

A) GENERAL ASPECTS

SOGEFI is an Italian Group that is market leader in the field of components for motor vehicles, specializing in engine and cabin filter systems, air intake and engine cooling systems and suspension components.

SOGEFI is present in 3 continents and 18 countries, with 57 locations, of which 43 are production sites. It is a multinational group and a partner of the world's largest motor vehicle manufacturers.

The Holding Company, Sogefi S.p.A., has its registered offices in Via Ulisse Barbieri 2, Mantova and its operating offices in Via Flavio Gioia 8, Milano.

The Sogefi stock has been listed on the Milano Stock Exchange, organised and managed by Borsa Italiana S.p.A. since 1986 and has been traded on the STAR segment since January 2004.

The Holding Company, Sogefi S.p.A., is subject to the policy guidance and coordination of its parent company CIR – Compagnie Industriali Riunite S.p.A..

1. CONTENT AND FORMAT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

1.1 Format of the consolidated financial statements

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

Consolidated Statement of Financial Position

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

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

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

- it is expected to be realised/settled or it is expected to be sold or consumed in the normal cycle of operations, or*
- it is held primarily for the purpose of trading, or*
- it is expected to be realised/settled within twelve months after the reporting period.*

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

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

Consolidated Income Statement

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

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

- Contribution margin;*
- Operating result;*
- EBIT (earnings before interest and tax);*
- Result before taxes and non-controlling interests;*
- Net result before non-controlling interests;*
- Group net result.*

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

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

(determined mainly according to financial or economic parameters) depending on their own socio-economic characteristics. Similarly, the “Operating result” does not include exchange gains and losses as they are considered more a part of foreign exchange management.

For the sake of more effective disclosure, these types of income and charges are shown separately on the table presented here and, where necessary and significant, the notes to the financial statements give a clear indication as to their nature and amount.

Consolidated Statement of Other Comprehensive Income

The Consolidated Statement of Other Comprehensive Income includes all the changes occurring in Other comprehensive income of the year, generated by transactions other than those conducted with shareholders and in compliance with specific IAS/IFRS accounting principles. The Group has chosen to present these changes in a separate table to the Consolidated Income Statement.

The changes in Other comprehensive income are shown before the related tax effect with the aggregate amount of the income taxes on said variations being recognised in a single item.

Consolidated Cash Flow Statement

A Consolidated Cash Flow Statement split by area of formation of the various types of cash flow as indicated in international accounting standards is included, though we are of the opinion that it is not an ideal format to understand the cash flows of an industrial group such as Sogefi. The Report of the board of directors therefore includes another statement that shows the cash flow generated by operations, which we consider to be a more effective tool for understanding how funds are generated and absorbed within the Group.

The Consolidated Cash Flow Statement has been prepared using the indirect method.

Please note that in this cash flow statement, the change in working capital may not coincide with the difference between the opening and closing statement of financial position figures because of exchange differences: in fact, cash flows generated are converted using the average exchange rate for the year, while the difference between the opening and closing consolidated statement of financial position figures in Euro may be influenced by changes in exchange rates at the beginning and end of the year, which have little to do with the generation or absorption of cash flow within working capital. The exchange differences generated by opening and closing statement of financial position are booked to “Exchange differences on assets/liabilities and equity” in the consolidated cash flow statement, whereas in the Consolidated Cash Flow Statement required by IAS 7 they are booked to “Exchange differences”.

Consolidated Statement of Changes in Equity

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

1.2 Content of the consolidated financial statements

The consolidated financial statements as of December 31, 2011 include the Holding Company Sogefi S.p.A. and the directly or indirectly controlled subsidiaries.

Section H of these notes gives a list of the companies included in the scope of consolidation and the percentages held.

These financial statements are presented in Euro and all figures are rounded up or down to the nearest thousand Euro, unless otherwise indicated.

The consolidated financial statements (prepared on a line-by-line basis) include the financial statements of Sogefi S.p.A., the Holding Company, and of all the Italian and foreign companies in which, directly or indirectly, it holds a majority of the voting rights.

During the year the following changes occurred in the scope of consolidation:

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

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

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

For further details on the acquisition of Group Systèmes Moteurs, please refer to paragraph “2.2 Business combinations”.

Finally, it should be noted that:

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

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

2. CONSOLIDATION PRINCIPLES AND ACCOUNTING POLICIES

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

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

2.1 Consolidation principles

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

The scope of consolidation includes subsidiaries and associates.

All the companies over which the Group has the direct or indirect power to determine the financial and operating policies are considered subsidiaries.

The assets, liabilities, costs and revenues of the individual consolidated companies are fully consolidated on a line-by-line basis, regardless of the percentage owned, while the carrying value of consolidated investments held by the Holding Company and other consolidated companies is eliminated against the related share of equity.

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

The financial statements of the subsidiaries are drawn up using the currency of the primary economic environment in which they operate ("functional currency"). The consolidated financial statements are presented in Euro, the functional currency of the Holding Company and hence the currency of presentation of the consolidated financial statements of the Sogefi Group.

The procedures for translation of the financial statements expressed in foreign currency other than the Euro are the following:

- the items of the Consolidated Statement of Financial Position are translated into Euro at the year-end exchange rates, taking account of any exchange risk hedging transactions;
- the Income Statement items are translated into Euro using the year's average exchange rates;