<b>TOTAL</b>	<b>1,319.2</b>	<b>100.0</b>	<b>1,158.4</b>	<b>100.0</b>

The original equipment business grew further during the period, accounting for 76.8% of consolidated revenues, whereas the spare parts sector – a business handled by the Engine Systems Division alone – was basically stable (-1%).

(in millions of Euro)	2012		2011	
	Amount	%	Amount	%
Original Equipment (O.E.)	1,012.7	76.8	848.9	73.3
Spare parts I.A.M. + O.E.S.	306.5	23.2	309.5	26.7
<b>TOTAL</b>	<b>1,319.2</b>	<b>100.0</b>	<b>1,158.4</b>	<b>100.0</b>

In 2012, the Group managed to improve the percentage of revenues in non-European markets up to 33.5% (30.5% in the previous period), thanks to notable growth in North America (+107.6%) and Asia (+35.4%), despite a drop of 3.8% in Mercosur after a slowdown of Brazilian vehicle production in the central months of the year, which persisted until the end of 2012 in the industrial vehicle sector.

The table below shows the evolution of 2011 and 2012 sales by key markets.

(in millions of Euro)	2012		2011	
	Amount	%	Amount	%
Europe	877.0	66.5	804.9	69.5
Mercosur	231.4	17.5	240.5	20.8
NAFTA	150.6	11.4	72.5	6.3
Asia	46.6	3.5	34.4	3.0
Rest of the world	13.6	1.1	6.1	0.4
<b>TOTAL</b>	<b>1,319.2</b>	<b>100.0</b>	<b>1,158.4</b>	<b>100.0</b>

A breakdown of revenues by customer confirms a non-positive trend in sales for European generalist manufacturers, with Fiat and Renault recording the most significant business drop, whereas German auto makers and US car manufacturers GM, Ford and Chrysler are on the uptrend.

<i>(in millions of Euro)</i>	2012		2011	
	Amount	%	Amount	%
Group				
PSA	169.9	12.9	154.3	13.3
Ford	156.3	11.9	114.0	9.8
Renault/Nissan	149.3	11.3	131.0	11.3
GM	124.8	9.5	73.8	6.4
Daimler	95.9	7.3	85.1	7.3
Fiat/Iveco/Chrysler	85.5	6.5	85.3	7.4
Volkswagen/Audi	65.0	4.9	65.2	5.6
BMW	41.7	3.2	18.9	1.6
Volvo	30.3	2.3	32.1	2.8
DAF/Paccar	28.7	2.2	31.5	2.7
Toyota	26.6	2.0	17.7	1.5
Man	20.8	1.6	27.2	2.3
Caterpillar	9.0	0.7	9.6	0.8
Honda	6.2	0.5	5.9	0.5
Altri	309.2	23.2	306.8	26.7
<b>TOTAL</b>	<b>1,319.2</b>	<b>100.0</b>	<b>1,158.4</b>	<b>100.0</b>

Full year consolidation of Systèmes Moteurs S.A.S. was also key in determining the positive trend in Group results, as can be seen from the comparative breakdown below.

<i>(in millions of Euro)</i>	2012		2011 (*)	
	Amount	%	Amount	%
Sales revenues	1,319.2	100.0	1,158.4	100.0
Variable cost of sales	927.3	70.3	805.9	69.6
<b>CONTRIBUTION MARGIN</b>	<b>391.9</b>	<b>29.7</b>	<b>352.5</b>	<b>30.4</b>
Manufacturing and R&D overheads	129.7	9.9	115.0	9.9
Depreciation and amortization	58.4	4.4	49.8	4.3
Distribution and sales fixed expenses	39.2	3.0	35.3	3.0
Administrative and general expenses	71.9	5.4	64.4	5.6
<b>OPERATING RESULT</b>	<b>92.7</b>	<b>7.0</b>	<b>88.0</b>	<b>7.6</b>
Restructuring costs	12.2	0.9	8.7	0.8
Losses (gains) on disposal	(7.7)	(0.6)	0.1	-
Exchange (gains) losses	0.7	-	0.9	0.1
Other non-operating expenses (income)	24.7	1.9	19.8	1.7
<b>EBIT</b>	<b>62.8</b>	<b>4.8</b>	<b>58.5</b>	<b>5.0</b>
Financial expenses (income), net	16.5	1.3	12.7	1.1
Losses (gains) from equity investments	-	-	-	-
<b>RESULT BEFORE TAXES AND NON-CONTROLLING INTERESTS</b>	<b>46.3</b>	<b>3.5</b>	<b>45.8</b>	<b>3.9</b>
Income taxes	13.8	1.1	18.6	1.5
<b>NET RESULT BEFORE NON-CONTROLLING INTERESTS</b>	<b>32.5</b>	<b>2.4</b>	<b>27.2</b>	<b>2.4</b>
Loss (income) attributable to non-controlling interests	(3.2)	(0.2)	(3.2)	(0.3)
<b>GROUP NET RESULT</b>	<b>29.3</b>	<b>2.2</b>	<b>24.0</b>	<b>2.1</b>

(\*) Certain values as at December 31, 2011 were redetermined after the completion of the Purchase Price Allocation process in connection with the Systèmes Moteurs S.A.S. acquisition.

The stable trend of profitability on sales was characterised by the following factors: the impact of the cost of materials on revenues grew from 49.8% (previous year) to 52% mainly because of the changed product mix; production efficiency remained stable; the impact of labour cost remained unchanged at 22.9%. Employees (including temporary workers and excluding employees under labour flexibility schemes) increased from 6,954 people at the end of 2011 to 7,179 people at the end of 2012.

As of December 31, 2012, the Group employed a workforce of 6,735 compared to 6,708 at the end of the previous year. Breakdown by business sectors is as follows:

	12.31.2012		12.31.2011	
	Number	%	Number	%
Engine systems	4,090	60.7	4,136	61.7
Suspension components	2,571	38.2	2,508	37.4
Other	74	1.1	64	0.9
<b>TOTAL</b>	<b>6,735</b>	<b>100.0</b>	<b>6,708</b>	<b>100.0</b>

and breakdown by category is provided below:

	12.31.2012		12.31.2011	
	Number	%	Number	%
Managers	111	1.6	108	1.6
Clerical staff	1,821	27.0	1,774	26.4
Blue collar workes	4,803	71.4	4,826	72.0
<b>TOTAL</b>	<b>6,735</b>	<b>100.0</b>	<b>6,708</b>	<b>100.0</b>

**Consolidated contribution margin** was Euro 391.9 million (29.7% of sales) compared to 352.5 million (30.4% of revenues) in the previous year.

**Consolidated operating result** amounts to Euro 92.7 million (7% of sales), 5.3% up from the 88 million (7.6% of sales) in 2011.

A continued effort to bring fixed costs under control led to an increase in both **EBITDA** (Earnings Before Interest, Tax, Depreciation and Amortization) and **EBIT** (Earnings Before Interest and Tax).

Consolidated EBITDA rose to Euro 126 million (9.6% of revenues) from 111.9 million (9.7% of revenues).

Consolidated EBIT grew to Euro 62.8 million (4.8% of revenues) from 58.5 million (5% of revenues) in 2011.

Restructuring costs as part of the reorganisation of manufacturing facilities amounted to Euro 12.2 million in 2012 compared to 8.7 million in 2011 and are mostly traced back to the final shutdown of the Llantrisant engine filter manufacturing plant in Wales.

Result for the year was also affected by non-operating expenses for the amount of Euro 2.1 million mainly due to the shutdown of the Prichard stabilizer bars manufacturing plant (USA) and for Euro 2.2 million to consulting services aimed at the international expansion of the Group.

*Consolidated result before taxes and non-controlling interests stood at Euro 46.3 million, compared to 45.8 million in 2011.*

*The year benefited of a lower tax impact compared to 2011, with deferred tax assets for the amount of Euro 7.3 million.*

*Consolidated net result amounts to Euro 29.3 million, up 22% from Euro 24 million in the previous year.*

*The measures taken to keep working capital under control, a cash inflow of Euro 7.4 million from the sale of a Brazilian plant and a dividend payout for the amount of Euro 17.2 million during the year, helped to keep the Group's net financial indebtedness as of December 31, 2012 at Euro 295.8 million, in line with the 2011 year-end figure of 299.8 million.*

*The following table provides a breakdown of indebtedness as of December 31:*

<i>(in millions of Euro)</i>	12.31.2012	12.31.2011
<i>Cash, banks, financial receivables and securities held for trading</i>	93.4	104.4
<i>Medium/long-term financial receivables</i>	-	-
<i>Short-term financial debts (*)</i>	(99.0)	(57.4)
<i>Medium/long-term financial debts</i>	(290.2)	(346.8)
<b>NET FINANCIAL POSITION</b>	<b>(295.8)</b>	<b>(299.8)</b>

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

The table below shows changes in cash flows during the year:

<i>(in millions of Euro)</i>	<i>Note(*)</i>	<i>2012</i>	<i>2011 (**)</i>
<b>SELF-FINANCING</b>	(f)	89.8	71.4
<i>Change in net working capital</i>		19.8	14.2
<i>Other medium/long-term assets/liabilities</i>	(g)	(5.1)	(5.5)
<b>CASH FLOW GENERATED BY OPERATIONS</b>		<b>104.5</b>	<b>80.1</b>
<i>Sale of equity investments</i>	(h)	-	-
<i>Net decrease from sale of fixed assets</i>	(i)	3.4	0.3
<b>TOTAL SOURCES</b>		<b>107.9</b>	<b>80.4</b>
<i>Increase in intangible assets</i>		39.2	20.5
<i>Purchase of tangible assets</i>		45.2	36.3
<i>Purchase of equity investments (***)</i>		-	146.5
<b>TOTAL APPLICATION OF FUNDS</b>		<b>84.4</b>	<b>203.3</b>
<i>Net financial position of subsidiaries purchased/sold during the year (***)</i>		-	8.3
<i>Exchange differences on assets/liabilities and equity</i>	(l)	(1.2)	(1.8)
<b>FREE CASH FLOW</b>		<b>22.3</b>	<b>(116.4)</b>
<i>Holding Company increases in capital</i>		0.1	0.3
<i>Net purchase of treasury share</i>		(1.4)	(2.7)
<i>Increases in share capital of consolidated subsidiaries</i>		0.2	-
<i>Dividends paid by the Holding Company to shareholders</i>		(14.7)	(14.9)
<i>Dividends paid by subsidiaries to non-controlling interests</i>		(2.5)	(1.2)
<b>CHANGES IN SHAREHOLDERS' EQUITY</b>		<b>(18.3)</b>	<b>(18.5)</b>
<i>Change in net financial position</i>	(m)	4.0	(134.9)
<i>Opening net financial position</i>	(m)	(299.8)	(164.9)
<b>CLOSING NET FINANCIAL POSITION</b>	(m)	<b>(295.8)</b>	<b>(299.8)</b>

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

(\*\*) Certain values as at December 31, 2011 were redetermined after the completion of the Purchase Price Allocation process in connection with the Systèmes Moteurs S.A.S. acquisition.

(\*\*\*) Total Euro 138.2 million: consolidated net cash outflow for the purchase of Systèmes Moteurs S.A.S..

As of December 31, 2012 consolidated capital structure reflects consolidated equity for the amount of Euro 195.5 million compared with 195.2 million as of December 31, 2011, as shown in the table below.

(in millions of Euro)	Note(*)	12.31.2012		12.31.2011 (**)	
		Amount	%	Amount	%
Short-term operating assets	(a)	361.6		385.7	
Short-term operating liabilities	(b)	(329.0)		(330.8)	
Net working capital		32.6	6.4	54.9	10.7
Equity investments	(c)	0.8	0.2	0.8	0.2
Intangible, tangible fixed assets and other medium and long-term assets	(d)	566.5	110.8	545.3	106.0
<b>CAPITAL INVESTED</b>		<b>599.9</b>	<b>117.4</b>	<b>601.0</b>	<b>116.9</b>
Other medium and long-term liabilities	(e)	(88.8)	(17.4)	(87.0)	(16.9)
<b>NET CAPITAL INVESTED</b>		<b>511.1</b>	<b>100.0</b>	<b>514.0</b>	<b>100.0</b>
Net financial indebtedness		295.8	57.9	299.8	58.3
Non-controlling interests		19.8	3.9	19.0	3.7
Consolidated equity of the Group		195.5	38.2	195.2	38.0
<b>TOTAL</b>		<b>511.1</b>	<b>100.0</b>	<b>514.0</b>	<b>100.0</b>

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

(\*\*) Certain values as at December 31, 2011 were redetermined after the completion of the Purchase Price Allocation process in connection with the Systèmes Moteurs S.A.S. acquisition.

Other indicators are as follows:

- **gearing** (net financial position/total equity ratio) stood at 1.37 at the end of 2012, basically in line with the previous year-end ratio (1.40);
- **net financial position/normalised EBITDA** (excluding costs and revenues from non-ordinary operations) ratio dropped from 2.14 at the end of 2011 to 2.10;
- **ROI** (Return on Investment) decreased from 13.1% in 2011 to 12.2% in 2012;
- **ROE** (Return on Equity) increased from 12.3% in 2011 to 15% at the end of 2012.

**New technical investments** during the year amounted to Euro 45.2 million (36.3 million in 2011) and were aimed at bringing production processes up-to-date and setting up production equipment at non-European facilities. **Intangible investments** for the amount of Euro 39.2 million were also made to upgrade the Group's IT systems and for the partial capitalisation of research and development activities.

**Research and development** expenses amounted to Euro 35.9 million (26.1 million in 2011), and mostly focused on product innovation.

## RECONCILIATION BETWEEN THE HOLDING COMPANY'S STATUTORY FINANCIAL STATEMENTS AND THE CONSOLIDATED FINANCIAL STATEMENTS

The following is a reconciliation of the Group's net result and equity at the end of the year with the equivalent figures for the Holding Company.

### Net result for the year

<i>(in millions of Euro)</i>	2012	2011 (*)
Net result per Sogefi S.p.A. financial statements	6.2	10.5
Group share of results of subsidiary companies included in the consolidated financial statements	37.1	35.1
Writedowns/Gains of equity investments in Sogefi S.p.A.	5.8	5.5
Elimination of Sogefi S.p.A. dividends	(21.4)	(26.7)
Elimination of unrealized gains deriving from intercompany transactions and other consolidation adjustments, net of the related deferred taxation	1.6	(0.4)
<b>NET RESULT PER CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>29.3</b>	<b>24.0</b>

(\*) Certain values as at December 31, 2011 were redetermined after the completion of the Purchase Price Allocation process in connection with the Systèmes Moteurs S.A.S. acquisition.

### Shareholders' equity

<i>(in millions of Euro)</i>	12.31.2012	12.31.2011 (*)
Shareholders' equity per Sogefi S.p.A. financial statements	154.1	166.6
Group share of excess equity value of investments in consolidated companies over carrying value in Sogefi S.p.A. financial statements	14.8	3.6
Elimination of unrealized gains deriving from intercompany transactions and other consolidation adjustments, net of the related deferred taxation	26.6	25.0
<b>SHAREHOLDERS' EQUITY PER CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>195.5</b>	<b>195.2</b>

(\*) Certain values as at December 31, 2011 were redetermined after the completion of the Purchase Price Allocation process in connection with the Systèmes Moteurs S.A.S. acquisition.

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

In 2012, net result was Euro 6.2 million, down 41.3% from Euro 10.5 million in the previous year.

The decrease in item “Financial income/expenses and dividends” was mainly due to the lower dividend flow resolved by subsidiaries as well as to higher net financial expenses due to a major indebtedness for the acquisition of Systèmes Moteurs S.A.S. in the second half of 2011.

The Company recognised a writedown of Euro 5.8 million (vs Euro 5.5 million in 2011) under item “Adjustments to financial assets” of the income statement to reduce the carrying value of the Italian subsidiary Sogefi Rejna S.p.A..

The year 2012 witnessed an increase in personnel and third-party consulting costs, as a result more services provided by the Holding Company to subsidiaries as evidenced by the growth in its operating revenues compared to the previous year.

“Other non-operating income (expenses)” include consulting services for the acquisition of a potential target eventually not executed. The previous year included third-party consultant fees for the amount of Euro 4.4 million for the acquisition of French company Systèmes Moteurs S.A.S..

(in millions of Euro)	2012	2011
Financial income/expenses and dividends	16.0	22.1
Adjustments to financial assets	(5.8)	(5.5)
Other operating revenues	14.1	12.8
Operating costs	(18.3)	(16.6)
Other non-operating income (expenses)	(2.3)	(5.3)
<b>RESULT BEFORE TAXES</b>	<b>3.7</b>	<b>7.5</b>
Income taxes	(2.5)	(3.0)
<b>NET RESULT</b>	<b>6.2</b>	<b>10.5</b>

As regards the **statement of financial position**, the table below shows the main items as of December 31, 2012, compared with the figures recorded at the end of the previous year:

(in millions of Euro)	Note(*)	12.31.2012	12.31.2011
Short-term assets	(n)	10.0	8.2
Short-term liabilities	(o)	(9.7)	(6.1)
<b>Net working capital</b>		<b>0.3</b>	<b>2.1</b>
Equity investments	(p)	396.5	389.6
Other fixed assets	(q)	41.6	30.8
<b>CAPITAL INVESTED</b>		<b>438.4</b>	<b>422.5</b>
Other medium and long-term liabilities	(r)	(1.0)	(1.2)
<b>NET CAPITAL INVESTED</b>		<b>437.4</b>	<b>421.3</b>
Net financial indebtedness		283.3	254.7
Shareholders' equity		154.1	166.6
<b>TOTAL</b>		<b>437.4</b>	<b>421.3</b>

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

The increase in “Equity investments”, net of the writedown of Sogefi Rejna S.p.A. mentioned above, reflects the establishment of subsidiary Sogefi (Suzhou) Auto Parts Co., Ltd for the amount of Euro 12.3 million aimed at supporting the business growth of the Suspension Components and Air Intake and Cooling Divisions on the Chinese market.

“Other fixed assets” include an increase by Euro 9.1 million relating to capitalised costs for the multi-year project started during the second half of year 2011 to develop and implement a new integrated information system at a group-wide level.

“Shareholders' equity” as of December 31, 2012 decreased to Euro 154.1 million (Euro 166.6 million as of December 31, 2011) as the share premium reserve was used to purchase treasury shares, as the Retained earnings reserve was used to pay a dividend according to a resolution of the Shareholders' Meeting of April 19, 2012 and as a consequence of a reduction of the fair value reserve for interest rate hedging instruments, which were booked in accordance with hedge accounting principles.

**Net financial indebtedness** as of December 31, 2012 was Euro 283.3 million, with a net increase of Euro 28.6 million compared to December 31, 2011.

<i>(in millions of Euro)</i>	12.31.2012	12.31.2011
Short-term cash investments	27.0	44.4
Short/medium-term financial receivables to third and subsidiaries	107.5	129.2
Short-term financial debts (*)	(150.8)	(103.7)
Medium/long-term financial debts	(267.0)	(324.6)
<b>NET FINANCIAL POSITION</b>	<b>(283.3)</b>	<b>(254.7)</b>

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

As mentioned above, such increase in net financial position was mainly due to the establishment of the Chinese subsidiary Sogefi (Suzhou) Auto Parts Co., Ltd, to the increase in intangible assets, to the change in the fair value of interest rate hedging instruments (Euro 5.4 million) and to the purchase of treasury shares net of capital increases through subscription of stock options (Euro 1.3 million).

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

<i>(in millions of Euro)</i>	<i>Note(*)</i>	<i>2012</i>	<i>2011</i>
<b>SELF-FINANCING</b>	<i>(s)</i>	<i>10.2</i>	<i>14.9</i>
<i>Change in net working capital</i>	<i>(t)</i>	<i>1.8</i>	<i>(0.9)</i>
<i>Other medium/long term assets/liabilities</i>	<i>(u)</i>	<i>(2.7)</i>	<i>(4.2)</i>
<b>CASH FLOW GENERATED BY OPERATIONS</b>		<b><i>9.3</i></b>	<b><i>9.8</i></b>
<i>Sale of equity investments</i>	<i>(v)</i>	<i>-</i>	<i>-</i>
<b>TOTAL SOURCES</b>		<b><i>9.3</i></b>	<b><i>9.8</i></b>
<i>Increase in intangible assets</i>		<i>9.1</i>	<i>1.5</i>
<i>Purchase of tangible assets</i>		<i>0.1</i>	<i>-</i>
<i>Purchase of equity investments</i>		<i>12.7</i>	<i>126.2</i>
<b>TOTAL APPLICATION OF FUNDS</b>		<b><i>21.9</i></b>	<b><i>127.7</i></b>
<b>FREE CASH FLOW</b>		<b><i>(12.6)</i></b>	<b><i>(117.9)</i></b>
<i>Holding Company increases in capital</i>		<i>0.1</i>	<i>0.3</i>
<i>Net purchase of treasury shares</i>		<i>(1.4)</i>	<i>(2.7)</i>
<i>Dividends paid by the Holding Company</i>		<i>(14.7)</i>	<i>(14.9)</i>
<b>CHANGES IN SHAREHOLDERS' EQUITY</b>		<b><i>(16.0)</i></b>	<b><i>(17.3)</i></b>
<i>Change in net financial position</i>	<i>(w)</i>	<b><i>(28.6)</i></b>	<b><i>(135.2)</i></b>
<i>Opening net financial position</i>	<i>(w)</i>	<b><i>(254.7)</i></b>	<b><i>(119.5)</i></b>
<b>CLOSING NET FINANCIAL POSITION</b>	<i>(w)</i>	<b><i>(283.3)</i></b>	<b><i>(254.7)</i></b>

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

## PERFORMANCE BY BUSINESS DIVISION

### ENGINE SYSTEMS DIVISION

(Includes fluid filters, air intake and engine cooling systems activities)

The following tables show the key results and economic indicators for the year 2012 and the three previous years. Note the improvement achieved in 2012, basically traced back to the full year consolidation of Systèmes Moteurs S.A.S..

#### KEY ECONOMIC DATA

(in millions of Euro)	2009	2010	2011 (*)	2012	Change '12 vs '11
Sales revenues	414.8	465.1	612.9	792.6	29.3%
EBITDA	27.1	39.2	52.0	74.7	43.5%
Operating result	22.1	35.8	42.7	56.6	32.3%
EBIT	9.7	19.4	24.4	39.0	59.6%
Net result	5.0	12.1	14.7	28.9	97.1%

#### KEY FINANCIAL DATA

(in millions of Euro)	2009	2010	2011 (*)	2012	Change '12 vs '11
Shareholders' equity	116.2	111.7	204.1	220.9	8.3%
Net financial surplus (indebtedness)	30.3	2.3	3.7	34.0	820.9%

#### OTHER INDICATORS

	2009	2010	2011	2012	Change '12 vs '11
Number of employees	3,400	3,170	4,136	4,090	-1.1%

(\*) Certain values as at December 31, 2011 were redetermined after the completion of the Purchase Price Allocation process in connection with the Systèmes Moteurs S.A.S. acquisition.

The performance posted by the division's activities in the two main areas in which it operates is analysed in greater detail in the table below:

(in millions of Euro)	FLUID FILTERS		AIR INTAKE AND COOLING		Interc. elimin.	TOTAL ENGINE SYSTEMS DIVISION	
	Amount	%	Amount	%		Amount	%
Sales revenues	453.0	100.0	339.8	100.0	(0.2)	792.6	100.0
Operating result	31.4	6.9	25.1	7.4	0.1	56.6	7.1
EBIT	18.8	4.2	20.2	5.9	-	39.0	4.9
Result before taxes	16.7	3.7	18.7	5.5	-	35.4	4.5
Net result	15.6	3.5	13.3	3.9	-	28.9	3.7
Net financial surplus (indebtedness)	11.4		22.6		-	34.0	
Shareholders' equity	114.3		106.6		-	220.9	
Number of employees at December 31	2,917		1,173		-	4,090	

Overall, the full-year consolidation of the activities of subsidiary Systèmes Moteurs S.A.S. (versus five months only in 2011) enabled the division to achieve **sales revenues** of Euro 792.6 million versus 612.9 million in 2011, with significant growth in the North American market, further expansion in the Chinese and Indian markets and basically stable performance in the Latin American market.

**Operating result** is also on an uptrend at Euro 56.6 million (7.1% of revenues), up from the 42.7 million (7% of revenues) in the previous year, whereas **EBITDA** and **EBIT** were adversely affected by Euro 8.7 million of costs associated with the final shutdown of the Llantrisant plant (Wales).

The following projects were implemented during the year: expansion of the production capacity of the Bangalore plant (India), start up of new plant construction in Wujiang (China) and expansion of the production capacity at Prichard (USA).

Division's **consolidated net result** rose to Euro 28.9 million (up +97.1%) from Euro 14.7 million in 2011.

As of December 31, 2012 the Division's **shareholders' equity** amounted to Euro 220.9 million compared to 204.1 million at the end of 2011, whereas **net financial position** recorded a surplus of Euro 34 million versus 3.7 million as of December 31, 2011.

At the end of 2012, the Division's workforce had decreased to 4,090 from the 4,136 units employed at the end of the year 2011.

## SUSPENSION COMPONENTS DIVISION

The sharp drop in business experienced with European generalist manufacturers (Fiat, PSA, Renault) during the last four months of the year impacted the performance of the Division, that recorded a downtrend in sales revenues and economic data at year end.

Sales revenues fell to Euro 528.6 million from 547.7 million in the previous year (-3.5%).

Operating result dropped to Euro 41.3 million (7.8% of revenues) from the 49.1 million (9% of revenues) in the previous year.

EBITDA decreased by 16.8%, from Euro 68.3 million (12.5% of revenues) to 56.9 million (10.8% of revenues).

Likewise, EBIT dropped to Euro 32.3 million from the previous figure of 44.1 million (-26.8%).

During the year, the new Indian plant in Pune was inaugurated and the construction of a third production site in Wujiang, China, was started.

The Division's net result amounted to Euro 12.3 million, down 40.8% from Euro 20.8 million in 2011.

The Division's shareholders' equity as of December 31, 2012 amounted to Euro 142.2 million (versus 137.2 million at the end of 2011), whereas net financial position recorded an indebtedness of Euro 45.2 million versus 48.4 million at the end of 2011.

At the end of 2012, the number of employees was 2,571 people, up 2.5% compared to December 31, 2011.

### KEY ECONOMIC DATA

(in millions of Euro)	2009	2010	2011	2012	Change '12 vs '11
Sales revenues	368.0	461.6	547.7	528.6	-3.5%
EBITDA	24.0	52.1	68.3	56.9	-16.8%
Operating result	15.0	35.9	49.1	41.3	-15.8%
EBIT	(0.1)	27.5	44.1	32.3	-26.8%
Net result	(5.3)	13.7	20.8	12.3	-40.8%

### KEY FINANCIAL DATA

(in millions of Euro)	2009	2010	2011	2012	Change '12 vs '11
Shareholders' equity	120.4	139.1	137.2	142.2	3.6%
Net financial surplus (indebtedness)	(63.0)	(46.9)	(48.4)	(45.2)	6.7%

### OTHER INDICATORS

	2009	2010	2011	2012	Change '12 vs '11
Number of employees	2,312	2,347	2,508	2,571	2.5%

## OUTLOOK FOR OPERATIONS

*Moderate growth is forecast for global automotive markets in 2013, with business volumes falling in Europe, a continued uptrend in China and India and more restrained growth in Latin America and North America. Within this scenario, the Sogefi Group expects to:*

- continue to grow in non-European markets, especially North America and Asia;*
- enjoy stable prices for key raw materials;*
- continue to implement efficiency improvement measures.*

## MANAGEMENT OF THE MAIN BUSINESS RISKS

*The following section looks at the main risks and uncertainties that the Group is potentially exposed to in the achievement of its business objectives/operations, together with a description of the ways in which said risks are managed.*

*To facilitate comprehension, risk factors have been grouped on the basis of their origin into homogeneous risk categories, with distinction between those that arise outside the Group (**external risks**) and those associated with the characteristics and structure of the organisation itself (**internal risks**).*

*In terms of **external risks**, first of all, the Group adopts a centralised management approach to **financial risk** (which includes **risks of changes in interest rates and exchange rates, risks of changes in raw materials prices, credit risk and liquidity risk**), described in further detail in the Explanatory and Supplementary Notes to the Consolidated Financial Statements which should be referred to <sup>1</sup>.*

*With regard to **risks relating to competitors**, the Group is one of the leading players in both the suspension components and filter sectors at a worldwide level, and benefits from a progressive consolidation of the market and the resulting gradual reduction in the number of competitors. In this scenario, the Group plays a major role in promoting market consolidation, as is evidenced by the recent acquisition of Systèmes Moteurs S.A.S. in air intake and engine cooling systems business, which permitted a strategic expansion of the Group's product line, ensured further penetration of the North American, Chinese and Indian markets and strengthened the Group's presence among European manufacturers.*

*With regard to the suspension components sector, the Group benefits from objective barriers to the entry of new competitors, as this sector is structurally capital intensive and a wide technological and qualitative gap puts manufacturers in low-cost countries at a disadvantage.*

*Similarly, the technological and qualitative gap represents a barrier to the entry of new competitors in the original equipment filter sector as well, while in the spare filter sector, important barriers to entry are represented by the Group's exhaustive product range and by the lack of notoriety of the brands of manufacturers in low-cost countries.*

*As regards the **risks associated with customer management**, as well as the management of **credit risk** already mentioned within **financial risk**, the Group manages the risk of the concentration of demand by appropriately diversifying its customer portfolio, both from a geographic perspective and in terms of distribution channel (the major world manufacturers of cars and industrial vehicles in the original equipment market and leading international customers in the spare parts market).*

***Credit risk** has significantly diminished in the independent aftermarket (IAM) thanks to the recent reorganisation of the sector, whereas the overall upturn in sales volumes on global markets has helped to reduce the actually limited risk exposure with original equipment (OE) and original equipment spares (OES) customers. In addition, the Group makes increasing use of assignment of trade receivables without recourse.*

*As regards the **risks associated with supplier management**, mostly managed centrally by the Group, increased focus on multi-sourcing, especially from non-European suppliers and the ongoing search for alternate suppliers helps to reduce the risk of being excessively dependent on key suppliers/single suppliers.*

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<sup>1</sup> For a detailed description of the centralised management of financial risk adopted by the Group, please see the "Explanatory and Supplementary Notes to the Consolidated Financial Statements", Chap. E, Note no. 39.

*It should be noted that this multi-sourcing approach, i.e. sourcing each raw material from multiple suppliers based in different world countries helps to reduce the risk of changes in raw materials prices mentioned earlier when discussing the management of financial risk.*

*The Group places particular attention on the management of country risk, given the considerable geographic diversification of its business activities at world level. In this regard, the Group constantly monitors the evolution of risks associated with the countries in which it operates. New investments are mainly located in countries with a lower risk. Furthermore, if certain plants are found to be operating under capacity in particular situations, production may be consolidated in other plants of the Group.*

*In terms of the risks associated with technological innovation, the Group constantly seeks to innovate products and production processes.*

*Specifically, the Group has implemented or is in the process of implementing certain product innovations that will enable it to retain its leading market and technology leading position, such as new elastic suspension components made from composite materials, a new oil cooling technology that uses aluminium foam, an innovative particulate emission control system and lubrication filters for drivetrain systems.*

*With regard to the risks related to health, safety and the environment, each subsidiary has its own internal function that manages HSE in accordance with local laws and in accordance with Sogefi Group's guidelines. More specifically, the Holding Company Sogefi S.p.A. has approved an Environmental Policy for Health and Safety, which sets out the principles that all operations of subsidiaries should observe for the organisation of the HSE management system. Special emphasis is placed on monitoring the risk of accidents, which is a pillar of the plant operating approach "Kaizen Way" adopted at all production sites across the world and coordinated by a dedicated central management team at the Holding Company.*

*In correlation with the environmental policy, 16 plants in the Engine Systems Division and 13 in the Suspension Components Division are currently certified as complying with the international standard ISO 14001. Within the Engine Systems Division, two companies have had their health and safety systems certified to the OHSAS 18001 standard. The activities carried out in the plants are audited by both experienced internal auditors and external auditors. Particular attention is paid to personnel training in order to consolidate and disseminate a safety culture. Lastly, "Loss Prevention" plans are put into place in collaboration with current Group insurers on a yearly basis to control "property" risk exposure, through specific plant audits and action plans aimed at increasing the efficiency and effectiveness of safety devices.*

*As regards internal risks, namely risks associated with internal activities and with the characteristics of the organisation itself, one of the major risks identified, monitored and actively managed by the Group is the risk of product quality/complaints due to non conformity: in this regard, it is worth drawing attention to the fact that the two divisions of the Sogefi Group consider ongoing quality improvement as a fundamental objective to meet their customers' needs. Both divisions have therefore set up their own central organisations which continuously monitor quality, while each plant has local teams that work as complying with the principles of the quality policy of their respective division. In correlation with the quality policy, 18 plants in the Engine Systems Division and 17 in the Suspension Components Division are currently certified as complying with the international standard ISO TS 16949. Some plants' systems are certified according to business specifications. Unforeseeable risk is adequately covered by insurance, as regards both third party product liability and the potential launch of product recall campaigns.*

*One of the Group's future goals is to further enhance the quality monitoring system for supplied system components so as to further reduce non-conformities. More specifically, such goal is pursued through the ongoing improvement*

*of organisational structures and procedures to enhance product and process control, coupled with the ongoing improvement of supplier quality evaluation systems.*

*With regard to the risks associated with adequacy of managerial support (e.g. the effectiveness/efficiency of Group monitoring and reporting, of internal information flows etc.), information can be found in the “Annual Report on Corporate Governance”.*

*In terms of the set of risks associated with human resource management, the Group acknowledges the key role played by its human resources, a strategic partner, and the importance of maintaining clear relationships based on mutual loyalty and trust, as well as on the observance of conduct dictated by its Code of Ethics.*

*Working relationships are managed and coordinated in full respect of workers’ right and in full acknowledgement of their contribution, with a view to encouraging development and professional growth. In particular, the Group has been placing increasing emphasis on recruiting, training and developing human resources, with special focus on identifying/developing talents, providing specific training, defining and promoting career paths and setting up incentive plans.*

*The Group also uses a system of annual performance appraisals based on a clear definition of shared objectives, which can be measured in numerical, economic, financial, qualitative and individual terms. A variable bonus is paid depending on the degree to which said objectives are achieved. As regards medium-long term incentive schemes, again in 2012 a stock option plan has been allocated to top management positions.*

*Lastly, with regard to the risks associated to the management of Information Systems, the Group manages the risks linked to the potential incompleteness/inadequacy of IT infrastructure and the risks related to the physical and logical safety of systems in terms of the protection of confidential data and information by means of specific units at group level. A key project focus aimed at improving the quality standard of corporate IT systems provides for the implementation of the “SAP” ERP system at all operations across the world, which is currently under way.*

## OTHER INFORMATION

### RELATED PARTY TRANSACTIONS

*Information on the most important economic transactions and balances with related parties is provided in the explanatory and supplementary notes to the consolidated financial statements, in the section entitled "Related Party Transactions", as well as in the explanatory and supplementary notes to the statutory financial statements. Dealings between Group companies are conducted at arm's length, taking into account the quality and type of services rendered.*

*We point out that no transactions have been carried out with related parties or with entities or individuals other than related parties that, according to the definition used by Consob, are atypical or unusual, do not relate to the normal business activity or have a significant impact on the Group's results, balance and financial position.*

*In 2010, in accordance with Consob Resolution no. 17221 of March 12, 2010 and subsequent amendments, the Company's Board of Directors appointed the Related Party Transactions Committee, establishing that the members have to be the same as those of the Control and Risks Committee and approved the Discipline on related-party transactions, which had previously received a favourable opinion of the Control and Risks Committee. The purpose of this Discipline is to establish the principles of conduct that the Company is bound to observe in order to guarantee the correct management of related-party transactions. This Discipline is available on the Company's website at [www.sogefigroup.com](http://www.sogefigroup.com), in the "Investor – Corporate Governance" section.*

*In accordance with art. 2497 bis of the Italian Civil Code, we point out that Sogefi S.p.A. is subject to policy guidance and coordination by its parent company Cir S.p.A..*

### CORPORATE GOVERNANCE

*Note that the text of the "Annual Report on Corporate Governance" for 2012 was approved at the meeting of the Board of Directors that was called to approve the draft financial statements for the year ended December 31, 2012 will be available for the shareholders in accordance with the law. The Report will also be available on the Company's website at [www.sogefigroup.com](http://www.sogefigroup.com), in the "Investor – Corporate Governance" section.*

*The Report also contains the information prescribed by art. 123 bis of the Consolidated Law on Financial, including information on ownership structures and compliance with the codes of conduct that the Company has adopted. Generally speaking, the Company's Corporate Governance is in line with the recommendations and rules contained in the Code of Conduct.*

*As regards Legislative Decree 231/2001, which brings domestic regulations on administrative liability of legal entities into line with the international conventions signed by Italy, in February 2003 the Board of Directors adopted a Code of Ethics for the Sogefi Group. The Code clearly defines the values that the Group believes in as the basis on which to achieve its objectives. It also lays down rules of conduct which are binding on directors, employees and others who have ongoing relations with the Group. On February 26, 2004 the Company also adopted an "Organization, Management and Control Model as per Legislative Decree no. 231 of June 8, 2001" following the guidelines of the decree, with a view to ensuring conditions of fairness and transparency in the carrying on of the company's affairs and business activities.*

*A Supervisory Body was also set up with the task of monitoring the functioning, effectiveness and observance of the Model, as laid down in the decree.*

## TREASURY SHARES

*As of December 31, 2012, the Holding Company has 3,981,095 treasury shares in its portfolio, corresponding to 3.41% of capital, at an average price of Euro 2.28 each.*

## DECLARATIONS PURSUANT TO ARTICLES 36 AND 37 OF CONSOB REGULATION 16191 OF OCTOBER 29, 2007

*In accordance with the obligations set forth in article 2.6.2. of the Regulations of Borsa Italiana, and with reference to the requirements referred to in articles 36 and 37 of Consob Resolution 16191 of October 29, 2007 and subsequent amendments, it is hereby stated that there are no circumstances such as to prevent the listing of Sogefi stock on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A. insofar as: Sogefi S.p.A. (the “Company”) has obtained the articles of association and the composition and powers of the related control bodies from foreign subsidiaries based in countries that are not part of the European Union and are of material significance to the Company; the same foreign subsidiaries provide the Company’s auditor with information necessary to perform annual and interim audits of Sogefi and use an administrative/accounting system appropriate for regular reporting to the Management and to the auditors of the Company of the income statement, balance and financial data necessary for the preparation of the consolidated financial statements.*

*Sogefi S.p.A. will also publish the financial statements of foreign subsidiaries (based in non-European countries and with material significance to the Company), prepared for the purpose of the consolidated financial statements as of December 31, 2012, in accordance with the procedures indicated in the Consob regulation.*

*In consideration of the fact that Sogefi is subject to policy guidance and coordination by its parent company CIR – Compagnie Industriali Riunite S.p.A., it is also hereby stated that there are no circumstances such as to prevent the listing of Sogefi stock on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A. insofar as the Company has fulfilled its publication obligations pursuant to article 2497-bis of the Italian Civil Code; has independent decision-making powers in relations with customers and suppliers; does not hold a cash pooling system with CIR. The Company has a cash pooling system with subsidiaries that satisfies the interest of the company. This situation enables the Group’s finances to be centralised, thus reducing the need to utilise funding from banks, and therefore minimising financial charges.*

*On April 18, 2000, the Company set up an Internal Control Committee (which has been renamed to Control and Risks Committee) and a Remuneration Committee (which has been renamed to Appointments and Remuneration Committee) that are fully made up by Independent Directors.*

*Lastly, it is hereby stated that the Company’s Board of Directors comprises 9 members, 5 of which meet the independence criteria, and therefore a sufficient number to guarantee that their contribution has an adequate weight when taking board decisions.*

## *EXEMPTION FROM THE OBLIGATION TO PUBLISH INFORMATION DOCUMENTS UNDER ARTICLE 70, PARAGRAPH 8 AND ARTICLE 71, PARAGRAPH 1-BIS OF THE RULES FOR ISSUERS.*

*In relation to art. 70, paragraph 8 and art. 71, paragraph 1-bis of Consob Regulation no. 11971/99, as amended by Consob Resolution no. 18079 of January 20, 2012, on October 23, 2012 the Board of Directors resolved to make use of the exemption from the obligation to publish the information documents required for significant transactions consisting in mergers, spin-offs, capital increases by means of the conferral of assets in kind, takeovers and transfers.*

## *OTHER*

*SOGEFI S.p.A. has its registered office 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 since 1986 and has been traded on the STAR segment since January 2004.*

*This report, which relates to the period January 1 to December 31, 2012, was approved by the Board of Directors on February 26, 2013.*

## *SIGNIFICANT SUBSEQUENT EVENTS*

*No significant events occurred after the end of the reporting period.*

## PROPOSED ALLOCATION OF NET PROFIT FOR THE YEAR

*The statutory financial statements as of December 31, 2012 that we submit for your approval show a net profit of Euro 6,156,244.61.*

*We would like to propose:*

- distributing a dividend per share of Euro 0.13 to each of the shares in issue with rights from January 1, 2012 (excluding the treasury shares in portfolio), using the net profit for the year of Euro 6,156,244.61 and taking the difference from “Retained earnings” reserve.*

*The proposal of allocation of net profit for the year and the distribution of reserves take into account the provision of art. 2357-ter, 2 of the Italian Civil Code, which establishes that the dividend rights of the treasury shares are to be attributed proportionally to the other shares.*

*We point out that the effective amount to be allocated to dividends and the distribution of reserves will take account of the treasury shares held in portfolio and of the ordinary shares effectively outstanding at the Shareholders’ Meeting date, including possible treasury share transactions and the possible issuance of new shares if the beneficiaries of current stock option plans exercise their options.*

*Milano, February 26, 2013*

*THE BOARD OF DIRECTORS*

*ATTACHMENT: NOTES RECONCILING THE FINANCIAL STATEMENTS SHOWN IN THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS CONTAINED IN THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AND THE HOLDING COMPANY'S STATUTORY FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IAS/IFRS*

**Notes relating to the Consolidated Financial Statements**

- (a) the heading agrees with "Total working capital" in the Consolidated Statement of Financial Position;*
- (b) the heading agrees with the sum of the line items "Trade and other payables", "Tax payables" and "Other current liabilities" in the Consolidated Statement of Financial Position;*
- (c) the heading agrees with the sum of the line items "Investments in joint ventures" and "Other financial assets available for sale" in the Consolidated Statement of Financial Position;*
- (d) the heading agrees with the sum of the line items "Total fixed assets", "Other receivables", "Non-current trade receivables", "Deferred tax assets" and "Non-current assets held for sale" in the Consolidated Statement of Financial Position;*
- (e) the heading agrees with the line item "Total other long-term liabilities" in the Consolidated Statement of Financial Position;*
- (f) the heading agrees with the sum of the line items "Net result", "Non-controlling interests", "Depreciation, amortisation and writedowns", "Accrued costs for stock-based incentive plans", "Provisions for risks, restructuring and deferred taxes" and "Post-retirement and other employee benefits" in the Consolidated Cash Flow Statement;*
- (g) the heading agrees with the sum of the line items "Other medium/long-term assets/liabilities" and "Other equity movements" in the Consolidated Cash Flow Statement, excluding movements relating to financial receivables;*
- (h) the heading agrees with the sum of the line items "Losses/(gains) on sale of equity investments in associates" and "Sale of subsidiaries (net of cash and cash equivalents) and associates" in the Consolidated Cash Flow Statement;*
- (i) the heading agrees with the sum of the line items "Losses/(gains) on disposal of fixed assets and non-current assets held for sale", "Sale of property, plant and equipment" and "Sale of intangible assets" in the Consolidated Cash Flow Statement;*
- (l) the heading agrees with the line items "Exchange differences" in the Consolidated Cash Flow Statement, excluding exchange differences on medium/long-term financial receivables and payables;*
- (m) these headings differ from those shown in the Consolidated Cash Flow Statement as they refer to the total net financial position and not just to cash and cash equivalents.*

### *Notes relating to the Holding Company's Statutory Financial Statements*

- (n) the heading agrees with "Total working capital" ("Totale attivo circolante operativo") in the Holding Company's statutory statement of financial position;*
- (o) the heading agrees with the sum of the line items "Trade and other payables" ("Debiti commerciali e altri debiti"), "Tax payables" ("Debiti per imposte") and "Other current liabilities" ("Altre passività correnti") in the Holding Company's statutory statement of financial position;*
- (p) the heading agrees with the sum of the line items "Equity investments in subsidiaries" ("Partecipazioni in società controllate"), "Equity investments in associates" ("Partecipazioni in società collegate") and "Other financial assets available for sale" ("Altre attività finanziarie disponibili per la vendita") in the Holding Company's statutory statement of financial position;*
- (q) the heading agrees with the sum of the line items "Total fixed assets" ("Totale immobilizzazioni"), "Other receivables" ("Altri crediti") and "Deferred tax assets" ("Imposte anticipate") in the Holding Company's statutory statement of financial position;*
- (r) the heading agrees with the line item "Total other long-term liabilities" ("Totale altre passività a lungo termine") in the Holding Company's statutory statement of financial position;*
- (s) the heading agrees with the sum of the line items "Net result" ("Utile netto d'esercizio"), "Writedown of equity investments" ("Svalutazione partecipazioni"), "Depreciation and amortisation" ("Ammortamenti immobilizzazioni materiali e immateriali"), "Change in fair value of property investments" ("Variazione fair value investimenti immobiliari"), "Accrual to income statement for fair value of cash flow hedging instruments" ("Stanziamiento a conto economico fair value derivati cash flow hedge"), "Accrued costs for stock-based incentive plans" ("Accantonamenti costi per piani di incentivazione basati su azioni"), "Net change Phantom Stock Options provision" ("Variazione netta fondo Phantom Stock Options"), "Net change risks provision and deferred charges" ("Variazione netta fondo rischi e oneri futuri") and "Net change in provision for employment termination indemnities" ("Variazione netta fondo trattamento di fine rapporto") as well as the change of deferred tax assets/liabilities included in the line "Other assets/liabilities" ("Altre attività/passività") of the Holding Company's statutory cash flow statement;*
- (t) the heading agrees with the sum of the line items "Changes in net working capital" ("Variazione del capital circolante netto"), "Change in tax receivables/payables" ("Variazione dei crediti/debiti per imposte"), "Intangible asset payables" ("Debiti per acquisti immobilizzazioni immateriali") in the Holding Company's statutory cash flow statement;*
- (u) the heading is included in the line item "Other assets/liabilities" ("Altre attività/passività") in the Holding Company's statutory cash flow statement, excluding movements relating to financial receivables/payables;*
- (v) the heading agrees with the sum of the line items "Gain on sale of equity investments" ("Plusvalenza cessione partecipazioni") and "Sale of equity investments" ("Vendita partecipazioni") in the Holding Company's statutory cash flow statement;*
- (w) these headings differ from those shown in the Holding Company's statutory cash flow statement as they refer to the total net financial position and not just to cash and cash equivalents.*

## DEFINITION OF THE PERFORMANCE INDICATORS

*In accordance with recommendation CESR/05-178b published on November 3, 2005, the criteria used for constructing the main performance indicators deemed by the management to be useful for the purpose of monitoring Group performance are provided below.*

*ROE: is calculated as the ratio of "Group net result" for the year under way to the average "Total shareholders' equity attributable to the holding company" (the average is calculated with reference to the punctual values at the end of the year under way and of the previous year).*

*ROI: is calculated as the ratio of "EBIT" relating to the year under way to the average "Net capital invested", as set forth in the table of the consolidated capital structure included in the "Report on Operations" (the average is calculated with reference to the punctual values at the end of the year under way and of the previous year).*

*EBITDA: starting from financial year 2012, EBITDA is calculated as the sum of "EBIT", "Depreciation and Amortisation" and the writedowns of tangible and intangible fixed assets included in the item "Other non-operating expenses (income)". In the previous year, EBITDA was calculated by summing "EBIT" and "Depreciation and Amortisation". The value for 2011 was redetermined according to new calculation method.*

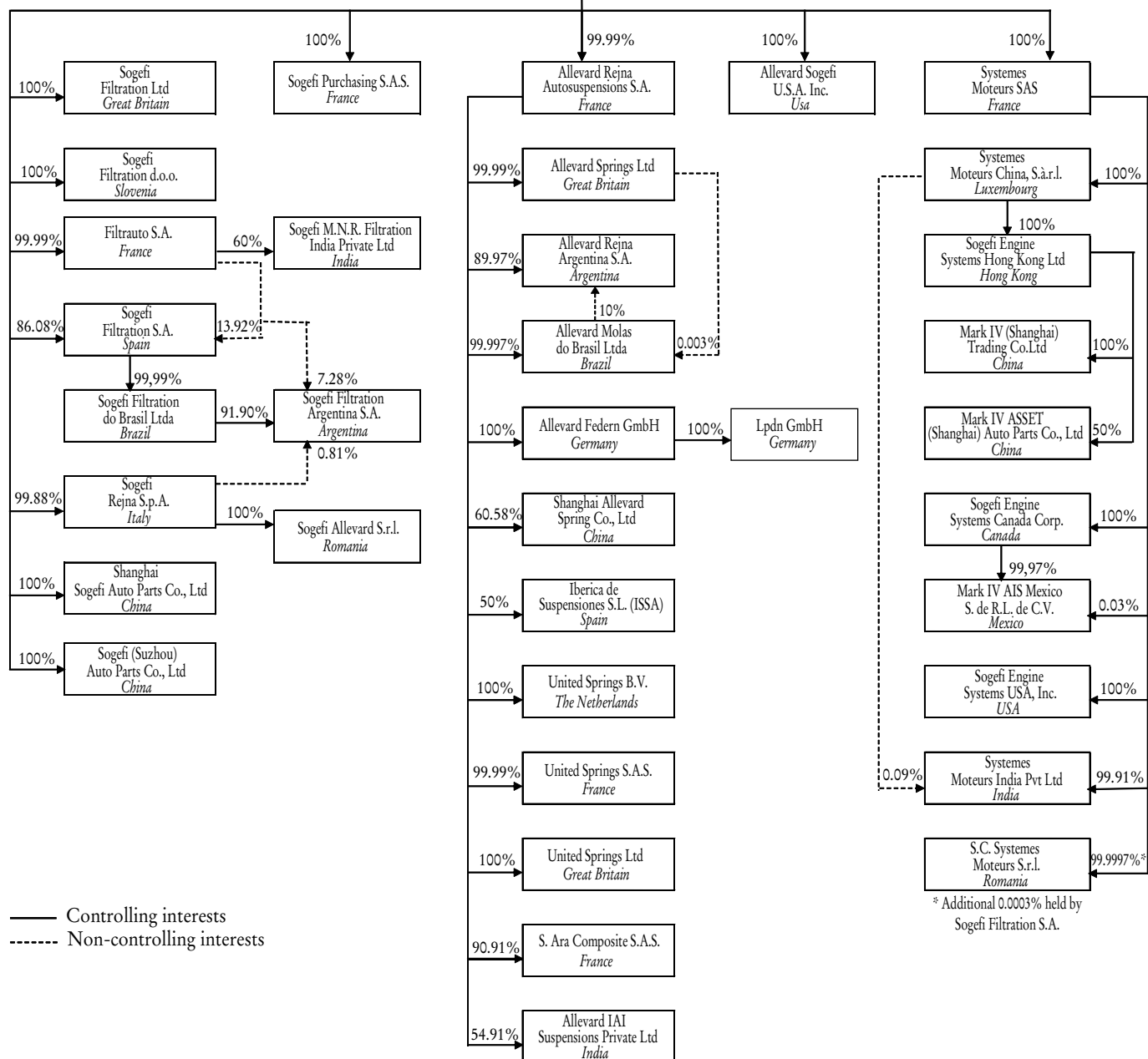
*Normalised EBITDA is calculated by summing "EBIT", "Depreciation and Amortisation" and the expenses and revenues arising from non-ordinary operations, such as the "Restructuring costs" and the write-downs of assets and stocks, relating to restructuring operations, included in "Other non-operating expenses (income)".*

*GEARING: is calculated as the "Net financial position" / "Total Shareholders' equity" ratio.*

SOGEFI GROUP STRUCTURE: CONSOLIDATED COMPANIES



56.36%



\* Additional 0.0003% held by Sogefi Filtration S.A.

## CONSOLIDATED FINANCIAL STATEMENTS

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of Euro)

ASSETS	Note	12.31.2012	12.31.2011 (*)
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	85,209	102,461
Other financial assets	6	8,229	1,912
Working capital			
Inventories	7	148,584	152,505
Trade receivables	8	155,161	178,655
Other receivables	8	32,477	32,141
Tax receivables	8	21,815	19,564
Other assets	8	3,559	2,800
TOTAL WORKING CAPITAL		361,596	385,665
<b>TOTAL CURRENT ASSETS</b>		<b>455,034</b>	<b>490,038</b>
<b>NON-CURRENT ASSETS</b>			
<b>FIXED ASSETS</b>			
Land	9	15,711	15,774
Property, plant and equipment	9	231,192	240,063
Other tangible fixed assets	9	5,442	4,845
Of which: leases		5,159	12,847
Intangible assets	10	239,577	220,246
<b>TOTAL FIXED ASSETS</b>		<b>491,922</b>	<b>480,928</b>
<b>OTHER NON-CURRENT ASSETS</b>			
Investments in joint ventures	11	298	303
Other financial assets available for sale	12	489	490
Non-current trade receivables	13	-	918
Financial receivables	13	-	-
Other receivables	13	17,022	14,102
Deferred tax assets	14-20	57,530	48,638
<b>TOTAL OTHER NON-CURRENT ASSETS</b>		<b>75,339</b>	<b>64,451</b>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>567,261</b>	<b>545,379</b>
<b>NON-CURRENT ASSETS HELD FOR SALE</b>	15	-	744
<b>TOTAL ASSETS</b>		<b>1,022,295</b>	<b>1,036,161</b>

(\*) Some 2011 values have been restated following the conclusion of the Purchase Price Allocation process of Systèmes Moteurs S.A.S.. Please see Note 2 Consolidation "principles and accounting policies" for additional details.

<i>LIABILITIES</i>	<i>Note</i>	<i>12.31.2012</i>	<i>12.31.2011 (*)</i>
<b><i>CURRENT LIABILITIES</i></b>			
<i>Bank overdrafts and short-term loans</i>	16	8,377	9,827
<i>Current portion of medium/long-term financial debts and other loans</i>	16	89,596	46,962
<i>Of which: leases</i>		814	1,674
<i>TOTAL SHORT-TERM FINANCIAL DEBTS</i>		97,973	56,789
<i>Other short-term liabilities for derivative financial instruments</i>	16	1,011	632
<i>TOTAL SHORT-TERM FINANCIAL DEBTS AND DERIVATIVE FIN. INSTRUMENTS</i>		98,984	57,421
<i>Trade and other payables</i>	17	307,984	314,841
<i>Tax payables</i>	17	12,203	8,615
<i>Other current liabilities</i>	18	8,765	7,324
<b><i>TOTAL CURRENT LIABILITIES</i></b>		<b>427,936</b>	<b>388,201</b>
<b><i>NON-CURRENT LIABILITIES</i></b>			
<i>MEDIUM/LONG-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS</i>			
<i>Financial debts to bank</i>	16	267,773	330,462
<i>Other medium/long-term financial debts</i>	16	8,821	7,916
<i>Of which: leases</i>		4,880	5,686
<i>TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS</i>		276,594	338,378
<i>Other medium/long-term financial liabilities for derivative financial instruments</i>	16	13,708	8,416
<b><i>TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS</i></b>		<b>290,302</b>	<b>346,794</b>
<i>OTHER LONG-TERM LIABILITIES</i>			
<i>Long-term provisions</i>	19	44,935	40,507
<i>Other payables</i>	19	179	1,619
<i>Deferred tax liabilities</i>	20	43,648	44,838
<b><i>TOTAL OTHER LONG-TERM LIABILITIES</i></b>		<b>88,762</b>	<b>86,964</b>
<b><i>TOTAL NON-CURRENT LIABILITIES</i></b>		<b>379,064</b>	<b>433,758</b>
<b><i>SHAREHOLDERS' EQUITY</i></b>			
<i>Share capital</i>	21	60,712	60,665
<i>Reserves and retained earnings (accumulated losses)</i>	21	105,421	110,515
<i>Group net result for the year</i>	21	29,325	24,046
<b><i>TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE HOLDING COMPANY</i></b>		<b>195,458</b>	<b>195,226</b>
<i>Non-controlling interests</i>	21	19,837	18,976
<b><i>TOTAL SHAREHOLDERS' EQUITY</i></b>		<b>215,295</b>	<b>214,202</b>
<b><i>TOTAL LIABILITIES AND EQUITY</i></b>		<b>1,022,295</b>	<b>1,036,161</b>

(\*) Some 2011 values have been restated following the conclusion of the Purchase Price Allocation process of Systèmes Moteurs S.A.S.. Please see Note 2 "Consolidation principles and accounting policies" for additional details.

**CONSOLIDATED INCOME STATEMENT**  
(in thousands of Euro)

	Note	2012		2011 (*)	
		Amount	%	Amount	%
Sales revenues	23	1,319,233	100.0	1,158,385	100.0
Variable cost of sales	24	927,302	70.3	805,898	69.6
<b>CONTRIBUTION MARGIN</b>		<b>391,931</b>	<b>29.7</b>	<b>352,487</b>	<b>30.4</b>
Manufacturing and R&D overheads	25	129,686	9.9	114,983	9.9
Depreciation and amortization	26	58,402	4.4	49,795	4.3
Distribution and sales fixed expenses	27	39,267	3.0	35,269	3.0
Administrative and general expenses	28	71,883	5.4	64,396	5.6
<b>OPERATING RESULT</b>		<b>92,693</b>	<b>7.0</b>	<b>88,044</b>	<b>7.6</b>
Restructuring costs	30	12,242	0.9	8,754	0.8
Losses (gains) on disposal	31	(7,675)	(0.6)	101	-
Exchange losses (gains)	32	655	-	866	0.1
Other non-operating expenses (income)	33	24,696	1.9	19,836	1.7
- of which non-recurring		7,530		8,610	
<b>EBIT</b>		<b>62,775</b>	<b>4.8</b>	<b>58,487</b>	<b>5.0</b>
Financial expenses (income), net	34	16,474	1.3	12,680	1.1
Losses (gains) from equity investments	35	-	-	-	-
<b>RESULT BEFORE TAXES AND NON-CONTROLLING INTERESTS</b>		<b>46,301</b>	<b>3.5</b>	<b>45,807</b>	<b>3.9</b>
Income taxes	36	13,771	1.1	18,605	1.5
<b>NET RESULT BEFORE NON-CONTROLLING INTERESTS</b>		<b>32,530</b>	<b>2.4</b>	<b>27,202</b>	<b>2.4</b>
Loss (income) attributable to non-controlling interests		(3,205)	(0.2)	(3,156)	(0.3)
<b>GROUP NET RESULT</b>		<b>29,325</b>	<b>2.2</b>	<b>24,046</b>	<b>2.1</b>
Earnings per share (EPS) (Euro):	38				
Basic		0.260		0.210	
Diluted		0.259		0.209	

(\*) Some 2011 values have been restated following the conclusion of the Purchase Price Allocation process of Systèmes Moteurs S.A.S.. Please see Note 2 "Consolidation principles and accounting policies" for additional details.

## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(in thousands of Euro)

	Note	2012	2011 (*)
Net result before non-controlling interests		32,530	27,202
Profit (loss) booked in Other Comprehensive Income			
- Profit (loss) booked to cash flow hedging reserve		(5,370)	(6,732)
- Profit (loss) booked to fair value reserve for financial assets available for sale		-	(2)
- Tax on items booked in Other Comprehensive Income	21	1,476	1,854
- Profit (loss) booked to translation reserve		(10,556)	(4,588)
Profit (loss) booked in Other Comprehensive Income		(14,450)	(9,468)
<b>Total comprehensive result for the period</b>		<b>18,080</b>	<b>17,734</b>
Attributable to:			
- Shareholders of the Holding Company		15,080	14,758
- Non-controlling interests		3,000	2,976

(\*) Some 2011 values have been restated following the conclusion of the Purchase Price Allocation process of Systèmes Moteurs S.A.S.. Please see Note 2 "Consolidation principles and accounting policies" for additional details.

## CONSOLIDATED CASH FLOW STATEMENT

(in thousands of Euro)

	2012	2011 (*)
<i>Cash flows from operating activities</i>		
Net result	29,325	24,046
Adjustments:		
- non-controlling interests	3,205	3,156
- depreciation, amortization and writedowns	63,250	53,364
- accrued costs for stock-based incentive plans	1,233	611
- losses/(gains) on disposal of fixed assets and non-current assets held for sale	(7,675)	101
- losses/(gains) on sale of equity investments in associates	-	-
- dividends collected	-	-
- provisions for risks, restructuring and deferred taxes	(5,506)	(6,084)
- post-retirement and other employee benefits	(244)	(1,828)
- change in net working capital	19,798	14,215
- other medium/long-term assets/liabilities	4,452	6,350
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>107,838</b>	<b>93,932</b>
<i>INVESTING ACTIVITIES</i>		
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	(45,237)	(36,255)
Purchase of intangible assets	(39,153)	(20,495)
Net change in other securities	(6,311)	(1,934)
Sale of subsidiaries (net of cash and cash equivalents) and associates	-	-
Sale of property, plant and equipment (**)	10,946	212
Sale of intangible assets	147	40
Dividends collected	-	-
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(79,608)</b>	<b>(196,622)</b>
<i>FINANCING ACTIVITIES</i>		
Capital increase in subsidiaries from third parties	250	-
Net change in capital	94	309
Net purchase of treasury shares	(1,396)	(2,684)
Dividends paid to Holding Company shareholders and non-controlling interests	(17,216)	(16,138)
New (repayment of) long-term loans	(21,393)	186,731
New (repayment of) finance leases	(1,683)	(1,849)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(41,344)</b>	<b>166,369</b>
<b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(13,114)</b>	<b>63,678</b>
Balance at the beginning of the period	92,634	30,802
(Decrease) increase in cash and cash equivalents	(13,114)	63,678
Exchange differences	(2,688)	(1,846)
<b>BALANCE AT THE END OF THE PERIOD</b>	<b>76,832</b>	<b>92,634</b>
<i>ADDITIONAL INFORMATION OF CASH FLOW STATEMENT</i>		
Taxes paid	(18,574)	(18,953)
Financial expenses paid	(18,134)	(15,225)
Financial income collected	1,238	1,854

(\*) Some 2011 values have been restated following the conclusion of the Purchase Price Allocation process of Systèmes Moteurs S.A.S.. Please see Note 2 "Consolidation principles and accounting policies" for additional details.

(\*\*) The item represents the sales price of sold assets. Still to collect Euro 3,102 thousand at December, 12 2012, of which Euro 2,464 thousand included in the item "change in net working capital" and Euro 638 thousand included in "other medium/long-term assets/liabilities".

NB: 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 shareholders 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, 2010	60,546	117,874	18,821	197,241	17,161	214,402
<i>Paid share capital increase</i>	119	190	-	309	-	309
<i>Allocation of 2010 net profit:</i>						
<i>Legal reserve</i>	-	-	-	-	-	-
<i>Dividends</i>	-	(14,888)	-	(14,888)	(1,250)	(16,138)
<i>Retained earnings</i>	-	18,821	(18,821)	-	-	-
<i>Credit to equity for stock-based incentive plans</i>	-	611	-	611	-	611
<i>Other changes</i>	-	(121)	-	(121)	89	(32)
<i>Net purchase of treasury shares</i>	-	(2,684)	-	(2,684)	-	(2,684)
<i>Comprehensive result for the period</i>						
<i>Fair value measurement of financial assets available for sale</i>	-	(2)	-	(2)	-	(2)
<i>Fair value measurement of cash flow hedging instruments</i>	-	(6,732)	-	(6,732)	-	(6,732)
<i>Tax on items booked in Other Comprehensive Income</i>	-	1,854	-	1,854	-	1,854
<i>Currency translation differences</i>	-	(4,408)	-	(4,408)	(180)	(4,588)
<i>Net result for the period</i>	-	-	24,046	24,046	3,156	27,202
<i>Total comprehensive result for the period</i>	-	(9,288)	24,046	14,758	2,976	17,734
Balance at December 31, 2011 (*)	60,665	110,515	24,046	195,226	18,976	214,202
<i>Paid share capital increase</i>	47	47	-	94	250	344
<i>Allocation of 2011 net profit:</i>						
<i>Legal reserve</i>	-	-	-	-	-	-
<i>Dividends</i>	-	(14,716)	-	(14,716)	(2,500)	(17,216)
<i>Retained earnings</i>	-	24,046	(24,046)	-	-	-
<i>Credit to equity for stock-based incentive plans</i>	-	1,233	-	1,233	-	1,233
<i>Other changes</i>	-	(63)	-	(63)	111	48
<i>Net purchase of treasury shares</i>	-	(1,396)	-	(1,396)	-	(1,396)
<i>Comprehensive result for the period</i>						
<i>Fair value measurement of financial assets available for sale</i>	-	-	-	-	-	-
<i>Fair value measurement of cash flow hedging instruments</i>	-	(5,370)	-	(5,370)	-	(5,370)
<i>Tax on items booked in Other Comprehensive Income</i>	-	1,476	-	1,476	-	1,476
<i>Currency translation differences</i>	-	(10,351)	-	(10,351)	(205)	(10,556)
<i>Net result for the period</i>	-	-	29,325	29,325	3,205	32,530
<i>Total comprehensive result for the period</i>	-	(14,245)	29,325	15,080	3,000	18,080
Balance at December 31, 2012	60,712	105,421	29,325	195,458	19,837	215,295

(\*) Some 2011 values have been restated following the conclusion of the Purchase Price Allocation process of Systèmes Moteurs S.A.S.. Please see Note 2 "Consolidation principles and accounting policies" for additional details.

## EXPLANATORY AND SUPPLEMENTARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: CONTENTS

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## 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 58 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 schedules 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” (IFRS IC), formerly 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, 2012 were approved by the Board of Directors of the Holding Company Sogefi S.p.A. on February 26, 2013.*

## 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, indirect taxes 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” (in the meaning used by the Group) is not affected by non-recurring expenses and income (such as Restructuring costs, voluntary redundancy incentives, 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 (for example, Italy's Municipal Real Estate Tax or the Cotisation Economique Territoriale in France). 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, 2012 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 Autosuspensions S.A. increased its percentage of ownership in the subsidiary S.ARA Composite S.A.S. from 86.67% to 90% (percentage values refer to subscribed capital fully paid in), through share capital increases of Euro 2,500 thousand;*
- the subsidiary Allevard Rejna Autosuspensions S.A. increased its percentage of ownership in the subsidiary Allevard IAI Suspensions Pvt Ltd from 51% to 54.91% through share capital increases of Euro 451 thousand;*
- the subsidiary Systèmes Moteurs S.A.S. increased its percentage of ownership in the subsidiary S.C. Systemes Moteurs S.r.l. from 99% to 99.9997%; the subsidiary Sogefi Filtration S.A. increased its percentage of ownership in the subsidiary S.C. Systemes Moteurs S.r.l. from 0% to 0.0003%;*
- the Holding Company Sogefi S.p.A. increased its percentage of ownership in the subsidiary Allevard Rejna Autosuspensions S.A. from 99.987% to 99.99%;*
- the Holding Company Sogefi S.p.A. established Sogefi (Suzhou) Auto Parts Co., Ltd (China). The company had not started operations at the end of year 2012 yet, and it will be active in the suspension and engine system components sectors.*

*The effects resulting from changes to the scope of consolidation are illustrated, if significant, in the notes related to the individual financial statement items.*

*We point out that, in accordance with IFRS 3, as described below at paragraph “2.2 Business combinations”, as at June 30, 2012 the Group retroactively adjusted the provisional amounts recognised as at December 31, 2011 relating to the acquisition of control of Systemes Moteurs Group occurred in July 2011, so as to reflect the new information gathered on the events and circumstances existing at the acquisition date.*

*Lastly, it should be noted that the liquidation of subsidiary Integral S.A. was completed during the year 2012. No changes occurred in the scope of consolidation as a result of this transaction.*

## 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 Directors' 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, 2012 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. In particular, the company Iberica de Suspensiones S.L., owned at 50%, has been considered as a subsidiary granted that the Group has the power to cast majority of the votes at the meetings of Board of Directors.*

*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;*

- dividends paid by subsidiaries with a different functional currency from Euro are translated into Euro using the previous year's average exchange rate in the subsidiary that paid the dividend and at the current exchange rate in the subsidiary that received the dividend; the exchange differences are charged in the currency translation reserve.

The following exchange rates have been used for translation purposes:

	2012		2011	
	Average	12.31	Average	12.31
US dollar	1.2849	1.3194	1.3904	1.2939
Pound sterling	0.8108	0.8161	0.8675	0.8353
Brazilian real	2.5023	2.7036	2.3239	2.4159
Argentine peso	5.8350	6.4863	5.7369	5.5676
Chinese renminbi	8.1064	8.2210	8.9847	8.1588
Indian rupee	68.5871	72.5689	64.7668	68.7130
New romanian Leu	4.4567	4.4444	4.2371	4.3233
Canadian dollar	1.2842	1.3137	1.3752	1.3215
Mexican peso	16.9005	17.1851	17.2444	18.0512
Hong Kong dollar	9.9671	10.2260	10.8237	10.0510

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 Company and of the equity instruments issued in exchange for the control of the acquired entity.

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 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 net assets value in the acquiree. The measurement method adopted is decided on a transaction-by-transaction basis.

### Acquisition of Systemes Moteurs Group

As mentioned earlier, the determination of the fair value of identifiable assets acquired and identifiable liabilities assumed in connection with the Systemes Moteurs Group business combination occurred in July 2011, required by the acquisition method, was completed during the first half of 2012.

The following table reports the final fair values of acquired assets and liabilities assumed and details of goodwill on the “acquisition date” (July 29, 2011), as well as the corresponding provisional values reported in the consolidated financial statements at December 31, 2011:

ASSETS	Definitive Fair Value	Temporary Fair Value as at December 31, 2011
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	8,311	8,311
Other financial assets	-	-
Inventories	51,395	51,395
Trade receivables	48,193	48,193
Other receivables	3,877	5,307
Tax receivables	4,356	4,356
Other assets	334	334
<b>TOTAL CURRENT ASSETS</b>	<b>116,466</b>	<b>117,896</b>
<b>NON-CURRENT ASSETS</b>		
<b>FIXED ASSETS</b>		
Land	1,006	1,006
Property, plant and equipment	38,129	37,156
Other tangible fixed assets	715	715
Intangible assets	47,570	17,627
<b>TOTAL FIXED ASSETS</b>	<b>87,420</b>	<b>56,504</b>
<b>OTHER NON-CURRENT ASSETS</b>		
Investments in associates	274	274
Other receivables	24,320	952
Deferred tax assets	12,304	1,518
<b>TOTAL OTHER NON-CURRENT ASSETS</b>	<b>36,898</b>	<b>2,744</b>
<b>TOTAL NON-CURRENT ASSETS</b>	<b>124,318</b>	<b>59,248</b>
<b>TOTAL ASSETS (A)</b>	<b>240,784</b>	<b>177,144</b>

<i>LIABILITIES</i>	<i>Definitive Fair Value</i>	<i>Temporary Fair Value as at December 31, 2011</i>
<i>CURRENT LIABILITIES</i>		
<i>Bank overdrafts and short-term loans</i>	-	-
<i>Current portion of medium/long-term financial debts and other loans</i>	-	-
<i>TOTAL SHORT-TERM FINANCIAL DEBTS</i>	-	-
<i>Other short-term liabilities for derivative financial instruments</i>	-	-
<i>TOTAL SHORT-TERM FINANCIAL DEBTS AND DERIVATIVE FIN. INSTRUMENTS</i>	-	-
<i>Trade and other payables</i>	74,517	69,653
<i>Tax payables</i>	32	32
<i>Other current liabilities</i>	2,887	2,887
<b><i>TOTAL CURRENT LIABILITIES</i></b>	<b>77,436</b>	<b>72,572</b>
<i>NON-CURRENT LIABILITIES</i>		
<i>OTHER LONG-TERM LIABILITIES</i>		
<i>Long-term provisions</i>	31,276	4,815
<i>Other payables</i>	1,359	1,359
<i>Deferred tax liabilities</i>	16,771	6,816
<b><i>TOTAL OTHER LONG-TERM LIABILITIES</i></b>	<b>49,406</b>	<b>12,990</b>
<b><i>TOTAL NON-CURRENT LIABILITIES</i></b>	<b>49,406</b>	<b>12,990</b>
<b><i>TOTAL LIABILITIES (B)</i></b>	<b>126,843</b>	<b>85,562</b>
<i>Transferred consideration for the acquisition</i>	146,501	146,501
<i>Net asset acquired (A)-(B)</i>	113,941	91,582
<b><i>GOODWILL</i></b>	<b>32,560</b>	<b>54,919</b>
<i>Transferred consideration for the acquisition</i>	146,501	146,501
<i>Cash and cash equivalents owned by the purchased group</i>	(8,311)	(8,311)
<b><i>CASH FLOW FOR THE ACQUISITION</i></b>	<b>138,190</b>	<b>138,190</b>

*Below is a description of the nature and amounts of main adjustments to the fair value of acquired assets and liabilities assumed, occurred during the measurement period.*

*After completion of fair value determination, "Plant and machinery" was increased by Euro 973 thousand.*

*After completion of the determination of fair value of "Intangible assets", the following separable intangible assets were identified:*

- Customer Relationship: Euro 19,215 thousand (amortised over a useful life of 20 years);*
- Patents: Euro 2,292 thousand (amortised over a useful life of 4 to 5 years);*
- "Systèmes Moteurs" trade name: Euro 8,437 thousand (amortised over a useful life of 20 years).*

After completion of the determination of the fair value of contingent liabilities connected with product warranty risks, liabilities for the amount of Euro 25,068 thousand were recognised. Of such liabilities, Euro 4,177 thousand were charged to short-term "Trade and other payables" and Euro 20,891 thousand were booked to "Long-term provisions". Such contingent liabilities actually occurred in the amount of Euro 6,020 thousand at December 31, 2012. We believe that the amount left after full or partial insurance compensation and indemnities paid by subsuppliers will be repaid by the seller of Systèmes Moteurs S.A.S.' shares. For this reason, the amount of Euro 23,368 thousand was credited as an indemnification asset to "Other non-current receivables".

"Long-term provisions" include other liabilities for the amount of Euro 7,000 thousand. The balance includes different items, among which estimated legal costs expected to be incurred in proceedings to recover "Other receivables" mentioned above.

This affected deferred tax impact and as a result goodwill decreased from Euro 54,919 thousand to Euro 32,560 thousand.

### 2.3 Accounting policies

The following accounting policies have been applied in the financial statements as of December 31, 2012.

#### *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:*

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

*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:*

	%
<i>Development costs</i>	20-33
<i>Industrial patents and intellectual property rights, concessions, licences, trademarks</i>	20-33
<i>Customer relationship</i>	5
<i>Trade name</i>	5
<i>Other</i>	20-33
<i>Goodwill</i>	n.a.
<i>Assets under construction</i>	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.*

#### Customer relationship

*The customer relationship represents the value assigned, during the "Purchase Price Allocation" process, to Systemes Moteurs Group customers' portfolio at the data of the acquisition.*

#### Trade name

*The trade name represents the value assigned, during the "Purchase Price Allocation" process, to the name "Systemes Moteurs" at the data of the acquisition.*

#### 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 IT system across the Group. Relating costs are capitalised by Holding Company Sogefi S.p.A., that will licence the intellectual property rights on the IT system for use by the subsidiaries involved in the implementation process receiving the payment of royalty fees. The evaluated asset useful life is 10 years and the amortization takes effect since the full implementation in each company.*

#### 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 named "Filters"), Engine Systems – Air Intake and Cooling (Systemes Moteurs Group), Car Suspension, Industrial Vehicles Suspension and Precision Springs.*

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

#### **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, 2012, 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 "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 Other comprehensive income 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 Profit (loss) booked to Other comprehensive income 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 at 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 and actuarial gain/losses included in “Other non-operating expenses (income)”.*

*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.*

*Current and deferred taxes are recognised in the Income Statement, except for those relating to items directly charged or credited to Other comprehensive income / Equity, in which case tax effect is recognised directly under Other comprehensive income / Equity.*

#### **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 (debit for the transferer company). 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 (credit for the transferer company).*

#### **Treasury shares**

*Treasury shares are deducted from 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 benefits 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 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, posting 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 – impairment test: for the purpose of determining the value in use of the Cash Generating Units, the Group took into account the trends expected for 2013 as determined based on the budget and for 2014-2016 has determined based on the forecasts included in the 2014-2016 strategic plan. Budget and the strategic plan were prepared in line with forecasts for the automotive segment made available by the segment's most important sources. Impairment test based on 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;
- recoverability of deferred tax assets on tax losses: as of December 31, 2012, deferred tax assets on tax losses incurred during 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 such losses have originated under extraordinary circumstances that are unlikely to occur again in the future.
  - derivatives: the fair value of derivatives was estimated by third-party consultants based on assessment models in accordance with industry practice;
  - with regard to the determination of the fair value of the assets acquired and liabilities assumed by Systèmes Moteurs, it should be noted that:
    - the fair value of tangible fixed assets was determined based on valuations made by third-party professionals;
    - the fair value of intangible assets was determined by third-party consultants based on assessment models in accordance with industry practice;
    - contingent liabilities arising out of product warranty risks were determined based on conservative assumptions; the associated indemnification asset arising from indemnities was recognised based on a reasonable certainty that it will be recovered.

## 2.4 Adoption of new accounting standards

### *IFRS accounting standards, amendments and interpretations applied from January 2012*

*The following accounting standards, amendments and interpretations were first adopted by the Group starting January 1, 2012.*

*On October 7, 2010, the IASB issued amendments to IFRS 7 – Financial instruments: Disclosures. The intent of these amendments is to improve the disclosure requirements for derecognised financial assets. More specifically, the amendments require more transparency of risk exposure for transactions in which an entity transfers a financial asset but retains a continuing involvement of some kind in that asset. The amendments also require additional disclosures in the event that a disproportionate amount of such transfer transactions is undertaken at the end of a reporting period. The adoption of these amendments had an impact on the disclosures on factored trade receivables without recourse, where transfer was not notified to the other party.*

*On December 20, 2010, the IASB issued a minor amendment to IAS 12 – Income Taxes, which requires an entity to measure deferred tax on investment properties measured at fair value based on how the entity expects to recover the carrying amount of the asset (through continuative use or sale). Specifically, this amendment introduces a presumption that the carrying amount of investment properties measured at fair value according to IAS 40 will be recovered entirely through sale and requires deferred tax to be determined on a sale basis in jurisdictions where different tax rates apply. The adoption of this amendment had no impact on deferred tax measurement as at December 31, 2012.*

### *IFRS and IFRIC accounting standards, amendments and interpretations approved by the European Union but not yet applicable and not early adopted by the Group*

*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 will establish how equity*

investments are to be accounted for in separate financial statements. The key changes introduced by this new principle are as follows:

- Under IFRS 10, all types of entities are to be consolidated according to a single basic principle, the principle of control. The changes introduced remove the perceived inconsistency between the former IAS 27 (based on control) and SIC 12 (based on the transfer of risk and benefits);
- A more detailed definition of control has been introduced, based on three elements: (a) power over the investee; (b) exposure, or rights, to variable returns from the investor's involvement with the investee; (c) investor's ability to use its power over the investee to affect the amount of the investor's returns;
- for the purpose of determining whether an investor has control over an investee, IFRS 10 requires investor to focus on relevant activities that significantly affect the investee's return;
- for the purpose of determining whether an investor has control over an investee, IFRS 10 requires that only substantive rights be considered, i.e. those rights that can be exercised when significant decisions concerning the investee need to be taken;
- IFRS 10 provides application guidance on evaluating whether control exists in complex situations, such as de facto control, potential voting rights, situations in which it is necessary to assess whether the decision-maker is acting as a principal or an agent, etc..

Generally speaking, IFRS 10 application requires significant judgement on a certain number of application issues.

The standard is applicable retrospectively from January 1, 2014. The Group does not expect this new standard to impact the scope of consolidation in any way.

On May 12, 2011, 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 criteria for determining joint control remains unchanged, the new standard provides criteria for the accounting of joint arrangements that focus on the rights and obligations of the arrangement, rather than its legal form and requires the equity method as a single method to account for interests in jointly-controlled entities in consolidated financial statements. According to IFRS 11, the existence of a separate vehicle alone is not sufficient to classify a joint arrangement as a joint venture. The new standard is applicable retrospectively from January 1, 2014. 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. The Group does not expect this new standard to impact the scope of consolidation in any way.

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 to be stated in the consolidated financial statements. The standard is applicable retrospectively from January 1, 2014.

On May 12, 2011, the IASB issued IFRS 13 – Fair Value Measurement, clarifying how the fair value should be measured for the purpose of the financial statements and it is applicable to all situations in which IFRS permit or require a fair value measurement or the presentation of disclosures based on fair value, with some limited exceptions. In addition, this standard requires more detailed information to be disclosed on fair value measurement (fair value hierarchy) compared to IFRS 7 requirements. The standard is effective prospectively from January 1, 2013.

*On December 16, 2011, the IASB issued certain amendments to IAS 32 – Financial Instruments: Presentation to clarify the application of certain offsetting criteria for financial assets and financial liabilities in IAS 32. As a result, such criteria are now more difficult to apply. These amendments are effective for annual periods beginning on or after January 1, 2014 and are required to be applied retrospectively.*

*On December 16, 2011, IASB issued certain amendments to IFRS 7 – Financial instruments: Disclosures. The amendments require disclosures about the effect or potential effect of offsetting financial assets and liabilities on an entity's financial position. The amendments are effective for annual periods beginning on or after January 1, 2013. The required disclosures should be provided retrospectively.*

*On June 16, 2011, the 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 the Income Statement. The amendment is applicable from financial periods beginning on or after July 1, 2012.*

*On June 16, 2011, the IASB issued amendments to IAS 19 – Employee Benefits that eliminates the option to defer the recognition of actuarial gains and losses, known as the “corridor method”, and requires all actuarial gains and losses to be booked to “Other comprehensive income” immediately, so that the full net amount of the provisions for the defined benefits (net of plan assets) is recognised in the consolidated financial position. The amendments further require any changes in the defined benefit provision and plan assets over the period to be reported into three items: the cost components of work performed during the reporting period must be recognised in the Income Statement as service costs; net interest costs calculated by applying the appropriate discount rate to the opening net balance of defined benefit provision net of assets must be booked to Income Statement as net financial expenses and the actuarial gains and losses resulting from remeasurements of assets and liabilities must be booked to “Other comprehensive income”. In addition, the return on assets included in net interest costs must be calculated using the discount rate applicable to liabilities and no longer the expected return on the assets. The amendment also introduces the requirement for additional disclosures to be provided in the notes. The amendments are applicable retrospectively from financial periods beginning on or after January 1, 2013. Based on reasonable estimates, the effects of the application of these amendments to the balances of liabilities for “Long-term provisions” and Shareholders' equity as of December 31, 2012 amount to Euro 20,041 thousand. The Group has not yet completed the analysis of how the application of the new principle would have impacted the net result for the year 2012.*

*IFRIC Interpretation 20 – Stripping Costs in the Production Phase of a Surface Mine was published in October 2011. It addresses waste removal costs incurred in surface mining activities during the production phase of a mine. This Interpretation is effective for annual periods beginning on or after January 1, 2013.*

*On March 19, 2011, the IASB issued an amendment to IFRS 1 First-time adoption of International Financial Reporting Standards – Government Loans that changes reference to government loans accounting during transition to IFRS.*

***IFRS accounting standards, amendments and interpretations not yet endorsed by the European Union.***

*The European Union has not yet completed its endorsement process for the standards and amendments below reported at the date of these financial statements.*

On November 12, 2009, the IASB issued IFRS 9 - Financial instruments: the same standard was amended on October 28, 2010. The standard, applicable 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. 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 in “Other Comprehensive Income” and will no longer be recognised in the Income Statement.

Phases two and three of the financial instrument project, which address financial asset impairment and hedge accounting, respectively, are still under way. IASB is also evaluating improvements to the part of IFRS 9 that addresses the Classification and measurement of financial assets.

On May 17, 2012 the IASB published document Annual Improvements to IFRSs: 2009-2011 Cycle, amending standards as part of the annual improvement process, which is designed to make necessary, but not urgent, amendments to IFRSs. Outlined below are those amendments that impact the presentation, recognition and measurement of the items of the financial statements. Those related to changes in new terminology having minimal accounting impacts, or those that concern standards or interpretations not applicable to the Group have been omitted.

- IAS 1 Presentation of Financial Statements – Comparative information: clarifies that any additional comparative information provided must be presented in accordance with IAS/IFRS. It also clarifies that when an entity changes an accounting principle or makes retrospective adjustments/restatements, it must include an opening statement of financial position at the beginning of the comparative period (“third statements of financial position” in the financial statements); related disclosures are not required for such “third statements of financial position”, except for the affected items, in the supporting notes.
- IAS 16 Property, Plant and Equipment – Classification of servicing equipment: clarifies that servicing equipment must be classified under Property, plant and equipment if used during more than one accounting period. Otherwise, they must be classified as inventory.
- IAS 32 Financial Instruments: Presentation – Taxes relating to distributions to holders of an equity instrument and transaction costs on equity transaction: clarifies that such income taxes are accounted according to IAS 12.
- IAS 34 Interim Financial Reporting – Total assets for a reportable segment: clarifies that total assets must be disclosed only if such information is regularly provided to the chief operating decision maker of the entity and there has been a material change from the amounts disclosed in the last annual financial statements for the reportable segment.

The proposed amendments are effective for the years beginning on or after January 1, 2013. Early adoption is allowed.

On June 28, 2012, the IASB published document Consolidated Financial Statements, Joint Arrangements, and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12). First and foremost, the document is aimed at clarifying the Board's intentions as to the transition rules in IFRS 10 Consolidated Financial Statements. The document clarifies that when an entity with a calendar year end first adopts IFRS 10 for the financial statements for the year ended December 31, 2013, initial application date will be January 1, 2013.

*If the consolidation conclusion is the same under IAS 27 and SIC 12, as well as under IFRS 10 on the initial application date, the entity is not required to make any adjustments. Likewise, no adjustment is required when the interest was transferred during the comparative period (and is no longer held on initial application date).*

*The document aims to clarify how an investor should adjust the comparative period or periods retrospectively when the conclusions on the consolidation according to IAS 27/SIC 12 and IFRS 10 as at date of initial application differ. Specifically, when retrospective adjustment as outlined above is impracticable, an acquisition/transfer is accounted for at the beginning of the comparative period presented, and retained earnings are adjusted accordingly. In addition, the Board amended IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities to likewise facilitate the presentation or modification of comparative information for periods before “the immediately preceding period” (i.e. the comparative period presented in the financial statements). A further amendment to IFRS 12 limits the requirement to present comparative information for the disclosures for structured entities not consolidated in periods preceding the application of IFRS 12.*

*These amendments are to be applied - along with the reference standards - for years beginning on January 1, 2014, unless adopted earlier.*

*The amendments to IFRS 10, IFRS 12 and IAS 27 “Investment Entities” issued on October 31, 2012 introduce an exemption from the consolidation of subsidiaries for investment entities, unless the investees provide them with services related to their investment activities. Under these amendments, an investment entity must measure its investment in subsidiaries on a fair value basis through profit or loss. In order to qualify as investment entity, an entity must:*

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;*
- commit to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and*
- measure and evaluate the performance of substantially all of its investments on a fair value basis.*

*These amendments apply for annual periods beginning on January 1, 2014; early adoption is permitted.*

### 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 must 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” (cat. 1) 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” (cat. 4) 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 (exit price), 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 segments) and performance indicators that play a key role in the Group's strategic decisions.

As the analysis by business segments is given higher priority in the decision-making process, the analysis by geographic areas is no longer presented.

#### Business segments

With regard to the business segments, information concerning the two Divisions – Engine Systems and Suspension Components – is provided below. Figures for the Holding Company Sogefi S.p.A. and the 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 2011 and 2012:

(in thousands of Euro)	2011 (*)				
	Engine Systems Division	Suspension Components Division	Sogefi SpA / Sogefi Purch. SaS	Adjustments	Sogefi consolidated f/s
<b>REVENUES</b>					
Sales to third parties	611,791	546,594	-	-	1,158,385
Intersegment sales	1,144	1,130	18,567	(20,841)	-
<b>TOTAL REVENUES</b>	<b>612,935</b>	<b>547,724</b>	<b>18,567</b>	<b>(20,841)</b>	<b>1,158,385</b>
<b>RESULTS</b>					
EBIT	24,443	44,139	(8,190)	(1,905)	58,487
Financial expenses, net					(12,680)
Income from equity investments					-
Losses from equity investments					-
Result before taxes					45,807
Income taxes					(18,605)
Loss (profit) attributable to non-controlling interests					(3,156)
<b>NET RESULT</b>					<b>24,046</b>
<b>STATEMENT OF FINANCIAL POSITION</b>					
<b>ASSETS</b>					
Segment assets	499,638	422,275	591,760	(629,178)	884,495
Equity investments in associates	-	-	-	-	-
Unallocated assets	-	-	-	151,666	151,666
<b>TOTAL ASSETS</b>	<b>499,638</b>	<b>422,275</b>	<b>591,760</b>	<b>(477,512)</b>	<b>1,036,161</b>
<b>LIABILITIES</b>					
Segment liabilities	310,767	268,311	438,514	(195,633)	821,959
<b>TOTAL LIABILITIES</b>	<b>310,767</b>	<b>268,311</b>	<b>438,514</b>	<b>(195,633)</b>	<b>821,959</b>
<b>OTHER INFORMATION</b>					
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	(4,375)	53,364

(\*) Some 2011 values have been restated following the conclusion of the Purchase Price Allocation process of Systèmes Moteurs S.A.S.. Please see Note 2 "Consolidation principles and accounting policies" for additional details.

<i>(in thousands of Euro)</i>	2012				
	<i>Engine Systems Division</i>	<i>Suspension Components Division</i>	<i>Sogefi SpA / Sogefi Purch. SaS</i>	<i>Adjustments</i>	<i>Sogefi consolidated f/s</i>
<b>REVENUES</b>					
<i>Sales to third parties</i>	791,683	527,550	-	-	1,319,233
<i>Intersegment sales</i>	940	1,054	20,099	(22,093)	-
<b>TOTAL REVENUES</b>	792,623	528,604	20,099	(22,093)	1,319,233

<b>RESULTS</b>					
<b>EBIT</b>	39,000	32,312	(6,148)	(2,389)	62,775
<i>Financial expenses, net</i>					(16,474)
<i>Income from equity investments</i>					-
<i>Losses from equity investments</i>					-
<i>Result before taxes</i>					46,301
<i>Income taxes</i>					(13,771)
<i>Loss (profit) attributable to non-controlling interests</i>					(3,205)
<b>NET RESULT</b>					29,325

#### STATEMENT OF FINANCIAL POSITION

<b>ASSETS</b>					
<i>Segment assets</i>	524,073	416,152	571,748	(642,899)	869,074
<i>Equity investments in associates</i>	-	-	-	-	-
<i>Unallocated assets</i>	-	-	-	153,221	153,221
<b>TOTAL ASSETS</b>	524,073	416,152	571,748	(489,678)	1,022,295
<b>LIABILITIES</b>					
<i>Segment liabilities</i>	317,884	256,843	431,470	(199,197)	807,000
<b>TOTAL LIABILITIES</b>	317,884	256,843	431,470	(199,197)	807,000

#### OTHER INFORMATION

<i>Increase in tangible and intangible fixed assets</i>	46,592	30,311	9,294	(1,807)	84,390
<i>Depreciation, amortisation and writedowns</i>	35,676	24,545	6,349	(3,320)	63,250

Please note that the Engine Systems Division includes the book value of the Systemes Moteurs Group (which do not include fair value adjustments to net assets from the Purchase Price Allocation) and the adjustments for its Purchase Price Allocation relating to provision for product warranties reversed (contingent liabilities recognised during the Purchases Price Allocation process); the remaining adjustments for its Purchase Price Allocation are posted in column "Adjustments".

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.

The adjustments to "EBIT" refer to depreciation and amortisation linked to the revaluation of assets resulting from the acquisition of 40% of Sogefi Rejna S.p.A. and its subsidiaries in the year 2000 and of Systemes Moteurs Group in the year 2011.

In the Statement of Financial Position, the adjustments to the item "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 Systemes Moteurs Group.

"Depreciation, amortisation and writedowns" include writedowns of tangible and intangible fixed assets for the amount of Euro 4,850 thousand, Euro 3,208 thousand of which originate from the current reorganisation of the Llantrisant site of subsidiary Sogefi Filtration Ltd and Euro 1,535 thousand refer to subsidiary Allevard Sogefi U.S.A. Inc. and reflect plant for the manufacture of stabilizer bars no longer used.

These assets were written down based on the fair value of assets at year-end date, which amounts to zero.

### Information on the main customers

Note that revenues from sales to third parties as of December 31, 2012 account for over 10% of Group revenues refer to: PSA (12.9% of total revenues), Ford (11.8% of total revenues) and Renault/Nissan (11.3% of total revenues).

### Information on the geographical areas

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.

The breakdown of assets by geographical area is as follows:

(in thousands of Euro)	2011*					
	Europe	South America	North America	Asia	Adjustments	Sogefi consolidated f/s
TOTAL ASSETS	1,408,970	128,155	66,374	52,801	(620,139)	1,036,161

(\*) Certain values as at December 31, 2011 were redetermined after the completion of the Purchase Price Allocation process in connection with the Systemes Moteurs S.A.S. acquisition.

(in thousands of Euro)	2012					
	Europe	South America	North America	Asia	Adjustments	Sogefi consolidated f/s
TOTAL ASSETS	1,367,211	124,948	101,619	74,468	(645,951)	1,022,295

## 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 85,209 thousand versus Euro 102,461 thousand as of December 31, 2011 and break down as follows:

(in thousands of Euro)	12.31.2012	12.31.2011
Short-term cash investments	84,627	102,369
Cheques	521	16
Cash on hand	61	76
<b>TOTAL</b>	<b>85,209</b>	<b>102,461</b>

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

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.

As of December 31, 2012, the Group has unutilised lines of credit for the amount of Euro 246,765 thousand. These funds are available for use on demand, because the conditions required for their availability are met.

Please note that this item includes Euro 4,117 thousand held by the Argentinian subsidiaries; use of this amount is temporarily subject to government restrictions that require an official authorisation of foreign payments (including dividend payouts).

#### 6. OTHER FINANCIAL ASSETS

“Other financial assets” can be broken down as follows:

(in thousands of Euro)	12.31.2012	12.31.2011
Securities held for trading	15	11
Held-to-maturity investments	8,199	1,893
Assets for derivative financial instruments	15	8
<b>TOTAL</b>	<b>8,229</b>	<b>1,912</b>

“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 15 thousand and refer to the fair value of forward foreign exchange contracts. Further details can be found in the analysis of financial instruments contained in note 39.

## 7. INVENTORIES

The breakdown of net inventories is as follows:

(in thousands of Euro)	12.31.2012			12.31.2011		
	Gross	Write-downs	Net	Gross	Write-downs	Net
Raw, ancillary and consumable materials	53,879	4,274	49,605	58,621	3,737	54,884
Work in progress and semi-finished products	12,515	379	12,136	13,454	292	13,162
Contract work in progress and advances	41,224	57	41,167	34,347	-	34,347
Finished goods and goods for resale	53,173	7,497	45,676	57,606	7,494	50,112
<b>TOTAL</b>	<b>160,791</b>	<b>12,207</b>	<b>148,584</b>	<b>164,028</b>	<b>11,523</b>	<b>152,505</b>

The gross value of inventories decreased by Euro 3,237 thousand; this is due to a negative exchange effect for Euro 2,513 thousand, whereas the remainder is traced back to a slowdown of business during the last portion of the year 2012 and to improved inventory management. The rise in “Contract work in progress and advances” represents tooling to be sold to customers, mostly in the Engine Systems Division.

Writedowns consist for the most part 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 increase in the provision reflects an additional Euro 1,724 thousand set aside (booked to the income statement under “Variable cost of sales”) that were partly offset by products scrapped during the year for the amount of Euro 964 thousand and a negative exchange effect for Euro 76 thousand.

Inventories are encumbered by bank mortgages or liens totalling Euro 70 thousand to guarantee loans obtained by the subsidiary Allevar IAI Suspensions Private Ltd.

## 8. TRADE AND OTHER RECEIVABLES

Current receivables break down as follows:

(in thousands of Euro)	12.31.2012	12.31.2011
Trade receivables	156,245	179,663
Less: allowance for doubtful accounts	5,263	5,319
Trade receivables, net	150,982	174,344
Due from subsidiaries	4,179	4,311
Tax receivables	21,815	19,564
Other receivables	32,477	32,141
Other assets	3,559	2,800
<b>TOTAL</b>	<b>213,012</b>	<b>233,160</b>

“Trade receivables, net” are non-interest bearing and have an average due date of 42 days, against 45 days recorded at the end of the previous year.

It should be noted that as of December 31, 2012, the Group factored trade receivables for Euro 65,114 thousand (Euro 57,557 thousand as of December 31, 2011), including an amount of Euro 34,151 thousand which was not notified and for which the Group continues to manage collection services. The risks and benefits related to

these receivables have been transferred to the factor; therefore these receivables have been derecognised in the Statement of Financial Position debiting the consideration received from the factoring company.

If the factoring transactions (Euro 65,114 thousand as of December 31, 2012 and Euro 57,557 thousand as of December 31, 2011) are excluded, new trade receivables show a decrease of Euro 15,860 thousand for the most part due to a slowdown in business during the last portion of the year 2012 compared to the previous year and to a negative exchange effect (Euro 4,575 thousand).

Further adjustments were booked to "Allowance for doubtful accounts" during the year for a total of Euro 706 thousand, against net utilisations of the allowance for the amount of Euro 731 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, 2012 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, 2012 include tax credits due to the Group companies by the tax authorities of the various countries. The increase in this item mainly reflects increased VAT credits. It does not include deferred taxes which are treated separately.

"Other receivables" are made up as follows:

<i>(in thousands of Euro)</i>	12.31.2012	12.31.2011
Amounts due from social security institutions	468	276
Amounts due from employees	293	235
Advances to suppliers	1,289	1,475
Due from others	30,427	30,155
<b>TOTAL</b>	<b>32,477</b>	<b>32,141</b>

"Due from others" include an indemnification asset of Euro 23,368 thousand owed by the seller of Systèmes Moteurs S.A.S.'s shares relating to the recovery of expenses charged by customers following claims on the quality of products sold, based on warranties given by the same seller (after possible partial indemnities obtained from insurers and suppliers). This amount was booked during the Purchase Price Allocation process 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 reflects for the most part prepaid rents of subsidiary Sogefi Filtration do Brasil Ltda relating to the year 2013.

## 9. TANGIBLE FIXED ASSETS

The net carrying amount of tangible fixed assets as of December 31, 2012 amounted to Euro 252,345 thousand versus Euro 260,682 thousand at the end of the previous year and breaks down as follows:

(in thousands of Euro)	2012				TOTAL
	Land	Buildings, plant and machinery, commercial and industrial equipment	Other assets	Assets under construction and payments on account	
Balance at January 1	15,774	215,183	4,845	24,880	260,682
Additions of the period	74	17,810	1,647	25,706	45,237
Disposals during the period	(1,187)	(2,047)	(7)	(30)	(3,271)
Exchange differences	(118)	(4,271)	(259)	(853)	(5,501)
Depreciation for the period	-	(38,072)	(1,746)	-	(39,818)
Writedowns/revaluations during the period	-	(4,521)	(313)	-	(4,834)
Reclassification of non-current asset held for sale	-	744	-	-	744
Other changes	1,168	13,404	1,276	(16,742)	(894)
Balance at December 31	15,711	198,230	5,443	32,961	252,345
Historical cost	15,711	808,981	29,685	33,655	888,032
of which: leases - gross value	331	8,496	15	-	8,842
Accumulated depreciation	-	610,751	24,242	694	635,687
of which: leases - accumulated depreciation	-	3,668	15	-	3,683
Net value	15,711	198,230	5,443	32,961	252,345
Net value - leases	331	4,828	-	-	5,159

(in thousands of Euro)	2011				TOTAL
	Land	Buildings, plant and machinery, commercial and industrial equipment	Other assets	Assets under construction and payments on account	
Balance at January 1	14,423	189,145	4,278	19,300	227,146
Additions of the period	583	14,361	1,148	20,163	36,255
Disposals during the period	(36)	(260)	(13)	(4)	(313)
Exchange differences	(206)	(1,251)	(76)	(440)	(1,973)
Depreciation for the period	-	(34,950)	(1,459)	-	(36,409)
Writedowns/revaluations during the period	-	(3,352)	(86)	-	(3,438)
Change to scope of consolidation	1,006	36,075	715	1,913	39,709
Other changes	4	15,415	338	(16,052)	(295)
Balance at December 31	15,774	215,183	4,845	24,880	260,682
Historical cost	15,774	794,433	28,420	25,574	864,201
of which: leases - gross value	1,158	18,542	15	-	19,715
Accumulated depreciation	-	579,250	23,575	694	603,519
of which: leases - accumulated depreciation	-	6,858	10	-	6,868
Net value	15,774	215,183	4,845	24,880	260,682
Net value - leases	1,158	11,684	5	-	12,847

Investments during the year amounted to Euro 45,237 thousand compared with Euro 36,255 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.

Key investments falling under category “Assets under construction and payments on account” relate to subsidiary Sogefi (Suzhou) Auto Parts Co., Ltd for the new Chinese plant under construction; to subsidiary Sogefi Rejna S.p.A. for the new production line for tubular stabilizer bars, investments in safety, environmental pollution reduction and process improvement measures; to subsidiary Sogefi Filtration do Brasil Ltda for the development of new products, new equipment and process improvement; subsidiaries Filtrauto S.A., Allevard Rejna Autosuspensions S.A. and Sogefi Filtration Ltd for the development of new products and process improvement.

Among the most significant projects in the “Buildings, plant and machinery, commercial and industrial equipment” category, noteworthy are the investments in subsidiary LPDN GmbH to improve processes and for plant upkeep; in subsidiary Systèmes Moteurs S.A.S. to develop new products and for process and plant improvements; in subsidiaries Allevard Sogefi U.S.A., Inc. and Sogefi M.N.R. Filtration India Pvt Ltd to increase production capacity and develop new products; in subsidiary Iberica De Suspensiones S.L. (ISSA) to improve processes and buy new equipment; in subsidiary Sogefi Engine Systems Canada Corp. to improve processes, develop new products and increase production capacity.

“Disposals during the period” total Euro 6,856 thousand and refer nearly entirely to subsidiary Sogefi Filtration do Brasil Ltda; they relate to the sale of plant (on which it has been realized a capital gain for Euro 6,856 thousand).

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

“Writedowns/revaluations during the period” totalled Euro 4,834 thousand and is mainly made up of writedowns of “Buildings, plant and machinery, commercial and industrial equipment” performed by subsidiary Sogefi Filtration Ltd as a result of the restructuring of its Llantrisant production plant currently under way and by subsidiary Allevard Sogefi U.S.A., Inc. in relation to industrial assets for the production of stabilizer bars no longer used (these losses have been enrolled as “Other non-operating expenses (income)”).

Line “Reclassification of non-current assets held for sale” refers to the net value of the building of subsidiary United Springs Ltd that was reclassified to “Non-current assets held for sale” as at December 31, 2011. As it is unlikely that this property will be sold during the next twelve months, its value was reclassified under “Tangible fixed assets” and the depreciation process was resumed.

“Other changes” refer to the completion of projects that were under way 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, 2012 includes Euro 79 thousand of advances for investments.

*The main inactive assets, with a total net book value of Euro 6,317 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 net 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 in the scope of IFRS 5.*

*No interest costs were capitalised to “Tangible fixed assets” during the year 2012.*

#### Guarantees

*As of December 31, 2012, tangible fixed assets are encumbered by mortgages or liens totalling Euro 13,046 thousand to guarantee loans from financial institutions, compared to Euro 1,545 thousand as of December 31, 2011. Guarantees existing as of December 31, 2012 refer to subsidiaries Sogefi Engine Systems Canada Corp., Systèmes Moteurs S.A.S, Allevard IAI Suspensions Private Ltd, United Springs B.V. and Sogefi M.N.R. Filtration India Private Ltd.*

#### Purchase commitments

*As of December 31, 2012, there are binding commitments to buy tangible fixed assets for Euro 480 thousand (Euro 2,460 thousand as of December 31, 2011) relating to the subsidiaries Allevard Rejna Autosuspensions S.A. and United Springs S.A.S.. Said commitments will be settled within 12 months.*

#### Leases

*The carrying value of assets under financial leases as of December 31, 2012 was Euro 8,842 thousand, and the related accumulated depreciation amounted to Euro 3,683 thousand.*

*It should be noted that the lease agreements of the Fronville facility and part of the lease agreement of the Liensaint facility have expired during the year 2012 and subsidiary Allevard Rejna Autosuspensions S.A. exercised the option to purchase at the price of Euro 305 thousand and Euro 3, respectively.*

*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, 2012 was Euro 239,577 thousand versus Euro 220,246 thousand at the end of the previous year, and breaks down as follows:

(in thousands of Euro)	2012						
	Development costs	Industrial patents and intellectual property rights, concessions, licences and trademarks	Other, assets under construction and payments on account	Customer Relationship	Trade name Systèmes Moteurs	Goodwill	TOTAL
Balance at January 1	47,598	7,455	11,495	18,803	8,256	126,639	220,246
Additions of the period	26,170	236	12,747	-	-	-	39,153
Disposals during the period	(89)	-	(58)	-	-	-	(147)
Exchange differences	(871)	1	(205)	-	-	-	(1,075)
Amortisation for the period	(13,913)	(2,735)	(509)	(990)	(435)	-	(18,582)
Writedowns during the period	(16)	-	-	-	-	-	(16)
Change to scope of consolidation	-	-	-	-	-	-	-
Other changes	2,017	10	(2,029)	-	-	-	(2)
Balance at December 31	60,896	4,967	21,441	17,813	7,821	126,639	239,577
Historical cost	130,229	24,072	26,136	19,215	8,437	149,537	357,626
Accumulated amortisation	69,333	19,105	4,695	1,402	616	22,898	118,049
Net value	60,896	4,967	21,441	17,813	7,821	126,639	239,577

(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	Customer Relationship	Trade name Systèmes Moteurs	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)	(2,300)	(524)	(412)	(181)	-	(13,383)
Writedowns during the period	(129)	-	(5)	-	-	-	(134)
Change to scope of consolidation	15,854	3,980	54	19,215	8,437	32,560	80,100
Other changes	1,075	353	(1,449)	-	-	-	(21)
Balance at December 31	47,598	7,455	11,495	18,803	8,256	126,639	220,246
Historical cost	105,233	24,250	15,796	19,215	8,437	149,537	322,468
Accumulated amortisation	57,635	16,795	4,301	412	181	22,898	102,222
Net value	47,598	7,455	11,495	18,803	8,256	126,639	220,246

*Investments during the year amounted to Euro 39,153 thousand.*

*The increases in “Development costs” for the amount of Euro 26,170 thousand 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 Systèmes Moteurs S.A.S., Filtrauto S.A., Mark IV AIS Mexico S de R.L. de C.V., Sogefi Filtration do Brasil Ltda and Allevard Sogefi U.S.A. Inc..*

*Increases in “Other, assets under construction and payments on account” for the amount of Euro 12,747 thousand refer mainly to the development and implementation of the new information system across the Sogefi Group. Other smaller investments were also made during the year, which focused on developing new products not yet in production. Specifically, the largest investments were directed towards subsidiaries Allevard Rejna Autosuspensions S.A., Sogefi Filtration Ltd and Sogefi Rejna S.p.A..*

*The item does not include advances to suppliers for the purchase of fixed assets.*

*“Development costs” principally include costs generated internally, whereas “Industrial patents and intellectual property rights, concessions, licences and trademarks” consist of factors that are acquired externally for the most part.*

*“Other, assets under construction and payments on account” include around Euro 13,799 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 three CGUs: fluid filters, air intake and cooling and car suspension.*

*The specific goodwill of the “Engine Systems Division – Fluid Filters” amounts to Euro 77,030 thousand, the goodwill of the “Engine Systems Division – Air Intake and Cooling” amounts to Euro 32,560 thousand and the goodwill pertaining to the “Car Suspension Components 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 2013-2016, 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%, which reflects the weighted average cost of capital.*

*The same discounting rate is used for all three CGUs. As a matter of fact, the three CGUs operate in the same sector and deal with the same kind of customers, and it is estimated that they are exposed to the same risk.*

*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 2016), 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 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 entities 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 (debt to equity): 37.2%*
- levered beta of the industry: 1.15*
- risk free rate: 4.25% (annual average yield 10 year government bonds for the key jurisdiction in which the group operates, weighted by sales revenues)*
- risk premium: 5.5%*
- debt cost spread: 3.3% (estimate based on the 2013 budget)*

*Sensitivity analyses were also carried out on two of the variables referred to above, with the growth rate of terminal value being set to zero or the average cost of capital being increased by two percentage points. None of the scenarios used highlighted the need to post a write-down.*

*Regarding the sensitivity analysis:*

- the impairment test reached break-even point at the following discounting rates (growth rate of terminal value remaining unchanged at 2% and all other plan assumptions being equal): 18.08% for the engine systems division - fluid filters, 20.27% for the engine systems division - air intake and cooling and 10.66% for the car suspension division.*
- the impairment test reached break-even point with a EBIT's significant decrease during the explicit plan and in terminal value: -33% for the car suspension division and over -50% for the engine systems division - fluid filters and for the engine systems division - air intake and cooling.*

*The test based on the present value of the estimated future cash flows turns out a value in use of the CGUs that exceeds 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. There are no contingent liabilities or financial engagements connected to such equity investment.

## 12. OTHER FINANCIAL ASSETS AVAILABLE FOR SALE

As of December 31, 2012, these totalled Euro 489 thousand, compared with Euro 490 thousand as of December 31, 2011 and break down as follows:

<i>(in thousands of Euro)</i>	12.31.2012	12.31.2011
Equity investments in other companies	489	490
Other securities	-	-
<b>TOTAL</b>	<b>489</b>	<b>490</b>

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

As at December 31, 2012, there are no non-current trade receivables. The amount of Euro 918 thousand pertaining to subsidiary Systèmes Moteurs S.A.S. as at December 31, 2011 was reclassified under short-term items because it is repayable within the next twelve months.

“Other receivables” break down as follows:

<i>(in thousands of Euro)</i>	12.31.2012	12.31.2011
Substitute tax	576	576
Pension fund surplus	12,864	11,298
Other receivables	3,582	2,228
<b>TOTAL</b>	<b>17,022</b>	<b>14,102</b>

“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, since the company presents a reimbursement right for the contingent surplus at the end of the plan. 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 the non-current portion of prepaid rents of subsidiary Sogefi Filtration do Brasil Ltda relating to the year 2014 for the amount of Euro 590 thousand, tax credits of subsidiaries Allevard Rejna Autosuspensions S.A. and S.ARA Composite S.A.S. for the amount of Euro 447 thousand for research and development activities, and other receivables mainly consisting in tax credits for the remaining portion.*

#### 14. DEFERRED TAX ASSETS

*As of December 31, 2012, this item amounts to Euro 57,530 thousand compared with Euro 48,638 thousand as of December 31, 2011.*

*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

*As at December 31, 2011, this item included the net value of the building of the UK subsidiary, United Springs Ltd, held for sale. As it is no longer deemed likely that this property will be sold during the next twelve months, it was reclassified from “Non currents assets held for sale” to “Tangible fixed assets” and the depreciation process was resumed.*

## C 2) LIABILITIES AND EQUITY

### 16. FINANCIAL DEBTS TO BANKS AND OTHER FINANCING CREDITORS

These break down as follows:

#### Current portion

<i>(in thousands of Euro)</i>	12.31.2012	12.31.2011
Bank overdrafts and short-term loans	8,377	9,827
Current portion of medium/long-term financial debts	89,596	46,962
of which: leases	814	1,674
<b>TOTAL SHORT-TERM FINANCIAL DEBTS</b>	<b>97,973</b>	<b>56,789</b>
Other short-term liabilities for derivative financial instruments	1,011	632
<b>TOTAL SHORT-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>98,984</b>	<b>57,421</b>

#### Non-current portion

<i>(in thousands of Euro)</i>	12.31.2012	12.31.2011
Financial debts to banks	267,773	330,462
Other medium/long-term financial debts	8,821	7,916
of which: leases	4,880	5,686
<b>TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS</b>	<b>276,594</b>	<b>338,378</b>
Other medium/long-term liabilities for derivative financial instruments	13,708	8,416
<b>TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>290,302</b>	<b>346,794</b>

#### 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, 2012, this item principally includes the following loans:

- the current portion of Euro 27,850 thousand of a Euro 100,000 thousand loan obtained by the Holding Company Sogefi S.p.A. from Unicredit S.p.A. in 2006 (the residual amount as of December 31, 2012 was Euro 33,276 thousand). The loan expires in March 2014 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 2012 corresponded to 90 basis points. The loan is not secured against any of the company's assets. During the year, the Holding Company benefited from a temporary suspension of capital payments due on July 31 and on October 31, 2012 (for a total amount of Euro 11,100 thousand) granted to entities affected by the earthquake that affected the Mantua area in May 2012. As a result of this suspension, the final expiry date of the loan was put off from September 2013 to March 31, 2014;

- the current portion of Euro 10,000 thousand of a Euro 40,000 thousand loan obtained by the Holding Company Sogefi S.p.A. from the Banca Europea degli Investimenti (BEI) in 2010 (the residual amount as of December 31, 2012 was Euro 34,838 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 6,250 thousand of a Euro 25,000 thousand loan obtained by the Holding Company Sogefi S.p.A. from Banca Monte de Paschi di Siena S.p.A. in 2011 (the residual amount as of December 31, 2012 was Euro 24,793 thousand). The loan expires in December 2016 and has a floating interest rate corresponding to the 3-month Euribor plus a base spread of 150 basis points. The spread actually applied at the end of 2012 corresponded to 200 basis points. The loan is not secured against any of the company's assets;
- the current portion of Euro 6,000 thousand of a Euro 60,000 thousand loan obtained by the Holding Company Sogefi S.p.A. from Intesa Sanpaolo S.p.A. in 2011 (the residual amount as of December 31, 2012 was Euro 59,471 thousand), divided into two tranches of Euro 30,000 thousand each, with one tranche at amortised capital instalments starting in June 2013 and one of the revolving type made available in December 2012. The loan expires in December 2016 and has a floating interest rate corresponding to the 3-month Euribor plus a base spread of 200 basis points. The spread actually applied at the end of 2012 corresponded to 230 basis points. The loan is not secured against any of the company's assets;
- a Euro 6,533 thousand loan denominated in Brazilian real obtained by the subsidiary Sogefi Filtration do Brasil Ltda from Banco do Brasil in 2010 (the residual amount as of December 31, 2012 corresponded to the full amount). The loan expires in July 2013 and has a 4.5% fixed interest rate. The loan is not secured against any of the company's assets;
- a Euro 5,959 thousand loan (partly denominated in Euro and partly in Renminbi) obtained by the subsidiary Shanghai Sogefi Auto Parts Co., Ltd from Unicredit in 2012 (the residual amount as of December 31, 2012 corresponded to the full amount). The loan expires in May 2013 and has a floating interest rate corresponding to the six-monthly PBOC multiplied by 130% for the portion denominated in Renminbi, whereas the portion denominated in Euro has an interest rate established by Unicredit (“cost of funding”) plus a spread of 250 basis points. The loan is not secured against any of the company's assets;
- the current portion of Euro 4,677 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, 2012 was Euro 23,602 thousand). The loan expires in September 2017 and has a floating interest rate corresponding to the 3-month Euribor plus a fixed spread of 225 basis points. During the year, the Holding Company benefited from a temporary suspension of the capital payment due on September 30, 2012 (for a total amount of Euro 1,142 thousand) granted to entities affected by the earthquake that affected the Mantua area in May 2012. As a result of this suspension, the final expiry date of the loan was put off from June 30, 2017 to September 30, 2017. 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.

#### **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:*

- Euro 115,277 thousand reflect drawdowns on the five-year syndicated revolving loan for a total of Euro 200,000 thousand obtained by the Holding Company Sogefi S.p.A. on December 4, 2012 from banks IMI, BNP Paribas, ING Bank N.V. and Mediobanca, with a portion of Euro 120,000 thousand at amortised capital instalments and a portion of Euro 80,000 thousand of the revolving type, expiring in December 2017. Base spreads are 425 basis points on Euribor for the amortised portion and 350 basis points on Euribor for the revolving portion. In December, the Holding Company Sogefi S.p.A. paid Euro 4.6 million comprising up front fees, documentation fees and registry duty in relation to this loan. On December 20, 2012 the Holding Company Sogefi S.p.A. drew down the entire amount of Euro 120,000 thousand of the loan portion at amortised capital instalments. As at December 31, 2012 the spread applied to this syndicated loan was 425 basis points on 3-month Euribor. The loan is not secured against any of the company's assets. As it drew down the Euro 120 million portion of the new syndicated loan, the Holding Company Sogefi S.p.A. extinguished the syndicated loan of Euro 140 million obtained in June 2008 from lead banks Ing Bank N.V. and Intesa Sanpaolo S.p.A. which expires in June 2013;*
- the medium-long term portion of Euro 5,426 thousand of the Euro 100,000 thousand loan obtained by the Holding Company Sogefi S.p.A. from Unicredit S.p.A. in 2006;*
- the medium-long term portion of Euro 24,838 thousand of the Euro 40,000 thousand loan obtained by the Holding Company Sogefi S.p.A. from the Banca Europea degli Investimenti (BEI) in 2010;*
- the medium-long term portion of Euro 18,543 thousand of the Euro 25,000 thousand loan obtained by the Holding Company Sogefi S.p.A. from Banca Monte dei Paschi di Siena S.p.A. in 2011;*
- the medium-long term portion of Euro 53,471 thousand of the Euro 60,000 thousand loan obtained by the Holding Company Sogefi S.p.A. from Intesa Sanpaolo S.p.A. in 2011;*
- the medium-long term portion of Euro 18,925 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.*

*On December 19, 2012, the Holding Company Sogefi S.p.A. extinguished the loan of Euro 40 million signed with Banca Nazionale del Lavoro S.p.A. in July 2011 and expiring in January 2013.*

*On December 21, 2012 the Holding Company Sogefi S.p.A. entered into a loan agreement for a total amount of Euro 15 million at amortised capital instalments with Banco do Brasil S.A.. The loan expires in December 2016 and provides for a fixed spread of 315 basis points on Euribor. As at December 31, 2012, the Holding Company Sogefi S.p.A. has not drawn down this loan.*

*Please note that as at December 31, 2012 the Canadian subsidiary Sogefi Engine Systems Canada Corp. has a loan agreement with GE Capital for a total amount of Euro 6,471 thousand, Euro 5,727 thousand of which are classified as medium/long-term loans. As at December 31, 2012 one contract provision concerning guarantees given to the bank was not complied with in full. GE Capital later issued a waiver to release the company from these guarantees. Considering the situation as at December 31, 2012, it was deemed appropriate to maintain the existing loan classification partly as short-term debts and partly as medium/long-term debts.*

*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. 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 building, 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, financial cost and residual liability.

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

<i>(in thousands of Euro)</i>	<i>Instalments</i>	<i>Capital</i>
<i>Within 12 months</i>	1,273	814
<i>Between 1 and 5 years</i>	3,782	2,618
<i>Beyond 5 years</i>	2,812	2,262
<i>Total lease payments</i>	7,867	5,694
<i>Interests</i>	(2,173)	
<b>TOTAL PRESENT VALUE OF LEASE PAYMENTS</b>	<b>5,694</b>	<b>5,694</b>

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 Euro 3,247 thousand; the future capital payments amount to Euro 2,577 thousand and the annual nominal rate of interest applied by the lessor is 11.37%.

The Group has given 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.

- Alleward Rejna Autosuspensions S.A. has a lease contract for the Lieusaint production site. The contract expires in October 2014 and the original total amount of the contract was Euro 2,108 thousand, the future capital payments amount to Euro 673 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.

There are no restrictions of any nature on this lease. There is a purchase option at the end of the contracts to buy the assets at the price of Euro 1. Given that it is probable that the options will be exercised, considering the low redemption value of the assets, this contract has been accounted for as a finance lease, as foreseen by IAS 17.

It should be noted that the lease agreements of the Fronville facility and part of the lease agreement of the

Lieusaint facility have expired during the year 2012 and subsidiary Allevard Rejna Autosuspensions S.A. exercised the option to purchase at the price of Euro 305 thousand and Euro 3, respectively.

– 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 Euro 1,213 thousand. The contract expires in May 2019, the future capital payments amount to Euro 832 thousand and the annual interest rate applied by the lessor is equal to 3.92%. The Group has given sureties for this contract;

b) plants, machinery and improvements to the building for an original amount of Euro 2,274 thousand. The contract expires in July 2019, the future capital payments amount to Euro 1,612 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)	12.31.2012	12.31.2011
Trade and other payables	307,984	314,841
Tax payables	12,203	8,615
<b>TOTAL</b>	<b>320,187</b>	<b>323,456</b>

Details of trade and other payables are as follows:

(in thousands of Euro)	12.31.2012	12.31.2011
Due to suppliers	212,891	218,217
Due to the parent company	597	433
Due to tax authorities for indirect and other taxes	10,846	9,698
Due to social and security institutions	20,710	20,931
Due to employees	30,024	27,911
Other payables	32,916	37,651
<b>TOTAL</b>	<b>307,984</b>	<b>314,841</b>

The amounts “Due to suppliers” are not subject to interest and on average are settled in 74 days, in line with the year 2011.

There is no significant concentration of payables due to any one supplier or small group of suppliers.

The amounts “Due to suppliers” decreased by Euro 5,326 thousand; this is due to a negative exchange effect for Euro 3,062 thousand, whereas the remainder is traced back to a slowdown of business during the last portion of the year 2012.

Item “Due to the Parent Company” reflects the consideration due for the fiscal surplus transferred by companies that have joined the CIR Group tax filing system. For further details, please refer to note 40.

The increase in amounts “Due to tax authorities for indirect and other taxes” reflects VAT debts for the most part relating to the Suspension Components Division and other tax debt relating to the Engine Systems Division.

The amounts “Due to employees” were impacted by pay rises, especially in South America, and larger bonus amounts to be paid.

“Other payables” reflect liabilities connected with product warranty risks of the Systèmes Moteurs Group and other liabilities booked to accounts during the Purchase Price Allocation process totalling Euro 25,934 thousand at December 31, 2012 (in comparison with July 31, 2011 the group has already returned Euro 6,020 thousands against these liabilities; for further details please see note 2.2).

The increase in “Tax payables” mainly reflects the higher tax burden of subsidiary Sogefi Engine Systems Canada Corp. resulting from the improved results achieved in this period and the unavailability of past losses to carry over (unlike the previous year).

## 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 increase in the item for the amount of Euro 1,441 thousand mainly refers to advances paid by customers for tooling to be built.

## 19. LONG-TERM PROVISIONS AND OTHER PAYABLES

These are made up as follows:

<i>(in thousands of Euro)</i>	12.31.2012	12.31.2011
Pension funds	28,571	27,346
Provision for employment termination indemnities	5,702	5,679
Provision for restructuring	7,720	2,484
Provisions for disputes with tax authorities	546	80
Provision for phantom stock options	30	59
Provision for product warranties	332	1,404
Other risks	1,063	2,482
Agents' termination indemnities	90	86
Lawsuits	881	887
<b>TOTAL</b>	<b>44,935</b>	<b>40,507</b>

Details of the main items are given below.

## Pension funds

The amount of Euro 28,571 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, 2012, the pension fund of the subsidiary Sogefi Filtration Ltd shows a surplus of Euro 12,864 thousand, which was booked to “Other receivables”, as explained in note 13. The net amount of the liabilities to the various pension funds as of December 31, 2012 is therefore equal to Euro 15,707 thousand, as presented in the following table which shows movements in “Pension funds” during the course of the year:

<i>(in thousands of Euro)</i>	12.31.2012	12.31.2011
Opening balance	16,048	15,675
Cost of benefits charged to income statement	2,756	936
Contributions paid	(2,873)	(2,849)
Change to the scope of consolidation	-	2,605
Exchange differences	(224)	(319)
<b>TOTAL</b>	<b>15,707</b>	<b>16,048</b>
of which booked to Liabilities	28,571	27,346
of which booked to Assets	(12,864)	(11,298)

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

<i>(in thousands of Euro)</i>	2012	2011
Current service cost	2,082	2,040
Interest cost	8,753	8,701
Expected return on plan assets	(9,358)	(9,387)
Actuarial (gains) losses recognised during the year	598	(1,119)
Past service cost	163	240
Settlements/Curtailments	518	461
<b>TOTAL</b>	<b>2,756</b>	<b>936</b>

“Current service cost” and “Past service cost” are included in the various “Labour cost” lines of Income Statement items.

“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 237 thousand is included in “Labour cost”, whereas the remaining amount is booked to “Other non-operating expenses (income)”. The profit for the previous year mainly originated 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:

<i>(in thousands of Euro)</i>	12.31.2012	12.31.2011
Great Britain	(11,582)	(9,987)
France	24,249	23,074
Germany	2,664	2,776
Other	376	185
<b>TOTAL</b>	<b>15,707</b>	<b>16,048</b>

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 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:

	12.31.2012	12.31.2011
Discount rate %	4.5	4.8
Expected rate of return on debt instruments %	5.0	5.0
Expected rate of return on capital instruments %	7.0	7.0
Expected rate of return on cash %	2.0	2.0
Expected rate of return on plan assets %	6.0-6.5	6.0-6.5
Expected annual wage rise %	2.8-3.8	3.1-4.0
Annual inflation rate %	2.8	3.1
Retirement age	65	65

The reduction in the “Discount rate” versus the previous year reflects the downward trend in returns on AA-rated UK corporate bonds (13-year duration) recorded in 2012.

The table below shows the expected rate of return on plan assets:

	12.31.2012	12.31.2011
Expected rate of return on debt instruments %	3.0	22.0
Expected rate of return on capital instruments %	14.0	-5.0
Expected rate of return on cash %	-	-
Expected rate of return on plan assets %	7.0	1.0

## 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:*

	12.31.2012	12.31.2011
Discount rate %	3.0-3.3	4.75-5.00
Expected annual wage rise %	2.0-2.5	2.0-2.5
Annual inflation rate %	2.0	2.0
Retirement age	60-65	60-65

*The reduction in the "Discount rate" versus the previous year reflects the downward trend in returns on AA-rated corporate bonds of Euro zone (13-year duration) recorded in 2012.*

*The following table shows all of the obligations deriving from "Pension funds" and the present value of the plan assets for the year 2012 and the four previous years.*

<i>(in thousands of Euro)</i>	12.31.2012	12.31.2011	12.31.2010	12.31.2009	12.31.2008
Present value of defined benefit obligations	189,028	179,572	164,835	151,614	124,549
Fair value of plan assets	155,445	149,486	144,044	130,352	108,292
Deficit	33,583	30,086	20,791	21,262	16,257
Liabilities recorded in "Long-term provisions"	28,571	27,346	23,714	23,614	23,470
Surplus recorded in "Other receivables"	(12,864)	(11,298)	(8,039)	(6,926)	(4,048)
Unamortised past service (income) cost	1,664	1,826	2,238	196	(17)
Unrecognised actuarial (gains) losses	16,212	12,212	2,878	4,378	(3,148)

*"Unamortised past service (income) cost" reflects the increase of pension benefits recorded in previous years 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 present value of French and British fund bonds after the discount rate was reduced.*

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

<i>(in thousands of Euro)</i>	12.31.2012	12.31.2011
Present value of defined benefit obligations at the beginning of the period	179,572	164,835
Current service cost	2,082	2,040
Interest cost	8,753	8,701
Contribution paid by plan participants	495	634
Actuarial (gains) losses recognised during the period	4,033	2,492
Exchange differences	3,559	4,561
Benefits paid	(6,822)	(6,553)
Past service cost	-	(168)
Change to the scope of consolidation	-	2,605
Settlements/Curtailments	(2,644)	425
Present value of defined benefit obligations at the end of the period	189,028	179,572

The increase of the present value of obligations compared to the previous year is mainly due to the decrease in the discount rate of French and UK pension funds, which was only partially offset by the increase in the death rate and the decrease in the wage inflation rate experienced by UK pension funds. The effects resulting from these changes are included in "Actuarial (gains) losses recognised during the year".

Fluctuating exchange rates also contributed to the increase in the present value of obligations.

Referring to subsidiaries values in functional currency different from Euro: income statement item have been translated at the average rate of the period; the present value of the defined benefit obligation at the beginning and at the end of the period have been converted using the punctual exchange rate at the data.

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

<i>(in thousands of Euro)</i>	12.31.2012	12.31.2011
Fair value of plan assets at the beginning of the period	149,486	144,044
Expected return on plan assets	9,358	9,387
Contribution paid by plan participants	495	634
Contribution paid by the company	1,725	1,891
Actuarial gains (losses) of the period	(189)	(5,201)
Exchange differences	3,404	4,327
Benefits paid	(5,672)	(5,596)
Settlements	(3,162)	-
Fair value of plan asset at the end of the period	155,445	149,486

"Settlements" refers to the termination of the pension fund of subsidiary Filtrauto S.A. (for the portion relating to former subsidiary Sogefi Filtration B.V.).

Referring to subsidiaries values in functional currency different from Euro: income statement item have been translated at the average rate of the period; the fair value of plan asset at the beginning and at the end of the period have been converted using the punctual exchange rate at the data.

Asset allocation at the end of the year 2012 shows a slight increase in equity instruments compared to debt instruments, as can be seen in the following table:

	12.31.2012	12.31.2011
Debt instruments	36%	42%
Capital instruments	36%	31%
Cash	22%	20%
Other assets	6%	7%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

### 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: 2.05% (index IBOxx Eurozone Corporate AA) (4.25% as of December 31, 2011)*
- 2. annual inflation rate: 2% (2% as of December 31, 2011)*
- 3. annual increase in termination indemnity: 3% (3% as of December 31, 2011)*

*– Demographic assumptions:*

- 1. rate of voluntary resignations: 3% - 10% of the workforce (same assumptions adopted as of December 31, 2011);*
- 2. retirement age: it was assumed that employees would reach the first of the requirements valid for mandatory general social security (same assumptions adopted as of December 31, 2011);*
- 3. probability of death: the RG48 mortality tables produced by the General State Accounting Body were used (same assumptions adopted as of December 31, 2011);*

4. probability of advanced settlement: an annual value of 2% - 3% each year was assumed (same assumptions adopted as of December 31, 2011);
5. INPS' table split by age and gender was used for the probability of disability (same assumptions adopted as of December 31, 2011).

The provision changed as follows during the period:

<i>(in thousands of Euro)</i>	12.31.2012	12.31.2011
Opening balance	5,679	5,578
Accruals for the period	365	377
Contributions paid	(342)	(276)
<b>TOTAL</b>	<b>5,702</b>	<b>5,679</b>

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

<i>(in thousands of Euro)</i>	2012	2011
Current service cost	80	77
Interest cost	268	283
Actuarial (gains) losses recognised during the year	17	17
<b>TOTAL</b>	<b>365</b>	<b>377</b>

Unrecognised actuarial losses amount to Euro 2,165 thousand as of December 31, 2012 (Euro 793 thousand as of December 31, 2011). The increase over the previous year can be traced back mainly to a decrease in the discount rate.

### 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:

<i>(in thousands of Euro)</i>	12.31.2012	12.31.2011
Opening balance	2,484	8,027
Accruals for the period	7,103	786
Utilisations	(1,666)	(6,023)
Provisions not used during the period	(158)	(167)
Other changes	(20)	(162)
Exchange differences	(23)	23
<b>TOTAL</b>	<b>7,720</b>	<b>2,484</b>

“Accruals for the period” refer nearly entirely 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 6,945 thousand; this figure is booked to the Income Statement under “Restructuring costs”.

### Provisions for disputes with tax authorities

This refers to tax disputes under way with local European tax authorities, 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)	12.31.2012	12.31.2011
Opening balance	80	317
Accruals for the period	500	-
Utilisations	(34)	(237)
Provisions not used during the period	-	-
Other changes	-	-
Exchange differences	-	-
<b>TOTAL</b>	<b>546</b>	<b>80</b>

### Provision for phantom stock options

This item amounts to Euro 30 thousand (Euro 59 thousand as of December 31, 2011) and refers to the fair value of 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 29 thousand). The reduction 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)	12.31.2011			
	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)
Exchange differences	1,821	-	-	384
Other changes	-	(200)	-	-
Exchange differences	21	(26)	-	(2)
<b>TOTAL</b>	<b>1,404</b>	<b>2,482</b>	<b>86</b>	<b>887</b>

<i>(in thousands of Euro)</i>	12.31.2012			
	<i>Provision for product warranties</i>	<i>Other risks</i>	<i>Agents' termination indemnities</i>	<i>Lawsuits</i>
<i>Opening balance</i>	1,404	2,482	86	887
<i>Accruals for the period</i>	83	498	4	235
<i>Utilisations</i>	(220)	(1,089)	-	(132)
<i>Provisions not used during the period</i>	(952)	(818)	-	(93)
<i>Other changes</i>	-	20	-	-
<i>Exchange differences</i>	17	(30)	-	(16)
<b>TOTAL</b>	332	1,063	90	881

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.

“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, disputes with third parties 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.

“Accruals for the period” and “Provisions not used during the period” of “Lawsuits” refer to disputes with employees.

### Other payables

“Other payables” amount to Euro 179 thousand (Euro 1,619 thousand as of December 31, 2011).

## 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)	12.31.2012		12.31.2011	
	Amount of temporary differences	Tax effect	Amount of temporary differences	Tax effect
<b>Deferred tax assets:</b>				
Allowance for doubtful accounts	3,081	882	2,976	857
Fixed assets writedowns	21,994	6,994	21,569	6,891
Inventory writedowns	5,318	1,732	6,033	1,963
Provisions for restructuring	778	214	777	213
Other provisions - Other payables	50,274	16,991	54,222	18,408
Fair value derivative financial instruments	14,242	3,919	8,879	2,445
Other	15,443	5,262	10,782	3,815
Deferred tax assets for tax losses incurred during the year	7,517	2,588	8,553	2,138
Deferred tax assets for tax losses incurred during previous years	58,174	18,948	37,510	11,908
<b>TOTAL</b>	<b>176,821</b>	<b>57,530</b>	<b>151,301</b>	<b>48,638</b>
<b>Deferred tax liabilities:</b>				
Accelerated/excess depreciation and amortisation	85,091	25,379	98,044	29,840
Difference in inventory valuation methods	758	211	79	33
Capitalisation of R&D costs	39,450	13,424	35,802	11,502
Other	18,467	4,634	13,583	3,463
<b>TOTAL</b>	<b>143,766</b>	<b>43,648</b>	<b>147,508</b>	<b>44,838</b>
<b>Deferred tax assets (liabilities), net</b>		<b>13,882</b>		<b>3,800</b>
<b>Temporary differences excluded from the calculation of deferred tax assets (liabilities):</b>				
Tax losses carried forward	62,715	20,354	59,732	22,094
Other	(12,366)	(4,212)	(626)	(237)
<b>TOTAL</b>	<b>50,349</b>	<b>16,142</b>	<b>59,106</b>	<b>21,857</b>

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 (23% as of December 31, 2012 compared to 25% the previous year).

The change in “Deferred tax assets (liabilities), net” compared with December 31, 2011 amounts to Euro 10,082 thousand and differs by Euro 1,310 thousand from the amount shown in the Income Statement under “Income taxes – Deferred tax liabilities (assets)” due to:

- movements in financial items (fair value of derivatives designated as cash flow hedges) that did not have any effect on the income statement and therefore the related positive tax effect has been recorded in “Other comprehensive income” (Euro 1,476 thousand);
- reclassifications or exchange differences for the amount of Euro 166 thousand.

The decrease in the tax effect in the item “Other provisions – Other payables” mostly originates from a reduction of liabilities associated with product warranty risks following the acquisition of the Systemes Moteurs Group.

Item “Other” of deferred tax assets includes various types of postings, such as for example costs for which tax deduction is deferred (for example, employees' bonus entitlements, intercompany service costs in Argentinian subsidiaries that are deducted upon actual payment), tax benefits for research and development activities or against international double taxation to be used in future periods to reduce the tax liabilities of Spanish subsidiary Sogefi Filtration S.A.

“Deferred tax assets for tax losses incurred during the year” relate to subsidiary Systèmes Moteurs S.A.S.. 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.

As of December 31, 2012, the amount of Euro 7,109 was booked to “Deferred tax assets for tax losses incurred during previous years” relating to subsidiary Allevard Sogefi U.S.A. Inc.. Based on the revenue outlook of the company as per long-term plans, it is believed to be probable that taxable income will be available in the future against which such tax losses can be utilised. The amount recognised in deferred tax assets reflects the portion that can be recovered during the explicit period of the strategic plan; the remaining past losses are shown in item “Temporary differences excluded from the calculation of deferred tax assets (liabilities)”. We point out that the tax losses of the US subsidiary can be carried forward up to a 20-year limit (the first term is in year 2022).

This amount is added to the deferred tax assets for tax losses recorded during the previous years by subsidiaries Allevard Rejna Autosuspensions S.A. (Euro 5,084 thousand), United Springs S.A.S. (Euro 1,031 thousand), Sogefi Filtration S.A. (Euro 2,308 thousand) and Sogefi Filtration Ltd (Euro 3,416 thousand). 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 2028. The losses of the French subsidiary can be carried forward indefinitely but the new law passed in 2012 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 relate to subsidiary Allevard Sogefi U.S.A., Inc. (portion of losses not recognised in deferred tax assets because it can not be recovered in the explicit period of the long-term plan, as mentioned above), to the Chinese and Indian subsidiaries and to the French subsidiaries of the Suspension Components Division.

The increase in “Tax losses carried forward” is mainly traced back to the losses of subsidiary Sogefi Filtration Ltd. No deferred tax assets were recognised for these losses because the cash flows for the explicit period of the company's long-term plan only allow for the recovery of the deferred tax assets recognised during previous years. Item “Other” mainly relates to subsidiaries Allevard Sogefi Usa Inc. and Shanghai Sogefi Auto Parts Co. Ltd and reflects temporary differences in the value of tangible and intangible fixed assets.

## 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 60,712 thousand as of December 31, 2012 (Euro 60,665 thousand as of December 31, 2011), split into 116,753,392 ordinary shares with a par value of Euro 0.52 each.*

*As of December 31, 2012, the Holding Company has 3,981,095 treasury shares in its portfolio, corresponding to 3.41% of share capital.*

*Movements in the shares outstanding are as follows:*

<i>(Shares outstanding)</i>	2012	2011
No. shares at start of period	116,662,992	116,434,992
No. shares issued for subscription of stock options	90,400	228,000
No. of ordinary shares as of December 31	116,753,392	116,662,992
Treasury shares	(3,981,095)	(3,253,000)
No. of shares outstanding as of December 31	112,772,297	113,409,992

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, 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
Paid share capital increase	47	47	-	-	-
Allocation of 2011 net profit:					
Legal reserve	-	-	-	-	-
Dividends	-	-	-	-	-
Retained earnings	-	-	-	-	-
Net purchase of treasury shares	-	(1,396)	1,396	(1,396)	-
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	-	-	-	-	(10,351)
Net result for the period	-	-	-	-	-
Balance at December 31, 2012	60,712	10,796	9,087	(9,087)	(6,630)

<i>Legal reserve</i>	<i>Cash flow hedging reserve</i>	<i>Stock-based incentive plans reserve</i>	<i>Tax on items booked in Other Comprehensive Income</i>	<i>Other reserves</i>	<i>Retained earnings</i>	<i>Net result for the period</i>	<i>Total</i>
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)
-	-	-	-	-	-	24,046	24,046
12,320	(9,158)	2,319	2,522	3,111	83,535	24,046	195,226
-	-	-	-	-	-	-	94
-	-	-	-	-	-	-	-
-	-	-	-	-	(14,716)	-	(14,716)
-	-	-	-	-	24,046	(24,046)	-
-	-	-	-	-	-	-	(1,396)
-	-	1,233	-	-	-	-	1,233
-	-	-	-	-	(63)	-	(63)
-	-	-	-	-	-	-	-
-	(7,491)	-	-	-	-	-	(7,491)
-	2,121	-	-	-	-	-	2,121
-	-	-	1,476	-	-	-	1,476
-	-	-	-	-	-	-	(10,351)
-	-	-	-	-	-	29,325	29,325
12,320	(14,528)	3,552	3,998	3,111	92,802	29,325	195,458

## Share premium reserve

*It amounts to Euro 10,796 thousand compared with Euro 12,145 thousand in the previous year.*

*The increase by Euro 47 thousand accounts for share subscriptions under stock option plans.*

*On April 19, 2012, the Shareholders' Meeting authorised the purchase of treasury shares and the Holding Company Sogefi S.p.A. purchased 728,095 shares at an unit average price of Euro 1.92 each in 2012.*

*The Holding Company set up the "Reserve for treasury shares" under art. 2357-ter of the Italian Civil Code using the "Share premium reserve".*

## Treasury shares

*Item "Treasury shares" reflects the purchase price of treasury shares held in portfolio. Movements during the year amount to Euro 1,396 thousand and reflect treasury share purchases occurred in 2012 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 10,351 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 5,370 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 2012.*

## Retained earnings

*These totalled Euro 92,802 thousand and include amounts of profit that have not been distributed.*

## Tax on items booked in Other Comprehensive Income

The table below shows the amount of income taxes relating to each item of the "Other Comprehensive Income":

(in thousands of Euro)	2012			2011		
	Gross value	Taxes	Net value	Gross value	Taxes	Net value
- Profit (loss) booked to cash flow hedging reserve	(5,370)	1,476	(3,894)	(6,732)	1,853	(4,879)
- Profit (loss) booked to fair value reserve for financial assets available for sale	-	-	-	(2)	1	(1)
- Profit (loss) booked to translation reserve	(10,556)	-	(10,556)	(4,588)	-	(4,588)
- Total Profit (loss) booked in Other Comprehensive Income	(15,926)	1,476	(14,450)	(11,322)	1,854	(9,468)

## NON-CONTROLLING INTERESTS

The balance amounts to Euro 19,837 thousand and refers to the portion of shareholders' equity attributable to non-controlling interests.

The increase of Euro 111 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)	12.31.2012	12.31.2011
A. Cash	85,209	102,461
B. Other cash at bank and on hand (held to maturity investments)	8,199	1,893
C. Financial instruments held for trading	15	11
<b>D. Liquid funds (A) + (B) + (C)</b>	<b>93,423</b>	<b>104,365</b>
E. Current financial receivables	15	8
F. Current payables to banks	8,377	9,827
G. Current portion of non-current indebtedness	89,596	46,962
H. Other current financial debts	1,011	632
<b>I. Current financial indebtedness (F) + (G) + (H)</b>	<b>98,984</b>	<b>57,421</b>
<b>J. Current financial indebtedness, net (I) - (E) - (D)</b>	<b>5,546</b>	<b>(46,952)</b>
K. Non-current payables to banks	262,046	330,461
L. Bonds issued	-	-
M. Other non-current financial debts	28,255	16,333
<b>N. Non-current financial indebtedness (K) + (L) + (M)</b>	<b>290,301</b>	<b>346,794</b>
<b>O. Net indebtedness (J) + (N)</b>	<b>295,847</b>	<b>299,842</b>
Non-current financial receivables	-	-
<b>Financial indebtedness, net including non-current financial receivables (as per the "Net financial position" included in the Report on operations)</b>	<b>295,847</b>	<b>299,842</b>

*Details of the covenants applying to loans outstanding at year end are as follows (see note 16 for further details on loans):*

- loan of Euro 100 million from Unicredit S.p.A.: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less than 4;*
- loan of Euro 40 million from Banca Europea degli Investimenti (BEI): the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less than 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 the consolidated net financial position to consolidated normalised EBITDA has to be less than or equal to 3.5;*
- 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 than 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 than 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 Monte dei Paschi di Siena S.p.A.: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less than or equal to 3.5; the ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 4;*
- 2012 syndicated loan of Euro 200 million: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less than 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 15 million from Banco do Brasil S.A.: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less than 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, 2012 the Company was in compliance with these covenants.*

## D) NOTES ON THE MAIN INCOME STATEMENT ITEMS: INCOME STATEMENT

### 23. SALES REVENUES

Revenues from sales and services

The Sogefi Group recorded net revenues for the amount of Euro 1,319,233 thousand during the period, versus Euro 1,158,385 thousand in the previous year. Net of Euro 339,835 thousand (Euro 135,708 thousand in 2011) realised by the Systèmes Moteurs Group, revenues would amount to Euro 979,398 thousand (-4.2% compared to 2011). Exchange rates being equal (at the average exchange rates of the previous year), corresponding revenues would amount to Euro 976,104 thousand (-4.6%).

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

By business sector:

(in thousands of Euro)	2012		2011	
	Amount	%	Amount	%
Engine systems	792,624	60.1	611,505	52.8
Suspension components	528,604	40.1	547,725	47.3
Intercompany eliminations	(1,995)	(0.2)	(845)	(0.1)
<b>TOTAL</b>	<b>1,319,233</b>	<b>100.0</b>	<b>1,158,385</b>	<b>100.0</b>

By geographical area of "destination":

(in thousands of Euro)	2012		2011	
	Amount	%	Amount	%
Europe	877,027	66.5	804,930	69.5
Mercosur	231,398	17.5	240,511	20.8
Nafta	150,569	11.4	72,513	6.3
Asia	46,611	3.5	34,416	3.0
Rest of the World	13,628	1.1	6,015	0.4
<b>TOTAL</b>	<b>1,319,233</b>	<b>100.0</b>	<b>1,158,385</b>	<b>100.0</b>

In 2012, the Group managed to improve the percentage of revenues in non-European markets up to 33.5% (30.5% in the previous period), thanks to notable growth in North America (+107.6%) and Asia (+35.4%), despite a decrease of 3.8% in Mercosur after a slowdown of Brazilian vehicle production in the middle of the year, which persisted until the end of the year in the industrial vehicle sector.

## 24. VARIABLE COST OF SALES

Details are as follows:

<i>(in thousands of Euro)</i>	2012	2011
Materials	686,597	577,325
Direct labour cost	116,550	104,663
Energy costs	35,942	33,883
Sub-contracted work	22,609	26,999
Ancillary materials	18,904	18,415
Variable sales and distribution costs	43,249	39,900
Royalties paid to third parties on sales	4,022	3,888
Other variable costs	(571)	825
<b>TOTAL</b>	<b>927,302</b>	<b>805,898</b>

The inclusion of Systèmes Moteurs group in the scope of consolidation over the whole year 2012 caused a change in “Variable cost of sales” for the amount of Euro 259,886 thousand at the end of the year 2012, versus 102,092 thousand in 2011.

The percentage on revenues of “Variable cost of sales” rose to 70.3% from 69.6% in 2011. Such growth is mainly accounted for by “Materials”, and their percentage on revenues rose from 49.8% al 52%. The increase is mainly due to the product mix of the Systèmes Moteurs Group, on which materials have a greater impact than other factors.

The overall incidence of direct labour, which includes “Direct labour costs” and the cost of temporary personnel included in “Sub-contracted work” dropped from 10.8% to 10.1%, again as a result of the changed product mix of the Systèmes Moteurs Group.

## 25. MANUFACTURING AND R&D OVERHEADS

These can be broken down as follows:

(in thousands of Euro)	2012	2011
Labour cost	105,608	84,115
Materials, maintenance and repairs	26,686	23,515
Rental and hire charges	8,876	6,739
Personnel services	8,161	7,477
Technical consulting	5,380	3,733
Sub-contracted work	1,668	1,900
Insurance	3,721	3,156
Utilities	1,611	1,352
Capitalisation of internal construction costs	(34,121)	(18,376)
Other	2,096	1,372
<b>TOTAL</b>	<b>129,686</b>	<b>114,983</b>

“Manufacturing and R&D overheads” show an increase of Euro 14,703 thousand, Euro 16,548 thousand of which incurred by the Systèmes Moteurs Group, whereas a negative exchange effect accounts for Euro 403 thousand. On a like-for-like basis (i.e. not taking into account the Systèmes Moteurs Group), the item decreased by Euro 1,845 thousand (-1.8%) from the previous year.

The main changes net of Systèmes Moteurs figures are commented below:

- “Labour cost” increased by Euro 2,068 thousand mainly because of the increase of direct labour at the Chinese subsidiaries and at subsidiaries Sogefi Purchasing S.A.S. and Allevard Sogefi USA Inc. as well as the expanded R&D activities at subsidiaries S.ARA Composite S.A.S. and Allevard Rejna Autosuspensions S.A.. The increase was partly offset by a significant reduction in labour cost at subsidiary Sogefi Filtration Ltd as a result of the restructuring measures implemented during the year;
- “Technical consulting” grew by Euro 960 thousand mostly due to a more extensive use of consulting services in the development of new products and process improvement at subsidiaries LPDN GmbH and Allevard Sogefi USA Inc.;
- “Materials, maintenance and repairs” were up by Euro 787 thousand overall, mainly pertaining to subsidiary LPDN GmbH.

“Capitalisation of internal construction costs” increased by Euro 5,748 thousand, in particular at Holding Company Sogefi S.p.A. for the development of the Group's new integrated IT system and at the Chinese subsidiaries and subsidiary Allevard Sogefi USA Inc..

Total costs for Research and Development (not reported in the table) amount to Euro 35,895 thousand (2.7% of sales revenues); on a like-for-like basis they amount to Euro 22,312 thousand (2.3% of sales revenues) compared to Euro 21,257 thousand (2.1% of sales revenues) in the previous year.

## 26. DEPRECIATION AND AMORTISATION

Details are as follows:

<i>(in thousands of Euro)</i>	2012	2011
Depreciation of tangible fixed assets	39,819	36,413
of which: assets under finance leases	1,085	1,010
Amortisation of intangible assets	18,583	13,383
<b>TOTAL</b>	<b>58,402</b>	<b>49,796</b>

“Depreciation and amortisation”, excluding depreciation and amortisation of the Systèmes Moteurs Group, amount to Euro 44,190 thousand, compared to Euro 44,860 thousand in the previous year.

The decrease in this item is mainly traced back to European subsidiaries and is partly offset by increased depreciation and amortisation pertaining to the Chinese subsidiaries and to an increase by Euro 1,396 thousand traced back to the difference in the measurement of fair value of tangible and intangible fixed assets of the Systèmes Moteurs Group after the completion of the Purchase Price Allocation process and their net book value resulting from the financial statements of the different companies of the Group.

Amortisation of intangible assets refers principally to development costs capitalised in previous years. The increase over the previous year (Euro 1,337 thousand net of Systèmes Moteurs) stems for the most part from the completion of the purchase price allocation process of the Systèmes Moteurs Group.

## 27. DISTRIBUTION AND SALES FIXED EXPENSES

This item is made up of the following main components:

<i>(in thousands of Euro)</i>	2012	2011
Labour cost	23,587	21,204
Sub-contracted work	5,373	4,482
Advertising, publicity and promotion	3,860	3,771
Personnel services	3,277	2,920
Rental and hire charges	1,577	1,420
Consulting	661	838
Other	932	634
<b>TOTAL</b>	<b>39,267</b>	<b>35,269</b>

On a like-for-like basis, “Distribution and sales fixed expenses” dropped by Euro 110 thousand (-0.3%) from the previous year.

No significant changes occurred in the different items of these types of expenses.

## 28. ADMINISTRATIVE AND GENERAL EXPENSES

*These can be broken down as follows:*

<i>(in thousands of Euro)</i>	2012	2011
<i>Labour cost</i>	34,703	30,490
<i>Personnel services</i>	4,795	3,918
<i>Maintenance and repairs</i>	3,917	3,721
<i>Cleaning and security</i>	3,763	3,558
<i>Consulting</i>	6,113	4,547
<i>Utilities</i>	2,868	2,767
<i>Rental and hire charges</i>	3,658	3,743
<i>Insurance</i>	1,309	1,319
<i>Participation des salaries</i>	1,737	976
<i>Administrative, financial and tax-related services provided by Parent Company</i>	1,820	1,820
<i>Audit fees</i>	1,626	1,365
<i>Directors' and statutory auditors' remuneration</i>	1,445	1,368
<i>Sub-contracted work</i>	610	648
<i>Other</i>	3,519	4,156
<b>TOTAL</b>	<b>71,883</b>	<b>64,396</b>

“Administrative and general expenses” rise to Euro 62,867 thousand on a like-for-like basis, recording an increase of Euro 2,430 thousand (+4%).

The increase in “Labour cost” (+ Euro 1,729 thousand on a like-for-like basis) mainly originates from the following factors:

- newly workforce at subsidiary Allevard Rejna Autosuspensions S.A., which set up an International Development Team to manage the new strategic initiatives of the Suspension Components Division;
- wage inflation adjustments at the Argentinian subsidiaries;
- newly workforce at subsidiary Filtrauto S.A. engaged in the management of IT systems, at Chinese subsidiaries to complete the administration department and at the Holding Company Sogefi S.p.A..

The increase by Euro 611 thousand (on a like-for-like basis) of item “Personnel services” mainly relates to higher travelling expenses incurred by subsidiary Filtrauto S.A., for the most part traced back to the IT department, by subsidiary Allevard Rejna Autosuspension S.A., mainly traced back to the International Development Team mentioned above, and by the Chinese subsidiaries for travelling expenses associated with the establishment of the new company Sogefi (Suzhou) Auto Parts Co., Ltd.

Conversely, the increase in “Consulting” (Euro 1,050 thousand on a like-for-like basis) mainly pertains to the Holding Company Sogefi S.p.A. and to the Chinese subsidiaries in relation to the establishment of the new company.

The decrease by Euro 980 thousand in item “Other” on a like-for-like basis is mostly originated from subsidiaries Allevard Rejna Autosuspensions S.A. and LPDN GmbH that released certain funds that had been allocated during the past years.

## 29. PERSONNEL COSTS

### Personnel

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

<i>(in thousands of Euro)</i>	2012	2011
Wages, salaries and contributions	276,810	236,851
Pension costs: defined benefit plans	2,088	2,028
Pension costs: defined contribution plans	1,636	1,594
Participation des salaries	1,737	976
Imputed cost of stock option and stock grant plans	1,233	611
Other costs	535	529
<b>TOTAL</b>	<b>284,039</b>	<b>242,589</b>

With respect to the previous year, “Personnel costs” have risen by Euro 41,450 thousand (+17%), of which Euro 36,938 thousand originate from the inclusion of the Systèmes Moteurs Group in the scope of consolidation starting from August of the previous year. On a like-for-like basis and exchange rates being equal, the increase would have amounted to Euro 3,378 thousand (+1.5%) and reflects the widespread increase in prices.

The impact of “Personnel costs” on sales revenues rises from 20.9% in the previous year to 21.5% in the current year. This increase is mainly due to a more extensive use of employees rather than temporary workers; the impact of total labour cost (employees and temporary workers) on sales revenues is stable at 23%.

The increase in “Participation des salaries” is mainly due to the full-year consolidation of the Systèmes Moteurs Group.

“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)	2012	2011
Managers	114	97
Clerical staff	1,812	1,491
Blue collar workers	4,816	4,501
<b>TOTAL</b>	<b>6,742</b>	<b>6,089</b>

The increase in the average number of employees is traced back to the full-year consolidation of the Systèmes Moteurs Group.

### 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 2012, the plans issued in the period from 2004 until 2011 must also be considered. The main details of these plans are provided below.

### Stock grant plans

The stock grant plans provide 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 these plans: 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 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 these plans 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, 2012, after the Shareholders' Meeting approved the 2012 stock grant plan to assign a maximum of 1,600,000 conditional rights, the Board of Directors executed the 2012 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 1,152,436 Units (480,011 of which were Time-based Units and 672,425 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, 2014 and ending on January 31, 2016.*

*Performance Units will vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as defined in the Regulation) at that date.*

*The fair value of the rights assigned during 2012 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 2,153 thousand overall.*

*Input data used for measuring the fair value of the 2012 stock grant plan are provided below:*

- curve of EUR/GBP/SEK/CHF-riskless interest rates as of April 19, 2012;*
- prices of the underlying asset (equal to price of Sogefi S.p.A. share as of April 19, 2012, and equal to Euro 2.144) and of the securities included in the benchmark basket, again as of April 19, 2012;*
- standard prices of Sogefi S.p.A. share, and of the securities included in the benchmark basket, during the period starting on March 12, 2012 and ending on April 19, 2012 for the determination of the stock grant Performance Units limit;*
- historical volatility rate of stock and exchange rates during 260 days, as of April 19, 2012;*
- null dividend yield for stock grant valuation;*
- historical series of the logarithmic returns of involved securities and EURGBP, EURSEK and EURCHF exchange rates to calculate the correlation among securities and among the three non-EUR denominated securities and associated exchange rates (to adjust for estimated trends);*
- 200,000 simulations were used for the MC simulation.*

*The main characteristics of the stock grant plans approved during previous years and still under way are outlined below:*

- 2011 stock grant plan for a maximum of 1,250,000 conditional rights, restricted to the Managing Director of the Company and managers of the Company and its subsidiaries through the assignment of 757,500 units (320,400 of which are 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 imputed cost for 2012 for existing plans is Euro 1,130 thousand, booked to the Income Statement under “Other non-operating expenses (income)”.*

The table below reports the overall number of existing units relating to the plans of period 2011-2012:

	2012	2011
Not exercised/not exercisable at the start of the year	757,500	-
Granted during the year	1,152,436	757,500
Cancelled during the year	(55,318)	-
Exercised during the year	-	-
Not exercised/not exercisable at the end of the year	1,854,618	757,500
Exercisable at the end of the year	-	-

## 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, 2012) 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, 2012) 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, 2012) 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, 2012) 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, 2012) 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, 2012) 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, 2012) 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, 2012) with a subscription price of Euro 2.3012, to be exercised between September 30, 2010 and September 30, 2020.

The imputed cost for 2012 for existing plans is Euro 103 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:

	2012		2011	
	Number	Average price of the year	Number	Average price of the year
Not exercised/not exercisable at the start of the year	7,767,400	3.02	8,244,400	2.99
Granted during the year	-	-	-	-
Cancelled during the year	(498,600)	4.19	(249,000)	3.70
Exercised during the year	(90,400)	1.04	(228,000)	1.35
Not exercised/not exercisable at the end of the year	7,178,400	2.96	7,767,400	3.02
Exercisable at the end of the year	5,760,400	3.22	5,094,200	3.63

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 period and not yet subscribed.

Details of the number of options exercisable at December 31, 2012 are given below:

	Total
Number of exercisable options remaining at December 31, 2011	5,094,200
Options matured during the year	1,375,000
Options cancelled during the year	(618,400)
Options exercised during the year	(90,400)
Number of exercisable options remaining at December 31, 2012	5,760,400

## 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, 2012 are given below:

	2012
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	1,830,000

The fair value as of December 31, 2012 of the options awarded was calculated using the Black-Scholes method and amounts to Euro 30 thousand. The positive change compared to the previous year, corresponding to Euro 29 thousand, was booked to the Income Statement under "Directors' and statutory auditors' remuneration".

### 30. RESTRUCTURING COSTS

These amount to Euro 12,242 thousand (compared with Euro 8,754 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 6,945 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

Net gains amount to Euro 7,675 thousand (versus net losses for the amount of Euro 101 thousand as of December 31, 2011) and arise for the most part from the sale of real estate property of subsidiary Sogefi Filtration Do Brasil Ltda.

### 32. EXCHANGE (GAINS) LOSSES

Net exchange losses as of December 31, 2012 amounted to Euro 655 thousand (Euro 866 thousand as of December 31, 2011).

### 33. OTHER NON-OPERATING EXPENSES (INCOME)

These amount to Euro 24,696 thousand compared with Euro 19,836 thousand the previous year. The following table shows the main elements:

<i>(in thousands of Euro)</i>	2012	2011
Indirect taxes	8,759	6,972
Other fiscal charges	4,150	2,996
Imputed cost of stock option and stock grant plans	1,233	611
Other non-operating expenses (income)	10,554	9,257
<b>TOTAL</b>	<b>24,696</b>	<b>19,836</b>

“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 professionnelle) relating to the French companies, which is calculated on the value of fixed assets and on added value. The increase reflects Euro 1,142 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:*

- write-downs of assets for the amount of Euro 3,208 thousand relating to subsidiary Sogefi Filtration Ltd for the restructuring process under way;*
- costs for business development consulting for the amount of Euro 2,195 thousand incurred by Holding Company Sogefi S.p.A.;*
- write-downs of assets, inventory and other expenses for the amount of Euro 2,127 thousand, mainly relating to the subsidiary Allevard Sogefi U.S.A. Inc.;*

*of which recurring:*

- minor writedowns of tangible and intangible fixed assets for the amount of Euro 134 thousand;*
- net actuarial losses for the amount of Euro 1,370 thousand originated from pension fund valuation;*
- provisions for legal disputes with employees and third parties mainly relating to the subsidiaries Sogefi Filtration do Brasil Ltda, Sogefi Rejna S.p.A., Allevard Rejna Argentina S.A. and Allevard Molas do Brasil Ltda for a total of Euro 1,025 thousand;*
- pension costs for employees no longer on the books of Allevard Federn GmbH for the amount of Euro 134 thousand;*
- other recurring costs for the amount of Euro 361 thousand.*

### 34. FINANCIAL EXPENSES (INCOME), NET

*Financial expenses are detailed as follows:*

<i>(in thousands of Euro)</i>	2012	2011
<i>Interest on amounts due to banks</i>	10,676	8,669
<i>Financial charges under lease contracts</i>	428	449
<i>Loss on interest-bearing hedging instruments</i>	2,143	1,302
<i>Other interest and commissions</i>	4,933	4,654
<b>TOTAL FINANCIAL EXPENSES</b>	<b>18,180</b>	<b>15,074</b>

*Financial income is detailed as follows:*

<i>(in thousands of Euro)</i>	2012	2011
<i>Gain on interest-bearing hedging instruments</i>	22	47
<i>Interest on amounts given to banks</i>	1,027	1,589
<i>Financial component of pension funds and termination indemnities</i>	471	541
<i>Other interest and commissions</i>	186	217
<b>TOTAL FINANCIAL INCOME</b>	<b>1,706</b>	<b>2,394</b>
<b>TOTAL FINANCIAL EXPENSES (INCOME), NET</b>	<b>16,474</b>	<b>12,680</b>

*“Financial expenses, net” show an increase of Euro 3,794 thousand basically due to the higher net financial indebtedness as a result of the acquisition of the Systemes Moteurs Group.*

### 35. LOSSES (GAINS) FROM EQUITY INVESTMENTS

*As of December 31, 2012, this item amounts to zero.*

### 36. INCOME TAXES

<i>(in thousands of Euro)</i>	2012	2011
<i>Current taxes</i>	22,048	18,667
<i>Deferred tax liabilities (assets)</i>	(8,772)	(451)
<i>Income (expenses) from Group tax filing system</i>	495	389
<b>TOTAL</b>	<b>13,771</b>	<b>18,605</b>

*The year 2012 recorded a tax rate of 29.7% compared to 40.6% 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 2012 and 2011 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)	2012		2011	
		Tax rate %		Tax rate %
Result before taxes	46,301	27.5%	45,807	27.5%
Theoretical income taxes	12,733		12,597	
Effect of increases (decreases) with respect to the standard rate:				
Statutory amortisation of goodwill	(247)	-0.5%	(249)	-0.5%
Non-deductible costs, net	283	0.6%	6	0.0%
Use of deferred tax assets not recognised in previous years	(6,185)	-13.4%	(487)	-1.1%
Deferred tax assets on losses for the year not recognised in the financial statements	5,864	12.7%	2,171	4.7%
Taxed portion of dividends	938	2.0%	1,008	2.2%
Other permanent differences and tax rate differentials	385	0.8%	3,560	7.8%
Income taxes in the consolidated income statement	13,771	29.7%	18,605	40.6%

The item “Use of deferred tax assets not recognised in previous years” mainly relates to subsidiary Allevard Sogefi USA Inc.. As of December 31, 2012, deferred tax assets on losses from previous years were recognised. Based on the revenue outlook of the company as per long-term plans, it is believed to be probable that taxable income will be available in the future against which such tax losses can be utilised.

“Deferred tax assets on losses for the year not recognised in the financial statements” are mainly attributable to the subsidiary Sogefi Filtration Ltd and 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.

The item “Other permanent differences and tax rate differentials” includes Euro 691 thousand that are related to IRAP taxation request of reimbursement regarding personnel cost, which is deductible from IRES taxation in the period from 2007 to 2011.

### 37. DIVIDENDS PAID

Dividends paid during the year 2012 amounted to Euro 14,716 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

	2012	2011
Net result attributable to the ordinary shareholders (in thousands of Euro)	29,325	24,046
Weighted average number of shares outstanding during the year (thousands)	112,772	114,326
Basic EPS (Euro)	0.260	0.210

### 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.*

	2012	2011
Net result attributable to the ordinary shareholders (in thousands of Euro)	29,325	24,046
Average number of shares outstanding during the year (thousands)	112,772	114,326
Weighted average number of shares potentially under option during the year (thousands)	1,075	2,024
Number of shares that could have been issued at fair value (thousands)	(561)	(1,513)
Adjusted weighted average number of shares outstanding during the year (thousands)	113,286	114,837
Diluted EPS (Euro)	0.259	0.209

*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 2012 amounted to Euro 1.9856, compared to Euro 2.4062 in 2011.*

*Please note that 4,397,072 shares that could dilute basic EPS in the future were not included in the calculation of diluted EPS for 2012 because their exercise price is higher than the average annual fair value of the ordinary shares of Sogefi S.p.A. in 2012.*

## 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 1,833 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	
	12.31.2012	12.31.2011	12.31.2012	12.31.2011
<b>Financial assets</b>				
Cash and cash equivalents	85,209	102,461	85,209	102,461
Securities held for trading	15	11	15	11
Held-to-maturity investments	8,199	1,893	8,199	1,893
Assets for derivative financial instruments	15	8	15	8
Current financial receivables	-	-	-	-
Trade receivables	155,161	178,655	155,161	178,655
Other receivables	32,477	32,141	32,477	32,141
Other assets	3,559	2,800	3,559	2,800
Other financial assets available for sale	489	490	489	490
Non-current trade receivables	-	918	-	918
Non-current financial receivables	-	-	-	-
Other non-current receivables	17,022	14,102	17,022	14,102
<b>Financial liabilities</b>				
Short-term financial debts	97,973	56,789	98,150	57,057
Other short-term liabilities for derivative financial instruments	1,011	632	1,011	632
Trade and other payables	307,984	314,841	307,984	314,841
Other current liabilities	8,765	7,324	8,765	7,324
Medium/long-term financial debts	276,594	338,378	278,250	338,491
Other medium/long-term liabilities for derivative financial instruments	13,708	8,416	13,708	8,416

### 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 93% of the net book value 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 31% of the net book value of the Group's floating-rate debts. After such transactions, floating-rate loans exposing the Group to a cash flow risk fall to 64% of the net book value 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, 2012, 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	(11,678)	(4,022)	(2,687)	(2,302)	(2,135)	(2,756)	(25,580)
TOTAL FLOATING RATE - ASSET	93,438	-	-	-	-	-	93,438
TOTAL FLOATING RATE - LIABILITIES	(87,306)	(49,235)	(69,886)	(105,634)	(51,644)	-	(363,705)

Financial instruments booked to "Total floating rate – Asset" refer to "Cash and cash equivalents" and "Other financial assets" (Securities held for trading, Held-to-maturity investments, Assets for derivative financial instruments).

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, 2012, including interest-rate hedges, would have the following effects:

(in thousands of Euro)	12.31.2012		12.31.2011	
Sensitivity Analysis	Net profit	Equity	Net profit	Equity
+ 100 basis points	(1,113)	2,841	(1,041)	3,351
- 100 basis points	1,113	(2,841)	1,041	(3,351)

*It should be noted that as of December 31, 2012, the KIRD (Key Interest Rate Duration) method was adopted for the sensitivity analysis of interest-rate hedges in place of the full revaluation approach used in the previous years; values as of December 31, 2011 were recalculated according to the new method.*

*The effect on Equity differs from the effect on the Income Statement by Euro 3,954 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 that is considered reasonably possible in exchange rates of the main foreign currencies. 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, 2012 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, 2012, 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:*

<i>(in thousands of Euro)</i>	<i>12.31.2012</i>		<i>12.31.2011</i>	
	<i>Net profit</i>	<i>Equity</i>	<i>Net profit</i>	<i>Equity</i>
<i>Sensitivity Analysis</i>				
<i>+ 5%</i>	<i>(613)</i>	<i>(613)</i>	<i>(711)</i>	<i>(711)</i>
<i>- 5%</i>	<i>661</i>	<i>661</i>	<i>774</i>	<i>774</i>

*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 (subsidiaries Sogefi Filtration Ltd and Allevard Springs Ltd);*
- EUR/CNY mainly due to the debt exposure for the trade and financial payables in Euro of Chinese subsidiaries;*
- EUR/ARP mainly due to the debt exposure for the trade payables in Euro of Argentinian 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, 2012 is represented by the book value of the financial assets shown in the financial statements (Euro 302,146 thousand), as well as by the nominal value of the guarantees given in favour of third parties, as mentioned in note 43 (Euro 10,946 thousand).*

*The exposure to credit risk is essentially linked to trade receivables which amounted to Euro 156,245 thousand as of December 31, 2012 (Euro 180,581 thousand as of December 31, 2011), written down by Euro 5,263 thousand (Euro 5,319 thousand as of December 31, 2011).*

*Receivables are backed by insurance guarantees for Euro 4,652 thousand (Euro 4,861 thousand as of December 31, 2011). 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)	12.31.2012	12.31.2011
Opening balance	5,319	5,852
Change to the scope of consolidation	-	65
Accruals for the period	706	1,009
Utilisations	(627)	(1,226)
Provisions not used during the period	(104)	(375)
Other changes	6	25
Exchange differences	(37)	(31)
<b>TOTAL</b>	<b>5,263</b>	<b>5,319</b>

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)	12.31.2011		
	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
<b>Total receivables past due</b>	<b>27,083</b>	<b>(5,319)</b>	<b>21,764</b>
Total receivables still to fall due	153,498	-	153,498
<b>TOTAL</b>	<b>180,581</b>	<b>(5,319)</b>	<b>175,262</b>

(in thousands of Euro)	12.31.2012		
	Gross value	Allowance for doubtful accounts	Net value
Receivables past due:			
0-30 days	12,631	(3)	12,628
30-60 days	3,981	(39)	3,942
60-90 days	1,783	(153)	1,630
over 90 days	8,938	(5,068)	3,870
<b>Total receivables past due</b>	<b>27,333</b>	<b>(5,263)</b>	<b>22,070</b>
Total receivables still to fall due	128,912	-	128,912
<b>TOTAL</b>	<b>156,245</b>	<b>(5,263)</b>	<b>150,982</b>

As of December 31, 2012, gross receivables past due were Euro 250 thousand higher than at the end of the previous year. The increase is observed in the “over 90 days” bracket (+ Euro 1,893 thousand) and mainly relates to receivables from certain OE customers of the subsidiary Sogefi Rejna S.p.A.; part of these receivables had already been collected at the date of this report.

The “0-30 days” bracket has decreased (- Euro 2,871 thousand) mainly thanks to subsidiary Systèmes Moteurs S.A.S..

*The impact of gross receivables past due on total receivables stands at 17.5% compared to 15% in the previous year.*

*Past due receivables have been written down by 19.3% of the total (19.6% as of December 31, 2011) and 56.7% (69.1% as of December 31, 2011) 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 14.6% of total net receivables, compared to 12.4% 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
<b>Fixed rate</b>							
Finance lease Sogefi Filtration Ltd	(145)	(164)	(186)	(207)	(233)	(1,642)	(2,577)
Finance lease Allevard Sogefi U.S.A. Inc.	(341)	(353)	(365)	(377)	(389)	(620)	(2,445)
Sogefi Filtration do Brasil Ltda loan	(6,533)	-	-	-	-	-	(6,533)
Systèmes Moteurs S.A.S. loan	(1,694)	(1,710)	(437)	-	-	-	(3,841)
Sogefi Engine Systemes Moteurs Canada Corp loan	(373)	(670)	(710)	(752)	(730)	-	(3,235)
Government financing	(627)	(589)	(613)	(602)	(490)	(494)	(3,415)
Other fixed rate loans	(1,965)	(536)	(376)	(364)	(293)	-	(3,534)
Future interest	(1,006)	(631)	(465)	(363)	(258)	(552)	(3,275)
<b>TOTAL FIXED RATE</b>	<b>(12,684)</b>	<b>(4,653)</b>	<b>(3,152)</b>	<b>(2,665)</b>	<b>(2,393)</b>	<b>(3,308)</b>	<b>(28,855)</b>
<b>Floating rate</b>							
Cash and cash equivalents	85,209	-	-	-	-	-	85,209
Financial assets	8,214	-	-	-	-	-	8,214
Assets for derivative financial instruments	15	-	-	-	-	-	15
Current financial receivables	-	-	-	-	-	-	-
Non-current financial receivables	-	-	-	-	-	-	-
Bank overdrafts and other short-term loans	(8,377)	-	-	-	-	-	(8,377)
Sogefi S.p.A. loans	(58,123)	(46,531)	(67,290)	(91,584)	(48,016)	-	(311,544)
Shanghai Sogefi Auto Parts Co., Ltd loans	(8,807)	-	-	-	-	-	(8,807)
Sogefi Filtration S.A. loan	(1,400)	(1,400)	(1,400)	(700)	-	-	(4,900)
Systèmes Moteurs S.A.S. loan	(3,000)	-	-	-	-	-	(3,000)
Sogefi Engine Systems Canada Corp. loan	(371)	(667)	(710)	(754)	(733)	-	(3,235)
Bank loans	(5,268)	(293)	(486)	(679)	(1,104)	-	(7,830)
Finance lease Allevard Rejna Autosuspensions S.A.	(328)	(344)	-	-	-	-	(672)
Other floating rate loans	(621)	-	-	-	-	-	(621)
Future interest	(10,462)	(8,337)	(7,509)	(5,123)	(2,295)	-	(33,726)
Liabilities for derivative financial instruments - exchange risk hedging	(166)	-	-	-	-	-	(166)
Future financial expences on derivative instruments - interest risk hedging *	(3,056)	(3,726)	(3,726)	(3,726)	(2,941)	(1,226)	(18,401)
<b>TOTAL FLOATING RATE</b>	<b>(6,541)</b>	<b>(61,298)</b>	<b>(81,121)</b>	<b>(102,566)</b>	<b>(55,089)</b>	<b>(1,226)</b>	<b>(307,841)</b>
Trade receivables	155,161	-	-	-	-	-	155,161
Trade and other payables	(307,984)	-	-	-	-	-	(307,984)
<b>TOTAL FINANCIAL INSTRUMENT - ASSET</b>	<b>248,599</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>248,599</b>
<b>TOTAL FINANCIAL INSTRUMENT - LIABILITIES</b>	<b>(420,647)</b>	<b>(65,951)</b>	<b>(84,273)</b>	<b>(105,231)</b>	<b>(57,482)</b>	<b>(4,534)</b>	<b>(738,118)</b>

\* The amount is different compared to Liabilities for derivative instruments - interest risk hedging (equal to a total amount of Euro 14,553 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 financial 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 (this difference is offset within Income Statement by the fair value change of the asset/liability denominated in a certain currency).

As of December 31, 2012, 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	12/20/2012	1.31780	03/20/2013	1.31910

As of December 31, 2012, the fair value of this contract was positive for Euro 2 thousand in terms of net value and was recognised in "Other financial assets – Assets for derivative financial instruments" (Euro 7 thousand) and to "Other short-term liabilities for derivative financial instruments" (Euro 5 thousand).

Fair value was calculated using the forward curve of exchange rates as of December 31, 2012.

The subsidiary Sogefi Filtration Ltd held the following forward purchase contracts to hedge the exchange risk on intercompany financial positions (EUR) and on trade positions (USD).

Forward purchase	Date opened	Spot price GBP/currency	Date closed	Forward price GBP/currency
EUR 2,500,000	12/20/2012	0.81280	03/20/2013	0.81376
USD 300,000	12/27/2012	0.61962	01/09/2013	0.61962
USD 300,000	12/27/2012	0.61962	02/06/2013	0.61966
USD 300,000	12/27/2012	0.61962	03/06/2013	0.61972

As of December 31, 2012, the fair value of these contracts amounted to Euro 8 thousand and was booked to "Other financial assets – Assets for derivative financial instruments".

The fair value of contracts denominated in USD is equal to zero.

Fair value was calculated using the forward curve of exchange rates as of December 31, 2012.

The subsidiary *Systèmes Moteurs S.A.S.* holds the following forward purchase contract to hedge the exchange risk on intercompany financial positions:

Forward sale	Date opened	Spot price €/currency	Date closed	Forward price €/currency
CAD 17,000,000	12/20/2012	1.29720	03/20/2013	1.30060

As of December 31, 2012, the fair value of this contract was negative for Euro 161 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, 2012.

As of December 31, 2012, subsidiary *Filtrauto S.A.* held the following forward purchase contracts to hedge the exchange risk on trade positions:

Forward purchase	Date opened	Spot price €/currency	Date closed	Forward price €/currency
USD 35,000	12/31/2012	1.319000	01/09/2013	1.31907
USD 250,000	12/31/2012	1.319000	02/06/2013	1.31937
USD 250,000	12/31/2012	1.319000	03/06/2013	1.31970

As of December 31, 2012, the fair value of these contracts calculated using the forward curve of exchange rates as of December 31, 2012 was equal to zero.

The subsidiary *Allevard Springs Ltd* held the following forward purchase contracts to hedge the exchange risk on trade positions:

Forward purchase	Date opened	Spot price GBP/currency	Date closed	Forward price GBP/currency
EUR 300,000	12/31/2012	0.81670	01/09/2013	0.81677
EUR 300,000	12/31/2012	0.81670	02/06/2013	0.81703

As of December 31, 2012, the fair value of these contracts calculated using the forward curve of exchange rates as of December 31, 2012 was equal to zero.

The subsidiary *Sogefi Rejna S.p.A.* held the following forward purchase contracts to hedge the exchange risk on trade positions:

Forward purchase	Date opened	Spot price €/currency	Date closed	Forward price €/currency
USD 50,000	12/27/2012	1.32610	01/09/2013	1.32633
USD 100,000	12/27/2012	1.32610	02/06/2013	1.32660

As of December 31, 2012, the fair value of these contracts calculated using the forward curve of exchange rates as of December 31, 2012 was equal to zero.

b) interest risk

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

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 03/31/2014), rate: Euribor 3 months + 70 bps	11/18/2009	04/30/2013	5,000	2.210%	(51)
Hedging of Sogefi S.p.A. loan for € 100 million (09/29/2006 maturity 03/31/2014), rate: Euribor 3 months + 70 bps	11/27/2009	04/30/2013	5,000	2.150%	(49)
Hedging of Sogefi S.p.A. loan for € 120 million (12/04/2012 maturity 12/04/2017), rate: Euribor 3 months + 425 bps	11/18/2009	05/06/2013	5,000	2.230%	(52)
Hedging of Sogefi S.p.A. loan for € 120 million (12/04/2012 maturity 12/04/2017), rate: Euribor 3 months + 425 bps	11/27/2009	05/06/2013	5,000	2.170%	(51)
Hedging of Sogefi S.p.A. loan for € 120 million (12/04/2012 maturity 12/04/2017), rate: Euribor 3 months + 425 bps	12/20/2010	05/06/2013	5,000	1.733%	(39)
Hedging of Sogefi S.p.A. loan for € 120 million (12/04/2012 maturity 12/04/2017), rate: Euribor 3 months + 425 bps	12/20/2010	05/06/2013	5,000	1.733%	(40)
Hedging of Sogefi S.p.A. loan for € 120 million (12/04/2012 maturity 12/04/2017), rate: Euribor 3 months + 425 bps	12/21/2010	05/06/2013	5,000	1.7075%	(38)
Hedging of Sogefi S.p.A. loan for € 120 million (12/04/2012 maturity 12/04/2017), rate: Euribor 3 months + 425 bps	12/22/2010	05/06/2013	10,000	1.685%	(76)
Hedging of Sogefi S.p.A. loan for € 120 million (12/04/2012 maturity 12/04/2017), rate: Euribor 3 months + 425 bps	03/11/2011	05/06/2013	10,000	2.693%	(127)
Hedging of Sogefi S.p.A. loan for € 120 million (12/04/2012 maturity 12/04/2017), rate: Euribor 3 months + 425 bps	03/11/2011	05/06/2013	10,000	2.805%	(133)
Hedging of Sogefi S.p.A. loan for € 120 million (12/04/2012 maturity 12/04/2017), rate: Euribor 3 months + 425 bps	03/23/2011	05/06/2013	10,000	2.800%	(132)
Hedging of Sogefi S.p.A. loan for € 120 million (12/04/2012 maturity 12/04/2017), rate: Euribor 3 months + 425 bps	03/23/2011	05/06/2013	5,000	2.445%	(57)
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%	(1,791)
<b>TOTAL</b>			<b>108,000</b>		<b>(2,636)</b>

As of December 31, 2012, the Holding Company Sogefi S.p.A. held the following Interest Rate Swap contracts (in thousands of Euro) as part of a macro cash flow hedge strategy aimed at hedging the risk of fluctuations in future cash flows deriving from the envisaged future long term indebtedness of the company; future indebtedness is believed to be highly probable as it is envisaged by the long-term plan approved by management.

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%	(1,386)
Hedging of Sogefi S.p.A. future financial indebtedness for 2013-2018	02/23/2011	06/01/2018	10,000	3.500%	(1,387)
Hedging of Sogefi S.p.A. future financial indebtedness for 2013-2018	03/11/2011	06/01/2018	10,000	3.545%	(1,407)
Hedging of Sogefi S.p.A. future financial indebtedness for 2013-2018	03/23/2011	06/01/2018	10,000	3.560%	(1,345)
Hedging of Sogefi S.p.A. future financial indebtedness for 2013-2018	03/27/2011	06/01/2018	10,000	3.670%	(1,470)
Hedging of Sogefi S.p.A. future financial indebtedness for 2013-2018	05/13/2011	06/01/2018	10,000	3.460%	(1,365)
Hedging of Sogefi S.p.A. future financial indebtedness for 2013-2018	06/24/2011	06/01/2018	10,000	3.250%	(1,261)
Hedging of Sogefi S.p.A. future financial indebtedness for 2013-2018	06/28/2011	06/01/2018	10,000	3.250%	(1,260)
Hedging of Sogefi S.p.A. future financial indebtedness for 2013-2018	11/28/2011	06/01/2018	10,000	2.578%	(925)
<b>TOTAL</b>			<b>90,000</b>		<b>(11,806)</b>

As of December 31, 2012, the subsidiary Sogefi Filtration S.A. holds the following interest rate hedging instrument (in thousands of Euro) on the existing loan with 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	2,450	2.6509%	(111)

These financial instruments envisage payment by the Group of an agreed fixed rate and payment by the counterparty of the floating rate that is the basis of the underlying loan.

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 194 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, 2012, gearing stands at 1.37 (1.40 as of December 31, 2011).*

## *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, 2012.*

*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, 2012.

(in thousands of Euro)	Note	Book value 2012	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 hierarchies
<b>Current assets</b>								
Cash and cash equivalents	5	85,209	85,209	-	-	-	-	
Securities held for trading	6	15	-	-	-	-	15	1
Held-to-maturity investments	6	8,199	-	-	8,199	-	-	
Assets for derivative financial instruments	6	15	-	-	-	-	15	2
Trade receivables	8	155,161	155,161	-	-	-	-	
Other receivables	8	32,477	32,477	-	-	-	-	
Other assets	8	3,559	3,559	-	-	-	-	
<b>Non-current assets</b>								
Other financial assets available for sale	12	489	-	489 *	-	-	-	
Other non-current receivables	13	17,022	17,022	-	-	-	-	
<b>Current liabilities</b>								
Short-term financial debts	16	97,973	-	-	-	97,973	-	
Other short-term liabilities for derivative financial instruments	16	1,011	-	-	-	-	1,011 **	2
Trade and other payables	17	307,984	-	-	-	307,984	-	
Other current liabilities	18	8,765	-	-	-	8,765	-	
<b>Non-current liabilities</b>								
Medium/long-term financial debts	16	276,594	-	-	-	276,594	-	
Other medium/long-term liabilities for derivative financial instruments	16	13,708	-	-	-	-	13,708 **	2

\* of which € 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 € 14,553 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, 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 hierarchies
<b>Current assets</b>								
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	-	-	
Asset for derivative financial instruments	8	8	-	-	-	-	8	2
Trade receivables	6	178,655	178,655	-	-	-	-	
Other receivables	8	32,141	32,141	-	-	-	-	
Other assets	8	2,800	2,800	-	-	-	-	
<b>Non-current assets</b>								
Other financial assets available for sale	12	490	-	490 *	-	-	-	
Other non-current receivables	13	14,102	14,102	-	-	-	-	
<b>Current liabilities</b>								
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	314,841	-	-	-	314,841	-	
Other current liabilities	18	7,324	-	-	-	7,324	-	
<b>Non-current liabilities</b>								
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 € 439 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 € 8,988 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. (which in turn is controlled by the ultimate Parent Company Carlo De Benedetti e Figli S.a.p.A.) which as of December 31, 2012 held 56.36% 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 2012, the Holding Company Sogefi S.p.A. used the services of CIR S.p.A., paying Euro 1,820 thousand for them (amount is unchanged from the previous year).*

*As of December 31, 2012, the Italian companies of the Sogefi Group had receivables for the amount of Euro 4,075 thousand owed by CIR S.p.A. in connection with their participation in the group tax filing system. As of December 31, 2011, receivables amounted to Euro 4,262 thousand, and were received in full during the course of 2012.*

*At the end of 2012, the subsidiary Sogefi Rejna S.p.A. recorded an income of Euro 104 thousand (Euro 49 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 599 thousand (Euro 438 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 economic transactions with the Board of Directors, Statutory Auditors, General Manager and the Manager with strategic responsibility, please refer to the attached table for remuneration paid in 2012.*

*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:

<i>(in thousands of Euro)</i>	2012	2011
<b>Receivables</b>		
- for the Group tax filing from CIR S.p.A.	4,075	4,262
- for income following the transfer of fiscal surplus to the CIR Group	104	49
<b>Payables</b>		
- for purchases of energy/gas from Sorgenia S.p.A.	8	8
- for expense due to fiscal surplus received from the CIR Group	597	433
<b>Costs</b>		
- for services received from CIR S.p.A.	1,820	1,820
- for net expense due to fiscal surplus received from the CIR Group	599	389
<b>Compensation of directors and statutory auditors</b>		
- directors	1,299	1,261
- statutory auditors	146	107
<b>Compensation and related contributions to the General Manager of the Holding Company</b>	483 (*)	
<b>Compensation and related contributions to Manager with strategic responsibilities ex Consob resolution no. 17221/2010</b>	626 (*)	747 (*)

(\*) Included contribution expenses, provision for employment termination indemnities and fringe benefit.

## 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, 2012 regard the following subsidiaries:*

- Shanghai ( Suzhou ) Auto Parts Co., Ltd for the rental of two production plants in Wujiang, under a contract that will expire in March 2033.*

*At December 31, 2012, total remaining payments amount to Euro 13,207 thousand, Euro 626 thousand of which due by the end of the year. The Group has not given any guarantees whatsoever for this contract;*

- Filtrauto S.A. for the rental of the production plant in Guyancourt. The contract will expire in March 2020 and remaining payments as of December 31, 2012 amount to Euro 4,232 thousand, Euro 751 thousand of which are due by the end of the year.*

*The Group has not given any guarantees for this contract;*

- Allevard Federn GmbH for the rental of the production plant in Völklingen. The contract expires in May 2020. At December 31, 2012, remaining payments amount to Euro 2,839 thousand, Euro 366 thousand of which due by the end of the year.*

*The Group has not given any guarantees for this contract;*

- Sogefi Engine Systems Canada Corp. for the rental of the production plant in Montreal. The contract expires in December 2015 and the remaining payments at December 31, 2012 amount to Euro 2,350 thousand, Euro 772 thousand of which due by the end of the year.*

*The Group has not given any guarantees for this contract;*

- Shanghai Sogefi Auto Parts Co., Ltd for the rental of a production plant located in Shanghai under a contract that will expire in August 2023.*

*At December 31, 2012, total remaining payments amount to Euro 2,094 thousand, Euro 197 thousand of which due by the end of the year. The Group has not given any guarantees whatsoever for this contract;*

- Allevard Sogefi U.S.A. Inc. for the rental of the production plant in Prichard (West Virginia).*

*The contract expires in May 2019 and the remaining payments at December 31, 2012 amount to Euro 1,929 thousand, of which Euro 301 thousand due by the end of the year.*

*For this contract Sogefi S.p.A. provided a guarantee equal to 59% 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, 2012 are as follows:

<i>(in thousands of Euro)</i>	2012	2011
Within 12 months	6,698	6,336
Between 1 and 5 years	18,746	14,796
Beyond 5 years	14,029	4,139
<b>TOTAL</b>	<b>39,473</b>	<b>25,271</b>

## 42. INVESTMENT COMMITMENTS

At December 31, 2012, Group companies have binding commitments for investments relating to the purchase of property, plant and equipment for Euro 480 thousand (Euro 2,460 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:

<i>(in thousands of Euro)</i>	12.31.2012	12.31.2011
<b>PERSONAL GUARANTEES GIVEN</b>		
a) Sureties to third parties	1,232	1,340
b) Other personal guarantees in favour of third parties	9,714	9,714
<b>TOTAL PERSONAL GUARANTEES GIVEN</b>	<b>10,946</b>	<b>11,054</b>
<b>REAL GUARANTEES GIVEN</b>		
a) Against liabilities shown in the financial statements	13,237	1,738
<b>TOTAL REAL GUARANTEES GIVEN</b>	<b>13,237</b>	<b>1,738</b>

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

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

"Real guarantees given" mainly refer to subsidiaries the subsidiaries Systèmes Moteurs S.A.S., Sogefi Engine Systems Canada Corp. 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, 2012, the Group had third-party goods and materials held at Group companies worth Euro 6,064 thousand (Euro 5,417 thousand as of December 31, 2011).*

#### 45. CONTINGENT LIABILITIES

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

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

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

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

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

*The Court could conclude that the equalisation was correctly applied, or that an adjustment could be possible, or even that there is a contingent 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 contingent liability, before its likely recovery from the consultants amounts to around Euro 1.9 million.*

#### 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 2012.*

#### 47. SUBSEQUENT EVENTS

*No significant events occurred after the end of the reporting period.*

## H) GROUP COMPANIES

### 48. LIST OF GROUP COMPANIES AS OF DECEMBER 31, 2012

#### SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS

<i>Direct subsidiaries</i>	<i>Currency</i>	<i>Share capital</i>	<i>Number of shares</i>	<i>% of share capital held</i>	<i>Par value per share</i>	<i>Par value of the interest held</i>
<i>SOGEFI REJNA S.p.A. Mantova (Italy)</i>	<i>Euro</i>	<i>21,978,316</i>	<i>21,950,990</i>	<i>99.88</i>	<i>1</i>	<i>21,950,990</i>
<i>SOGEFI FILTRATION Ltd Llantrisant (Great Britain)</i>	<i>GBP</i>	<i>5,126,737</i>	<i>5,126,737</i>	<i>100.00</i>	<i>1</i>	<i>5,126,737</i>
<i>SOGEFI FILTRATION S.A. Cerdanyola (Spain) 86.08% held by Sogefi S.p.A. 13.92% held by Filtrauto S.A.</i>	<i>Euro</i>	<i>12,953,713.60</i>	<i>2,155,360</i>	<i>100.00</i>	<i>6.01</i>	<i>12,953,713.60</i>
<i>FILTRAUTO S.A. Guyancourt (France)</i>	<i>Euro</i>	<i>5,750,000</i>	<i>287,494</i>	<i>99.99</i>	<i>20</i>	<i>5,749,880</i>
<i>ALLEVARD REJNA AUTOSUSPENSIONS S.A. Saint Cloud (France)</i>	<i>Euro</i>	<i>36,000,000</i>	<i>1,999,855</i>	<i>99.99</i>	<i>18</i>	<i>35,997,390</i>
<i>ALLEVARD SOGEFI U.S.A., Inc. Prichard (U.S.A.)</i>	<i>USD</i>	<i>20,055,000</i>	<i>191</i>	<i>100.00</i>		<i>20,055,000</i>
<i>SOGEFI FILTRATION d.o.o. Medvode (Slovenia)</i>	<i>Euro</i>	<i>10,291,798</i>		<i>100.00</i>		<i>10,291,798</i>
<i>SOGEFI PURCHASING S.A.S. Guyancourt (France)</i>	<i>Euro</i>	<i>100,000</i>	<i>10,000</i>	<i>100.00</i>	<i>10</i>	<i>100,000</i>
<i>SHANGHAI SOGEFI AUTO PARTS Co. Ltd Shanghai (China)</i>	<i>USD</i>	<i>13,000,000</i>		<i>100.00</i>		<i>13,000,000</i>
<i>SYSTEMES MOTEURS S.A.S. Levallois-Perret (France)</i>	<i>Euro</i>	<i>54,938,125</i>	<i>3,602,500</i>	<i>100.00</i>	<i>15.25</i>	<i>54,938,125</i>
<i>SOGEFI (SUZHOU) AUTO PARTS CO., Ltd Suzhou (China)</i>	<i>USD</i>	<i>15,000,000</i>		<i>100.00</i>		<i>15,000,000</i>

<i>Indirect subsidiaries</i>	<i>Currency</i>	<i>Share capital</i>	<i>Number of shares</i>	<i>% of share capital held</i>	<i>Par value per share</i>	<i>Par value of the interest held</i>
<b>ENGINE SYSTEMS DIVISION – FLUID FILTERS</b>						
<i>SOGEFI M.N.R. FILTRATION INDIA Pvt Ltd Bangalore (India) Held by Filtrauto S.A.</i>	<i>INR</i>	<i>15,940,980</i>	<i>956,459</i>	<i>60.00</i>	<i>10</i>	<i>9,564,590</i>
<i>SOGEFI FILTRATION DO BRASIL Ltda São Bernardo do Campo (Brazil) Held by Sogefi Filtration S.A.</i>	<i>BRL</i>	<i>29,857,374</i>	<i>29,857,373</i>	<i>99.99</i>	<i>1</i>	<i>29,857,373</i>
<i>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.</i>	<i>ARP</i>	<i>10,691,607</i>	<i>10,691,605</i>	<i>99.99</i>	<i>1</i>	<i>10,691,605</i>

<i>Indirect subsidiaries</i>						
	<i>Currency</i>	<i>Share capital</i>	<i>Number of shares</i>	<i>% of share capital held</i>	<i>Par value per share</i>	<i>Par value of the interest held</i>
<b>ENGINE SYSTEMS DIVISION – AIR INTAKE AND COOLING</b>						
SOGEFI ENGINE SYSTEMS CANADA CORP. (*) <i>Nova Scotia (Canada)</i> <i>Held by Systèmes Moteurs S.A.S.</i>	CAD	39,393,000	2,283	100.00		39,393,000
SOGEFI ENGINE SYSTEMS USA, Inc. (**) <i>Wilmington (U.S.A.)</i> <i>Held by Systèmes Moteurs S.A.S.</i>	USD	100	1,000	100.00	0.10	100
SYSTEMES MOTEURS CHINA, S.à.r.l. <i>Luxembourg (Luxembourg)</i> <i>Held by Systèmes Moteurs S.A.S.</i>	Euro	12,500	125	100.00	100	12,500
SYSTEMES MOTEURS INDIA Pvt Ltd <i>New Delhi (India) (***)</i> <i>99.91% held by Systèmes Moteurs S.A.S.</i> <i>0.09% held by Systemes Moteurs China, S.à.r.l.</i>	INR	106,386,860	10,638,686	100.00	10	106,386,860
S.C. SYSTEMES MOTEURS S.r.l. <i>Titesti (Romania)</i> <i>99.9997% held by Systèmes Moteurs S.A.S.</i> <i>0.0003% held by Sogefi Filtration S.A. (Spain)</i>	RON	7,087,610	708,761	100.00	10	7,087,610
MARK IV AIS MEXICO, S de R.L. de C.V. <i>Apodaca (Mexico)</i> <i>0.03% held by Systèmes Moteurs S.A.S.</i> <i>99.97% held by Sogefi Engine Systems Canada Corp.</i>	MXN	3,000	3,000	100.00	1	3,000
SOGEFI ENGINE SYSTEMS HONG KONG Ltd (****) <i>Hong Kong (Hong Kong)</i> <i>Held by Systemes Moteurs China, S.à.r.l.</i>	HKD	1,000	1,000	100.00	1	1,000
MARK IV (Shanghai) TRADING Co. Ltd <i>Shanghai (China)</i> <i>Held by Sogefi Engine Systems Hong Kong Limited</i>	RMB	5,000,000	1	100.00		5,000,000

(\*) On July 6, 2012, the Company changed name from MARK IV AIR INTAKE SYSTEMS CORP. to SOGEFI ENGINE SYSTEMS CANADA CORP.

(\*\*) On July 6, 2012, the Company changed name from MARK IV SYSTEMES MOTEURS USA, Inc. to SOGEFI ENGINE SYSTEMS USA, Inc.

(\*\*\*) On August 25, 2012, the Company changed name from MARK IV AIR INTAKE INDIA Pvt. Ltd to SYSTEMES MOTEURS INDIA Pvt Ltd.

(\*\*\*\*) On June 26, 2012, the Company changed name from MARK IV HONG KONG Limited to SOGEFI ENGINE SYSTEMS HONG KONG Ltd.

<i>Indirect subsidiaries</i>						
	<i>Currency</i>	<i>Share capital</i>	<i>Number of shares</i>	<i>% of share capital held</i>	<i>Par value per share</i>	<i>Par value of the interest held</i>
<b>SUSPENSION COMPONENTS AND PRECISION SPRINGS DIVISION</b>						
<i>ALLEVARD SPRINGS Ltd Clydach (Great Britain) Held by Allevard Rejna Autosuspensions S.A.</i>	<i>GBP</i>	<i>4,000,002</i>	<i>4,000,001</i>	<i>99.99</i>	<i>1</i>	<i>4,000,001</i>
<i>ALLEVARD FEDERN GmbH Völklingen (Germany) Held by Allevard Rejna Autosuspensions S.A.</i>	<i>Euro</i>	<i>50,000</i>		<i>100.00</i>		<i>50,000</i>
<i>ALLEVARD REJNA ARGENTINA S.A. Buenos Aires (Argentina) 89.97% held by Allevard Rejna Autosuspensions S.A. 10% held by Allevard Molas do Brasil Ltda</i>	<i>ARP</i>	<i>600,000</i>	<i>599,827</i>	<i>99.97</i>	<i>1</i>	<i>599,827</i>
<i>IBERICA DE SUSPENSIONES S.L. (ISSA) Alsasua (Spain) Held by Allevard Rejna Autosuspensions S.A.</i>	<i>Euro</i>	<i>10,529,668</i>	<i>5,264,834</i>	<i>50.00</i>	<i>1</i>	<i>5,264,834</i>
<i>ALLEVARD MOLAS DO BRASIL Ltda São Paulo (Brazil) 99.997% held by Allevard Rejna Autosuspensions S.A. 0.003% held by Allevard Springs Ltd</i>	<i>BRL</i>	<i>37,161,683</i>	<i>37,161,683</i>	<i>100.00</i>	<i>1</i>	<i>37,161,683</i>
<i>UNITED SPRINGS Ltd Rochdale (Great Britain) Held by Allevard Rejna Autosuspensions S.A.</i>	<i>GBP</i>	<i>6,500,000</i>	<i>6,500,000</i>	<i>100.00</i>	<i>1</i>	<i>6,500,000</i>
<i>UNITED SPRINGS B.V. Hengelo (Netherlands) Held by Allevard Rejna Autosuspensions S.A.</i>	<i>Euro</i>	<i>254,979</i>	<i>254,979</i>	<i>100.00</i>	<i>1</i>	<i>254,979</i>
<i>SHANGHAI ALLEVARD SPRING Co., Ltd Shanghai (China) Held by Allevard Rejna Autosuspensions S.A.</i>	<i>Euro</i>	<i>5,335,308</i>		<i>60.58</i>		<i>3,231,919</i>
<i>UNITED SPRINGS S.A.S. Saint Cloud (France) Held by Allevard Rejna Autosuspensions S.A.</i>	<i>Euro</i>	<i>10,218,000</i>	<i>2,043,599</i>	<i>99.99</i>	<i>5</i>	<i>10,217,995</i>
<i>S.ARA COMPOSITE S.A.S. Saint Cloud (France) Held by Allevard Rejna Autosuspensions S.A.</i>	<i>Euro</i>	<i>11,000,000</i>	<i>10,000,000</i>	<i>90.91</i>	<i>1</i>	<i>10,000,000</i>
<i>ALLEVARD IAI SUSPENSIONS Pvt Ltd Pune (India) Held by Allevard Rejna Autosuspensions S.A.</i>	<i>INR</i>	<i>159,750,000</i>	<i>8,772,000</i>	<i>54.91</i>	<i>10</i>	<i>87,720,000</i>
<i>LUHN &amp; PULVERMACHER - DITTMANN &amp; NEUHAUS GmbH Hagen (Germany) Held by Allevard Federn GmbH</i>	<i>Euro</i>	<i>50,000</i>		<i>100.00</i>	<i>50,000</i>	<i>50,000</i>
<i>SOGEFI ALLEVARD Srl Bucharest (Romania) Held by Sogefi Rejna S.p.A.</i>	<i>RON</i>	<i>210,000</i>	<i>2,100</i>	<i>100.00</i>	<i>100</i>	<i>210,000</i>

## EQUITY INVESTMENTS IN SUBSIDIARIES CONSOLIDATED USING THE EQUITY METHOD

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

## EQUITY INVESTMENTS IN OTHER COMPANIES CARRIED AT COST

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

**CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT  
ART. 81-TER OF CONSOB RESOLUTION No. 11971 OF MAY 14, 1999 AND  
SUBSEQUENT MODIFICATIONS AND INTEGRATIONS**

1. *The undersigned:*  
*Emanuele Bosio – Chief Executive Officer of Sogefi S.p.A.*  
*Giancarlo Coppa – Manager responsible for preparing Sogefi S.p.A.’s financial reports*  
*hereby certify having also taken into consideration the provisions of Article 154-bis, paragraph 3 and 4, of*  
*Italian Legislative Decree n. 58 of February 24, 1998, that:*
  - *are adequate with respect to the company structure and*
  - *have been effectively applied the administrative and accounting procedures for the preparation of the*  
*consolidated financial statements for the 2012 fiscal year.*
2. *No relevant aspects are to be reported on this subject.*
3. *It is also certified that:*
  - 3.1 *the consolidated financial statements at December 31, 2012:*
    - *have been prepared in accordance with international accounting standards as endorsed by the European*  
*Union through Regulation (EC) 1606/2002 of the European Parliament and of the Council of July 19,*  
*2002;*
    - *correspond to the books and accounting records;*
    - *provide a true and fair representation of the financial position, result of operations and cash flow of the*  
*issuer and the companies included in the scope of consolidation.*
  - 3.2 *The report on operations includes a reliable analysis of the performance and result of operations and also*  
*the position of the issuer and the companies included in the scope of consolidation together with all principle*  
*risks and uncertainties that the Group is exposed.*

*Milano, February 26, 2013*

*Signed by*  
*Chief Executive Officer*

*Emanuele Bosio*

*Signed by*  
*Manager responsible for preparing*  
*financial report*

*Giancarlo Coppa*

**REPORT OF THE BOARD OF STATUTORY AUDITORS PURSUANT TO ARTICLE 153 OF ITALIAN LEGISLATIVE DECREE NO. 58/1998**

*To the Shareholders' Meeting of SOGEFI S.p.A.*

*During the financial year closed at December 31, 2012, we carried out our supervisory activity as required by law and the Articles of Association, in accordance with the Rules of Conduct for the Board of Statutory Auditors recommended by the National Council of Accountants and the Corporate Governance Code issued by the Corporate Governance Committee of Borsa Italiana S.p.A., and hereby report on such activity. This report was drawn up following the recommendations set out in Consob Communication no. 1025564 of April 6, 2001 as amended.*

*As regards the methods employed to perform our duties during the period under consideration, we report as follows:*

- we attended the Shareholders' Meetings and Board of Directors meetings held during the period under consideration and obtained timely and adequate information on operations and their outlook, as well as on significant operational, financial and equity-related operations conducted by the Company and subsidiaries within the Group, as required by law and the Articles of Association; all meetings of the Control and Risk Committee and of the Appointment and Remuneration Committee were attended by one or more members of the Board of Statutory Auditors;*
- we obtained the necessary information to perform our tasks and determine compliance with the law and the Articles of Association, proper governance principles, adequacy of the Company's organisational structure, internal control system and of the administration-accounting system, by direct investigation, collecting information from the heads of the involved departments and sharing data and significant information with the appointed Independent Auditors;*
- under art. 19 of Legislative Decree no. 39/2010, our activities in our capacity as Internal Control and Audit Committee addressed the following issues: a) financial reporting process; b) effectiveness of internal control, auditing and risk management systems; c) statutory audits of annual and consolidated accounts; d) independence of the Independent Auditors, and were conducted by direct investigation, collecting information from the heads of the involved departments, analysing the results of the Independent Auditors' work;*
- we examined the results of the quarterly audits of accounts to ensure proper accounting conducted by the Independent Auditors;*
- we obtained the Reports provided for by art. 14 and art. 19, sub-paragraph 3 of Legislative Decree no. 39/2010 from the Independent Auditors;*
- under art. 17, sub-paragraph 9, letter a) of Legislative Decree no. 39/2010, the Independent Auditors submitted their annual Statement of Independence, a disclosure of any additional, non-audit services provided to SOGEFI S.p.A. and the Group by the Independent Auditors or its affiliates for our examination;*
- under art. 17, sub-paragraph 9, letter b) of Legislative Decree no. 39/2010, we analysed the risk associated with the independence of the Independent Auditors and the measures they take to reduce such risk;*

- we monitored the performance of the system used to control subsidiaries and the adequacy of the directions given to them, also under art. 114, sub-paragraph 2 of Legislative Decree no. 58/1998;
- we monitored the actual methods used to implement the corporate governance rules set out in the Corporate Governance Code issued by Borsa Italiana S.p.A., as adopted by the Company;
- we determined whether the Organization, Management and Control Model as per Legislative Decree no. 231/2001 as amended was updated to comply with the expanded scope of the Decree;
- under art. 4, sub-paragraph 6 of the Regulation approved by Consob Resolution no. 17221 of March 12, 2010, we monitored compliance with the Discipline for related-party transactions approved by the Board of Directors;
- we ensured that no significant issues exist that the controlling bodies of SOGEFI S.p.A.'s would have to disclose;
- we determined compliance with law provisions and regulations concerning the preparation, layout and statements of the statutory and consolidated financial statements as well as their accompanying documents. We also determined that the relevant Reports on Operations comply with the law and regulations in force and are consistent with the resolutions of the Board of Directors;
- we ascertained the adequacy, in terms of method, of the impairment test process implemented to identify the presence of any impairment loss on assets entered to the financial statements subject to impairment test;
- we have determined that the Board of Directors properly implemented the verification criteria and procedures to assess the independence of its members, based on the statements made by the Directors and the opinions issued by the Board of Directors.

After completing our audit and monitoring activities as outlined above, we did not identify any significant events such as would have to be reported to the Supervisory Authorities, nor any proposals concerning the financial statements, their approval or any other issue within our area of responsibility.

Outlined below is the information specifically required by the above mentioned Consob Communication of April 6, 2001 as amended.

- We collected adequate information on significant operational, financial and equity-related operations conducted by SOGEFI S.p.A. and its subsidiaries and established their compliance with the law and the Articles of Association; the Directors provide adequate disclosure on such transactions in the Report on Operations; we also obtained information on and assurance that the transactions resolved and carried out were not manifestly imprudent, risky, in conflict with Shareholders' Meeting resolutions or in potential conflict of interest with the same or, in any case, of such a nature as to jeopardise integrity of corporate assets.
- We obtained adequate information on intercompany and related party transactions. Based on obtained information, we determined that such transactions comply with the law and the Articles of Association, satisfy the interest of the company and raise no doubts as to their accurate, exhaustive disclosure in the financial statements, the existence of any conflict-of-interest situations, the protection of corporate assets and of non-controlling shareholders; periodic audits and inspections carried out at the Company's premises did not identify any atypical and/or unusual transactions.

- *The Directors provide adequate disclosures on key transactions, as well as on the dealings between SOGEFI S.p.A., Group companies and/or related parties in the Report on Operations and in the Notes, and state that such dealings were conducted at arm's length, taking into account the quality and type of services rendered; such dealings mainly consisted in the provision of administrative and financial services, as well as management support and communication services; appropriate financial details are provided and the impact on the statement of financial position is adequately described in the documents accompanying the 2012 statutory financial statements.*
- *The Independent Auditors Deloitte & Touche S.p.A. issued their Audit Reports under art. 14 of Legislative Decree no. 39/2010 on the statutory and consolidated financial statements as at December 31, 2012 on the same date as this document. These reports include the auditors' opinion on consistency as provided for by art. 14, sub-par. 2, letter e) of Legislative Decree no. 39/2010 and art. 123 bis of Legislative Decree no. 58/1998, without any disclosure observations or statements.*
- *We received no complaints pursuant to art. 2408 of the Italian Civil Code, nor do we have any knowledge of any statements of complaints submitted to other parties.*
- *During the year 2012, SOGEFI S.p.A. engaged the Independent Auditors to perform certain certifications after due inspection - in addition to its auditing services - for a consideration of Euro 4,000. - During the same year, SOGEFI S.p.A.'s subsidiaries engaged the Independent Auditors to perform certain certifications after due inspection for a consideration of Euro 11,000.*

*Again during the same year, SOGEFI S.p.A. engaged entities affiliated with the Independent Auditors to perform due diligence procedures for a consideration of Euro 390,000.*

*The amounts paid were found to be adequate consideration for the scope and complexity of the services rendered and are not deemed liable to affect the independence and discretion of the auditors in performing their auditing tasks.*

- *During the year under consideration, we have given advice pursuant to article 2389 of the Italian Civil Code.*
- *The following meetings were held during the year 2012: 6 Board of Directors meetings, 5 Control and Risk Committee meetings, 4 Appointment and Remuneration Committee meetings; and 8 Statutory Board of Directors meetings.*
- *There are no particular observations to be made concerning compliance with proper governance principles, which seem to have been implemented consistently, or the adequacy of the organisational structure, which we found to be adequate to meet the requirements for operations management and control.*
- *We found the internal control system to be adequate to the size and management style of the Company, and were able to confirm this during the meetings of the Control and Risk Committee, which are attended by the Chairman of the Statutory Board of Auditors (or by a Statutory Auditor appointed by the Chairman) as provided for by corporate governance rules. In addition, the Group's Chief Internal Auditing Officer and Internal Control Officer under the Corporate Governance Code issued by the Corporate Governance Committee for listed companies acted as a liaison and provided the necessary information on the methods adopted to perform his duties and the results of his audits, among other things by attending certain meetings of the Statutory Board of Auditors.*

- *There are no observations to be made as to the adequacy of the administrative/accounting system and its ability to provide a reliable view of operations; with regard to the disclosures in the statutory and consolidated financial statements as at December 31, 2012, the Managing Director and the Manager responsible for preparing the Company's financial reports under art. 154-bis, sub-paragraph 5 of Legislative Decree 58/1998 and art. 81-ter of Consob Regulation no. 11971 of May 14, 1999 as subsequently amended have issued their relevant statements.*
- *There are no observations to be made on the adequacy of information flows from subsidiaries to the Holding Company aimed at ensuring timely compliance with disclosure obligations under the law.*
- *During the periodic exchange of data and information between the Board of Statutory Auditors and the Auditors, among other things under art. 150, sub-paragraph 3 of Legislative Decree no. 58/1998, no issues have come up that would need to be disclosed in this report.*
- *The Company substantially followed the recommendations contained in the Corporate Governance Code drafted by the Corporate Governance Committee for listed companies and described its corporate governance model in the relevant Report, which was prepared among other things under art. 123-bis of Legislative Decree no. 58/1998. Within the limits of our responsibility, we monitored the actual methods used to implement the corporate governance rules set out in the above mentioned Corporate Governance Code, as adopted by the Company, and ensured that the findings of the Board's periodic assessment of Statutory Auditors' compliance with the independence requirements according to the same criteria applicable to Independent Directors under the above mentioned Corporate Governance Code were included in the Corporate Governance Report of SOGEFI S.p.A. In compliance with Legislative Decree no. 231/2001, the Company adopted, implemented and maintained up-to-date an "Organisational Model" that governs its behaviour and business conduct and set up a Supervisory Body as provided for by the Decree. The Company also adopted a Code of Ethics.*
- *Our auditing and monitoring activities took place during the year 2012 in the normal course of business and identified no omissions, reprehensible facts and/or anomalies worth noting.*

*After completing our audit and monitoring activities, we have no proposals concerning the statutory financial statements as at December 31, 2012, their approval or any other issue within our area of responsibility pursuant to article 153, paragraph 2 of Legislative Decree 58/1998, nor any remarks on the proposed allocation of the profit for the year or the dividend distribution submitted by the Board of Directors for approval.*

*Milan, March 28, 2013*

***The Board of Statutory Auditors***

*Dott. Riccardo Zingales (Chairman of the Board of Statutory Auditors)*

*Dott. Giuseppe Leoni (Acting Auditor)*

*Dott.ssa Claudia Stefanoni (Acting Auditor)*

## AUDITORS' REPORT PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

### To the Shareholders of SOGEFI S.p.A.

1. We have audited the consolidated financial statements of Sogefi S.p.A. and subsidiaries (the "Sogefi Group") which comprise the statement of financial position as of December 31, 2012, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005, are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the prior year's consolidated financial statements, whose data are presented for comparative purposes, reference should be made to the auditors' report issued by us on March 22, 2012.

3. In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Sogefi Group as of December 31, 2012, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

4. The Directors of Sogefi S.p.A. are responsible for the preparation of the report on operations and the annual report on corporate governance, published in the “Investor relations” section of Sogefi S.p.A.’s website, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the annual report on corporate governance, with the consolidated financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the report on operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) included in the annual report on corporate governance are consistent with the consolidated financial statements of the Sogefi Group as of December 31, 2012.

DELOITTE & TOUCHE S.p.A.

*Signed by*  
Giovanni Gasperini  
Partner

Milan, Italy  
March 28, 2013

*This report has been translated into the English language  
solely for the convenience of international readers.*

